RHÖN-KLINIKUM AG

ANNUAL REPORT

2008

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 48 hospitals from all levels of care – basic to maximum – as well as 20 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.

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FINANCIAL CALENDAR 2009

Dates for RHÖN-KLINIKUM shareholders and financial analysts

12 February 2009	Preliminary results for financial year 2008
23 April 2009	Results Press Conference: publication of 2008 annual financial report
23 April 2009	Publication of interim report for the quarter ending 31 March 2009
10 June 2009	Annual General Meeting
6 August 2009	Publication of half-year financial report as at 30 June 2009
29 October 2009	Publication of interim report for the quarter ending 30 September 2009
29 October 2009	Analyst Conference

Susanne Zedler, Krankenhaus Waltershausen-Friedrichroda

“ The doctors and nurses are very nice and friendly, and they answer all questions in a way patients can understand. I will definitely recommend the hospital to others, since I was in good hands here and was very well cared for. ”

PICTURES

Finding innovations in medical care – that is what has dominated our Company for more than 30 years. On our 20th anniversary as a listed Company, we invite you to survey our hospitals and in this year‘s pictures let our patients speak to us: after all, they are the ones we seek to win over with good medical treatment.

We embarked on a journey together with photographer Sylvia Willax from Munich. We took pictures of our patients who had the choice of answering one of the three following questions: Why have you decided in favour of the hospital/the department? Are you satisfied with the care provided by the doctors and nursing staff – if so, why? Would you recommend the hospital/the department to friends/acquaintances – if so, why?

In this Annual Report we present a small selection of our patients’ impressions. We would like to thank all the patients and staff for their help. The pictures on page 189 show St. Petri-Hospital and Wesermarsch-Klinik in Nordenham. Both facilities have been part of the Group since 2008.

KEY RATIOS 2004-2008

	2004 € '000	2005 € '000	2006 € '000	2007 € '000	2008 € '000
Revenues	1,044,753	1,415,788	1,933,043	2,024,754	2,130,277
Material and consumables used	252,418	343,611	491,890	496,517	539,863
Employee benefits expense	546,560	793,593	1,127,840	1,203,979	1,270,593
Depreciation and impairment	57,052	66,825	75,033	91,772	90,680
Net consolidated profit according to IFRS	80,200	88,300	109,059	111,194	122,644
– Earnings share of RHÖN-KLINIKUM AG shareholders	76,404	83,680	105,200	106,292	117,299
– Earnings share of minority owners	3,796	4,620	3,859	4,902	5,345
EBT	111,922	123,532	125,706	137,085	142,912
EBIT	123,780	140,071	146,143	157,490	172,077
EBITDA	180,832	206,896	221,176	249,262	262,757
Operating cash flow	137,792	155,559	165,020	190,975	213,745
Property, plant and equipment as well as investment property	794,774	978,019	1,140,290	1,209,442	1,391,019
Income tax claims	0	0	19,055	20,577	18,776
Other assets	2,647	2,660	1,436	1,556	2,308
Equity capital according to IFRS	568,711	641,532	728,741	810,831	889,263
Return on equity (in %)	14.9	14.6	15.9	14.4	14.4
Balance sheet total according to IFRS	1,155,619	1,622,218	1,979,625	2,073,099	2,140,894
Investments					
– in property, plant and equipment as well as in investment property	100,638	290,557	393,517	180,677	278,784
– in other assets	634	202	610	257	103
Earnings per ordinary share (in €)	0.74	0.81	1.01	1.03	1.13
Total dividend amount	20,390	23,328	25,920	29,030	36,288
Number of employees (by headcount)	14,977	21,226	30,409	32,222	33,679
Case numbers (patients treated)	598,485	949,376	1,394,035	1,544,451	1,647,972
Beds and places	9,211	12,217	14,703	14,647	14,828

Wolfgang Pföhler
Chairman of the Board of Management

OUR PRINCIPLES FOR GOOD MEDICAL CARE AND SOUND GROWTH:

BEING CLOSE TO THE PATIENT, MEDICALLY INDEPENDENT AND EFFICIENT

“The healthcare industry is in flux, its sectors and medical disciplines are converging. The increasing variety and intensity of interfacility co-operation schemes are helping to secure high-quality medical care. We have prepared ourselves for this development and we have a clear strategic approach, staking our success on a comprehensive, closely integrated acute-care offering and the integration of medical service providers at the various levels of care. On this basis we have every prospect of seeing our Company successfully make the transition from hospital operator to integrated healthcare provider.”

Dear shareholders,

Over the past year you have once again demonstrated a strong interest and trust in our Company, for which I extend to you my sincere thanks. Particularly in these difficult economic times we moreover regard the trust you have placed in us as your way of thanking us for reporting to you at all times, in a comprehensive and transparent manner, about the current developments at our Company and the environment in which it operates. All the more reason, then, for us to continue this good tradition.

Financial year 2008 showed that – also through rough seas – we are staying right on course for further growth with our medical and entrepreneurial expertise. We are currently experiencing the most severe global economic and financial crisis seen for many decades; the scope and pace of the downturn have led to a high level of insecurity in many sectors and make it difficult to plan seriously for the future.

As a reliable employer and engine of growth we make our social contribution. Particularly also in times of crisis, we as a private healthcare provider help the state perform its duties. We keep a steady course, invest in bright minds as well as in high-quality, innovative and independent medical care, drawing on variety in ideas and seeking new avenues of co-operation. In this way we win over our patients with quality – something we have been doing now for over 30 years. Over this period we have time and again set medical standards as an innovator in patient care. For this reason we present to you in this Annual Report just a few facets of our broad medical offering with its far-reaching potential. As a publicly listed group, we succeed year after year in implementing innovative, tailor-made approaches and in combining good medical care with sound business judgment.

We thus once again comfortably met our forecasts for the past year, with all our key ratios exceeding the previous year's results. In 2008 more people than ever before put their trust in us. Our staff took care of 1.65 million patients. This translates into growth of 6.7 per cent compared with the year before, and demonstrates good medical practice and the tremendous dedication and commitment of our staff. We want to continue to convince our patients with quality so as to earn their loyalty long-term. After clearing the hurdle of two billion euros in revenues in 2007 for the first time, we succeeded in expanding our service volumes in 2008 by 5.2 per cent to 2.13 billion euros, thus even slightly exceeding our forecast for revenues. Our reliability can also be seen in net consolidated profit which we raised to roughly 123 million euros. This was a perfect touchdown on our forecast.

Together we are working on the future of our Group, with the close integration between the outpatient and inpatient sector as well as the expansion of interfacility co-operation playing a crucial role in this. For us this represents a key quality and efficiency leverage and the opportunity to secure high-quality medical care close to where people live, which also includes observing the principle of medical independence and freedom of medical research and teaching.

With our growth strategy, we are staking our success on acquisition-driven and organic growth in the outpatient and inpatient areas. That is why we anticipate the necessary structural

change and already today are paving the way for the future of our Company as an integrated provider of healthcare services.

We turn our attention to our university hospitals. We actively involve them, bridging all levels of medical care. In this way we complete our output chain, combining the highest clinical expertise with new scientific findings in a finely tuned transfer of knowledge. Such strengthened co-operation between specialists is also exemplified by the establishment of the Scientific Advisory Panel of Universitätsklinikum Gießen und Marburg, which took up its work in 2008. The main focus of its work is advising on scientific issues and ensuring a sustained partnership between medical research/teaching and provision of good patient care.

We also want to put even greater emphasis on further training and higher-qualification measures at our hospitals. Specially for this purpose we have established a central co-ordination department and adopted a package of measures to ensure that qualified, motivated young medical talent enjoy more extensive opportunities to develop their careers at our Company. In so doing, we are deliberately taking a stake in the future, since we are thereby creating a stable platform for high-quality patient care. This is the quality that accounts for the entrepreneurial success we have enjoyed as a responsible healthcare service provider for decades.

Early in financial year 2009 we also geared the organisation and personnel resources of Company to the tasks lying ahead. This was accompanied by an expansion in the Board of Management and the appointment for the first time of a medical doctor to the Board of Management. Furthermore, under the Group structure of RHÖN-KLINIKUM AG we placed outpatient-inpatient basic and standard care alongside specialised, intermediate and maximum care. Strong integration and co-ordination functions will ensure smooth co-operation between these two divisions and guarantee that all efforts are turned towards our common strategic corporate goal.

With this new Group structure and broadly diversified package of measures, we are turning our Company from a traditional operator of hospitals into an integrated provider of healthcare services. At the same time we are strengthening our core business of inpatient specialised, intermediate and maximum care and paving the way for further growth. We thus provide answers to the pressing questions of the future, namely how to ensure reliable healthcare delivery that everyone can afford.

The regulatory-policy and legislative environment remains challenging. We meet this challenge through our resilient business model with its solid long-term financing basis. In this way RHÖN-KLINIKUM AG is primed for the acquisition of further acute hospitals. We therefore see the opportunity of further buoyant growth. For this reason we expect rising revenues and a further increase in net consolidated profit for the current financial year. Our target for revenue in 2009 – not including further acquisitions – is roughly 2.3 billion euros. Our earnings forecast for 2009 is likewise made on a conservative planning basis, but at the same time is ambitious. We put our earnings target for 2009 at a net consolidated profit of roughly 130 million euros, but in view of the opportunities and risks see a deviation of plus or minus 5 million euros as possible.

This earnings target is essentially based on growth in our operating performance. That means we will continue to largely compensate the underfinancing of personnel and material cost

increases by expansions in service volumes and will moreover succeed in generating further profit contributions. For our shareholders, this in turn results in an absolute rise in earnings.

The foundation of our common success is the motivation and daily commitment of our staff. They are the ones who have ensured that our patients receive good medical care and that we have been able to make numerous investments creating the basis for our future growth. On behalf of our Board of Management I would like to extend my sincere thanks to them for their dedication and hard work.

We also thank the members of the Supervisory Board, the Advisory Board and, not least, the employee representatives for their constructive collaboration.

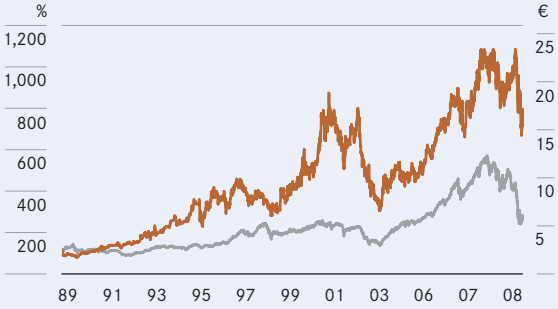
Our very sincere thanks goes especially to you, our shareholders, for the trust you have put in the future prospects and continued future development of our Company and the value you attach to your stake in it.

Bad Neustadt a.d. Saale, April 2009

Wolfgang Pföhler
Chairman of the Board of Management

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

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



THE RHÖN-KLINIKUM SHARE

Share performs well despite difficult times
Proposed increase in dividend to 0.35 euros

THE STOCK MARKETS IN 2008

Worldwide, 2008 was completely overshadowed by the financial crisis and will probably go down as one of the worst years ever seen in stock market history. Turmoil on the financial markets with extremely erratic share price fluctuations and stark currency swings, the surging and then plummeting oil price, the banking crisis, the establishment of state rescue funds and international economic stimulus programmes running into the billions were the things that marked a crisis-ridden 2008.

Over the year, the German leading index DAX® plunged 40.4 per cent to 4,810 points. For the second-tier-stock index MDAX®, 2008 was the weakest year in its history. It lost 43.2 per cent over the year, closing at 5,602 points.

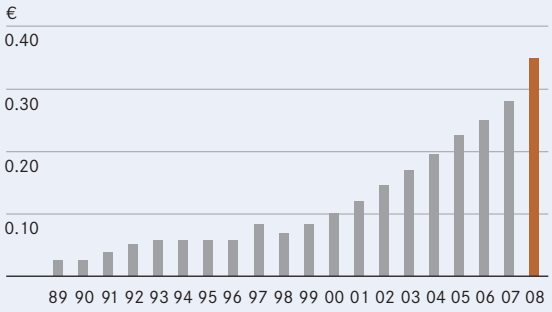
RHÖN-KLINIKUM SHARE OUTPERFORMS MDAX®

The share of RHÖN-KLINIKUM AG partly escaped the massive slide in share prices on the stock markets. At year-end the share price was quoted at 17.07 euros, which translates into a price loss of 20.9 per cent. The RHÖN-KLINIKUM share – despite the decline in absolute terms – thus performed much better than the MDAX®. Thanks to this performance, the RHÖN-KLINIKUM share as at 31 December 2008 ranked 6th (previous year: rank 22nd) by capitalisation in the MDAX® in which it has a weighting of 3.5 per cent. At year-end, the 103.68 million non-par shares in issue had a market capitalisation of 1.77 billion euros (previous year: 2.24 billion euros).

A total of 102.8 million RHÖN-KLINIKUM shares (+15.1 per cent) or nearly 2 billion euros were traded on the German stock exchanges (including the Xetra®) during the reporting year 2008. Intraday trading volume averaged roughly 403,000 non-par shares or 7.8 million euros, with Xetra® trading accounting for 98.6 per cent.

Our operating business remained virtually unaffected by the financial markets crisis. Our financial structures are sound. At present we see no credit shortage for us; borrowing is taking place as usual. RHÖN-KLINIKUM AG is seen by lenders as a safe investment opportunity.

Dividend trend



2008: Proposal to the Annual General Meeting on 10 June 2009
1997: Including one-off bonus of € 0.02

All values adjusted (in €), as well as all previous capital-related measures (ordinary share).

Strategically the crisis also presents opportunities. In economic downturns, pressure on municipal hospital operators mounts as tax revenues decline and funding gaps widen, forcing most municipal owners to scale back their loss financing. This diminishes their manoeuvring room to compensate for any losses. For us this is a situation offering new opportunities for hospital takeovers and sustained growth.

DIVIDEND

Our dividend policy is geared towards both long-term value enhancement and sustained earnings strength of the Company. For the reporting year 2008 as well, our dividend policy allows us to once again propose a higher dividend for our shareholders. That said, the Board of Management and the Supervisory Board propose a departure from the practice of increasing the cash dividend taking the usual cent-by-cent approach.

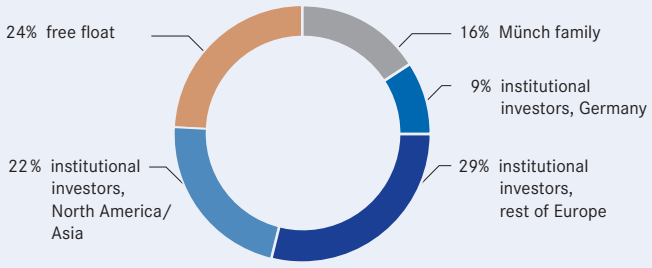
Instead – subject to the approval of the Annual General Meeting – a fixed percentage amount of shareholder profit will be paid out for 2008 and in future. Against the background of the growth targets on the one hand and shareholders' expectations for returns on the other, the Board of Management and the Supervisory Board regard 30 per cent of the profit share attributable to shareholders as a reasonable dividend. For the past financial year 2008, the Board of Management and the Supervisory Board propose a fixed amount of 0.35 euros (previous year 0.28 euros).

The RHÖN-KLINIKUM share		
ISIN	DE0007042301	
Ticker symbol	RHK	
Share capital	€ 259,200,000	
Number of shares	103,680,000	
	31. Dec. 2008	**31. Dec. 2007**
Share prices, in €		
Year – end closing price	17.07	21.58
High	23.32	23.35
Low	14.36	17.96
Market capitalisation (in € m)	1.769.82	2.237.41
Key figures per share in €		
Dividend	0.35	0.28
Profit	1.13	1.03
Cash-Flow	2.06	1.84
Equity capital	8.58	7.82

INVESTOR RELATIONS ACTIVITIES

In reporting year 2008 we further optimised our IR activities, since only comprehensive and ongoing reporting ensures the requisite capital market transparency. A continuous and open dialogue with all market participants will enable us to meet the higher information requirements of the capital market. At the same we thus provide both investors and analysts with a sound basis for company valuation, thus supporting the investment decisions of investors.

Shareholder structure of RHÖN-KLINIKUM AG



As an integral part of our communication strategy we stay in close contact with shareholders, analysts as well as potential investors. In numerous one-on-one discussions, at roadshows, conferences, and company presentations – in some cases at our hospital sites – we inform about our corporate trend and our growth strategy.

We provide information about our business performance on a quarterly basis as part of our financial reporting. We promptly publish current information about the Company as corporate 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, our autumn analyst conference as well as our Annual General Meeting. In September 2008 our third Capital Markets Day was held at DKD Wiesbaden. Given the strong turnout and positive feedback, we will hold this event on a regular basis.

The next Annual General Meeting will take place on Wednesday, 10 June 2009, at 10.00 a.m. (admission from 9.00 a.m.) at the Jahrhunderthalle in Frankfurt-Hoechst.

A financial calendar containing all important financial dates in 2009 is provided on page A at the beginning of this Annual Report as well as on our website at www.rhoen-klinikum-ag.com under the section “Investors”.

USE IT OR LOSE IT
INNOVATION NEVER SLEEPS

Medical research and therapy development in a private hospital group? Innovative organisational and treatment concepts in hospitals belonging to a stock corporation? How can that work? The fact that innovation within the healthcare system can be perfectly consistent with the aims of a for-profit corporation – and more than that, can even make a contribution towards achieving these aims – is something that today’s RHÖN-KLINIKUM AG has demonstrated time and again during the more than three and a half decades of its company history. Its willingness to invest substantially in innovation makes it a highly attractive employer for ambitious physicians.

*Von Joachim Weber **

It introduced new forms of clinical organisation which, after some hesitation, were imitated by many. With some of its facilities it pioneered specialisation in medical niches hitherto neglected in Germany. Doctors from the RHÖN-KLINIKUM Group were and are – on account of their high expertise in hospital care and their willingness to seek and take new approaches – time and again valued as initiators and partners in medical development projects. Such development co-operation programmes with industry also help make the company the trailblazer in hospital care provision.

And not least in all this: it was RHÖN-KLINIKUM AG that discovered the structure of a growing group as the primary source for a new form of clinical medicine. Regional and supraregional networking, interdisciplinary co-operation even in small hospitals – these are strategies of value and quality enhancement that benefit not primarily the Group but first and foremost the patients in its hospitals and society in general. It is only with such strategies mobilising all conceivable synergies that the – at first seemingly utopian – goal of the healthcare provider can be attained: cutting-edge medicine for everyone.

The emphasis is on “everyone”. RHÖN-KLINIKUM AG was never a “cherry picker” as it has often been styled in the past and occasionally still is. It seeks neither especially solvent patients nor does it focus on specially lucrative fields of treatment. The vast majority of its 48 facilities are general care hospitals, and these are open to all persons with statutory health insurance.

The Group’s hospitals therefore directly engage in intense competition with healthcare providers. In such an environment – in the unanimous view of all doctors and businessmen within the Group – only those providers that treat their patients equally and always stay abreast of the latest developments in medicine and technology will be able to survive. This makes willingness to innovate and the commitment to invest core elements of a corporate strategy

** Freelance journalist in Frankfurt am Main*

Yvonne Zschieschang, Kliniken Herzberg-Osterode

"People here look after the needs of expectant mothers individually and at all times. At least one mid-wife is available at any time of the day ready to help and give advice. The maternity ward also has a great deal to offer in the area of alternative medicine. Patients here know they are in good hands, and there is no 'mass processing'."

which stands out clearly from the approaches taken above all by public hospital operators.

What that means for doctors and patients in day-to-day clinical practice, what structures it gives rise to and what the further development might look like is something we would like to outline in a brief survey of the Group. Here we will take a behind-the-scenes look at Universitätsklinikum Gießen und Marburg, Herzzentrum Leipzig as well as the operations of a portal clinic – the smallest hospital unit which taps into the expertise of the big facilities by means of telemedicine, thus bringing cutting-edge medicine to the region. We will turn our attention equally to both individual medical achievements and the one big common innovation: the establishment of highly efficient networks at completely different levels, from the small world of an individual hospital to the wider world of global co-operation amongst a small number of centres in cutting-edge research. That said, we of course will be able to cover only some of the many facets of a big kaleidoscope – any account even approaching comprehensiveness would go beyond the scope of an annual report.

LOOKING BACK

THE FLOW PRINCIPLE

Eugen Münch, founder, long-standing chairman of the Board of Management and today chairman of the Supervisory Board of RHÖN-KLINIKUM AG, is an economist, not a doctor. It was first and foremost as an economist that Eugen Münch – after venturing a first cautious step into the healthcare system with a very innovative form of psychosomatic hospital – took a close look at the traditional structures of German hospitals. And he saw a lot of things he could only shake his head at: useless clinical processes, misallocated resources, outdated equipment, high rates of idle capacities, patients as hospitals' acquiescent bed-fillers.

From these observations and considerations he came up with something that is still valid to this day: the flow principle, as the basic organisational form of all Group hospitals. To a certain extent this principle turns traditional conceptions of what a hospital is on its head: the patient becomes the focus of interest of a hospital's activities. And the patient sets the pace and determines clinical processes, and precisely for this reason the workings of the hospital are simplified. The complexity of the individual ward is diminished. Thanks to a higher degree and a different kind of division of labour, resources are used more sensibly.

To orient a hospital's clinical processes to the respective condition of the patient, RHÖN-KLINIKUM AG introduced a system comprising four levels. It recognises that patients have to be cared for with varying degrees of intensity in the course of their recovery. For this reason a patient is accommodated in wards whose technical equipment is adapted to the needs of that patient. From the highest level of intensive care over intermediate intensive care (intermediate care not requiring artificial respiration) and the normal care ward, through to the low care ward prior to discharge, a patient is escorted through various levels of care depending on how the patient's recovery progresses. In this regard, the patient and his or her relatives have an overview of the process at all times: whenever the patient is moved they are thoroughly informed of the reasons.

Andreas Farr, Zentralklinik Bad Berka

“I would recommend the hospital to others because the co-operation and communication between the various departments works very well and the care provided by the doctors and nurses is competent and patient-focused. Because they always had time for me.”

THE MEININGEN MODEL

As experience soon showed, this process had certain limitations within the walls of conventional hospitals. RHÖN-KLINIKUM AG therefore used its first green-field site construction project to create a stone and glass structure specifically and fully tailored to the flow principle. At Klinikum Meiningen, only some 30 kilometres from the headquarters of RHÖN-KLINIKUM AG, the company in 1995 realised Münch’s idea for the first time without restriction. All those that were to work according to this concept were involved: project groups scrutinised every socket, the location of every room and every door. The experiment was a success. The new hospital proved the efficiency of this new hospital form – at Meiningen, operating costs per case (excluding amortisation) were 20 to 40 per cent lower than the national average. And patients arriving in droves quickly bore testimony to the facility’s high acceptance amongst people from the surrounding regions.

Until very recently, the hospital in Thuringia continued to be a model facility, attracting visits by delegations from far and wide – until the visits became all too disruptive for clinical operations. “Meiningen was an innovation in its own right”, says today Medical Director Dr. Eckhard Meinshausen. “We didn’t compete with university hospitals, but offered very good medical care for everyone, around the clock – and to this day with good economic results. We were thus able to demonstrate that you can provide good general medicine without making losses.”

The hospital in the meantime has six certified medical centres, including the first prostate cancer centre in Thuringia. Moreover, it operates a supra-regional stroke unit as well as that federal state’s largest neurosurgical department. One indicator of its reputation is that 43 per cent of its patients come in from outside the actual catchment area, and 20 per cent from Bavaria alone.

HEART OPERATIONS FOR MASS PRODUCTION

The company’s management team were not content to just think about concepts and leave them at that. They were untiring in their search for gaps in health-care provision that had to be filled, and for offerings that were attractive enough to draw in patients from far away to what was then the “no man’s land” near the East German border. What caught its attention in the early 1980s was the growing number of patients heading for Switzerland, the UK and even the US to have their heart problems fixed with the latest operation techniques. For most, there was no alternative but to go abroad – at that time Germany still did not have sufficient capacities for this.

RHÖN-KLINIKUM AG recognised the opportunity of offering these patients an alternative in Germany and at its Bad Neustadt headquarters built a totally new hospital specialised in cardiovascular disease, Herz- und Gefäß-Klinik, which opened its doors in 1984. Münch’s idea: high case numbers and the routine of performing the same operations over and over again would create the highest possible quality and safety for patients. The vision became reality: “Our predecessors raised this area of medicine to a level of standardisation and processing that until then was unimaginable”, as Professor Dr. med. Anno Diegeler, today head physician of heart surgery at Herz- und Gefäß-Klinik, still fully recognises. Word about this quality level spread quickly. Patients from throughout Germany, and soon after from abroad as

well, thronged to Bad Neustadt. The figure of some 1,000 operations in the first year speaks for itself.

Like any new medical approach, this one also gradually became generalised. Moreover, doctors and medical technology firms developed new procedures making more and more "major" and difficult heart operations obsolete. Standardisation gave way to individualisation, preserving the target instead of replacing came increasingly to the fore, and the increasing possibilities of minimal-invasive interventions with increasingly finer instruments meant that the scalpel and heart-lung machine were used only for the most difficult cases. In this new environment also, Herz- und Gefäß-Klinik stayed ahead, says Professor Diegeler: "For special operations, many patients still come from all over Germany. More and more people are learning about the expertise that we have."

SAVING HANDS AROUND THE CLOCK

The approach of ensuring quality through specialisation and high case numbers was also followed by the hand surgery hospital Klinik für Handchirurgie, which commenced work in 1992. In Würzburg, Münch came to know Professor Dr. Ulrich Lanz who as a hand surgeon worked in what is actually a niche area – to this day the combination of trauma, bone, nerve and plastic surgery is not an independent medical specialty but is authorised only as a supplementary qualification, and to this day hand surgery is usually a sub-department of another surgery department. RHÖN-KLINIKUM AG offered the surgeon his own hospital in Bad Neustadt, and he gladly accepted.

The new arrival on the hospital landscape and its performance and achievements quickly became known. Like Herz- und Gefäß-Klinik, it also attracted more and more patients who were victims of accidents and were even flown in to Bad Neustadt by helicopter. Professor Lanz today remarks: "In Bad Neustadt we achieved something that at the time was quite unique: a replantation service ready and available around the clock capable of repairing severed limbs and other injuries without losing any time." Ten operators were needed to keep the service going.

Above and beyond this, Lanz and his team still managed to put their medical creativity to use. They developed an artificial ulna head, introduced finger-joint endoprotheses in Germany and adopted wrist operating techniques from the US which they immediately performed in large numbers in Germany. Here, too, the special thing was that the hand surgeons not only performed operations but also monitored the results. "This combination of innovation and quality control by post-operative monitoring was unique at the time in non-university hospitals", recounts Professor Lanz. "Even today the combination of clinical work and science is still something rare."

Today, under Lanz' successors Dr. Jörg van Schoonhoven and Dr. Karl-Josef Prommersberger, the hand surgery clinic has 18 surgeons who treat all disorders of the upper extremities, from child malformations to the most serious injuries, from ganglion to rheumatic diseases. Microsurgical nerve reconstruction has been part of the offering already since 1992. In 2008 the hand surgeons performed more than 6,500 operations – a testimony to the facility's huge reputation. Today's team has also

produced some developments of its own, such as devices for lengthening bones in the lower arm or for treating fractures of the radial head. And it closely escorts clinical science with numerous national and international presentations and publications.

THE ISOTOPE FACTORY

Zentralklinik Bad Berka in Thuringia, in which the group acquired a 75 per cent ownership interest in 1991, was also an innovation, albeit of a completely different kind: it was the first state-owned hospital that RHÖN-KLINIKUM AG consolidated within its group. It was a real challenge: the GDR-style building was in poor condition and its structure made it difficult to adopt sensible clinical processes. While hospital operations were still under way, the management in Bad Neustadt had the hospital renovated, refurbished and extended. Consequently, in 1994 the operative and intensive care centre with 14 operating theatres and 88 intensive care beds was opened. In 1995 the replacement bed facility with 488 beds was opened, followed in 1998 by the new west wing with a centre for paraplegics, a central diagnostics department and the Centre of Positron-Emission Tomography (PET).

That marked the beginning of level two of innovation in Bad Berka – the development of the facility into a really unusual hospital of its kind. With the appointment of the nuclear medicine specialist Professor Dr. Richard P. Baum, who came from the University Hospital of Frankfurt am Main to Thuringia, the Group established a medical discipline in Bad Berka which to this day is not something usually seen at hospitals. In 1997/1998 Professor Baum – in close co-operation with the engineer Dipl.-Ing. Rüdiger Wortmann – began to set up a radiopharmacy including a cyclotron (particle accelerator) for the production of short-lived radioactive drugs he needed for examinations with the PET.

The radiopharmacy is a pharmaceutical production facility, and as such is subject to the rules of Good Manufacturing Practice (GMP) applicable throughout Europe. The hospital-internal factory was one of the first radiopharmaceutical facilities not falling under state responsibility. Today it supplies more than 20 hospitals in Germany and Luxembourg with F-18 fluordeoxyglucose, the standard drug used in PET tumour diagnosis. The number of radiopharmaceuticals produced in Bad Berka for examinations using the PET has since grown significantly.

In addition, radiotherapeutics are manufactured that are introduced with high precision into tumours which they radiate from the inside, in this way inhibiting tumour growth or completely destroying tumour cells. In molecular cancer therapy Professor Baum still sees enormous potential. At the international level, he works internationally with many institutions (including closely with the University of Seoul) in the development of therapeutic radio peptides. Baum: “In nuclear medicine we are right up there in the top league.” Patients come from all over the world (and even from the US) for radio receptor therapy in Bad Berka where already over 2,000 of these special treatments have been performed.

FIGHTING TUMOURS WITH MICROSPHERES

Working just a few doors away from Professor Baum and in close collaboration with the latter is Dr. Alexander Petrovitch, head physician of interven-

Marina Herr, Frankenwaldklinik Kronach

"I am completely satisfied. I am from a nursing profession myself and I know I am in very good hands."

tional radiology. His centre to date is the only one in Germany that was selected as a "Center of Excellence" for embolisation therapy. This therapy, too, is targeted at certain forms of cancer and works from the inside: using image-based minimal-invasive methods (angiography), microspheres are introduced with a catheter into the blood vessels supplying a tumour and block (embolise) them. In this way the tumour is cut off from its supply and, as it were, starved to death.

Not only that: other microspheres can be coated with a radiating material, such as ytrium 90 whose radiation penetrates the tissue to a depth of only 2 to 11 millimetres and remains active for about 11 days. The radiation is thus limited locally and its time of action controllable. To date, this radio-embolisation is used by only few hospitals in Germany, and Zentralklinik Bad Berka is the only one in Thuringia. Other microspheres can be coated with a chemotherapeutic which then – likewise in addition to embolisation – works only locally and does not affect the whole body. Generally, such chemo-embolisation is used only in the liver, but Dr. Petrovitch has also already achieved good results in kidney, bile-duct and pancreas tumours and in spinal chord metastases.

SPINAL-CHORD HIGH-TECH

One of the biggest areas in Bad Berka is its clinic for orthopaedics, spinal surgery and paraplegia. Under the management of Dr. Heinrich Böhm since 1994, it, too, has often been in the headlines with innovative operating techniques for more efficient and gentler treatment of spinal diseases. One care area is the development of minimal-invasive accesses. Since the hands can no longer be present locally, the work has to be controlled by optical systems (endoscope, microscope) using specially developed instruments.

Already in the nineties, Dr. Böhm developed a thorascopic method (i.e. looking into the thorax) for performing complex spinal interventions. Whereas with the conventional method the anaesthetised patient often had to be turned over twice to enable safe access, Dr. Böhm's technique allows for the patient to be treated in the prone position with only one positioning and sterile covering being needed for the entire procedure. The main advantage of the method is that the physician can work simultaneously on the spinal structures located in front of and behind the spinal marrow. Apart from that, the procedure results in lower material costs and reduces the time needed in the operating theatre.

With more than 2,000 patients having been successfully treated using this method, this additional option has produced significantly better results compared with the open standard method. Particularly for spinal metastases, vertebrae destroyed by pyeses and for destructions caused by osteoporosis, the gentler access technique has proven itself and often makes the treatment possible in the first place.

To go with this access technique, Dr. Böhm developed the required minimal-invasively insertable implants for which he has been granted several patents. One example is the world's first thorascopically insertable expandable vertebral bodies made from titanium. The innovative Dr. Böhm also takes credit for a microscope-controlled procedure for operations in the lumbar spine where disk prolapses can be removed under a three-dimensional view gently and safely (microscopically assisted

percutaneous nucleotomy, or MAPN). This access technique proves ideal for many forms of narrowings of the medullary canal and in recent years has been used more and more frequently as a solution for a standard spinal problem experienced in old age. The world-class innovations from Bad Berka also include a new, key-hole operating technique for removing disk prolapses in the cervical spine area. This spares many patients the ankylosis or use of artificial disks otherwise required in other techniques – and the payers of the system the additional costs.

THE FIRST UNIVERSITY HOSPITAL

Parallel to the modernisation in Bad Berka, preparations were under way for the construction of a heart centre, Herzzentrum Leipzig, which was to start out – for the first time in Germany – as a university hospital. In 1994 everything was ready. A big part of the adjacent university heart surgery, cardiology and paediatric heart clinic moved into the ultra-modern building with its spaciously laid out research wing. Four years later Herzzentrum made headlines, becoming the world’s first heart clinic to have its own robotic operating theatre.

The robot in question was a three-armed telemanipulator that could control the probes equipped with the instruments and a camera with millimetre precision. These probes were introduced into the thorax – through tiny incisions between the ribs, as with manual minimum-invasive procedures. With this machine known as daVinci that he operated from a control panel in room adjacent to the operating theatre, Professor Dr. Friedrich-Wilhelm Mohr in 1998 performed beating-heart bypass operations – at the time a sensation. The procedure was so gentle that the patient was at the press conference held the next day to announce the successful intervention.

DaVincis’ advantage is that its computer filters out every shaky, undesired movement. The flipside of the story is that to this day the mechatronic system responds with slight delays and generally works more slowly than a surgeon, who moves the instruments directly. “It turned out to be easier for us to operate using today’s high-resolution video technology directly”, explains Professor Mohr. “With the robot we need four hours for the reconstruction of a mitral valve, with the video-based procedure two hours.” Nevertheless, a new version of daVinci is to be put to work for heart surgeons: as a simulator on which young doctors can do operation training. At two control panels two trainees and one experienced operator work together. The operating robot has since found a new field of action in urology, for instance for prostate operations.

HEART OPERATION FOR PATIENTS AT RISK

The heart surgeons in Leipzig have meanwhile developed the minimal-invasive technique further. Particular attention was attracted by an operation on the beating heart without a heart-lung machine that is especially suitable for patients with an elevated operation risk: the implantation of a heart valve over the apex of the heart. Because this part of the heart does not contribute to the pump output of the left heart chamber, the heart apex can be punctured to insert a catheter. With this catheter the occluded aortic valve is first expanded via a balloon in order to

Herbert Balzer, Universitätsklinikum Marburg

"This is my fourth time in this hospital."

insert a new heart-valve prosthesis. Surgeons gain access to the apex of the heart through a small incision between the ribs below the chest.

The path via the heart's apex, even compared with already very gentle catheter implantation procedures using the femoral artery as an accessway, has another major advantage specially for old patients: "This method does not require any manipulation within the aortic arch, which means that the risk of calcifications being released there is very low. As a result, the risk of stroke is minimal compared with the method accessing via the femoral artery", explains Professor Thomas Walter, member of the Leipzig development team.

DOUBLE-PACK UNIVERSITY HOSPITAL

Already in Leipzig, Eugen Münch had hoped one day to be able to integrate the entire university hospital into the RHÖN-KLINIKUM Group. The plans, also for the financing, had already been drawn up. But this project did not get anywhere – its time had not come. It was only in 2006 that things were ready for a project at another place: in the Federal State of Hesse, where on 1 February RHÖN-KLINIKUM AG took over roughly 95 per cent of Universitäts-klinikum Gießen und Marburg amalgamated specifically with a view to being privatised – a first in Germany. As part of the takeover, RHÖN-KLINIKUM AG committed itself to investments of 367 million euros – which is also what it immediately set about doing.

The chairman of the Board of Management Wolfgang Pföhler, under whose management the takeover was carried out, underscored: "In this trusted partner-ship we are pursuing common objectives together with politicians and science. With this project we are creating already today the basis for good medical care tomorrow and will ensure a high quality of care throughout the state of Hesse and beyond. That is our ethical claim and our entrepreneurial vision."

With the privatisation, scientists see a way out of the funding impasse that had increasingly restricted their research possibilities. "At the beginning of the privatisation, there was a gigantic investment deficit in Gießen and Marburg, both in buildings as well as medical technology. All necessary equipment investments at both sites were made by RHÖN-KLINIKUM AG already within the first two years of the privatisation. The entire backlog will be eliminated by 2010", happily remarks Professor Dr. Werner Seeger, the Medical Director of the twin hospitals. The result was a substantial improvement in working conditions, which is also something that benefited patients.

Equally important for the researching doctors is their competitive position globally where, not least, their funding is at stake. "Cutting-edge university medicine that can also claim to meet top interna-tional standards arises only where modern clinical structures, an innovative creative management and excellent biomedical research – oriented on use by patients – are combined", states Professor Seeger. These prerequisites had increasingly been met since the privatisation. Professor Seeger: "I am thoroughly convinced that Universitätsklinikum Gießen und Marburg will not only be able to live up to its role as Germany's third-largest university hospital, but also has the prospect of assuming a top position in university medicine internationally."

This is also to be helped by a project that the Board of Management of RHÖN-KLINIKUM AG already had on the agenda when it signed the takeover agreement. Prompted by a magazine report on a test facility in Loma Linda, California, the Group’s management already at the end of the 1990s discovered the possibility of using protons in tumour radiotherapy.

HEALING WITH ATOM NUCLEI

With heavy ions, which are usually nuclei of hydrogen or carbon atoms, tissues are radiated with greater precision in a much gentler procedure compared with conventional forms of radiotherapy. This is because, unlike gamma-rays or X-rays predominantly used in radiation medicine until now, these “particles” penetrate the first layers of the body nearly unchecked, losing almost no energy. Only when they reach the end of their precisely calculable range do the particles release most of their effective energy into the tumour tissue. In other words: not as much surrounding tissue is destroyed, and there are fewer side effects.

After RHÖN-KLINIKUM AG organised two symposia with physicists and radio-oncologists on the subject of heavy ion therapy, a small delegation from the Group made its way to Loma Linda to actually see the technology in action. The experimental facility for particle treatment at the University Medical Center there was so technically convincing that concrete plans were drawn up, in close consultation with the Darmstadt GSI Helmholtz Centre for Heavy Ion Research, for the construction of a clinical facility in Germany. After taking over the university hospitals in Gießen and Marburg, the Board of Management quickly decided to realise these plans in Marburg.

For roughly 120 million euros, an impressive facility is currently under construction there. The accelerator system comprising a linear accelerator for generating the ions and a synchrotron 27 metres in diameter for producing the input speed has a length of 100 metres. The upstream radiation rooms and – in keeping with the flow principle – the rooms for patient preparation kept separate from the radiotherapy area result in a building depth of 70 metres.

Each treatment room is equipped with a robotic patient positioning table to ensure exact positioning. Positioning control and correction is done using state-of-the-art X-ray-based methods, which are also robot-assisted. The facility is to be available for general use from 2010 on following a testing phase.

“That is the world’s first fully – i.e. from planning to execution of radiotherapy – robot-assisted therapy sequence of a radiotherapy facility”, underscores Professor Dr. Rita Engenhart-Cabillic, Director of the Marburg Clinic for Radiotherapy, who has already done pioneering work in this field for years. “With this tool we can treat with greater precision than ever before tumours that cannot be reached with a scalpel.”

Particle therapy marks a quantum leap in radio-oncology. Nonetheless, there is still room for further development: “Technical solutions still need to be found for moving target regions. Moreover, we will be able to fully exploit the potential of high-precision radiation therapy only when the imaging technology for this has caught up. For example, to also assess the biology of the tumour, we need a molecular imaging technique along the same lines as PET or functional MRT.” But already today, Professor Engenhart-Cabillic can exclaim: “This facility is an

immense gift which I gladly accept, also on behalf of my future patients, a dream that I would never have dared to dream."

AND AFTER THAT?

Already the huge project of particle therapy makes it clear that innovation at RHÖN-KLINIKUM never stands still. However, it should not be overlooked that dedicated doctors are at work throughout the entire decentralised building to improve and renew processes, procedures and equipment so as to provide their patients with even better care. For this reason we now leave this retrospective view, which also contained some elements of the present, to look forward to the future. Unfortunately, we can make only a few brief comments here regarding the numerous, smaller projects that are of no small significance.

FLEXIBLE RAYS

Dr. Reinhard E. Wurm, who heads the Clinic for Radiotherapy and Radio-Oncology at Klinikum Frankfurt (Oder), like many of his colleagues is convinced that his facility works at least at the university level. One certain indicator: "We have patients coming to us from the Middle East and Eastern Europe". Although Dr. Wurm does not have a particle accelerator, he is committed to the further development of photon technology: "Some of the units we work with here are models specially made for RHÖN-KLINIKUM."

The thing behind the image-controlled radiotherapy used in Frankfurt (Oder) is one of the most modern linear accelerators in Germany. The radiation apparatus is highly flexible and allows for gentle treatment of both deep and superficial tumours in and on the whole body including the head. A robotic operation table combined with a computer tomograph keeps the patient in the correct position. Dr. Wurm helped develop the new therapy in collaboration with a Bavarian and a Californian company that provide the system jointly.

TECHNOLOGY – NO QUESTION

"RHÖN-KLINIKUM Group is very quickly willing to invest in technical equipment if you convince them of the medical and economic benefits", explains Dr. Thomas Funk, Medical Director of Klinikum Frankfurt (Oder), from his experience. "It is not only in this respect that we are far better off compared with when we were a public sector facility – and our patients are too."

The same experience has been made by doctors in many of the hospitals taken over. Computer tomographs are generally approved as basic technical equipment without much discussion. Investment backlogs, which are so often diagnosed in hospitals that have just been taken over from the public sector, as a rule are quickly eliminated. In this way state-of-the-art medical technology, also in smaller hospital units, is to make a substantial contribution towards maintaining high quality everywhere. "For good medical care you need good medical technology", is the credo of the responsible managers.

This is because for RHÖN-KLINIKUM Group the quality of medical services has top priority. That's the way it was from the outset. Because, to quote

Eugen Münch once again: "Quality is the basis of our existence. If quality is not good, patients vote with their feet. And we must never forget: as a private company we are subject to insolvency procedures."

CROSSED SOUND WAVES

RHÖN-KLINIKUM AG's fondness of innovation also benefits Professor Dr. Gerlinde Debus, Head Physician of Gynaecology at Klinikum Dachau. She uses a still unusual technique to remove abnormal proliferations in the body without a scalpel. Working together with the radiologist of her hospital, she uses high-frequency ultrasound to remove annoying uterine myomas (benign tumours). Several ultrasound sources are mounted under the table of a nuclear magnetic resonance tomograph on which the patient lies on a gel cushion (for sound transmission). The co-ordinated sound waves are focused on the myoma. Where they cross, i.e. in the myoma, they produce heat ranging from 60 to 80 degrees Celsius.

The process is monitored by a nuclear magnetic resonance tomograph that registers where the greatest heat is developed and readjusts the table. The patient has to stay there for about five hours before the myoma is destroyed. "Compared with other methods such as operating or embolisation in which microspheres block the vessels to the myoma, this intervention is almost painless for the patient", explains Dr. Debus regarding the advantages of her method. "And it especially helps young women wanting to have children." The limited penetration depth of the ultrasound of 12 centimetres maximum does however limit its use.

Klinikum Dachau is one of 64 centres worldwide and one of the three centres in Germany that have so far been using this technique. In Germany the Dachau facility has – by treatment numbers – the most experience with the ultrasound procedure; in Europe it ranks second after Moscow.

LUMINESCENT POLYPS

In the endoscopic early diagnosis of cancer precursors in the colon, Professor Dr. Brigitte Mayinger, Head Physician of Medical Clinic II at Klinik München-Pasing, is breaking new ground.
A fluorescent substance is administered into the colon through a clyster. There it builds up after a defined incubation period in the cancer precursors referred to as adenomatous polyps. Of particular diagnostic interest are the very flat colonic polyps that frequently escape conventional white-light endoscopy but can exhibit malignant variations already early on.

The fluorescent tumour marker possesses the characteristic of glowing red when stimulated under blue light. In this way, cancer precursors become visible in the colon as red glowing areas against a blue background. "This special procedure is practised nowhere else in the world but in Pasing", Professor Mayinger notes.

In examinations with white-light coloscopy used up to now, up to 10 per cent of the larger polyps, i.e. those measuring more than 10 millimetres referred to as colonic adenoma, are overlooked, especially when they lie in hidden regions. To test the efficiency of the fluorescence procedure, an endoscope was specially developed which produces both white and blue light. The finding of the tests: "With

Marianne Langer, Zentralklinik Bad Berka

"The beautiful building, the good accommodation, the competent advice and the good experience of the operation reinforced my view that Bad Berka can always be recommended for such a difficult operation."

fluorescence coloscopy we discovered 38 per cent more adenomatous polyps", reports Professor Mayinger. "And the side effects are negligible."

HEART VALVES FOR DIFFICULT CASES

Dr. Herbert Posival, Medical Director and Head Physician at the heart surgery hospital Klinik für Herzchirurgie in Karlsruhe, has been having a lot of visits over the past months. Heart surgeons from Germany and abroad are travelling to Nordbaden to learn a new operating technique: the minimal-invasive replacement of aortic valves. "Together with Herzzentrum Leipzig, we are the leaders in this procedure", says Dr. Posival. "The co-operation of our hospital with Städtisches Klinikum Karlsruhe and St. Vincentius-Kliniken Karlsruhe is recognised as a reference centre."

In this "keyhole" intervention, a folded-up heart valve implant is led along the large leg artery to the heart with a catheter, brought exactly into position by means of imaging procedures, and finally unfolded and anchored. This procedure replaces a large chest operation with a heart-lung machine, which can be very dangerous especially for elderly patients (over-75s) or patients with additional conditions. "For this patient group, the catheter method lowers the considerably higher risk from a normal procedure to about three per cent", explains Dr. Posival. For reasons of safety, the operations are performed at Klinik für Herzchirurgie. There a heart-lung machine, that can also be used for the full-scale surgical intervention, is available should any emergency arise.

Looking forward, Dr. Posival remarks: "The method of implanting heart valves using a catheter will definitely become more widespread", he predicts. Since in this and other heart surgery interventions the heart surgeon and the cardiologist have to work side by side, the Karlsruhe subsidiary also put into service a so-called hybrid operation theatre at the beginning of 2009. Its special feature: integrated into the sterile environment, which is also suitable for normal open-heart operations, is an angiography facility (showing real-time images of blood vessels) which otherwise is only found in the catheter lab. There, everything is possible, from minimal-invasive procedures to major operations.

THE NETWORKING MEGATREND

If a cardiologist and a heart surgeon work side by side at the operating table, they form the smallest conceivable competence network. But it can get bigger than that. "Networking" is a red-hot subject which is currently playing a key role, and not just in the world of the RHÖN-KLINIKUM Group. Networks can be formed at all levels: between individual doctors, between departments or whole hospitals, locally, regionally, nationally, and internationally. They can arise spontaneously when experts get to know one another at a congress, and they can be set up in organised form. They can be reduced to a purely technical link as with a telephone network, but can also be a form of totally informal interaction, as when somebody says: "I'll just give so and so a call."

Networking – at first it sounds like technology, computers, the Internet and intranets. It is certainly true that technical aspects play an important role in the networked life of the Group: who has to be able to communicate with whom, which hospital should

be linked with what other hospital, which information should be transmitted, how is data storage to be organised as well as data protection, and how should data flows be channelled so as to prevent information chaos? Solving these problems is no trivial task.

A FILE CALLED WEBEPA

A prime example of this is the web-based Electronic Patient File, or WebEPA for short. It is to contain everything that you find in traditional paper patient files: findings, X-ray images, lab results, previous therapies, emergency information relating to allergies, blood type or chronic conditions. Unlike its physical predecessor, it is designed not only to gather information from one “service provider” – i.e. one GP or specialist, one hospital, a radiology practice – but to escort the patient through all stages. This make it possible to avoid redundant examinations, for example X-ray images, as well as redundant prescriptions or even conflicts of new drugs with those that have already been prescribed. In addition, all doctors in the treatment chain know about special risks and intolerances.

The benefits are clear and the principle sounds simple enough. But as is so often the case, the devil is in the detail. There is still no statutory basis for the Electronic Patient File – at each stage of treatment the patient has to once again give his/her consent to the procedure. Rights of access have to be defined: Who is allowed to view what information? Moreover, plenty of communication problems have to be clarified. To find and classify a patient’s data within the network, a clear code is needed. For this, data experts of RKA have developed a master patient index. Moreover, there should not be too many different formats for the same “papers” – a certain standardisation of, for instance, doctors’ forms, is inevitable.

The electronic file directory does not yet contain everything that its developers would like to see in it, for example the clinical record which by no means is available everywhere in digitalised form. By and large, though, RHÖN-KLINIKUM AG probably enjoys a leading position in the development of inter-facility patient files in Germany.

LONG-DISTANCE EXPERTISE

Another important field of technical development relates to applications with the prefix “tele”: telemedicine, teleradiology, teleconferencing … The basic approach is to spread out centralised cutting-edge expertise to the fringes by means of modern technology on site. Because there are pronounced shortages of radiologists and because this discipline lends itself very well to telemedicine, this innovative application is already becoming widespread within the RHÖN-KLINIKUM Group.

For example in Erlenbach in the Bavarian Lower Main region – whose hospital has a radiology department only available during normal service hours but still keeps available a 24-hour emergency ward. If during the remaining 16 hours a patient with unclarified symptoms is admitted, the Erlenbach head physician for cardiology Professor Dr. Christian Bruch can immediately call the Institute for Diagnostic and Interventional Radiology at Herz- und Gefäß-Klinik Bad Neustadt and request radiological assistance. “Competent imaging is simply needed around the clock in an acute hospital”, says Professor Bruch, describing the requirements.

Based on the instructions of the radiologist in Bad Neustadt, the medical-technical X-ray assistants in Erlenbach place the patient on the bed of the computer tomograph and start the examination. The digital X-ray image is sent online to the expert's screen in Bad Neustadt, who notifies the medical colleague in Erlenbach of the finding – first by phone and then later in written form. After that the treatment – or operation in serious cases – can be initiated.

For patients in Erlenbach and the neighbouring district town of Miltenberg where a portal clinic has been newly built, the commitment of RHÖN-KLINIKUM AG is a stroke of good fortune: not least thanks to tele-radiology, patient care to the population from that region has witnessed a sustained improvement.

DIAGNOSIS IN A NETWORK – THE PORTAL CLINIC

Some 3,200 of such tele-assignments were handled by the radiology team headed by Professor Dr. Rainer Schmitt last year alone – in addition to the "normal" duties within Bad Neustadt hospital network. However, the institute not only works for the cardiovascular clinic in which it is located but also for Klinik für Handchirurgie. And Schmitt is proud that, particularly in the field of hand diagnostics, they are playing right up in the top league worldwide. His book on the subject is a standard reference even in the US. His interpersonal skills are complemented by his technical expertise. The radiology department in Bad Neustadt is equipped with state-of-the-art computer and nuclear magnetic resonance tomographs.

The objective of the radiologist within the Group is to establish a network of four radiology competence centres. It would include Universitätsklinikum Gießen und Marburg, Zentralklinik Bad Berka, Herzzentrum Leipzig and of course Bad Neustadt. The concept is still awaiting approval from the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety which is also responsible for issues of radiology.

The more medical knowledge is available online, the more widespread the portal clinic model will become. Introduced for the first time in 2005 in Dippoldiswalde (Saxony) and in Stolzenau (Lower Saxony), this form of patient care delivery close to where people live has also proven itself in Wittingen in Lower Saxony, Hammelburg in Unterfranken and Miltenberg in Mainfranken. "It is reassuring to have a hospital like this so close at hand" remarked a woman from Wittingen, quoted in her regional newspaper.

The idea behind the portal clinic – given the shortage of care out on the countryside – is to get the know-how of large Group hospitals into the outlying regions via an online connection, thus noticeably improving the care provided to patients in those places. To be able to offer the greatest possible range of medical services the portal clinics also co-operate intensively with community-based specialists from the surrounding areas.

Up to now it is primarily radiological-diagnostic expertise that is exchanged and spread within the Group. As technology continually improves, this might one day go as far as operations being assisted and accompanied telemedically. Moreover, the only

Evelyn Marx, Waltershausen-Friedrichroda

“I for one would decide in favour of this hospital again. All my relatives have been here. They were always helped. I can say: “They were helped back on their feet again.” Tell me, where do you still find a hospital where the doctors and staff take the time to talk to you?”

thing linking the smallest hospital units to the biggest ones is the path of knowledge transfer within the Group. Even shorter paths are conceivable.

THE REGIONAL NETWORK

A prime example of this is provided by Klinikum Hildesheim, an intermediate-care hospital laying claim to working at the level of a maximum-care facility (as a rule, university hospitals). Hildesheim is the centre of a hospital network within the Group covering broad areas of Lower Saxony. It is currently the hospital Group’s biggest and most complex regional network. Here, too, technology plays an important role. WebEPA has already been rolled out completely in Hildesheim, and the next step is being planned: integrating the electronic patient file into video-conferencing systems which are already intensively used within the network in Lower Saxony.

This pilot project “is an exciting process”, finds Medical Director Professor Dr. Axel Richter. “It allows our experts to co-operate with one another on an interfacility basis without having to spend so much time moving around the country”. This is already largely owing to today’s video-conferences. The “vascular conference”, which takes place several times a week with the colleagues in Salzgitter, already runs over screens on both sides. The tumour conferences, today still for the most part organised with 25 to 30 doctors who are physically present in Hildesheim, in future are to make greater use of video tools.

WORKING WITH PARTNERS

However, the technical network is only half of the networking story, providing the hardware and software basis for achieving primarily one goal: to work. The other half of the story is the people that want to or ought to communicate with one another. Sometimes they do this for personal motives, with colleagues from the same facility, from door to door without technical aids, or with partners from far-away hospitals whom they know and like. Sometimes they do it because they have found that it is useful and expedient to exchange knowledge and experience with others. And occasionally there are those who decline because – as is not completely unusual, especially with doctors – they are passionate individualists.

But human networks succeed as a model wherever complex relationships and high specialisation are to be harmonised. For example: “Today, modern oncology can only work in networks”, Professor Richter is convinced. In his “secondary profession” he is still head physician at the surgical Clinic I in Hildesheim, so it is to a great extent owing to his efforts that the facility already is or in the foreseeable future will be certified as a specialist centre in several oncological fields: as a gastrointestinal centre, as a breast centre, and soon as a melanoma centre.

LIVELY EXCHANGE

As a rule, such centres take the form of a partnership. For example, the gastrointestinal centre has co-operation agreements with the hospitals in Salzgitter, Herzberg and Nienburg. Together with Klinikum Salzgitter, Hildesheim is certified as a vascular centre in which three disciplines work

together: vascular surgery and radiology from Hildesheim and interventional angiology from Salzgitter. But the Hildesheim vascular surgeons work not only in Salzgitter, but also at the Mittelweser hospitals in Nienburg.

Even apart from this, there is a lively exchange of skills and capacities. Neurosurgeons from Hildesheim perform disk prolapse operations in Salzgitter. Paediatric surgeons also work at both sites, and cardiologists from Hildesheim perform catheterisations at the district hospital in Gifhorn. The whole idea behind this is that it is not the patient that should travel, but rather the doctor that has to go to the patient.

The varied network within the region supplemented by numerous interfaces to the rest of the Group, and the high quality of the technical equipment also make it easier for the Hildesheim facility to attract good people: "We are attractive, both for established physicians who want to make a difference and for young doctors", says Professor Richter, with whom many of his colleagues agree. "In a portal clinic a young doctor can develop responsibility without being left on his own."

Klinikum Hildesheim is also attractive for community-based doctors. A practice for radiotherapy, a Nuclear Medicine Institute (with PET) and an Institute of Pathology already operate on the site. To draw further co-operation partners closer to the hospital, the Group has set up a specialist centre which is rented out to 24 specialist doctors and soon will probably have to be expanded – because of the high demand. In this "medicinum" the doctors work in affiliation with the big hospital but independent from the Group.

THE SAXONY TRIO

A size smaller, but no less effective, is the regional network in Saxony. In the Sächsische Schweiz-Osterzgebirge district, three Group facilities co-operate with one another – Krankenhaus Freital and its portal clinic in the district City of Dippoldiswalde with Klinikum Pirna – primarily with one objective: "Through our interfacility work we want to make better use of the special potential that each of the three hospitals has. By establishing areas of focus in selected fields and offering these skills at all sites, we can also counter the increasing shortage of doctors in the region. This improves medical care in the whole district", says Dr. Ursula Zufelde, Director of the Freital-Dippoldiswalde Hospital Network. For this purpose, community-based doctors and other facilities from the region are also included in the regional network.

The hospitals have embraced this co-operation wholeheartedly. The trauma surgeons from Freital and Pirna take turns operating at both facilities. The paediatric clinics of both facilities have the same head physician; the paediatric clinic in Pirna is operated as an outpost for Freital, since it would otherwise no longer be able to exist under the hospital requirement plan of the Federal State of Saxony. In 2007 both hospitals together were certified as the "Freital Pirna Breast Centre" which also involves community-based doctors, pathologists and radiologists. As part of this centre the psycho-oncologist from Klinikum Pirna also works in Freital.

As their next project the two facilities have their sights set on a joint diabetes and vascular centre that will take shape from July 2009. Before that, the Freital quality manager will help her colleagues

from Pirna to prepare for the certification as gastrointestinal centre – the Freital Gastrointestinal Centre has already been certified since 2008 by the specialist company Onkozert as a network, which in addition to surgeons and internists from that facility also includes colleagues from Pirna, numerous community-based physicians of different disciplines, self-help groups and even the University Hospital in Dresden.

ANGEL AWARD

Another type of networking with the surrounding regions has been promoted by Professor Dr. Bernd Griewing, Medical Director of the Neurology Clinic of Bad Neustadt. His “Stroke Angel” project, launched with several partners in 2005 as a pilot project, has now become an absolutely indispensable part of the region’s stroke care system. The Stroke Angel is breaking new ground: ambulances are equipped with a recording system that requests patients’ symptoms and basic data at the place of the stroke and during the journey to hospital. While the patient is being rushed to hospital in the ambulance, this information is transmitted wirelessly to the hospital so that it can get ready to admit the patient and provide initial care.

This saves valuable time – on average 20 minutes or more – which in stroke treatment is a decisive factor for the patient’s quality of life later on. In catchment area with some 300,000 inhabitants, Professor Griewing can expect to handle around 800 acute strokes each year. At the Congress of the European Association of Hospital Managers in Graz, this emergency system won a coveted award, the Golden Helix Award 2008, the “Oscar” of quality work in healthcare. The “Stroke Angel” is considered a model for the whole of Germany. The Neurology Clinic is certified as a supraregional stroke unit and multiple-sclerosis centre. It trains nursing staff for stroke units throughout Germany.

Also innovative is the neurology department – teamed up with the neighbouring cardiovascular clinic Herz- und Gefäß-Klinik – when it comes to winning over young physicians. Each spring, the two facilities together organise a cardiovascular traineeship for students of medicine which lasts four weeks and gives the participants profound insight into both clinical work and medical developments. More than 200 students from throughout Germany regularly apply for the 30 places available for this free event.

THE TEAM AROUND THE PATIENT

If you ask them about innovative approaches within their area of work, many doctors from the RHÖN-KLINIKUM Group spontaneously have the same answer ready at hand: “interdisciplinary co-operation”. The mood with regard to this subject is nothing less than euphoric. The walls between departments are becoming more porous. Where individualists once predominated, enthusiastic team players are increasingly coming to the fore.

Most doctors within the hospital network already before maintained a lively exchange of knowledge and views which the Company promoted through many different opportunities to get together, including quality circles for internal transfer of knowledge. What is new is that this co-operation is moving closer to the patient, that more and more cases are being assessed by several experts and that common therapy approaches are being sought. In oncology,

Anna Friedrich, Klinik für Handchirurgie, Bad Neustadt a.d. Saale

"The hospital has a good reputation far and wide. I got informed about it and was convinced by the diagnosis discussion. I am very happy: firstly for the good atmosphere; secondly because everyone introduced themselves in person; and thirdly because I was very well received."

this work approach has long proven itself, being firmly institutionalised in the so-called tumour conferences.

Of late, the cardiovascular doctors have also increasingly come to value the benefits of teamwork. At Herz- und Gefäß-Klinik Bad Neustadt, RHÖN-KLINIKUM AG tried a bold experiment that caused quite a stir in the sector: it appointed two head physicians of different orientations to its cardiology department. Professor Dr. Sebastian Kerber, interventional cardiologist with an additional focus on non-invasive cardial imaging, and Professor Dr. Burghard Schumacher, expert for cardiac arrhythmias, are today a seasoned management team. "Our goal is to achieve networking of expertise which we want to get to the patient in overlapping form", says Professor Kerber. "But for this type of co-operation you have to be able to allow yourself to be corrected. You are rewarded by the high level of decision-making certainty that the individual gains."

THE INTERDISCIPLINARY OPERATING THEATRE

Teamwork at Herz- und Gefäß-Klinik nowadays goes far beyond cardiology. The heart surgeon Professor Dr. Anno Diegeler, the vascular surgeon Professor Dr. Hans Schweiger, the radiologist Professor Dr. Rainer Schmitt and the anaesthetist Dr. Michael Dinkel also see the necessity of drawing closer together. Their unanimous assessment: "Today, advances in clinical medicine are achieved above all from interdisciplinary co-operation." That means having the possibility of one day having all five disciplines together at the operating table. "A paradigm change in medicine is taking place that we want to drive forward", says Professor Schumacher.

Here, as in Karlsruhe and Leipzig already, the hybrid operating theatre is available as a common platform. The combination of fully functional catheter lab with conventional equipment for major heart surgery – including the heart-lung machine – makes it a "universal vascular OR", in Professor Schweiger's view. The doctors are assisted by state-of-the-art technology. An angiographic system allowing for any kind of imaging is suspension-mounted on the ceiling so that the operators' freedom of movement is not impaired. It has a significant range for movements, controlled by electronics based on robotics technology.

Professor Kerber describes the possibilities: "In this OR we can operate an elderly patient with occluded heart vessels and additional diseases who is simply too sick for a conventional bypass. The heart surgeon gets around the problem with a minimal-invasive operation, while the cardiologist expands the vessels with a catheter. The vascular surgeon and the anaesthetist at all times are ready to intervene as well. Thus, we no longer see the patient with a defined task, such as placing a bypass, but instead comprehensively with all his diseases and the possibilities this creates." The patient thus gains the highest possible degree of safety.

NEW ALLIANCES

"Here, the interdisciplinary approach is embraced wholeheartedly", concludes Professor Kerber also in view of new co-operation schemes. Cardiological problems, such as cardiac arrhythmias, often originate from psychological problems of the patients. This connection can be clarified by the cardiologists with the specialists from the neighbouring psychosomatics department in each

individual case. And that, too, is a recent development: in the new interaction between disciplines, departments which previously worked separately and, in some facilities, far removed from the clinical realm – such as psychosomatics, psychiatry or neurology – are now looked on as valued partners. At the Bad Neustadt site, a bridging of different disciplines is promoted by the wide array of specialist offerings found at one location.

Hand and addiction clinics, psychosomatics and neurology departments, all with their own rehabilitation branches, offer many opportunities to join forces in relieving the ailments of patients. For example, the psychosomatics department and the cardiology department occasionally refer patients to the addiction clinic; the neurology department and cardiology departments work together with psychosomatists to get to the root of their patients’ problems. Vice versa, the psychosomatics department also consults the neurologists or cardiologists. The hand clinic already early on sought assistance from the psychosomatics department because hand and arm pains are often symptoms of psychological problems. Hand surgeons, neurologists, anaesthetists and psychosomatists hold joint pain conferences. The list could go on.

COLLECTIVE INTELLIGENCE – INTERNATIONALLY

The most far-reaching networking, as it were at the top of the hospital pyramid, is maintained by the university hospitals. At RHÖN-KLINIKUM Group these are the twin university hospitals in Gießen and Marburg as well as the Herzzentrum in Leipzig. In Gießen, Professor Dr. Dr. Friedrich Grimminger does translational drugs research. “We bring active agents and basic research to the patient, thus bridging the gap between the lab and the hospital bed”, he states to explain his field of work. An expensive undertaking: “It costs anywhere from 0.8 to 1.2 billion euros to get a drug ready for use. That can only be handled in international teams.”

Thus, Professor Grimminger also relies on networks. “On the one hand we need research structures, on the other clinical structures in which we can study the efficacy of our drugs. And given their scope and the immense costs involved, many tasks can be coped with only in close collaboration with top-ranked institutions abroad”, he says, explaining a matrix with a scope extending from the regional, over the national to the global level.

His hospital is a member of a network of 18 globally leading facilities in the USA, Canada, the UK, France, Italy, Spain, Mexico, Australia, Brazil and China. “We integrate top institutions into a working body of collective intelligence”, is Grimminger’s description of the association’s objective. The technical network also plays an important role here: with his colleagues Grimminger exchanges information inter alia via teleradiology.

MAGNET FOR TOP TALENT

Those who want to be part of such an illustrious circle have to have the requisite resources. “Before we were privatised we couldn’t offer that. But RHÖN-KLINIKUM has provided us with excellent structures”, Professor Grimminger says. This was also being acknowledged by international institutions when it came to getting international research funding, he added. And not least, the newly acquired

Bernd Frenzel, Park-Krankenhaus Leipzig-Südost

"I am very happy because of the great treatment, the medical know-how of the entire staff and the existing conditions, such as accommodation, preventive medical care and the availability of the best and newest medical equipment."

attractiveness is enabling him to draw capacities to Gießen, "brain gain", as he calls it – as opposed to the "brain drain" before.

However, this is also helped by the fact that "we offer pretty spectacular things: altitude studies on Mount Everest, in Kyrgyzstan and Pakistan, underwater studies in South America." Grimminger is the head physician of the world's largest lung and thorax centre – the expeditions are used, for example, to test on healthy subjects the effects of oxygen deficiency as found in the lungs of patients with lung cancer.

Three conditions had to be met to stay on top in his discipline internationally: scientific excellence, translatorial success and the backing of efficient clinical structures. The success of his work can be plainly seen: in four years his teams have made three new substances ready for use. And he doesn't worry any more about clinical structures since RHÖN-KLINIKUM AG financed the construction of modern hospital buildings in Gießen. Added to this is the good integration with the surrounding hospitals and with some Rhön-Klinikum facilities together providing high case numbers and a good basis for drug studies: "1,200 cases of lung cancer is substantial, also by international comparisons." and: "Integrated networks – that's something that especially benefits medicine."

MEDICAL FIELDS WITHIN RHÖN-KLINIKUM GROUP AS AT 31 DECEMBER 2008

	Capacities					Care levels					Status	
Hospital	Acute inpatient[1]	Day-care clinical/ day-case treatment[1]	Rehab/other[2]	Total 2008	Total 2007	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	75			x					
Klinikum Pforzheim	500			500	520		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	74	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	81		44	125	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	139		121	260	260			x					
Psychosomatische Klinik, Bad Neustadt a.d. Saale	200		140	340	340			x					
Amper Kliniken (Dachau)	410	6		416	416							x	
Amper Kliniken (Indersdorf)	50		70	120	120	x	x						
Kliniken Miltenberg-Erlenbach (Miltenberg)	86			86	86	x				x			
Kliniken Miltenberg-Erlenbach (Erlenbach)	220		32	252	252	x			x				
Klinik Kipfenberg	90		60	150	150			x					
Frankenwaldklinik Kronach	282		33	315	312	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	889		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				
Lower Saxony													
Krankenhaus Cuxhaven	250			250	250	x						x	
Krankenhaus Gifhorn	344		6	350	355		x						
Klinik Herzberg	260			260	260	x						x	
Klinikum Hildesheim	535			535	535		x					x	
Mittelweser-Kliniken (Nienburg)	243			243	245	x							
Mittelweser-Kliniken (Stolzenau)	70			70	70	x				x			
Wesermarsch-Klinik Nordenham	137			137		x							
Klinikum Salzgitter (Lebenstedt, Salzgitter-Bad)	400			400	400	x						x	
Klinikum Uelzen	359			359	368		x					x	
Städtisches Krankenhaus Wittingen	56			56	71	x				x			
North Rhine-Westphalia													
Krankenhaus St. Barbara Attendorn	286	12		298	298	x			x	x		x	
St. Petri-Hospital Warburg	153			153		x							
Saxony													
Weißeritztal-Kliniken (Freital und Dippoldiswalde)	370			370	370	x			x	x		x	
Herzzentrum Leipzig	330	10		340	340			x			x		
Park-Krankenhaus Leipzig-Südost	495	70		565	565	x			x			x	
Soteria Klinik Leipzig	56		174	230	238			x				x	
Klinikum Pirna	384	16		400	400	x			x			x	
Saxony-Anhalt													
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	272	59	186	517	516			x					
Klinikum Meiningen	568			568	568		x		x				
Total	**13,112**	**341**	**1,238**	**14,691**	**14,647**								

1 *Acute inpatient approved beds and day-clinic/day-case places according to requirement plan and Sec. 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), Kreiskrankenhaus 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 2008 to 31 December 2008

CLOSE CO-OPERATION BETWEEN SUPERVISORY BOARD AND BOARD OF MANAGEMENT

During financial year 2008 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 fundamental importance 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. 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 together with his deputy, and conferred on the strategy, business performance and risk management of the Company. In this regard the reciprocal assessment of the impact of changes now being initiated in healthcare delivery structures and the Company's strategic positioning in terms of its internal and external resources were and continue to be subjects of special importance. Since our Company, by its business activity, also initiates and promotes, or responds to, processes and developments that transform society, it comes under very close public scrutiny. This is why it is important and expedient to look at assessments and views arrived at from different angles. Discussions with other members of the Board of Management as a rule never take place without the chairman of the Board of Management unless they are meetings 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.

Moreover, outside the meetings regular management, co-ordination and information meetings were held as required between the chairman of the Supervisory Board, his deputies as well as the chairmen of the committees and, with regard to specific issues, with the individual members of the Supervisory Board possessing the requisite expertise for such issues.

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.

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.

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 combined meetings of several committees – in some cases attended by further Supervisory Board members possessing the requisite expertise on the subjects discussed – were held in 2008 on issues of fundamental and strategic importance for corporate policy.

The **Investment, Strategy and Finance Committee** met four times during the year under review (attendance rate: 97.2 per cent), and additionally met three times in combination with other committees. 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.

The work of this Committee and subsequently that of the plenary meeting of the Supervisory Board reached a particular level of intensity over the question of whether and, if so, in what form the Company should meet future growth in demand for healthcare services arising from demographic trends and advances in medicine. As a pure-play provider of hospital services within the scope of delivery structures hitherto planned by the state, the function of the Group was to fill a defined service segment in the healthcare delivery chain on a largely autonomous basis. The state's increasing withdrawal from its financial responsibility for the system of healthcare delivery coupled with a further expansion in its regulatory scope will mean that state responsibility for managing the system will increasingly be handed to the statutory health insurance funds. The influence exerted by oligopolised health insurance funds over service providers will adversely affect the level of healthcare provision. For an innovative Group like RHÖN-KLINIKUM AG, this calls for a modification of its strategic orientation. The Supervisory Board therefore discussed the approach of the Board of Management to turn the Company from a provider of individual services into a healthcare provider acting closer to the people it serves and their healthcare interests. Of significance in this connection was the question of integrating outpatient doctors by offering new medical care and participation concepts reflecting their special tasks. The re-orientation and expansion of the Group's service offering for comprehensive outpatient and inpatient healthcare provision resulted in an intensive strategy discussion in the Committee conducted jointly in several stages by the Board of Management and the Supervisory Board. After deliberation in the plenary meeting, the Personnel Affairs Committee was instructed to develop and initiate the changes in the Board of Management necessitated by the management concept.

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 over-view 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 new healthcare provision model. 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 the required investment motions were approved by the Committee.

A combined meeting of the **Investment, Strategy and Financial Committee** together with the **Audit Committee** and the **Personnel Affairs Committee** (attendance rate: 100 per cent) took place on 22 April 2008 and dealt with fundamental issues of strategy and corporate development with respect to the new healthcare model for providing those participating in such healthcare provision scheme with comprehensive and generalised outpatient and inpatient full-service healthcare and the Group's possibilities of implementing this strategy in substance, organisationally and in terms of personnel structures. In a fundamental strategy discussion of the Committee's members with the chairman of the Board of Management, the prospects of realising this new corporate concept were discussed.

Two combined meetings of the **Investment, Strategy and Finance Committee** with the newly established **Medical Innovation and Quality Committee** (attendance rate: 83.3 per cent) were held on 29 October and on 10 December 2008. Further financial experts of the Supervisory Board not belonging to the Committees attended these meetings as guests. In addition to the agenda items on acquisition and investment projects routinely dealt with, these two meetings focused on the specific implementation of the new healthcare provision model and the Group's responses to the impact of the financial crisis.

The Board of Management informed on the concept for introducing the new healthcare provision model and the approach with respect to the establishment of new divisions required for this – including the requisite personnel changes within the Board of Management. Also part of the discussion on the Group's re-orientation was the strengthening of the basis for continuing growth and for medical quality.

The financing required by the targeted expansion and the Group's equity basis and available debt capital was also discussed, with due regard being given to the adverse impact of the financial crisis on the financial markets, as a further focus of the Committee's work at both meetings. Models enabling the Group to ensure financial flexibility and independence through capital-related measures and to achieve the targeted growth were discussed critically with the Board of Management.

The **Personnel Affairs Committee** having responsibility for the personnel matters of the Board of Management held one meeting in financial year 2008 (attendance rate: 100 per cent) after considerable preliminary work being done by individual members entrusted with specific preparatory tasks. Besides routine tasks, the most important task in the past year consisted in creating the basis in personnel resources for re-orienting Group management structures through changes and re-appointments to numerous Board of Management organisational units.

The Personnel Affairs Committee selected the persons required for the new appointments and re-appointments to the Board of Management and made recommendations to the Supervisory Board for appointments to the Board of Management. To give the newly formed body a clear and strong basis and to send a clear signal of management continuity, the Personnel Affairs Committee recommended to the Supervisory Board, which recommendation the Supervisory Board followed, to re-appoint Mr. Wolfgang Pföhler to the Board of Management in advance and to nominate him as chairman of the Board of Management. The Com-mittee furthermore dealt with matters relating to the contracts of former members of the Board of Management, the review of the remuneration structure, the amendment and conclusion of service contracts of members of the Board of Management as well as the appraisal of the performance and development of the individual members of the Board of Management.

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 five times in the year under review (attendance rate: 96.7 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 2007. 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 2008 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, defined the scope of the audit as well as concluded the remuneration agreement for the same. Also examined was the award of consulting contracts for non-auditing services to statutory auditors within the Group.

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 quarterly 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 development of the financial integration of Universitätsklinikum Gießen und Marburg GmbH into the Group and the related changes in these enterprises to bring about the requisite increases in the quality of patient care, efficiency and scientific performance were and continue to be monitored critically by the Committee members based on the figures submitted by the Board of Management.

The Group controlling report submitted quarterly, which forms part of the risk management system, was discussed in depth at all committee meetings in consultation with the divisional head of Group Controlling. The body had itself regularly informed about the activity of the Internal Auditing department from reports submitted by the head of Internal Auditing who attended four meetings. The submitted auditing reports were discussed with the Board of Management. The Committee approved the auditing plans of the Internal Auditing department for 2008 and 2009 and agreed to Terms of Reference for the Internal Auditing department. The Committee deliberated on the development and reorganisation of Board of Management responsibilities for Internal Auditing and compliance and supports this concept.

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. Within the scope of corporate compliance, the Audit Committee approved the application of two corruption prevention guidelines submitted by the Board of Management. The compliance officer attended one meeting of the Audit Committee.

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 6 June 2008 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. The members of the Committee acting in an advisory capacity during the year under review in the establishment of rules of conduct with regard to anti-corruption and guidelines for conduct in corporate areas susceptible to corruption. These two guidelines were approved by the Audit Committee as matters falling within its area of responsibility. No meetings of this Committee were required since there were no indications of incidents suspected of involving corruption. 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 new **Medical Innovation and Quality Committee** established in July 2008 advises the Board of Management and the Supervisory Board on developments and trends in medicine and monitors the development in medical quality. This Committee met twice in combination with other committees (see above). The Committee did not hold any separate meetings of its own during the year under review.

The **Nomination Committee**, which for impending new elections will propose to the Supervisory Board suitable candidates for nominations to be submitted to the Annual General Meeting, did not meet during the year under review.

THE WORK OF THE SUPERVISORY BOARD'S PLENARY MEETING

The Supervisory Board held a total of four meetings during financial year 2008 (attendance rate: 96.3 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 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 normally first reports on current developments in the healthcare system and on the current status of the Group's development. The ensuing analytical discussions routinely require the Board of Management and Supervisory Board members to possess a good measure of first-hand insight and knowledge regarding the matters at hand.

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 that took place on 12 February 2008, the Supervisory Board thoroughly discussed with the Board of Management the concept currently being developed for a care model of generalised provision of high-quality healthcare to the population. This new corporate concept was efficiently escorted by further consultations of the Investment, Strategy and Finance Committee. The Group's planning for 2008 was thoroughly discussed giving due regard to parameters defined by the health reform, wage increases, and cost increases arising for energy. The 2008 investment plan was approved after being discussed critically and in terms of its content. A detailed report of the Board of Management on quality management was discussed in respect of its significance for the Group's competitiveness.

At the balance sheet meeting on 23 April 2008 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 2007 were discussed with the Board of Management and the auditor. The auditors reported on the essential findings and results of the audits and were available to the Supervisory Board for questions and additional information. Also discussed at this meeting were the preparations for the 2008 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.

The meeting held on 2 July 2008 dealt with the changes and amendments to the Terms of Reference of the Supervisory Board relating to its internal organisation. The committees were extended by a Medical Innovation and Quality Committee which is made up of doctors and nurses and serves as a specialised advisory body to the Board of Management and Supervisory Board. After the responsibilities of the existing Investment Committee were extended to raise the efficiency of the Supervisory Board, this body was renamed the "Investment, Strategy and Finance Committee". Further amendments were made to the Terms of Reference to adjust the same to the requirements of the German Corporate Governance Code in its version of 6 June 2008. At this meeting the Board of Management reported extensively on the current stage and further development in the realisation of the new care model and the implementation of the new divisioning related to this. Resistance from community-based practitioners voiced following the publication of the business model was discussed by the body with regard to its

causes and motives and the possibilities of reducing such resistance through information and communication deliberated.

The meeting on 30 October 2008 primarily focused on deliberations and resolutions on matters of the Board of Management relating to the reorganisation of the Group's management structure. Four new members were appointed to the Board of Management with effect from 1 January 2009. The resignations of two members of the Board of Management were accepted. The service contracts for those members newly appointed to the Board of Management were available to all members of the Supervisory Board as part of the documentation submitted for the meeting and were explained in detail by the chairman of the Supervisory Board, with reference being made to the main contractual provisions and deviations from the remuneration guidelines. The earnings targets submitted by the Board of Management for financial year 2009 were discussed thoroughly and critically by the plenary meeting in terms of their premises, notably the statutory requirements and the targets specified for the Group companies. As already in the preceding meetings, the Supervisory Board examined changes in the distribution-of-business plan within the scope of the General Terms of Reference of the Board of Management.

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. Following the revision of the Code on 6 June 2008, the Declaration of Compliance issued on 24 October 2007 pursuant to Section 161 of the Stock Corporation Act (AktG) was replaced by an updated Declaration of Compliance issued on 30 October 2008 by the Board of Management and the Supervisory Board. This updated Declaration of Compliance was then permanently made available to shareholders on the Company's homepage.

In accordance with Item 3.10 of the German Corporate Governance Code, the Board of Management and the Supervisory Board report on corporate governance from page 44 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".

At its meeting on 30 October 2008, the Supervisory Board, on recommendation by the Personnel Affairs Committee, appointed Dr. med. Christoph Straub as ordinary member of the Board of Management with effect from 1 January 2009 for the term of five years. Dr. Straub will head the new Outpatient and Inpatient Basic and Standard Care division created as part of the Group's reorientation and assume responsibility for medical development and quality management in the Group as a whole. Mr. Ralf Stähler, Dr. Irmgard Stippler and Dr. Erik Hamann were appointed as members of the Board of Management with effect from 1 January 2009 for the term of five years. Mr. Stähler will assume responsibility alongside Dr. Straub for commercial management within the Outpatient-Inpatient Basic and Standard Care division. Dr. Stippler assumes responsibility for the Communication and Information Technology division and Dr. Hamann for the Finance, Investor Relations and Controlling division. Mr. Dietmar Pawlik, the Group's CFO since 2006, left the Company at his own request for personal reasons with effect from 31 December 2008 and will continue to be available to the Group in an advisory capacity. Dr. Brunhilde Seidel-Kwem, Regional Director for Western and Northern Germany since 2006, also left the Board of Management with effect from 31 December 2008 and will assume an executive position within the Specialised, Intermediate and Maximum Care division.

To ensure continuity in Group management, the Supervisory Board re-appointed Mr. Wolfgang Pföhler, chairman of the Board of Management since July 2005, to the Board of Management in advance for the period running from 1 May 2009 to 30 April 2014 and nominated him as chairman of the Board of Management.

COMPOSITION AND STRUCTURE 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 10 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 in this Report.

EXAMINATION AND APPROVAL OF THE 2008 FINANCIAL STATEMENTS

The Board of Management has prepared the financial statements of the Company and the management report for the year ended 31 December 2008 in accordance with the provisions of the German Commercial Code (HGB), while the consolidated financial statements and Group management report for the year ended 31 December 2008 have been prepared in accordance with the principles set out in the International Financial Reporting Standards (IFRS). The auditors, PricewaterhouseCoopers Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and management report as well as the consolidated financial statements and Group management report for the year ended 31 December 2008. 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 22 April 2009 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final.

The Supervisory Board approves the 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, 22 April 2009

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

2nd Deputy Chairman
Wolfgang Mündel

COMPOSITION OF THE COMMITTEES

Investment, Strategy and Finance Committee

Eugen Münch
Chairman
Bernd Becker
Detlef Klimpe
Dr. Heinz Korte
Joachim Lüddecke
Michael Mendel
Wolfgang Mündel
Werner Prange
Michael Wendl

Personnel Affairs Committee

Eugen Münch
Chairman
Bernd Becker
Dr. Brigitte Mohn
Joachim Schaar

Mediation Committee

Eugen Münch
Chairman
Bernd Becker
Sylvia Bühler
Dr. Heinz Korte

Audit Committee

Wolfgang Mündel
Chairman
Caspar von Hauenschild
Detlef Klimpe
Dr. Heinz Korte
Michael Mendel
Michael Wendl

Anti-Corruption Committee

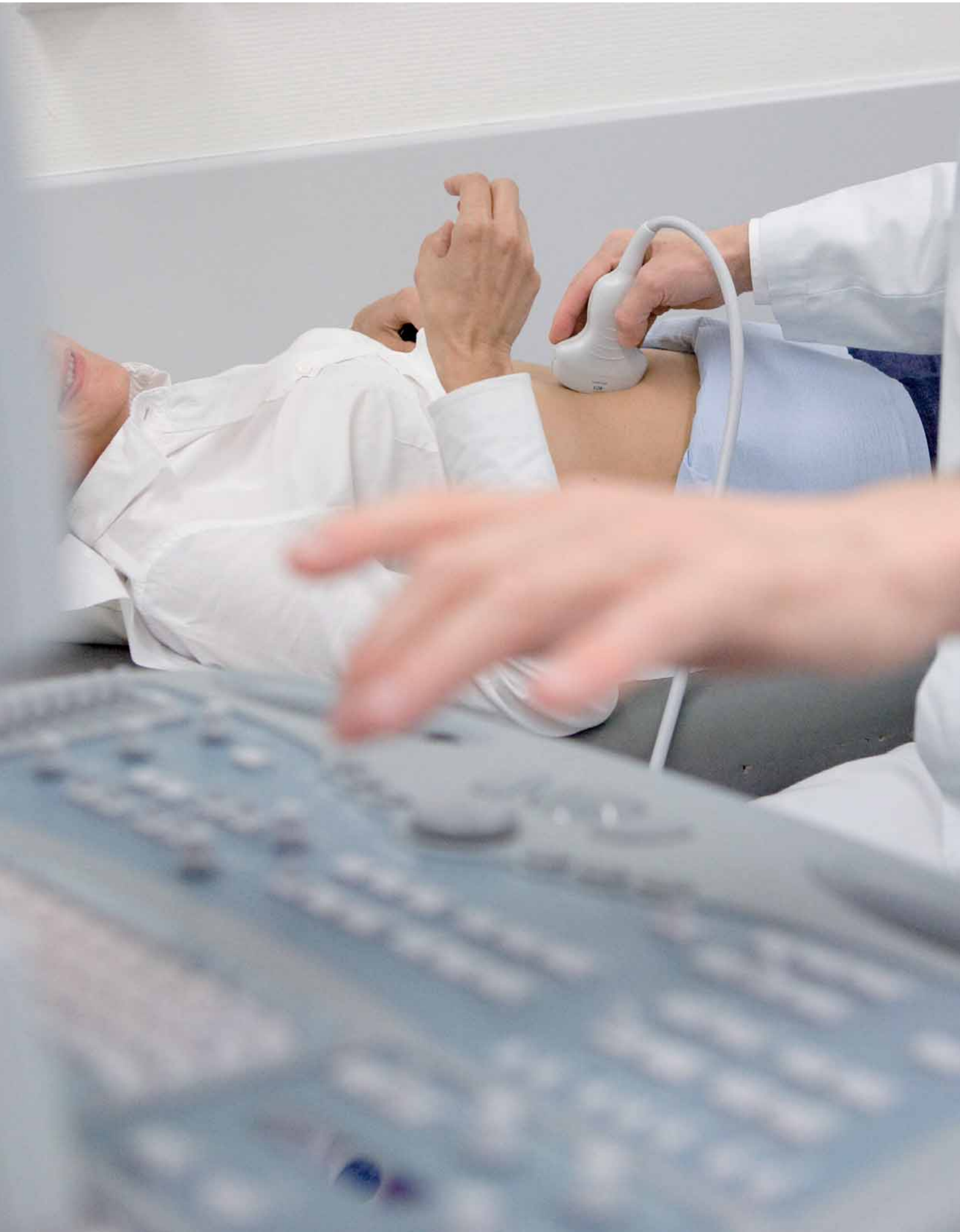
Caspar von Hauenschild
Chairman
Ursula Harres
Werner Prange

Medical Innovation and Quality Committee

Eugen Münch
Chairman
Gisela Ballauf
Bernd Becker
Prof. Dr. Gerhard Ehninger
Prof. Dr. Dr. Karl Lauterbach

Nomination Committee

Appointment of members as required



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

RHÖN-KLINIKUM AG accords high priority to good corporate governance, seeing it as being connected with a transparent and ethically sound corporate culture 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, responsible and long-term-oriented corporate governance is of central importance for our activities. Apart from one disclosed exception, we satisfy the recommendations of and voluntarily observe most of the suggestions of the German Corporate Governance Code.

In financial year 2008, 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 30 October 2008 in accordance with Item 3.10 of the German Corporate Governance Code in its version of 6 June 2008 and the following Report prepared for financial year 2008:

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 PURSUANT TO SECTION 161 STOCK CORPORATION ACT

(as issued on 30 October 2008)

“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 14 June 2007 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) have been implemented in financial year 2008 – as declared on 24 October 2007 – with the following exception:

Item 7.1.2 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 Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG furthermore declare that the recommendations issued by the ‘Government Commission of the German Corporate Governance Code’ as amended on 6 June 2008 will be implemented with the following exception:

Item 7.1.2 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 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 interest of members of the Board of Management and Supervisory Board subject to disclosure to the Supervisory Board have occurred.

RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) for members of the Supervisory Board and members of the Board of Management. The insurance premium paid by the Company in financial year 2008 was € 38,000.

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 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 of the annual and half-year financial statements of our Group as well as the annual financial statement of RHÖN-KLINIKUM AG. The chairman of the Auditing Committee has appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statement for 2008 as well as the annual financial statement as at 31 December 2008 after thoroughly satisfying himself 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 which arise 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 2008 the Board of Management of RHÖN-KLINIKUM AG was comprised of six 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 determined by regional and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation.

At its meeting on 30 October 2008, the Supervisory Board issued new Terms of Reference for the Board of Management for financial year 2009. After that, two acting members of the Board of Management resigned their office with effect from 31 December 2008 and four new members of the Board of Management accepted their appointment with effect from 1 January 2009. Furthermore, duties and responsibilities were revised. At this meeting Mr. Wolfgang Pföhler was re-appointed in advance as member of the Board of Management. By reason of the special circumstances arising from the implementation of the new corporate concept, the Supervisory Board deemed it necessary to ensure sustained continuity within Group's management (Item 5.1.2 (2) sentence 2 German Corporate Governance Code). The re-orientation of the Board of Management has been performed in the expectation of exploiting the opportunities, arising from the increasing integration of outpatient and inpatient activities, to develop a new market for RHÖN-KLINIKUM AG.

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 conflicts of interest 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 and/or their related parties on the one hand and RHÖN-KLINIKUM AG on the other also require the consent of the Supervisory Board. In financial year 2008, no conflicts of interest

Franziska Hutzel, Klinik für Handchirurgie, Bad Neustadt a.d. Saale

“What I like is that there is always a second doctor involved, so that no doctor can decide on his own. You have the feeling that the doctors really take an interest in the individual case and consult with each other on the case.”

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 mana-gement 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 meetings in 2008 in a personnel composition that was unchanged personnel compared with the previous year.

The chairman of the Supervisory Board is Mr. Eugen Münch, who performs this function in a full-time capacity. Pursuant to § 14.1 of the Articles of Association, a Supervisory Board office including a secretariat as well as a chauffeur service 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 the requirements for their qualifications and their independence from RHÖN-KLINIKUM AG to avoid conflicts of interest. 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 2008 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 new Medical Innovation and Quality Committee established in financial year 2008. 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 negotiation, conclusion, termination and amendment of service contracts of members of the Board of Management as well as the regular review of the guidelines on the remuneration of members of the Board of Management.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consoli-

René Rühl, Park-Krankenhaus Leipzig-Südost

“ Apart from my injury I don’t necessarily feel like I’m in a hospital. ”

dated 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. 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 required qualifications for this demanding position in accordance with Item 5.3.2 German Corporate Governance Code. As the second deputy chairman of the Supervisory Board he performs his duties on the Supervisory Board in a full-time capacity.

The **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 regarding proposals for the election by the Annual General Meeting of Supervisory Board members from the shareholders’ representatives on the Supervisory Board.

The **Medical Innovation and Quality Committee** set up in financial year 2008 deliberates on developments and trends in medicine and monitors the development in 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 32 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 in the Internet, we inform our shareholders, shareholder associations, analysts and media of the recurring key dates. Thanks to our active investment relations activities 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 conference in November. Results press conferences and analyst conferences are transmitted in bilingual form over the Internet. For each quarter we communicate the results in a separate report and organise conference calls unless these results have already been published at the results press conference or analyst conference. 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 2008, the members of the Supervisory Board and the Board of Management together held 16.25 per cent of the Company's registered share capital, of which the Supervisory Board accounts for 16.15 per cent of the shares in

issue. Mr. Eugen Münch and his wife Ingeborg together hold 16.07 per cent of the Company's registered share capital and the other members of the Supervisory Board 0.08 per cent of the shares in issue. The members of the Board of Management together hold 0.10 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 following transactions were reported to us in financial year 2008:

Date	Transaction type	Board of Management member	Number of shares	Price per share in €	Total volume in €
22 Jan. 2008	Buy	Dietmar Pawlik	600	16.50	9,900.00
23 Jan. 2008	Buy	Gerald Meder	7,000	17.46	122,225.00
19 March 2008	Buy	Wolfgang Pföhler	5,500	17.85	98,175.00
21 Nov. 2008	Buy	Dietmar Pawlik	620	15.80	9,796.00

In the Notes to the consolidated financial statements we also disclose dealings with related parties as well as persons and companies related to such parties. Prof. 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 € 0.6 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 from page 177.

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

Annemarie Weirauch, DKD Wiesbaden

“With outstanding medical expertise, aesthetics, I was, after parting with certain physical secrets, preserved in my innocence, and my body once again prepared for a hopeful future. I pay tribute to this highest standard that the doctors treating me set for themselves, having been embraced by such unrelenting warmth of care and individual affection.”

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, with variable components predominating. 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 54.

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 of RHÖN-KLINIKUM AG adopted the Principles on the Remuneration of the Members of the Board of Management in the version of 28 March 2006. Pursuant to Item 4.2.3 (3) of the German Corporate Governance Code as amended on 14 June 2007, the remuneration scheme is published on our homepage under the heading Corporate Governance.

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 and a contingent severance compensation commitment.

The structure of the remuneration scheme for the Board of Management is discussed and regularly reviewed by the Supervisory Board on proposal by its Personnel Affairs Committee. Determining the specific remuneration of the Board of Management is the responsibility of the Personnel Affairs Committee which defines reasonable remuneration on the basis of individually negotiated agreements and giving due regard to the remuneration guidelines.

The remuneration of the Board of Management is oriented on the work performed. Criteria for the reasonableness of the remuneration notably include the duties of the respective member of the Board of Management as well as the Group’s economic success.

With regard to the various remuneration components, 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 agreed performance-oriented severance compensation commitments are 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 non-performance-linked remuneration is paid out as a monthly salary. The members of the Board of Management also receive

additional non-cash benefits which essentially consist in use of a company car and 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, the 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 the amount of which is oriented on the development of consolidated earnings over the last three financial years of RHÖN-KLINIKUM AG. The reference value is the consolidated result after minority interests. The individual bonus rates are staggered depending on length of service, duties and position within the Company and as a rule amount to between 0.5 and 2.75 per cent of the assessment basis. Deviations from these may be defined by the Personnel Affairs Committee in the individual case.

Upon termination of the service contract, the members of the Board of Management receive a contingent severance compensation, the amount of which is determined by the currently owed annual remuneration and the length of service with the Company as member of the Board of Management. Their amount is limited to 150 per cent of the annual remuneration specified in the foregoing and may be deviated from by the Supervisory Board where justified in the individual case. Severance compensation is due and payable six months after the close of the financial year in which the service contract ends.

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

In financial year 2008 the remuneration of the active members of the Board of Management totalled € 7.1 million (€ 6.6 million in previous year). Of this total, € 1.5 million was accounted for by components that are not performance-linked and € 5.6 million by variable remuneration components. Severance claims of the members of the Board of Management amounted to € 4.5 million (previous year: € 3.5 million). Former members of the Board of Management and their surviving dependants received no remuneration and severance compensation during financial year 2008.

REMUNERATION OF THE SUPERVISORY BOARD

The compensation 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 the 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 an 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 four 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 € 2.2 million (previous year: € 1.6 million). Of this total, € 0.8 million was accounted for by fixed remuneration components. € 1.4 million was paid as performance-linked remuneration.

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 € 17,000 (previous year: € 14,000).

Remuneration of corporate bodies and Advisory Board	2008 € '000	2007 € '000
Remuneration of the Supervisory Board	2,226	1,635
Remuneration of the Board of Management	7,086	6,601
Remuneration of the Advisory Board	17	14

The Supervisory Board	Basic amount € '000	Attendance fee, fixed € '000	Attendance fee, variable € '000	Functional days, variable € '000	Total 2008 € '000	Total 2007 € '000
Eugen Münch	20	48	121	213	402	297
Wolfgang Mündel	20	52	134	135	341	240
Bernd Becker	20	44	54	0	118	91
Dr. Bernhard Aisch	20	10	20	0	50	38
Gisela Ballauf	20	14	26	0	60	38
Sylvia Bühler	20	10	20	0	50	38
Helmut Bühner	20	10	20	0	50	41
Prof. Dr. Gerhard Ehninger	20	10	18	0	48	41
Ursula Harres	20	8	15	0	43	50
Caspar von Hauenschild	20	20	59	12	111	84
Detlef Klimpe	20	26	95	0	141	94
Dr. Heinz Korte	20	26	95	0	141	94
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	12	23	0	55	38
Joachim Lüddecke	20	22	57	0	99	70
Michael Mendel	20	20	71	0	111	94
Dr. Brigitte Mohn	20	14	24	0	58	40
Jens-Peter Neumann	20	10	20	0	50	26
Timothy Plaut (until 31 May 2007)	0	0	0	0	0	7
Werner Prange	20	22	57	0	99	79
Joachim Schaar	20	14	24	0	58	47
Michael Wendl	20	26	95	0	141	88
	400	**418**	**1,048**	**360**	**2,226**	**1,635**

Remuneration of the Board of Management	Fixed € '000	Performance-linked € '000	Total 2008 € '000	Total 2007 € '000
Andrea Aulkemeyer	201	657	858	801
Wolfgang Kunz	204	657	861	806
Gerald Meder	296	1,728	2,024	1,878
Dietmar Pawlik	177	394	571	535
Wolfgang Pföhler	396	1,806	2,202	2,046
Dr. Brunhilde Seidel-Kwem	176	394	570	535
	1,450	**5,636**	**7,086**	**6,601**

Serverance claims of the Board of Management	Provisions as at 31 Dec. 2007 € '000	Increase in Severance compensation claims € '000	Provisions as at 31 Dec. 2008 € '000	Nominal amount of severance compensation[1] € '000
Andrea Aulkemeyer	453	140	593	1,061
Wolfgang Kunz	393	124	517	1,061
Gerald Meder	1,935	372	2,307	3,023
Dietmar Pawlik	105	59	164	351
Wolfgang Pföhler	530	244	774	1,369
Dr. Brunhilde Seidel-Kwem	105	59	164	351
	3,521	**998**	**4,519**	**7,216**

[1] *Claim after ordinary expiry of service contract based on remuneration of the past financial year.*

Bad Neustadt a.d. Saale, 22 April 2009

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
Nurse at Herzzentrum Leipzig GmbH, Leipzig, BA (VWA)

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, Wiesbaden

CASPAR VON HAUENSCHILD
Munich
Corporate consultant in own practice

DETLEF KLIMPE
Aachen
Commercial Director of Universitätsklinikums Aachen, Aachen
(deputy chairman of the Board of Management)

DR. HEINZ KORTE
Munich
Notary in own practice

PROFESSOR DR. DR. SC. (HARVARD) KARL W. LAUTERBACH
Cologne
Member of the German Parliament

JOACHIM LÜDDECKE
Hanover
Regional Director and Secretary of ver.di

MICHAEL MENDEL
Vienna
Merchant, Member of the Board of Management of Österreichische Volksbank AG

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

JENS-PETER NEUMANN
Frankfurt am Main
Bank Director

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
Regional Director for Saxony/Saxony-Anhalt,
Mecklenburg-West Pomerania, Berlin, Brandenburg,
provisionally, Thuringia (from 1 October 2008 to
31 December 2008) provisionally

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,
responsible for Southern and South-West Germany
and Thuringia, Personnel at Company
(from 1 January 2008 to 30 September 2008),
Internal Auditing (from 1 October 2008)

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

DIETMAR PAWLIK
business address at Bad Neustadt a.d. Saale,
member of the Board of Management
Finance, Investor Relations, Group EDP
(until 31 December 2008)

DR. BRUNHILDE SEIDEL-KWEM
business address in Hamburg,
member of the Board of Management
Regional Division Western and Northern Germany
(Bremen, Hamburg, Lower Saxony, North Rhine-
Westphalia, Schleswig-Holstein)
(until 31 December 2008)

DR. ERIK HAMANN
business address Bad Neustadt a.d. Saale,
member of the Board of Management,
Finance, Investor Relations and Controlling
(from 1 January 2009)

RALF STÄHLER
business address at Bad Neustadt a.d. Saale,
member of the Board of Management
Outpatient-Inpatient Basic and Standard Care
division (from 1 January 2009);

DR. IRMGARD STIPPLER
business address Bad Neustadt a.d. Saale,
member of the Board of Management
Communication and IT (from 1 January 2009)

DR. CHRISTOPH STRAUB
business address at Bad Neustadt a.d. Saale,
Outpatient-Inpatient Basic and Standard Care
division (from 1 January 2009)

ADVISORY BOARD

WOLF-PETER HENTSCHEL
Bayreuth (Chairman until 8 November 2008)

PROF. DR. MED. FREDERIK WENZ
Heidelberg (Chairman from 8 November 2008,
Member of the Advisory Board from January 2008)

HEINZ DOLLINGER
Dittelbrunn

MINISTERIALRAT A. D. HELMUT MEINHOLD
Heppenheim

PROFESSOR DR. MICHAEL-J. POLONIUS
Dortmund

HELMUT REUBELT
Dortmund

DR. KARL GUSTAV WERNER
Düsseldorf
(until 31 May 2008)

FRANZ WIDERA
Duisburg

QUALITY REPORT

Striving for the highest possible quality and safety in medical services is an elementary and 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 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. By inclusion of the Quality Report in the Annual Report, we want to demonstrate to those outside the Company how medical and economic success are inseparably bound up with each other.

Orienting all activities on the well-being of patients is the core element of RHÖN-KLINIKUM AG's corporate philosophy. This general principle is also followed by the quality strategy. 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. 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.

That is why quality management at RHÖN-KLINIKUM AG sets higher standards. For example, its results-based measurements – unlike the official system of the Federal Agency of Quality Assurance (BQS) in its existing selective structure – already records all clinical disciplines, and they also produce a greater depth of information than the relatively rough BQS indicators allowing for only limited sensible fine-tuning corrections in treatment methods. In our quality circles, specialist doctors from all disciplines further develop the indicator system and refine our awareness of the quality of the services we provide to patients.

Moreover, the entire quality strategy is defined more comprehensively and is based on three core elements. RHÖN-KLINIKUM AG does not limit itself to combining "classic" quality management with medical controlling. In other words, 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 covers the services provided to the individual patient, documenting these on the one hand to secure adequate remuneration of these services and create a sound information basis for budget negotiations with payers and on the other to provide an internal protocol for work with the patient recording all treatment steps, thus making it possible to develop clinical treatment paths, monitor their compliance in practice and improve them as required. At the same time such documentation serves to safeguard the hospital and its employees by making all individual steps – for example also doctor-patient information – capable of verification.

In addition to these two, the quality system of RHÖN-KLINIKUM AG further comprises a third core element: hygiene management. The task of hygiene

Marianne Rontke, Herzzentrum Leipzig

“I am very happy, pleasantly surprised by the atmosphere and the friendliness. I would particularly like to praise the student Katja G. A hug and a word of encouragement is so good for patients – better than any tablet.”

management is to minimise risks for patients and staff that may arise, for example, from infection sources, food or water supply.

Ever since the stir caused by noroviruses or pathogens with multi-resistances such as MRSAs at hospitals, greater importance has once again been attached to hygiene. At RHÖN-KLINIKUM Group, systematic monitoring of epidemiological developments as well as the water and food provided to patients has long been a permanent part of our hygiene management.

To be ready to intervene in serious cases, the Group has maintained a special notification system since 2007: once per month all hospitals provide the centralised Hygiene Management department a defined set of obligatory data, for example on the incidence of hospitalism pathogens. Additional notifications must be made on short notice when there are signs of the outbreak of a flue or diarrhoea epidemics which generally spread quickly. Water quality is also monitored Group-wide – all hospitals of RHÖN-KLINIKUM AG have water samples analysed four times a year to ensure hygiene in this area as well.

To deal with multi-resistant pathogens, the Group’s doctors have developed a common guideline. It is already applied in the initial examination done on admission: patients in whom risk factors are to be suspected – *inter alia* given their (in some cases longer) hospital history and their previous stays in other hospitals – are specifically examined for such pathogens. The hospitals are thus given the possibility of treating such patients in isolation, preventing the further spread of such viruses. In this context, RHÖN-KLINIKUM Group also of course participates in the Germany-wide “Clean Hands Initiative” created by the German Ministry of Health and the German Coalition for Patient Safety.

All three areas – quality management, medical controlling and hygiene management – use in some cases 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.

In the quality circles mentioned at the beginning, the head physicians of the specialist disciplines within the Group 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 possibilities of improvement 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.

Of the great number of projects of the quality circles at RHÖN-KLINIKUM Group, the following are singled out only by way of example. The quality circle Heart Surgery looked at the possibilities of interdisciplinary co-operation in the operating theatre. After Herzzentrum Leipzig had already gathered experience with a so-called hybrid operating theatre, this quality circle took the fundamental decision on equipping and maintaining those operating theatres in which heart surgeons,

cardiologists, angiologists and anaesthetists have optimum working conditions. Hybrid operating theatres of this new type meanwhile have been installed in Bad Neustadt, Karlsruhe and Leipzig.

Working together with the anaesthetists, the quality circle Gastroenterology implemented a new S3 guideline on “Sedation in gastrointestinal endoscopy”. The guideline gives recommendations on how and by what means patients are to be sedated for certain minimal-invasive interventions in the abdominal cavity – the designation S3 stands for the highest quality standard. The remarkable thing about this quality circle was the fact that two disciplines that previously had hardly communicated with each other now worked together and quickly produced results.

The still young quality circle Medical Care Centres (MVZs) deals with the establishment of quality management systems for the outpatient area. The objective of this pioneering work in the long term is to achieve cross-sector quality systems allowing for the treatment of patients and its quality to be pursued consistently in the outpatient and inpatient area. In this connection several specialist practices at MVZs of RHÖN-KLINIKUM Group participated in the pilot project AQUIK (Outpatient Quality Indicators and Key Ratios) of the Federal Association of SHI-Accredited Physicians. AQUIK is intended to allow quality evaluation in care provided by SHI-accredited doctors to be supplemented by the aspect of results-based quality.

A great deal of attention was devoted to the certification of organ centres in the work of several quality circles. In many different ways the circles supported the Group’s hospitals in the establishment of gastrointestinal centres, breast centres and prostate centres. Since such centres require a special organisation of interdisciplinary and cross-sector work and necessitate a host of handbooks and other materials for their certification, the exchange of practical knowledge and experience as a rule significantly speeds up the certification process.

The results are remarkable: 15 gastrointestinal centres, that is almost ten per cent of the gastrointestinal centres certified in Germany, belong to one of the 48 hospitals of RHÖN-KLINIKUM AG comparing with a total of 2,100 hospitals in Germany as a whole. A similar picture emerges for the nine breast and three prostate centres at our Group hospitals. Also noteworthy is the Comprehensive Cancer Center (CCC) of Universitätsklinik Marburg with its interdisciplinary outpatient chemotherapy centre, which is one of the few centres of its kind in Germany already certified to ISO 9001:2000 and is networked with numerous other hospitals.

RHÖN-KLINIKUM AG also makes its quality expertise available outside the Group. For example, staff from the central Quality Management department, as participants in 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 knowledge and experience to the development of new common medical quality indicators.

The fact that such key ratio systems not only meet statutory requirements but are also of high value for patient care is illustrated by the example of the Intervention Register PCI.de of the German Cardiac Society (DKG) and of the Institute of Heart Attack

Birkhild Simon, Waltershausen-Friedrichroda

“ This hospital has earned my unqualified praise. I have been in many facilities before. I would like to emphasise the organisation, the appointments for examinations are made already in advance by Dr. G., so almost no waiting times and no unnecessary redundant examinations arise. ”

Research in Ludwigshafen. The objective of this register is to evaluate the long-term results of (minimal-)invasive cardial interventions and of stent implantations so as to acquire a basis for deciding between cardiological and heart surgery interventions. All departments for interventional cardiology of our Group hospitals were involved in the drafting of this programme and participate in it.

As part of the German Society of Infectiology (DGI), the Hygiene Management department also participates in drafting a Hospital Antibiotic Stewardship guideline whose objective is to improve the use of antibiotics in hospitals and doctors’ practices to address the problem of resistances and multi-resistances of bacteria. This is an area in which plenty of work needs to be done – 30 to 50 per cent of all antibiotics are needlessly prescribed, thus making it one of the causes of the hospitalism phenomenon.

Quality management at RHÖN-KLINIKUM AG is active in many fields: it deals with such mundane tasks as 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 is always ultimately concerned with only one thing: patients as well as their health and safety. Good medical care must not be left to chance.

HUMAN RESOURCES DEVELOPMENT IN 2008

Highly qualified and motivated staff are key to the success of our Company and each of our hospitals. For us, continuous training, 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.

GOOD PROSPECTS: PROFESSIONAL ADVANCEMENT OF OUR STAFF

Human resources development is gaining increasing importance in the hospital sector as a tool of human resources management. 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 been performing extensive qualification measures for many years. The Company's growth and a host of other innovations open up attractive prospects for our staff. When providing targeted higher-qualification as well as further and ongoing training measures, we avail ourselves of innovative tools such as skills labs or e-learning. A skills lab is a training centre in which doctors acquire practical skills. Here they can learn even complicated operative interventions in a simulation environment. We convey theoretical curricula using, among other things, e-learning, i.e. web-based training systems for conveying information and knowledge.

TEACHING AND EDUCATION

RHÖN-KLINIKUM AG attaches great value to professional training, since, firstly, the Group thereby fulfils an important socio-political mandate: helping provide young people with prospects. At the same time, the sound training of our staff also secures our competitiveness in the long term.

In 2008 the number of apprentices stood at 2,425, reaching the previous year's high level. At our facilities, staff were qualified in 15 different training fields. The professional group recording the largest number of apprentices was nursing.

OVERVIEW OF TRAINING GROUP-WIDE

Apprentices/students / Training	Number		
	Year 2007	Year 2008	Difference
Health and nursing care[1]	1,525	1,509	-16
Paediatric nurse	205	190	-15
Students in practical year	243	276	33
Midwives	105	103	-2
Technical operating assistants	25	32	7
Specialist medical staff	28	25	-3
Medical-technical assistants	17	11	-6
Commercial training courses	42	41	-1
Physiotherapy[2]	90	88	-2
Ergotherapy	44	44	0
Logopaedics	30	40	10
Other	72	66	-6
Total	**2,426**	**2,425**	**-1**

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

HIGHER-QUALIFICATION AND FURTHER TRAINING

In times of mounting economic pressure on companies from the healthcare sector it is even more 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. We attach tremendous importance to higher-qualification and further training, spending over € 5.1 million on this area in 2008 – over € 1.45 million more than the year before.

During the past year, RHÖN-KLINIKUM AG offered 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. As a result, many employees from all professional groups completed further training or acquired additional qualifications in 2008.

FURTHER TRAINING OF DOCTORS

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. The main focus of these measures is aimed at optimising further training of doctors within the Group.

Michael Nauth, Neurologische Klinik, Bad Neustadt a.d. Saale

“During my treatment I was provided with excellent care by therapists and nurses. At the medical and human level, I knew I was in good hands and also made ties going beyond the treatments.”

To strengthen our competence in this area, the Board of Management created the position of co-ordinator for further training of doctors and appointed to this position, with effect from 1 December 2008, a specialist doctor with extensive experience in this field she gained from her past work at a medical association. In close co-operation with Group headquarters, she will co-ordinate the many different tasks within the area of further training for doctors. The 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 will assist 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 measure. 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 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. Here our doctors can acquire around 80 out of the 107 different possible medical qualifications.

On 1 January 2009, there were a total of 734 further training authorisations at 48 facilities of RHÖN-KLINIKUM Group, some two thirds of which are already based on the regulations of the new further training ordinances introduced by the regional medical associations. This proportion must be further raised in 2009 since most doctors are acquiring their qualification in accordance with the new further training ordinance.

FURTHER TRAINING IN NETWORKS

One of the big challenges we have identified is the creation of further training networks. Facilities that cannot offer medical qualifications in the full scope must be interconnected at the regional level in such a way that doctors can acquire the required materials without losing time. The first good examples of this can already be seen in West and North Germany. In the regional network of Lower Saxony grouping together Klinikum Hildesheim with the surrounding hospitals in Salzgitter, Nienburg, Gifhorn and Herzberg, we have succeeded in creating common further training curricula for surgical specialist competences and in introducing an exchange of doctors.

Similar projects also exist for additional specialisations such as paediatric and juvenile medicine as well as women’s medicine and obstetrics. But there are still aspects that need further refining and development.

It is also necessary to further develop proposals for improving higher-qualification and further training of doctors already made by our quality circles over the past years. 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-ordination of the timing and content for ensuring supervision of assistants 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.

However, this valuable preparatory work has been done only for part of the medical specialties existing within RHÖN-KLINIKUM Group's network of hospitals. It is therefore necessary to extend these experiences and sound approaches to further specialty fields.

HIGHER-QUALIFICATION AND FURTHER TRAINING FOR NURSES AND OTHER STAFF

We also offer our nurses a broad range of qualifications in specialised nursing areas at our hospitals. In addition to courses for ward management, courses of further training offered within our Group include:

- operation service
- anaesthesiology and intensive medicine
- endoscopy
- psychiatry
- oncology
- nephrology/dialysis
- geropsychiatry
- paediatric and juvenile medicine
- hygiene specialist.

Over the past year 100 nurses successfully completed their specialised training. The specialised training courses are professional further training measures recognised by the state. Depending on the regulations of the specific federal state, they last anywhere from two to four years.

In the case of further-training measures not regulated by the state (such as "Wound Expert ICW", or "Algesiological Expert Assistance"), we take particular care to ensure that the respective specialist organisation (e.g. ICW, DGSS) possesses the requisite certification. In addition, our training centres and company-internal 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 entire Group, as a result of the continuous expansion over the past years, has a considerable need for executive talent. With its young executive programme the Group – also compared with competitors – has set particular standards. Some 100 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

The concept applied here 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.

The goal of executive staff development is to prepare the skills of aspiring young executives for the Company's present and future requirements. Following comprehensive basic practical training, participants of the programme 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, the 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 masters programme "Process management in the hospital". This accredited programme 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, now counts 30 students in two different years of the programme. After completing four semesters and passing the exams, the first-year participants will graduate from the programme in 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. This year we intend to substantially expand our online applications management system.

PRACTISED INTERACTION BETWEEN SCIENCE AND PATIENT CARE

SUCCESSFUL SYMBIOSIS

There are arguably few areas where interaction between theory and practice calls for as much tactfulness and co-operativeness as the field of medicine. In a dialogue between independent scientists on the one hand and specialists from the area of healthcare delivery on the other, the focus is constantly turned to promoting and – wherever possible – improving the transfer of technical and procedural knowledge, the latest information and technology for the benefit and well-being of patients.

A company having an offering as broad and extensive as that of RHÖN-KLINIKUM AG and laying claim to setting patient care trends within the sector cannot succeed long-term without tapping the flow of medical innovations. We rely on the continuous transfer of knowledge from research in healthcare as this is the only way we can offer our patients better medicine and further expand our market position. Just some examples of this are new diagnosis methods allowing for early detection of diseases (i.e. before a patient shows any symptoms), or evaluating new drugs in clinical practice.

Likewise, we are keen on gaining greater insights into existing forms of therapy as well as developing and using new, gentler treatment methods. This enables us, for example, to speed up the healing process or to successfully treat hitherto inoperable diseases – such as certain forms of cancer using proton and heavy ion radiotherapy. We thus enlist modern medical research to swiftly to treat and heal our patients in an increasingly targeted and effective manner.

That is why university medicine is of such crucial importance as the driving force of our corporate development. In 1994 this was one of the key motives behind the takeover of Herzzentrum Leipzig having the status of a privately run university hospital. And it rang true once again for Universitätsklinikum Gießen und Marburg which we brought into our Group in 2006. With the integration of these university hospitals we became the first private hospital operator to successfully bridge all levels of medical care. Today we offer patients an end-to-end service chain combining high clinical expertise with the latest research findings.

The experience in Leipzig, Gießen and Marburg daily reminds us how cutting-edge achievements in science are only possible when research and teaching work independent from management interests, with science and the university hospital's management at the same time working together in a relationship of trusted co-operation. It is only by preserving 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 cutting-edge scientific achievements and high-quality medical care. And it is exactly this medical quality that is vital to our reputation and success as an innovative healthcare service provider.

Herbert Janssen, Herzzentrum Leipzig

“I came here on recommendation by the cardiologist. I was sceptical at first – so far away from home. But it was worth it. I am happy.”

PROMOTING MEDICAL RESEARCH: ACTIVELY INVESTING IN BRIGHT MINDS AND IDEAS

Quality in medicine is made possible above all by targeted investment in bright minds and their ideas. Innovation that really does something for patients comes about when people are free to creatively engage in cross-discipline research. In addition, strong and effective research in most cases still requires extensive funding. That is why – based on the experience we have gained in Herzzentrum Leipzig – we have developed a finely tuned private research funding scheme for collaboration in Gießen and Marburg, Europe’s first completely privatised university hospital. This “cross-current model” complements the existing scheme of public funding for university medicine. It is mainly geared to financing investments from own funds and to targeted innovations in a healthy competition on quality and performance. In so doing we strive to uphold our claim to being the leader of innovation in patient care.

The initial capital is contributed from three sources: the lion’s share of the funds comes from the amount allocated by the respective federal state to research and teaching. The distribution of these funds is decided solely by the medical faculties in Gießen and Marburg. The second financing source is the Von Behring-Röntgen Foundation. It was set up by the Federal State of Hesse specially for ploughing back to the university hospitals the proceeds from the purchase price of 120 million euros paid for the most part by RHÖN-KLINIKUM AG for Gießen and Marburg via Foundation capital – the interest income from the Foundation now goes for scientific development. And thirdly, part of the profit earned from hospital care is transferred from the university hospital back into science.

The array of projects grows with each funding year: it now ranges from analysis of the genetic causes of cardiac arrhythmia over the development of new methods for treating insomnia to new approaches in paediatrics – to name just a few. In paediatrics, path-breaking findings allowing for better diagnosis and treatment of kidney diseases in children can be expected as well as new insights into autoimmune diseases such as asthma, food allergies or neuro-dermitis that occur with increasing incidence already in childhood. By channelling their findings directly into patient care, scientists help the children and adult patients concerned to improve their quality of life, in some cases curing them completely. We have similar hopes, for example, with regard to the “cardio-pulmonary system” excellence cluster in Gießen.

That is what distinguishes the cross-current model: the research results from scientists are put directly into patient care where they are “translated” into diagnosis and treatment procedures. In this way medical research and patient care cross-pollinate each other in a balanced process of technology and knowledge transfer. To span the traditional gaps between university hospitals and medical care hospitals, a certain level of receptiveness and motivation for science has to be fostered. For these facilities it is important to know that they have a reliable strategic partner like RHÖN-KLINIKUM AG at their side at all times.

Anka Stanzel, Universitätsklinikum Gießen

“ ... in the delivery room, there was always someone by your side, you didn’t have to be afraid of being forgotten. The paediatric care was also very good, and you were informed right away if anything changed in the therapy... ”

KEY ROLE (MODEL) OF CO-OPERATION AT UNIVERSITY HOSPITALS

Scientific progress and actively promoting research open up new possibilities in diagnostics and therapy. Our achievements are regularly acknowledged by reputed independent institutions. For example, in the area of heart surgery and cardiology Herzzentrum Leipzig enjoys a high standing both nationally and internationally. In the research reports of the University of Leipzig over the past years, Herzzentrum’s heart surgery department in particular scores top marks in the overall rating of scientific research results in clinical medicine. The facility Herzzentrum Leipzig is one of the most productive and strongest research units of the entire faculty of medicine in Leipzig. Patient numbers there have been growing for years, underpinning the importance of such qualities also outside the university.

The German Donors’ Association for the Promotion of Sciences and Humanities in Germany (Stifterverband für die Deutsche Wissenschaft) also recognises this university commitment: in association with RHÖN-KLINIKUM AG it is promoting a donor professorship for experimental organ transplantations at Herzzentrum Leipzig over a period of five years. This distinction once again confirms the favourable scientific environment in Leipzig and the productive symbiosis between university science and private hospital management. In addition, Herzzentrum Leipzig supports further donor professorships and research areas from its own funds. The development in Leipzig clearly shows that good healthcare and good science are not contradictory but, on the contrary, are mutually dependent on each other.

Doctors working at Herzzentrum Leipzig are carrying out numerous long-term clinical studies and research projects. Their results are quickly being put back into patient care so that patients benefit from innovations in medicine directly and as quickly as possible. One example of this was seen last year with the SYNTAX study involving 62 European and 23 US facilities. What was unique was the unusually large number of patient examinations. The study – thanks to the large quantity of data and the reputed facilities involved – produced very interesting findings.

The scientists came to the conclusion that the use of filigree metal grid structures (better known as stents) used to eliminate impaired blood circulation in the coronary arteries often does not achieve the level of safety and quality of more conventional but far more complex bypass heart operations. With the study’s findings, specialists are now able to chose the optimum method in each case, thus reducing the risk of heart attack and significantly improving the quality of life for patients.

Another example of such cross-pollination between hospitals and research is the University of Giessen & Marburg Lung Center (UGMLC) and its participation in the Hesse Federal State Initiative for the Development of Scientific-Efficient Excellence (LOEWE).
A long-term objective of the UGMLC is to develop specific treatment concepts. The LOEWE programme supports this project which is intended to encompass a wide array of indications: acute respiratory failure, pulmonary hypertension, bronchial asthma, pneumonia or lung cancer. The programme brings together interfacility research concepts and various clinical innovations in the area of lung diseases.

It thus links up basic research with disease- and patient-oriented research with a view to applying the resulting improvements in diagnostic and therapeutic methods to help patients directly.

SCIENTIFIC CO-OPERATION AT ALL CARE LEVELS

This dialogue with science, given the wide array of fields and forms in which it is being practised, is exemplary. Apart from the Group's university hospitals, our network of specialised-, intermediate- as well as basic- and standard-care hospitals also promotes an exchange with other research facilities. The spectrum of co-operation schemes is broad, from scientific conferences and publications over participation in long-term clinical studies and international research projects to performance of university teaching mandates and offering specific further training measures for hospital doctors. In the following we would like to briefly touch on just a few examples from day-to-day practice.

The Group-wide oncological performance network of RHÖN-KLINIKUM AG shows just how important co-operation with the university hospitals is when it comes to providing cutting-edge medical care in rural areas close to where people live. This network started its work last year. The heart of this finely tuned care network for the treatment of gynaecological and prostate tumours is the Comprehensive Cancer Center (CCC) at Universitätsklinikum Marburg.

We already explained the concept in the 2007 Annual Report and since then can report considerable progress: the CCC now includes nine Group hospitals of basic and standard care or intermediate care – from Cuxhaven on the North Sea to Dachau in Upper Bavaria, from Attendorn in Sauerland to Friedrichroda in Thuringia. Equipped with state-of-the-art information and communication technology, the CCC gives the hospitals belonging to the network decentralised access to the regular oncological conferences. At these tumour conferences the specialists of the CCC provide pre-therapeutic or pre-operative advice as well as post-operative therapy recommendations for further treatment.

Particularly in complicated or urgent cases, the reliable link of the networked facilities to the university competence centre raises the quality of diagnosis and treatment. It moreover offers doctors attractive opportunities to exchange medical expertise. Having direct access to colleagues at the university hospital also means being able to deploy new research findings quickly to healthcare delivered close to where people live. The affiliated hospitals thus achieve a competitive advantage over providers not having any access to university medicine. And patients get cutting-edge medicine close to where they live.

Klinikum Hildesheim – one of the hospitals participating in the oncological performance network – is at the same time the hub of a regional network of Group hospitals in Lower Saxony for the further training of specialist doctors. Moreover, a large number of head physicians in Hildesheim performing various teaching mandates at the Medical College of Hanover and Georg-August-Universität of Göttingen enjoy constant contact to the medical faculties of these universities. This is

not only useful for an exchange between theory and practice also in this area, but thanks to the regional events the head physicians can establish early contact with medical students and aspiring doctors and explain to them the advantages of working in a private healthcare company. In this way they can win motivated and committed young medical talent for the Group at an early stage.

The Hildesheim doctors also take part in long-term studies – including the "atrial fibrillation" competence network funded by the Federal Ministry of Education and Research (BMBF) in which not only 14 university hospitals but also numerous specialised- and intermediate-care hospitals, some 600 community-based physicians as well as the German Heart Foundation (DHS) and the German Cardiac Society (DGK) are involved. The objective of this network is to enable better detection and treatment of atrial fibrillation. This is done in experimental examinations analysing the causes and symptoms of atrial fibrillation, the most frequent type of sustained cardiac arrhythmia. The scientists and specialists also evaluate newly developed forms of medicamentous and technical treatments.

Currently about 20 per cent of Germany's elderly population are affected by atrial fibrillation. They experience a very rapid succession of irregular heart beats. If occurring on a sustained basis, this increases the risk of heart attack sevenfold. In the view of experts, the number of those affected is likely in future to nearly double as society greys. The findings of the competence centre are to make it possible to get this risk under control and enable patients to lead a normal life largely free of complaints thanks to targeted treatment.

Zentralklinik Bad Berka – another heavyweight in our Group – also lays great store by an exchange between science and the practical realm. On the occasion of the ten-year anniversary of the positron emission tomography centre at its Clinic for Nuclear Medicine, it held a high-profile scientific symposium on cancer diagnosis and therapy in May 2008. The conference met with considerable international acclaim: there were well over 150 participants, including renowned scientists and doctors of various disciplines from throughout Europe, the US and even South Africa and Japan. At this conference in Thuringia they discussed current developments as well as the future prospects of nuclear medicine while providing valuable insights into new methods of early detection and treatment of cancer – an important subject given the over 400,000 new cases reported each year in Germany.

Applying the latest findings is also ensured by the Neurology Clinic based at our Group headquarters in Bad Neustadt a.d. Saale. It takes part in various long-term medical studies such as the Parkinson's study Sewop or the epilepsy study STEP ONE. In addition to the Neurology Clinic, the cardiovascular hospital Herz- und Gefäß-Klinik in Bad Neustadt a.d. Saale also participates in extensive co-operation schemes with external partners from the scientific community.

In the late summer of 2008, for example, it assumed the task of heading the German multicentre study GOPCABE in which twelve heart surgery hospitals throughout Germany participate. The study, led by the German Society for Thoracic and Cardiovascular Surgery (DGTHG), looks at bypass operations not using heart-lung machines performed on patients

Manfred Wiegand, Nephrology patient, Universitätsklinikum Marburg

“I would recommend the nephrology department without hesitation because I was and am being provided with excellent treatment.”

who are over 75 years of age and have an elevated risk profile. The technique was co-developed ten years ago by heart surgeons from Herzzentrum Leipzig, and today is also applied successfully at other hospitals within our Group.

The first results of the study are expected for 2011. They are to prove that bypass operations not using heart-lung machines achieve better results in terms of patient health compared with those performed using a heart-lung machine. Today, bypass operations not using heart-lung machines are considered to be much patient-friendlier as they significantly diminish the likelihood of late complications such as stroke. This is the reason that, already today, every tenth operation of this kind is performed without a heart-lung machine. In the event it is confirmed that this operation method is not only patient-friendlier but also safer, this would create the basis for its more widespread use – and would mean a higher life expectancy for many older patients.

OUTLOOK

The examples cited are representative of numerous other cases in which patients directly benefit from the findings of research projects and clinical trials. In this regard, a sound and trusted co-operation between the areas of independent science and patient care is key to ensuring better hospital care in future. Exploiting scientific findings and innovations on the one hand and putting clinical data back into scientific activities on the other are powerful tools that help reconcile the desires and needs of a greying population with a financially viable offering.

In this regard also, we can draw on our wealth of experience after 20 years as a publicly listed healthcare provider. We shall build on this foundation and press ahead with our efforts to bridge the gap between theory and practice. This will also continue to be our qualitative and social claim and our driving force, as it is the only way we can provide our patients with good medical care and earn the trust of new patients.

HEALTH AND ENVIRONMENT

As a modern healthcare company, 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 – 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.

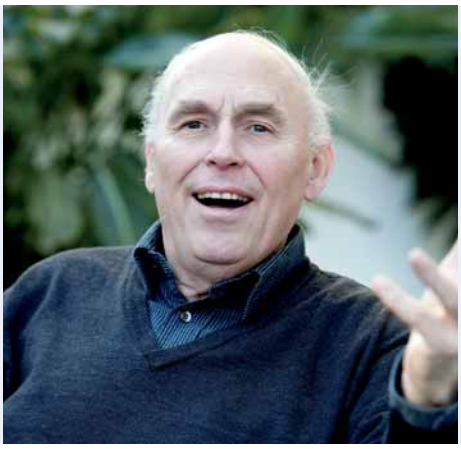
This year we have additionally included in the Annual Report for the first time a more detailed overview of our environmental management to illustrate the high significance attached to the subject of the environment and energy as part of our corporate responsibility. At the same time we also emphasise how closely related ecology and economy are (for example, the efficient supply of energy not only makes ecological sense, but also has economic benefits).

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.



Wolfgang Marx, Klinik "Haus Franken", Bad Neustadt a.d. Saale

"There are very friendly therapists here. I would like to take with me some of their friendliness for my day-to-day life. I felt like they took me very seriously."

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.

FOCUS ON ENERGY AND EMISSIONS

To lower primary energy consumption and emissions of our hospitals, we regard it as being equally important both to make responsible use of energy and to invest in refurbishment and modernisation measures.

Some examples are:

- systematic control of heating, ventilation and air conditioning units based on requirements,
- avoiding the use of air humidifiers and dehumidifiers,
- using energy-saving units and systems,
- replacing steam as an energy source,
- compact structures for (partial or replacement) new buildings,
- optimum building insulation,
- using intelligent control strategies,
- making sparing use of resources by using cogeneration plants to supply energy,
- using efficient cooling units,
- promoting innovative, low-emission energy technology such as fuel cells,
- using renewable forms of energy such as geothermal heat and hydro-power.

OTHER AREAS OF FOCUS OF OUR ENVIRONMENTAL MANAGEMENT

Our extensive commitment also provides for measures 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.

KEY FIGURES

		2008	2007	2006	2005
Company					
Hospitals		47	46	45	41
Beds and places		14,691	14,647	14,690	12,217
Employees (by headcount)		33,334	32,185	30,409	21,226
Patients treated		1,647,972	1,544,451	1,394,035	949,376
Energy					
Primary energy consumption	MWh	865,775	831,582	876,605	532,095
Consumption per patient	MWh/pat.	0.53	0.54	0.63	0.56
Emissions					
Emissions of greenhouse gases	t	190,200	182,687	193,858	116,219
Emissions of pollutants	t	244	235	255	139
Water					
Water consumption	m^3	1,710,111	1,672,021	1,727,091	1,263,570
Consumption per patient	m^3/pat.	1.04	1.08	1.26	1.33
Waste					
Waste quantity (residuals)	t	9,838	9,447	9,007	6,313
Waste quantity per patient	kg/pat.	6.0	6.1	6.5	6.6

All data as at 31 Dec.

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. This increase, like our current construction projects at many of our sites, has contributed to a rise in absolute consumption levels for water and energy.

We are proud to have succeeded in lowering all values on a per-patient basis. Particularly in the area of energy management we can once again boast a number of big successes achieved in the reporting year. At the new buildings put into service in 2008 including in Miltenberg, Hammelburg and Wittingen, the savings achieved are already clearly seen in the consumption figures. At our Miltenberg site, clinical operations were moved in January 2008 from the old hospital to the newly opened portal clinic. A compact building structure, optimum thermal insulation and geothermal probes for cooling certain sections of the hospital – that is our concept for successful modernisation of energy supply. Compared with the requirements of the old building, we have cut heating consumption by 72 per cent and electricity consumption by 38 per cent. Since the trend in emission values was proportionate to

Jens Rau, Park-Krankenhaus Leipzig-Südost

“ I was operated here ten years ago already and was completely satisfied with the result. For me there was no other hospital. ”

energy values during the reporting year, these values – with reference to the number of patients – saw a decrease.

The database Gemis used for energy and emissions was expanded and updated in the reporting year. We therefore re-calculated all data to ensure comparability with the previous years. The calculation basis for Gemis not only includes the relevant local consumption data but also takes account of the upstream processes of the energy source (e.g. transmission losses).

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 tremendously. 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 that will generate electricity, heat and cooling.

From 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 – 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 cogeneration 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.

Gisela Nordmann, Klinikum Hildesheim

“Already before the operation, I was very well informed and cared for. After the operation I was very well treated and cared for competently and friendly by both the doctors and nurses.”

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.

“GREEN IT” CHALLENGE

For our Group hospitals we calculated the power consumption resulting solely from its use in IT (excluding medical equipment). It included all PC workstations, data centres and network components. It is now twelve per cent – and rising – of total consumption of the Group’s hospital network. Only about 25 per cent of this is accounted for by terminal devices such as PCs and printers. The biggest share comes from centralised servers, storage and network components in data centres, including the cooling requirements all year long. The costs amount to about € 2.8 million Group-wide.

Counteracting this trend presents another particular challenge for us today. Firstly, we can optimise cooling generation and distribution which accounts for almost 30 per cent of energy consumption. For example, during the coldest period of the year we are increasingly using “free cooling” in which water as the carrier medium is cooled by the outside air. At certain outside temperatures, we then do not require any electricity for cooling equipment. Also our project “Energy Plant Gießen” with high-efficiency cooling generation serves to generate environmentally friendly and efficient cooling. Secondly, we use server virtualisation – i.e. the dynamic allocation of computer resources – to achieve more uniform capacity utilisation and thus a reduction in hardware requirements. Up to now, though, this strategy has considerable restrictions.

The most important means of effectively cutting IT power requirements would be to use new development concepts in the IT industry. These concepts, which in some cases involve extreme energy densities, still rely on air-cooled components – as is commonly known, not a very effective method of heat removal because the poor heat conductivity of the air requires large volumes of air for cooling and thus also high driving energies.

ENERGY COSTS

The year 2008 for a while was marked by a surge in crude oil prices that pushed up prices for heating oil and – with a certain time lag – for natural gas and district heating. Electricity prices also rose sharply

by the middle of the year. Prices then subsided again from the second half of the year. Overall, energy costs within the Group rose by € 7.2 million to € 48.1 million. Since energy prices have meanwhile declined again to the level of 2007, we expect an easing of costs in 2009.

WATER

Extensive construction activities in the reporting year at some sites led to a sharp rise in water consumption, thus to a certain extent diminishing the impact of savings achieved at other sites. At the newly constructed building in Miltenberg, for example, we lowered water consumption by 60 per cent compared with the previous year in which patients will still treated in the old building. Food and sterilised items are now supplied from the Klinik Erlenbach. Due to the extensive, in some cases little used supply piping in the old building, it was necessary for reasons of hygiene to perform regular flushing. As the new building is properly sized to requirements, this flushing is no longer necessary.

At some sites we use well water and so-called grey water to conserve valuable water resources. In 2008 this accounted for 104,000 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 pipe networks. 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.

WATER COSTS

Total costs for water consumption and waste water fees rose in 2008 compared with the previous year by 3.5 per cent to € 6.2 million. Of this, waste water charges accounted for a share of 54 per cent.

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 ongoing trend towards the use of digital, non-film solutions instead of conventional X-ray technology is reducing disposal volumes of developing and fixing solutions. Thanks to contractual changes, the content of grease separators as well as kitchen and food waste in some cases are disposed of directly by the respective catering companies. For this reason we will not report these fractional waste amounts in

Waste		2008	2007	2006	2005
Waste quantity (residuals)	t	9,838	9,447	9,007	6,313
Waste quantity per patient	kg/pat.	6.0	6.1	6.5	6.6

Clinical waste		2008	2007	2006	2005
Infectious waste	t	69.1	88.2	92.5	24.0
Cytostatic waste	t	9.2	10.2	12.8	9.9
Spent oil	t	28.3	27	30.6	18.4
Fixing solution	m³	43	61	90	61
Developing solution	m³	35	52	78	50

future. We are also pleased to have succeeded in further optimising waste sorting throughout the Group. This means that significantly less infectious waste was produced.

WASTE COSTS

Thanks to improved sorting and lower clinical waste volumes, we succeeded in lowering costs in this area over the reporting year: despite an only minor increase in the amount of household rubbish-related waste, the total costs for all waste types in the reporting year amounted to € 3.11 million compared with € 3.25 million the year before.

OUTLOOK FOR 2009

In 2009, major construction measures will be launched at numerous sites. These will be completed at the end of 2010. We therefore only expect to see a significant impact on the consumption data of our hospitals from 2011 onwards. We see environmental management as an ongoing process that we will further pursue in the coming year also.

MANAGEMENT REPORT FOR THE YEAR 2008

- We have comfortably achieved our growth targets and fully met expectations for revenues (€ 2.13 billion) and net consolidated profit (€ 122.6 million).
- In the current global financial markets crisis we are building on a foundation of transparency, quality and integrity to further strengthen the trust placed in our Company.
- Rising patient treatments (+6.7%), rising revenues (+5.2%), rising earnings (+10.3%) and rising cash flows (+11.9%) confirm the soundness and durability of our business model, also in times of crisis.
- The Group's change from operator of hospitals to an integrated provider of healthcare services is in full swing.
- Given that restructuring of facilities we have acquired since 2004 has been proceeding as planned, we have completely eliminated convergence risks Group-wide. From 2009, convergence profits will feed through to margins.

SUMMARY

In 2008, the turmoil on the financial markets crisis was unable to affect RHÖN-KLINIKUM AG either in its growth targets or its efficiency. Our business model has proven itself crisis-proof and stable. As in the past, we were able to raise our service volumes, revenues and earnings also in our twentieth year as a listed company.

With revenues of € 2.13 billion and a net consolidated profit of € 122.6 million we met the expectations we had set for ourselves. We are satisfied with the restructuring successes achieved in 2008 on the whole, especially in the context of difficult framework conditions within the healthcare industry and in healthcare policy. In 2008 we succeeded throughout the Group in coping with all convergence risks in connection with the adjustment of individual facility prices to prices applying nationally. Future price rises will contribute to growth in margins.

We have responded to the global loss of trust in securities and the abilities of managers that has accompanied the financial markets crisis externally, by proactively communicating our corporate transparency, and internally, by stringent compliance rules. Moreover, we have reinforced treatment quality Group-wide by introducing an additional system for reporting incidents of "near-miss malpractice" known as CIRS (critical incident reporting system). In the interest of ensuring higher planning certainty for our shareholders, we have modified our dividend policy: with immediate effect, we will pay a fixed

ratio (30%) of our net consolidated profit as a dividend. This results in a significant increase in the dividend by 7 cents or 25% from 28 cents to 35 cents on the one hand, whilst permanently ensuring a higher share in the Company's success on the other. We see our dividend policy oriented on long-term value enhancement as well as sustained earnings strength as striking a reasonable balance between the Group's growth targets on the one hand and expected returns on the other. We are certain that with this package of measures we have taken the right path to emerge with strength from the current period of crisis.

In financial year 2008 we took over St. Petri-Hospital in Warburg with 153 beds on 1 September and Wesermarsch-Klinik in Nordenham with 137 beds on 31 December. We also forged ahead with the further expansion of our outpatient structures. In 2008 we opened medical care centres (MVZs) with 16 specialist physician practices at seven sites. We expanded already existing MVZs by a total of 15 specialist physician practices.

Our 48 (previous year: 46) Group hospitals with a total of 14,828 beds (previous year: 14,647) as well as our 20 MVZs (previous year: 14) with a total of 70 specialist physician practices (previous year: 39) treated a total of 1,647,972 patients (+6.7%) in financial year 2008; of these, 574,158 (+3.9%) were treated on an acute inpatient basis, 927,721 (+2.7%) as outpatients and 9,862 (+3.2%) in the rehab and other areas. In our MVZs we treated 136,231 (+73.1%) patients. Adjusted for consolidation effects, we achieved an increase in patient numbers of 16,511 (+2.9%) to 578,604 in the inpatient area and an increase of 77,603 (+7,9%) to 1,059,961 in the outpatient area. This translates into overall organic growth of 6.1%, with the newly acquired hospitals in Warburg and Köthen accounting for 9,407 patients or 9.1% of this rise in service volumes.

In financial year 2008 we raised revenues by € 105.5 million or 5.2% to € 2,130.3 million (previous year: € 2,024.8 million), of which € 2,121.5 million (previous year: € 2,019.8 million) is attributed to revenues of our hospitals and € 8.8 million (previous year: € 5.0 million) to revenues of our MVZs. In the inpatient area, the facilities in Köthen and Warburg acquired in the previous and the current year accounted for € 12.1 million of the growth in revenue. The Group's long-standing hospitals increased their revenues by € 89.6 million (+4.4%) and the MVZs succeeded in expanding their revenues by € 3.8 million (+76.0%).

In financial year 2008, growth in service volumes and revenues at our MVZs was disproportionate to growth at our inpatient facilities. We will continue to forge ahead with this development in order to achieve within a reasonable period a market coverage similar to the inpatient area to achieve our objective of changing from hospital operator to integrated healthcare provider.

Net consolidated profit rose by € 11.4 million (+10.3%) from € 111.2 million to reach € 122.6 million. In this regard the numbers, both in the previous and current year, were impacted by tax effects and the results of the revaluation of our financial instruments. In financial year 2007, the revaluation of deferred tax liabilities made a positive contribution of € 8.6 million and the revaluation of financial instruments of € 2.4 million to net consolidated profit. In 2008, however, income from

the recognition of deferred tax credits of € 4.2 million for loss carry-forwards of previous years was offset by expenditures of € 4.2 million from the impairment on our financial instruments. For the first time, the lowering of the corporation tax rate to 15% had a tax reducing effect in 2008 – of € 15.1 million compared with the previous year. Adjusted for these factors, the rise in the operative net consolidated profit is € 7.3 million (+7.3%) and is in line with the development of service volumes.

We achieved this rise in profit even though we had to compensate for the effects of significant wage increases on personnel costs and for sharp price increases especially for food and energy.

At Universitätsklinikum Gießen und Marburg GmbH, a net profit of € 2.2 million (previous year: € 1.1 million) clearly shows that we can also successfully deploy our restructuring expertise at university hospitals. Here, the extent to which the steady rise in service volumes recorded since 2006 has fed through to margins has been limited so far given the considerable planned investments (to the tune of € 151.5 million in 2008 alone) we made in construction projects as well as facilities and equipment that will produce the expected improvement in margins from better clinical processes only after being completed (in 2011).

The Group's EBITDA rose 5.4% to reach € 262.8 million (previous year: € 249.3 million). The operating result (EBIT) rose by € 14.6 million or 9.3% to reach € 172.1 million, Included in this is a loss of € 0.7 million recorded for St. Petri-Hospital Warburg GmbH. EBT grew 4.2% to reach € 142.9 million (previous year: € 137.1 million). The earnings-per-share figure is € 1.13 (previous year: € 1.03).

The EBIT margin climbed from 7.8% to 8.1%. This positive trend is a direct result of our restructuring efforts in the operating area.

The EBT margin declined arithmetically from 6.8% to 6.7% since the one-off effects resulting from the market valuation of our interest hedging instruments of € 4.2 million had to be recognised as expenditure (previous year: recognition of € 2.4 million as expenditure) in the financial result. On an adjusted basis, EBT rose by € 12.4 million or 9.2% to reach € 147.1 million and the EBT margin rose from 6.7% to 6.9%.

Since in financial year 2008 the lower corporation tax rate began to show its effects for the first time, the EBIT margin (return on revenues) improved from 5.5% to 5.8%, and operating cash flow increased by € 22.8 million or 11.9% to € 213.8 million (previous year: € 191.0 million).

The personnel expense ratio of 59.6% (previous year: 59.5%) was kept nearly stable compared with the previous year since the wage increase averaging 3.0% within the Group was offset by rationalisation measures. The rise in the cost-of-materials ratio to 25.3% (previous year: 24.5%) reflects the impact of significant price increases for food and energy on the one hand, and greater use of high-end medical supply products on the other.

The facilities already consolidated before 2006 (excluding the MVZ subsidiaries) together reported EBIT growth of € 12.5 million and an EBIT margin of 10.7% (previous year: 10.2%) in 2008. Thanks to successful integration and restructuring measures, our personnel and materials cost ratios at these hospitals rose to a combined ratio of only 87.8% (previous year: 87.5%).

Sylvia Schäfer, Krankenhaus Waltershausen-Friedrichroda

“The whole hospital is always friendly. The concerns of patients are taken seriously by the doctors. You have the feeling of being well cared for.”

We financed cash used in 2008 for investment activities (€ 275.3 million), hospital acquisitions (€ 3.6 million) as well as dividends to shareholders and minorities (€ 32.3 million) out of operating cash flow (€ 213.8 million) and a rise in net debt to banks by € 100.1 million to € 605.8 million. Net debt to banks corresponds to approximately 2.3 times (previous year: 2.0 times) our EBITDA.

Our equity capital grew by € 78.4 million (9.7%) to reach € 889.3 million. The equity ratio rose from 39.1% to 41.5%.

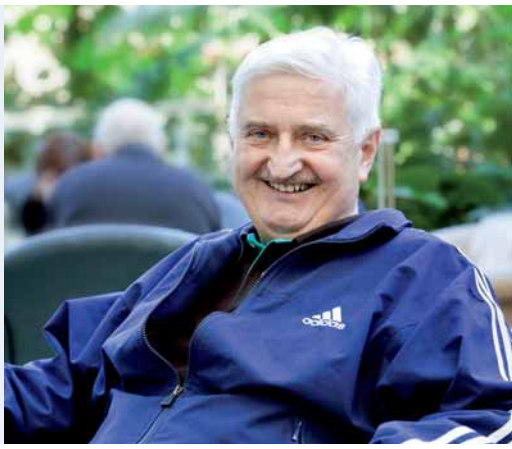
In our inpatient structures we continued our strategy successfully pursued in the past of achieving growth on the back of acquisitions and strong organic growth, and are also putting big emphasis on greater integration between outpatient and inpatient structures. In organic growth we consistently and steadfastly pursue quantitative and qualitative expansion and further development of our medical offerings at each of our Group sites. For this we are moreover increasingly availing ourselves of Group resources and medical performance networks. In external growth we continue to follow our dual strategy of “competence and reliability in acquisitions” as well as “quality before quantity”. The precondition for any commitment and employment of our financial resources in future acquisitions is to have both a defined scope of entrepreneurial freedom and purchase prices giving us the certainty of being able to recoup the capital invested within reasonable periods.

In 2009 our revenues – excluding additional acquisitions – will result in organic growth by roughly 6% on the back of rising case numbers and the greater severity of cases. We expect revenues of € 2.3 billion and a net consolidated profit of roughly € 130 million which, given the current remuneration and wage situation that cannot yet be gauged conclusively, can fluctuate within a range of € 125 million to € 135 million.

ECONOMIC AND LEGAL ENVIRONMENT

MACROECONOMIC TREND

The year 2008 will go down in history as the year of the global financial markets crisis. In the US, risky speculative real estate transactions and their securitisation triggered credit rating and liquidity problems with US mortgage lenders when it turned out that debtors were no longer able to meet their obligations and the securitised papers were found to be worthless. Since such “subprime” securities were issued worldwide, the loss in value infected the international financial markets. The global write-down requirement that ensued led to a loss of trust, especially within the banking sector, and thus to an – at time complete – collapse in interbank trading, the contraction of the capital markets and lastly to difficulties in supplying the economy with liquidity. This was followed by domino effects and chain reactions on the stock markets as investors fled risky securities and later also safe ones. All over the world, governments launched rescue packages and umbrella schemes to preserve systemic banks and credit institutions, but these were unable to prevent the financial markets crisis from spreading to the real economies of the world’s most important economic regions. A slump in economic activity and the first recessionary trends could not be stopped. Germany did not escape these developments. To prevent the worst impacts, all major nations have launched economic stimulus programmes on a hitherto unprecedented scale.



Engelbert Lang (Notfalleinweisung),
Klinik "Haus Franken" Bad Neustadt a.d. Saale

"I am very pleased because I always had the feeling that I am getting the best possible care. The doctors and nursing staff are very good."

Although the German economy did get off to a good start in 2009, the economic prospects for 2009 are becoming very subdued. This has been caused by global uncertainty in response to the financial markets crisis, which intensified over the second half of 2008. Particularly in the fourth quarter of 2008, gross domestic product (GDP) was down 2.1% on the previous quarter – the biggest decline in the Germany since reunification. On a full-year comparison, GDP saw only a moderate increase of 1.0% (previous year: 2.6%). This growth in adjusted gross domestic product (GDP) was driven by more robust domestic demand (1.4%), since the contribution from exports (-0.3%) witnessed its first decline in years. At the same time, the contribution from gross investment of +1.1% still turned out to be relatively high. Growth in consumption of 0.3% came entirely from the public sector, with a belt-tightening in private consumption already becoming apparent.

The labour market was helped by higher economic growth spurred by rising demand from abroad. The employment rate rose by 0.6 million to 40.4 million. This saw the jobless rate decline by 0.5 million to 3.1 million, its lowest level since 1993, which corresponds to a share of 7.6% (previous year: 10.0%) of those in dependent employment. The inflation rate in Germany once again exceeded the 2% mark and reached 2.6% (previous year: 2.2%), attributable in particular to higher food, energy and fuel prices.

The public sector (federal government, federal states, municipalities and social insurance agencies) in 2008 reported a financing deficit of € 1.6 billion or 0.1% of GDP. The planned financing surplus did not materialise, which was due only to a few one-off effects (repayment of commuter tax allowance and first support measures to cope with the financial crisis) that took effect at year-end. Plans to pay down the high public debt, like investments that were being planned to modernise the German healthcare system, fell by the wayside. The German Hospital Association (DKG) estimates the investment backlog having built up in the hospital sector up to the end of fiscal year 2008 at some € 50 billion.

The general financial conditions in the healthcare system further worsened in financial year 2008 in both the outpatient and inpatient sectors. Revenue increases in the outpatient and inpatient area did not even come close to offsetting the increase in personnel costs resulting from wage increases and in material costs due to price rises. In 2008, the volume of revenues that hospitals were allowed by law was increased by 0.64%, but this only partly financed wage increases of at least 4% and other price increases of approximately 2%. The discontent of people working within the healthcare system was seen in various protests by community-based doctors and hospital employees. Policymakers created a special package worth € 3.5 billion for all hospitals in Germany. These funds are to be used primarily to post-finance wage increases and to bring about a noticeable improvement in the working situation of nurses and hospital apprentices.

This special programme is to be enshrined in the Hospital Finance Reform Act (KHRG) planned for 2009. In our view it is unclear in this connection to what extent these reforms will actually improve the revenue situation of hospitals overall. Instead, what we see is that on the one hand the remuneration rules for surplus service volumes will worsen while on the other payers will have much greater bargaining power when it comes to remuneration negotiations. Added to this are a number of amended rules that are already giving rise to diver-

gent interpretations between hospitals and payers. Reliable estimates on the impact that this will have on hospitals' earnings positions will only be possible in the course of 2009.

In its role of arbiter, the German legislator has a duty to preserve a balance, which in our view it has not fully succeeded in doing. This is seen not least in the way it is intent on not allowing the functioning of the newly created centralised health fund to be jeopardised. To salvage this bureaucratic behemoth of a political coalition compromise of per capita flat contribution mixed with a citizens' insurance scheme for the election year 2009, the German government has promised short-term support measures in the form of federal allowances. By this it wants to offset losses in contributions that foreseeably will result from rising unemployment.

The long-standing problems still persisting in the healthcare system were not resolved in 2008 either. This means that, in future also, our healthcare system will not be capable of withstanding major demographic changes. 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 hampering efficient provision of services.

A statutory restructuring of hospital investment finance originally planned for 2009 was postponed to the period after 2011. The disinvestment trend especially with 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. In its present form, our system can only respond to the foreseeable rise in demand for healthcare services with cuts in benefits and waiting lists.

Competition amongst the health insurance funds for both members and revenues of the centralised health fund is leading the health insurance funds in the wrong direction, which are increasingly seeking to improve their revenues through inexpedient finance and invoicing optimisation instead of focusing on their members' treatment needs. Politicians are tolerating this because they are hoping for stabilised contributions. Also compared with figures seen internationally, overcapacities in hospital beds and hospitals, disproportionately high spending on healthcare as measured in gross domestic product (GDP), a comparably high number of visits to the doctor and high durations of stay in hospitals need to be eliminated.

However, this corrective process in our view is being pursued to the detriment of an efficient network of generalised healthcare delivery, since those healthcare facilities that are needed for an efficient healthcare system are also being eliminated. In certain regions at least, this will put generalised outpatient and inpatient healthcare provision to the population at risk. Also contributing to this trend is the formation of hospital centres which, though unobjectionable from a medical viewpoint, are resulting in medical services being shifted from the countryside and into the cities, and ultimately making it more difficult to organise provision of generalised emergency care efficiently and economically. This development will particularly affect German federal states having large and in some cases sparsely populated areas.

DEVELOPMENTS WITHIN THE SECTOR

Having been revised several times since being introduced in 2003, the DRG remuneration catalogue in our view for the most part now accurately and fairly reflects the cost structures of the procedures to be remunerated in many medical disciplines. That said, the DRG remuneration catalogue is still falls well short of reflecting day-case or day-clinical treatments. This continues to hamper the efficient integration between the individual sectors of our healthcare system.

Initially, 2008 was the last year of a four-year period ("convergence phase") in which individual hospital prices were to be adjusted with effect on the income statement to a uniform national price level that was originally to be reached in 2009. In their current earnings and liquidity situation, many hospitals in Germany are no longer able to cope with the reduction in prices planned in this connection for 2009. Faced with this dilemma, the German legislator was impelled to prolong the convergence phase by one year and thus to halve the adjustment amount planned in 2009 both for the winners and for the losers of convergence. Many, in most cases publicly owned and non-profit hospitals were thus given a one-year grace period to adjust their cost structures. This also meant that improvements in revenues to which hospitals were entitled as the winners of convergence, including most of our hospitals, were also halved for one year.

Since in 2008 also the actual improvements in revenues covered only part of the rises in personnel and material costs, general cost pressures increased further. The earnings situation of most hospitals in Germany deteriorated as a result. Only those hospitals were successful in generating good results which were able to achieve surplus service volumes and at the same time had cost structures still allowing them to generate profit contributions from the lower remunerations for surplus service volumes. The share of hospitals having turned a profit witnessed a further decline in 2008 according to current data of the German Hospital Institute (DKI). Many hospitals are unable to cope with the losses on their own because the revenue situation of numerous municipalities no longer allows for loss settlement. Since the introduction of DRGs, the mood within the sector has never been worse. This is seen in a number of protests that also took place in pubic.

In outpatient care, the revenue situation also deteriorated. At a number of protest rallies, the associations of SHI-accredited physicians and associations of community-based practitioners drew attention to the overall unsatisfactory situation of their members and the increasingly large bottlenecks in outpatient healthcare provision.

In inpatient care, the reduction in beds as well as the closure of facilities have continued. Whereas case numbers, helped by demographic trends and advances in medicine, have been steadily rising, average durations of stay at acute-care facilities have been in steady decline due not only to the remuneration situation but also to new methods of treatment. In our assessment, this process is set to continue for a few years yet.

In view of all legal and economic trends in the sector, we had expected to see a significant rise in the privatisation of public hospitals in 2008. However, these hopes were not fulfilled. The number of

Dorit Schwerdtfeger, Herzzentrum Leipzig

“This facility is said to have the best specialists for children’s heart operations. I am very satisfied – the nurses and doctors are all so kind. They took time for us. I feel reassured here. They are doing everything for our child.”

attractive acquisition projects could almost be counted on the fingers of one hand. The interest in privatisation procedures was very high and the conditions that an acquiring entity is expected to accept in terms of the purchase price and what are referred to as “soft skills” once again rose despite the economic development of the takeover entities. We were neither prepared to abandon control of entrepreneurial management in takeovers nor willing to accept conditions that would have delayed or even prevented necessary restructuring measures. We moreover remained faithful to our principle of primarily using investment to strengthen the facility site and thus also its jobs. We thus consistently refused to consider excessive strategic prices. On our balance sheets as well, we prefer to go with modern hospital buildings including facilities and equipment rather then goodwill reflecting merely positive or slightly fleeting earnings prospects but not making any contribution to improving patient care.

In takeovers it is of utmost importance for us to “speak our mind beforehand, and to do what we said we would do afterwards”, thus offering the seller the highest possible trustworthiness. This is the reason why none of our takeovers to date has ever given rise to disputes with the seller.

The privatisation process in the healthcare system will continue. Hospital operators with a strong capital, investment and performance basis familiar with the peculiarities of the German healthcare system will succeed in steadily expanding their market share by dint of their ideas and resources. In future also, this relatively complex business model will continue to hold little attraction for foreign investors. The financial markets crisis and its spread to the real economy will tend to favour further privatisation, since there is unlikely to be any sustained improvement in the revenue conditions of hospitals in the next one to two years.

Occasional calls for the state to come to the rescue of the German healthcare system – along the same lines as its rescue of the banking system – will die away since the state has neither the financial wherewithal nor the requisite skills and expertise to further the qualified development of our healthcare system. It is only entrepreneurial thinking and action that hold the prospect of unlocking advances in medicine combined with an efficient allocation of resources for broad sections of the population at socially acceptable prices. Intelligent generalised systems of healthcare delivery using telemedical networks and co-operation schemes will gradually replace inflexible state planning regimes.

Of the acquisition candidates that did reach the market in 2008, not many satisfied our requirements. We stand by our long-term investment strategy and in takeovers continue to pursue the aim of strengthening and establishing the hospital site, its medical efficiency and thus its jobs in the long term through qualified investments and an adequate capital base. We calculate our purchase price ceiling based on recognised methods of investment theory. And we only agree to a takeover if we can permanently and profitably secure our financial commitment by entrepreneurial activities that we can shape and control.

CORPORATE DEVELOPMENT

RHÖN-KLINIKUM Group has been forging ahead unrelentingly with its transformation from operator of hospitals to integrated provider of healthcare in

terms of both its medical offering and organisation. Based on our understanding, outpatient structures are to be established around all hospital sites both to supplement the hospitals' medical offering and to create an independent medical offering. To achieve this, we will seek co-operation schemes or legal amalgamations on equal terms with community-based doctors from the region. We thus look to improve the quality of care for patients by specifically reaping efficiency gains in precisely those areas that form the interface between the outpatient and inpatient sector. We also offer community-based doctors open to co-operation the possibility of referring their patients to our hospitals for further care on an inpatient basis, thus providing patients from the respective region a basic, end-to-end medical care service on a one-stop basis.

We would like to promote advances in medical care for patients also by establishing at large hospitals areas of focus in treatment to enable our patients to reap the benefits of higher quality and greater medical expertise arising from larger case numbers. That said, we see basic care facilities, i.e. basic care hospitals as well as the outpatient structures inside and outside medical care centres, primarily as places providing patient-oriented, complex diagnosis and treatment expertise.

Of crucial importance in this regard is comprehensive, trusted and timely co-operation between basic care facilities and intermediate care hospitals as well as the referring doctors and doctors from the Group. To bridge over distances we rely in particular on telemedicine, web-based patient files as well as both interdisciplinary and interfacility medical conferences (such as tumour boards) using video- or phone-conferencing systems. The interaction between physicians from various Group sites and community-based doctors within and outside MVZ structures enables us to offer and keep available a high level of medical expertise (also at small facilities) on a permanent basis – seven days a week, 24 hours a day.

On our journey towards becoming an integrated healthcare provider we still have to overcome a number of obstacles and negotiate some difficult passages. Up to now we have always been helped along our way by some changes in legislation that have enabled us to operate medical care centres and allowed a greater integration of outpatient and inpatient offerings. In many quarters, this initially gave rise to resistance and reservations on the part of doctors and their representative associations.

Nevertheless, we have succeeded in convincing co-operation-minded doctors of the advantages of working together with us – the opening up of our inpatient structures to community-based doctors for this purpose proving to be one of the most compelling arguments for this. In this way we create synergies, for example by avoiding redundant examinations and treatments and thus making more efficient use of doctors' time – an increasingly scarce resource – whilst lowering material costs. We also allow community-based doctors to have a share in these savings.

In financial year 2009 – also by making substantial investments – we intend to expand our market share in basic-care structures significantly.

Elfriede Papenfuß, Waltershausen-Friedrichroda

“Given the good care I receive here from the doctors and nurses, I don’t feel like just another ‘case’ but like a well cared-for patient.”

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), their purpose 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 and timely 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.

By joint resolution of the Supervisory Board and the Board of Management of RHÖNKLINIKUM AG of 30 October 2008, the Company made the declarations pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2008. 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). 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 statement of € 259,200,000 is completely made up of ordinary voting bearer shares (non-par shares) each having a nominal share in the registered share capital of € 2.50. Restrictions on voting rights or the transfer of shares – even if these may result from agreements of shareholders – do not exist or are not known to us. None of our shares is issued with special rights that confer on its holder special powers of control. Employees who hold shares exercise their voting right freely. Shareholders may exercise their voting rights themselves at the Annual General Meeting or through proxies appointed for this purpose.

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. 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

Renate Kraus, Frankenwaldklinik Kronach

“I always came here whenever I had something and was always satisfied… the nurses are always on the ball and take care of you.”

associations, analysts and the media of all other recurring key dates.

Up to the reporting date, the following notifications on the existence of material interests held in RHÖN-KLINIKUM AG had been submitted to us:

- The family of the Supervisory Board chairman directly holds a 16.07% share of voting rights.
- “Alecta pensionsförsäkring, ömsesidigt”, Stockholm/Sweden, notified us of a share in voting rights of 10.12%.
- Franklin Mutual Advisers, LCC Short Hills/USA, holds a share of 5.07%.
- Allianz SE, Munich/Germany, is attributed a share of 4.78% held through several companies.
- Ameriprise Financial, Inc., Minneapolis/USA, holds an indirect share of 5.08% of voting rights.
- Bank of America Corporation, Charlotte/USA, has notified us of voting rights of 4.46%.
- Nordea 1 Sicav, Findel/Luxembourg, holds a share of 2.41%.
- Julius Bär Holding AG, Zurich/Switzerland, is indirectly attributed 4.99% of the voting rights.
- FIL Investment Management Limited, Hildenborough, Kent, UK, is indirectly attributed 3.06% of the voting rights.

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 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 has appointed PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statements for 2008 as well as the annual financial statements as at 31 December 2008 after thoroughly satisfying himself of its 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 an equal number of 10 employees’ representatives and 10 shareholders’ representatives. The Board normally holds four full-day meetings per financial year (in 2007: four meetings). Members are appointed for a period of five years. Age restrictions apply. The Supervisory Board regularly takes its decisions in plenary sessions, i. e. in the competent specialised committees with the power to adopt resolutions; only in isolated cases are decisions made by circular.

The Supervisory Board constituted a total of seven committees (previous year: six 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 constituted in 2008 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.

The Board of Management at present comprises eight members (2008: six members). In line with the Board's Terms of Reference that regulate the allocation of areas of responsibility, there are centralised Group-wide responsibilities for defined functions on the one hand and regional responsibilities on the other. The Board of Management is headed by the chairman of the Board, or, in his absence, by the deputy chairman. He determines the principles of corporate policy. The Board of Management as a whole is responsible for further developing, planning and controlling the operations of the entire Group. Age restrictions also apply to the Board of Management.

At its meeting on 30 October 2008, the Supervisory Board issued new Terms of Reference for the Board of Management for financial year 2009. Two acting members of the Board of Management resigned their office with effect from 31 December 2008, and four new members of the Board of Management accepted their appointment with effect from 1 January 2009. Furthermore, duties and responsibilities were revised. At this meeting Mr. Wolfgang Pföhler was re-appointed in advance as member of the Board of Management. By reason of the special circumstances arising from efforts to turn the Company from being a hospital operator into an integrated provider of healthcare services, the Supervisory Board deemed it necessary to ensure sustained continuity within Group's management (Item 5.1.2 (2) sentence 2 German Corporate Governance Code). The re-orientation of the Board of Management has been performed in the expectation of exploiting the opportunities, arising from the increasing integration of outpatient and inpatient activities, to develop a new market for RHÖN-KLINIKUM AG.

Remuneration of the members of the Supervisory Board and the Board of Management comprises fixed and variable components, with fixed remuneration components accounting for 20.5% and variable remuneration components 79.5% for the Board of Management. For the Supervisory Board, 63.3% of remuneration is based on results-linked assessment bases and 36.7% on fixed functional- and performance-linked parameters. The individualised remunerations for the Supervisory Board and the Board of Management are stated in the Notes to the consolidated financial statements. The variable remuneration components for the Board of Management and the Supervisory Board are based on assessment parameters derived from net consolidated profit. No stock-based remuneration components exist for the Management Board and Supervisory Board.

Provisions moreover apply to Members of the Board of Management on severance compensation, which depending on length of service may be equal to

as much as 1.5 annual salaries. Details on the compensation received by each member of the Supervisory Board and the Board of Management as well as claims of members of the Board of Management to severance compensation are set out in the Notes to the Consolidated Financial Statements, broken down by fixed and variable components.

The compensation of the Supervisory Board is governed by the relevant provisions in the Articles of Association and approved by the Annual General Meeting. It reflects the duties and related commitment in terms of time as well as the areas of responsibility of the individual Supervisory Board members. The basic principles of the Board of Management's compensation structures are published on the website of RHÖN-KLINIKUM AG. The compensation of the Supervisory Board is governed by the relevant provisions in the Articles of Association. The holdings of RHÖN-KLINIKUM shares by the Board of Management and the Supervisory Board are shown in the Notes to the Consolidated Financial Statements.

The members of the Advisory Board appointed to advise the Board of Management of RHÖN-KLINIKUM AG on matters relating to its business receive, in addition to reimbursement of their expenses, a fixed attendance fee linked to their participation.

As at 31 December 2008, the members of the Supervisory Board and the Board of Management together held 16.25% of the Company's registered share capital, of which the Supervisory Board accounts for16.15% of the shares in issue. Mr. Eugen Münch and his wife Ingeborg together hold 16.07% of the Company's registered share capital and the other members of the Supervisory Board 0.08% of the shares in issue. The members of the Board of Management together hold 0.10% 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). In financial year 2008, a total of four purchase transactions subject to notification and executed on the stock market together comprising 13,720 shares and a total volume of € 239,000 were reported to us from members of the Board of Management and the Supervisory Board.

According to the resolution adopted at the 2008 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 is moreover subject to the consent by the Supervisory Board to 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.

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 annual financial statements of our subsidiaries are based on national 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 was transferred in financial year 2008 from the chairman of the Board of Management to 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 principle of the 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 clarification of our employees, our

Wolfgang Urbach, Klinik „Haus Franken“ Bad Neustadt a.d. Saale

“I am very pleased with the treatment overall. The doctors and nurses are there for you at all times – if you have any wishes, these are promptly seen to. I am very happy, good setting, good atmosphere.”

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 supervision body for the Board of Management and our Group-wide institution for clarifying cases or suspected situations of corruption, 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”.

Medical quality and its assurance within the Group of RHÖN-KLINIKUM AG

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. Orienting all activities on the well-being of patients is the core element of RHÖN-KLINIKUM AG’s corporate philosophy. This general principle is also followed by the quality strategy.

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. 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. That is why quality management at RHÖN-KLINIKUM AG sets the bar higher.

In 2008, the quality management team of RHÖN-KLINIKUM AG regularly promoted work in the following areas:

- ongoing development of quality management at the medical care centres (MVZs),
- structure and process optimisation in hospital hygiene, establishment of a system for reporting outbreaks of infection as well as an outbreak management system based on this,
- establishment of a Group-wide system for monitoring the quality of drinking water,
- intensifying work within the quality circles of the individual medical disciplines in quality circles relating to a total of 13 medical disciplines in which a standardisation of procedures and processes and an evaluation of the results takes place,
- systematised further training of doctors organised on an interfacility and interdisciplinary basis,
- networking of quality management and medical controlling across medical disciplines,
- establishment of a Group-wide Critical Incident Reporting System (CIRS) – by recording and reporting so-called “near-miss incidents”, error rates are to be reduced.

Our hospitals make the results of the quality measurements transparent by regularly 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. The Group-wide quality process established by us with Group-wide recommendations, guidelines and controls not only contributes to higher quality but also helps reduce our operating risks. For further details, please see our Quality Report from page 58.

MANAGEMENT OF RISKS AND OPPORTUNITIES

PRINCIPLES

At RHÖN-KLINIKUM AG and its subsidiaries, managing risks and opportunities to a certain extent forms a core part of the services we perform. It has become part of the management culture and ultimately also serves the purpose of value enhancement.

Our value-oriented corporate strategy gives equal regard to opportunities and risks, protects the different 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 well as our corporate opportunities.

Particularly in the healthcare market, risks and opportunities are very intimately bound up with one another for patients.

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 or minimise such risk top priority. For hospital operators it is therefore particularly important to constantly weigh up opportunities and risks, since any medical intervention will expose patients to a risk (which in some cases is life-threatening), but at the same time also holds out the prospect or opportunity of recovery and/or the improvement in their quality of life. Also advances in medicine, which by nature carry risks on account of the new technologies involved, present opportunities both for patients and for the economic development of a hospital operator.

The business model of RHÖN-KLINIKUM AG is growth-oriented. We see ourselves as the leader and trendsetter in privatisation given the high quality and efficiency standards required by our business model. Naturally, growth presents both opportunities and risks. 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 and which at the same time offer opportunities for corporate value enhancement. In this way we also indirectly secure our strategic market position and 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 about existing and emerging risks or any arising opportunities or prospects.

- Integration of risk identification into business and work procedures

  Our 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 staff to apply our work and business procedures responsibly, thus enabling them also to handle risks and opportunities in a responsible manner.

- 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 evaluation procedures regarding 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 the evaluating the likelihood of a risk occurring and the potential loss involved, suitable strategies and measures to reduce risks also form an integral part of risk management. The primary objective of risk management is to minimise – and where possible avoid – risks while weighing these up against the opportunities they hold. With suitable measures that reduce the likelihood of a risk occurring and the potential loss involved, risks become manageable. Wherever possible we act to pre-empt, avoid or limit damage 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 ultimately this is also the best way of safeguarding the interests of the Company.

- 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. We regularly review, evaluate and adjust our risk/opportunities management system to constantly changing framework conditions, thus securing its acceptance while promoting its further development.

RESULTS OF RISK EVALUATION FOR 2008

In financial year 2008 we monitored a total of 240 (previous year: 234) 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
  - 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 parameters 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).

The risk evaluation for financial year 2008 compared with the previous years reveals a continuing positive trend towards stabilisation of the risk position throughout the Group:

As in the previous year, no risk values exceeding 3.0 were identified. We continue to rate the risks of the individual companies as well as the Group-wide overall risk position as low. The average Group-wide risk value saw a further decline compared with the previous year. We attribute this positive development not least to the planned counter-measures and to those already in place which for each risk are annually reviewed and optimised as well as implemented when required to reduce the likelihood of such risks materialising or of damage occurring.

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 2008

In financial year 2008 we looked in particular at the additional risks arising from the outpatient structures currently in the process of being established (medical care centres (MVZs), doctors' practices, etc.). In this regard we paid special attention to the binding quality and liability provisions to be observed. 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 thoroughly examined the risk fields of corruption, balance sheet falsification and reporting on crisis events, drawing up contingent countermeasures for such events. Together with the activities of the Audit and Anti-Corruption Committee as well as the Internal Audit department, we consider ourselves to well prepared in this field.

We moreover reviewed risks in connection with the financial markets crisis, its spread to the real economy and its significance for our business model, giving due regard here in particular to the relationships with the Group's service volumes, revenues and earnings as well as the interdependence with the banking sector. We concluded that the

Carmen Ellner, Frankenwaldklinik Kronach

“ You feel so well taken care of! Within 20 minutes a doctor is there and answers my questions right away. ”

current turmoil on the capital markets does not affect our business model (treatment of patients) and that revenues and earnings might be impacted at most indirectly as a result of rising unemployment and the resulting lower contributions to the social insurance agencies. For 2009 at least, the amount of our revenues is pre-defined by relevant statutory market regulations. We therefore expect stable revenues and a largely stable earnings situation fluctuating only within a relatively small range. Also in the medium term we see our business model as stable and profitable, since even in the case of large losses of contributions the revenues for the health-care system must be kept by supplementary state allocations at a level that also secures acceptable earnings for less efficient hospitals. As long as we can continue generating relative advantages through our cost leadership and rationalisation investments, we will regularly be able to generate rising net profits.

Also with regard to the Group’s equity and debt capital we see no significant financing risks in the short and medium term. No other hospital in the world has a better credit rating than ours. Our stock market price has held its ground well com-pared with the general trend on the DAX® and MDAX®. On account of our stable cash flow, we are regarded by many investors as a safe haven. Our current price/earnings ratio of 13 also makes us attractive for equity investors.

We raise our debt capital from numerous reputed domestic and foreign commercial banks. We can easily cope with the default of one or several business partners. We currently have roughly € 300 million of sufficient available credit lines to realise our investment projects over the next few years as planned. We have already again locked in our debt conversion requirement for 2009 of roughly € 63 million long-term at an interest rate of slightly over 5%. In terms of fixed interest rates and interest rate hedging, the remaining loan agreements are for a long term running beyond 31 December 2009.

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 established 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 macro-economic 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 within 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, it is regulated by the state and policymakers to a decisive extent. 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 volume of the respective state hospital construction programmes is likely to depend on the finances of the federal states until 2011. The investment backlog, which has been building up for many years and now stands at approximately € 50 billion, cannot be met in the short or medium term by the federal state hospital construction programmes. Until hospital construction finance has been reorganised, we will be in the advantage thanks to our financing resources. Should a tied/single-purpose financing scheme be introduced by legislation, we likewise stand to benefit thanks to our long-standing experience and cost leadership in investments.

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, a 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, a review under German cartel regulations is routinely performed in the case of business combinations. The superposing 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 considerable 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 refinanced only partly by price increases for healthcare services.

Within our Group we have to a very large extent abandoned the rigid structures of public-service collective bargaining law in favour of 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 portal.

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 constantly 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 debt including negative market values of financial derivatives of € 707.1 million and interest-bearing assets of € 86.5 million. In principle, then, we are subject to interest-rate risks, but these are of minor significance overall.

At balance-sheet date, our long-term financial debt stood at € 682.8 million, of which € 318.0 million on conditions of fixed interest rates within a range of 3.88% to 5.34%. These rates are locked in until 2027. The risks of long-term financial debts totalling € 363.9 million on 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

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. 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.

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

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 uninterruptibly, 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 poor services or mistakes, occasionally leading to complaints that we take very seriously. A copy of every patient complaint is submitted to the chairman of the Board of Management. In individual cases he will take up such complaint to analyse it, 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.

We ensure by ongoing market and product monitoring 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 ongoing and higher-qualification training as well as the working hours combined with high workloads.

Carola Gripphal, Park-Krankenhaus Leipzig-Südost

“I was in great pain. Two years ago I was already here once. I’m from Borna. ... I was given optimum treatment. My pain is gone.”

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. Thanks to flexible use of our in-house collective agreements, our subsidiaries are also able to satisfy the monetary needs.

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 in the Group’s training programmes for young executives ourselves 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 adverse 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 of RHÖN-KLINIKUM Group in financial year 2008, 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 written off 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 of necessity have 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 rather 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.

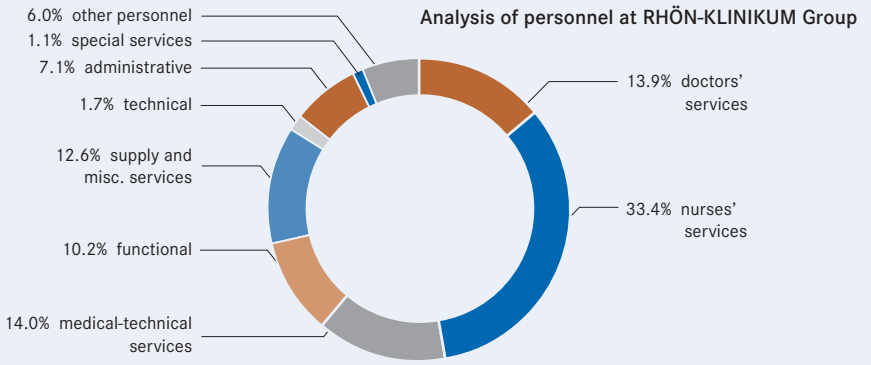
We also escort political reform projects constructively and critically, thus also making a contribution to society by helping preserve or improve our healthcare system. In this connection we above all rely on the individual responsibility of all to practise the sparing and efficient use of benefits under 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 unsocial, and thus unethical behaviour because it means that persons in need are denied necessary treatments as a result. 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.

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 environ-mental and waste management system which is being continuously further developed by us. It ensures Group-wide compliance with high ecological standards. Our environmental management encompasses a broad range of fields of action, such as:

- reducing primary energy consumption with compact and well insulated building structures,
- making sparing use of drinking water,
- using own sources of power generation to save resources,
- using renewable forms of energy,
- making exclusive use of easily biodegradable cleaning and disinfection products as well as primarily using recyclable products,
- reducing and avoiding waste by purchasing on a package-free basis where possible, or by using



packaging allowing for the most environmentally friendly disposal possible, and
- reducing waste gases by using corresponding filter technology.

These measures are rounded off by Company-wide knowledge management in the environmental area so that a good idea at one site is adopted by the entire Group as best practice.

Since 1996 we make the services and challenges of our environmental management transparent in our annual reporting. We have provided you with details of this in the environmental section of this Annual Report from page 74 as well as on our homepage under the section Home/Environment and Energy. More-over, we support external transparency initiatives such as the Carbon Disclosure Project (CDP) in which we again participated during the reporting year.

Our responsibility to employees

Highly qualified and motivated staff are 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.

Human resources development is gaining increasing importance in the hospital sector as a tool of human resources management. 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 been performing extensive qualification measures for many years. The Company's growth and a host of other innovations open up attractive prospects for our staff. When providing targeted higher-qualification as well as further and ongoing training measures, we avail ourselves of innovative tools such as skills labs or e-learning. A skills lab is a training centre in which doctors acquire practical skills. Here they can learn even complicated operative interventions in a simulation environment. We convey theoretical curricula using, among other things, e-learning, i. e. web-based training systems for conveying information and knowledge.

During the past year, RHÖN-KLINIKUM AG offered 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 at our 14 (previous year: 14) Group-owned nursing schools with a total of 1,513 (previous year: 1,533) training places for nursing professions. As a result, many employees from all professional groups completed further training or acquired additional qualifications in 2008. At over € 5.1 million, spending in this area in 2008 exceeded the previous year's level by over € 1.45 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. The main focus of these measures is aimed at optimising further training of doctors within the Group.

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. Here our doctors can acquire around 100 out of the 108 different possible medical qualifications. On 1 January 2009, there were a total of 513 further training authorisations at 48 facilities of RHÖN-KLINIKUM Group, some two thirds of which are already based on the regulations of the new further training ordinances introduced by the regional medical associations. According to our plans, this proportion is to be further raised in 2009 since most doctors are acquiring their qualification in accordance with the new further training ordinance.

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.

Further details on our activities in the area of human resources development are provided from page 62 in the present Annual Report.

Research, teaching and development

Within the Group of RHÖN-KLINIKUM AG, efforts in the area of research, teaching and development are primarily focused on optimising processes with a view to improving the quality of treatment for our patients. We do not develop non-marketable products.

There are arguably few areas where interaction between theory and practice calls for as much tactfulness and co-operativeness as the field of medicine. In a dialogue between independent scientists on the one hand and specialists from the area of healthcare delivery on the other, the focus is constantly turned to promoting and – wherever possible – improving the transfer of technical and procedural knowledge, the latest information and technology for the benefit and well-being of patients.

A company having an offering as broad and extensive as that of RHÖN-KLINIKUM AG and laying claim to setting patient care trends within the sector cannot succeed long-term without tapping the flow of medical innovations. We rely on the continuous transfer of knowledge from research in healthcare as this is the only way we can offer our patients better medicine and further expand our market position. Just some examples of this are new diagnosis methods allowing for early detection of diseases (i.e. before a patient shows any symptoms), or evaluating new drugs in clinical practice.

Helga Wirth, DKD Wiesbaden

“I am more than satisfied: compassionate, friendly and competent treatment from the entire staff – from the cleaning woman to the head physician.”

Likewise, we are keen on gaining greater insights into existing forms of therapy as well as developing and using new, gentler treatment methods. This enables us, for example, to speed up the healing process or to make it possible in future to successfully treat hitherto inoperable diseases – such as certain forms of cancer using proton and heavy ion radiotherapy. We thus enlist modern medical research to swiftly treat and heal our patients in an increasingly targeted and effective manner.

In this connection, one platform for our research and development activities is notably provided by our university hospital sites in Gießen, Marburg and Leipzig. In addition, many of our hospitals maintain close co-operation with colleges or specialised clinics outside the Group where they likewise secure access to the latest scientific developments.

We have made the commitment to the Federal State of Hesse to make available at least € 2 million a year to the medical faculties in Gießen and Marburg for research purposes. Working together with the two medical faculties and selecting from amongst 260 applications, we launched a total of some 94 research projects in a total volume of € 6 million in financial years 2006 to 2008. We see these research projects as a catalyst initiative for further research projects to be financed by third-party funds.

That is what sets our approach apart: the research results from scientists are put directly into patient care where they are “translated” into diagnosis and treatment procedures. In this way medical research and patient care cross-pollinate each other in a balanced process of technology and knowledge transfer. To span the traditional gaps between university hospitals and medical care hospitals, a certain level of receptiveness and motivation for science has to be fostered. For these facilities it is important to know that they have a reliable strategic partner like RHÖN-KLINIKUM AG at their side at all times.

Our cardiac centre in Leipzig is part of the medical faculty of the University of Leipzig and as such responsible for research and teaching in the area of cardiology and cardiosurgery, thus representing a further centre of research activity within the Group of RHÖN-KLINIKUM AG. In total, Herzzentrum Leipzig supports from its own funds two endowment professorships and three research focuses with a total budget of more than € 0.6 million p.a. At Herzzentrum Leipzig internationally recognised specialists are working on the development of procedures to ensure the highest level of patient care. Currently some 87 research projects and 230 clinical trials are being carried out at Herzzentrum Leipzig.

Doctors working at Herzzentrum Leipzig are carrying out numerous long-term clinical studies and research projects. Their results are quickly being put back into patient care so that patients benefit from innovations in medicine directly and as quickly as possible. One example of this was seen last year with the SYNTAX study involving 62 European and 23 US facilities. What was unique was the unusually large number of patient examinations. The study – thanks to the large quantity of data and the reputed participants – produced very interesting findings.

The scientists came to the conclusion that the use of filigree metal grid structures (better known as stents) used to eliminate impaired blood circulation in the coronary arteries often does not achieve the level of safety and quality of more conventional but far more complex bypass heart operations. With the study's findings, specialists are now able to chose the optimum method in each case, thus reducing the risk of heart attack and significantly improving the quality of life for patients.

Together with the José Carreras Foundation we are building a "Carreras Leukemia Center" at the Marburg site. Here efforts are being concentrated on developing efficient therapies from the close collaboration between research and healthcare in the field of leukaemia treatment.

In the area of university training, the universities in Gießen and Marburg as well as Herzzentrum Leipzig GmbH as an integral part of the University of Leipzig are responsible for both theoretical and practical training of medical students. A further 14 Group hospitals enjoy the status of academic teaching hospital whose tasks include the practical training of prospective medical professionals.

The examples cited are representative of numerous other cases in which patients directly benefit from the findings of research projects and clinical trials. Further details of good and trusted co-operation between independent science and patient care are provided from page 68 of this Annual Report.

CONSOLIDATED TREND

Sites, capacities and services

With its 48 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. For historical reasons, we also have rehabilitation hospitals at some sites; the area of outpatient medical care centres is currently being established. These latter two areas do not satisfy the size requirements for segment reporting.

The Group is horizontally structured. The hospital companies are organised in the form of legally independent corporations and have their registered office at the respective facility site. They are direct subsidiaries of the ultimate parent company that has its registered office in Bad Neustadt a.d. Saale. In addition to the hospitals at parent company headquarters in Bad Neustadt a.d. Saale, 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.

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

	Hospitals	Beds
As at 1 January 2008	**46**	**14,647**
St. Petri-Hospital Warburg	1	153
Wesermarsch-Klinik Nordenham	1	137
	48	**14,937**
Change in approved beds at various long-standing hospitals		-109
As at 31 December 2008	**48**	**14,828**

As at 31 December 2008 we have 48 consolidated hospitals with 14,828 beds/places at a total of 37 sites in nine federal states. In financial year 2008 we recorded only a minor net change, of 109 beds, with our inpatient capacities.

After generating a loss in the previous year of € 0.3 million, Krankenhaus Köthen GmbH, consolidated for the first time in previous year, generated a net profit of € 0.5 million in financial year 2008. At the same time we succeeded in significantly raising case numbers and expanding the healthcare offering in Köthen. We commenced the construction measures as planned in the fourth quarter of 2008. For 2009 we expect a net profit of € 1.3 million.

As at 9 May 2008, we acquired St. Petri Hospital Warburg, a basic care facility with 153 approved beds, from Krankenhauszweckverband Warburg. After all material conditions of validity have been met, the company will be included in the consolidated financial statements from 1 September 2008. Integration processes at St. Petri-Hospital are moving ahead on schedule. We are confident that – starting from a loss for the year in 2008 of € 0.6 million – we will achieve a turn-around here already in 2009. Subject to certain imponderables, we currently expect a positive result of € 0.5 million.

With effect from 31 December 2008 after the material conditions for validity of the purchase agreement were met, we included Wesermarsch-Klinik in Nordenham – a basic- and standard-care facility with 137 approved beds – in the consolidated financial statements. In financial year 2008, Wesermarsch-Klinik suffered a loss for the year of € 3.5 million. We are confident of succeeding in improving the economic situation in 2009 so that the loss for the year will be at least halved. Integration processes were commenced in January 2009 on schedule.

	Approved beds/places		Change	
	2008	2007	absolut	%
Inpatient capacities				
acute hospitals	13,249	13,060	189	1.4
rehabilitation hospitals and other inpatient facilities	1,238	1,243	-5	-0.4
	14,487	14,303	184	1.3
Day-case capacities	341	344	-3	-0.9
Total	**14,828**	**14,647**	**181**	**1.2**

Our capacity in the acute area (approved beds and places) increased on average by around 1.4%, which is roughly in line with the trend in case numbers at our acute facilities. Since the duration of stay shortened by approximately 1.4% or 0.1 days to 7.0 days, average occupancy during the year at our acute facilities remained stable at 82.6%.

Capacity in the rehabilitation and other area diminished by 5 beds to 1,238 beds. Occupancy in the rehabilitation and other area averaged 87.3% (previous year: 91.5%) with an average duration of stay of 32.3 days (previous year: 34.0 days).

By 31 December 2008 we had opened a total of 20 medical care centres (MVZs) Group-wide with a total of 70 specialist doctor's practices at or near our hospital sites.

	Date	MVZ	Practices
As at 1 January 2008		**14**	**39**
Opened in Wiesbaden	1 January 2008	1	2
Opened in Köthen	1 January 2008	1	3
Opened in Marburg	1 January 2008	1	2
Opened in Hammelburg	1 April 2008	1	2
Opened in Müncheberg	1 April 2008	1	2
Amalgamation in Bad Neustadt	1 April 2008	-1	-
Opened in Waltershausen	1 July 2008	1	3
Opened in Attendorn	1 October 2008	1	2
Expansion at already existing MVZs		-	15
As at 31 December 2008		**20**	**70**

The expansion of our MVZs is proceeding as planned. At 1 January 2009 we commissioned a further MVZ with a total of two specialist doctor's practices.

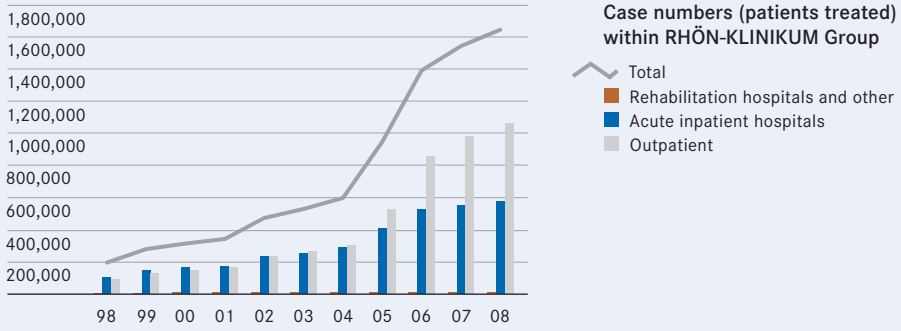
Our service companies founded together with partners for provision of infrastructural services (i. a. cleaning, catering, domestic services, and others) developed as planned. While still preserving competitive elements we are able to provide such infrastructure services ourselves on a cost-efficient basis.

	Number of companies			Services within Group		
	Catering	Laundry	Building-cleaning	Catering	Laundry	Building-cleaning
As at 1 January 2008	**4**	**0**	**7**	**20**	**0**	**40**
Newly founded/ closed	-1	1				
Orders executed in 2008				5	2	3
As at 31 December 2008	**3**	**1**	**7**	**25**	**2**	**43**

In 2008 we broadened the range of services provided by our service companies to include the area of laundry services.

January to December	2008	2007	Deviation absolut	Deviation %
Inpatient and day-case treatments,				
acute hospitals	574,158	552,538	21,620	3.9
rehabilitation hospitals and other facilities	9,862	9,555	307	3.2
	584,020	**562,093**	**21,927**	**3.9**
Outpatient attendances				
at our acute hospitals	927,721	903,633	24,088	2.7
at our MVZs	136,231	78,725	57,506	73.1
Total	**1,647,972**	**1,544,451**	**103,521**	**6.7**

In 2008 a total of 1,647,972 patients (+103,521 patients/+6.7%) were treated by the Group's



hospitals and MVZs. Of this increase, outpatient treatments account for 78.8%. After deducting consolidation and acquisition effects (Krankenhaus Köthen GmbH, St. Petri-Hospital Warburg GmbH and acquisition of MVZs), this translates into growth in patient numbers of 36,608 patients. Of this growth, 16,511 patients or 2.9% are attributable to the inpatient area and 20,097 patients or 2.1% to the outpatient area. This organic growth is distributed nearly uniformly over all Group sites.

January to December	2008	2007
Case revenue		
inpatient (€)	3,477	3,449
outpatient (€)	94	88

Compared with the previous year, per-case revenue in the inpatient area recorded a slight rise by 0.8% on account of the higher degree of case severity within the Group. In the outpatient area, revenues at our hospitals rose by 6.8% on inclusion of our MVZs with higher per-case revenues compared with our outpatient institutions.

	Number
As at 31 December 2007	**32,222**
Change in employees at hospital companies	-58
Added from personnel taken over in Warburg	293
Added from personnel taken over in Nordenham	345
Change in employees at MVZ subsidiaries	104
Added from personnel taken over in service companies	773
As at 31 December 2008	**33,679**

As at 31 December 2008, the Group employed 33,679 persons (31 December 2007: 32,222). The newly consolidated hospitals in Warburg and in Nordenham added 638 new employees. Staff at the MVZ companies was expanded by 104 persons. Growth of employees at the service companies was driven by a transfer of 431 employees from Universitätsklinikum Gießen und Marburg GmbH to one of our service companies. Adjusted for this transfer, staff at our hospital companies increased by 373 persons, which is in line with the trend in service volumes.

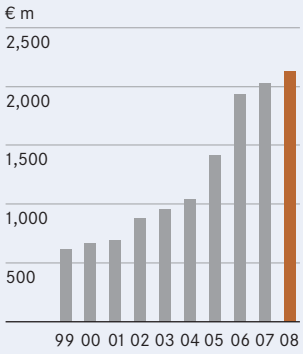
Doctors accounted for 13.9% (previous year: 13.6%), and nursing and medical-technical staff for 57.6% (previous year: 58.3%) of the total headcount. In the financial year under review, we recorded a 4.4% rise in full-time staff. This increase is slightly below the trend in revenues (5.2%).

Statutory social security contributions and pension expenditures as a percentage of the wage bill amounted to 20.4% (previous year: 21.3%).

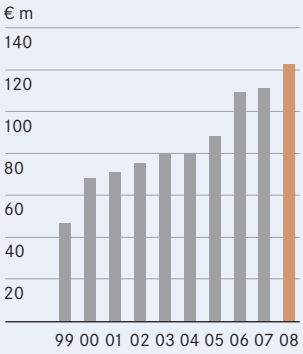
BUSINESS PERFORMANCE

During financial year 2008 our hospitals overall successfully managed the various challenges brought by legislative measures and wage developments for doctors. Thanks to surplus service volumes and cost cuts, we succeeded – as in the previous years – in fully offsetting the lower revenues from the disproportionately moderate rise in remuneration and also generated further profit contributions. We have consistently further optimised processes at our MVZs. Operating losses were largely eliminated; at the end of the start-up phase, the MVZs make stable profit contributions. Nearly all sites have developed in line with our expectations.

Revenue



Net consolidated profit acc. to IFRS



REVENUES AND EARNINGS

Compared with the previous year we achieved efficiency gains throughout the Group, as measured by the € 14.6 million improvement in EBIT.

EBIT	2008	2007	Change	
January through December	€ m	€ m	€ m	%
Long-standing hospitals (already consolidated in 2005)	169.7	157.2	12.5	8.0
Acquisitions in 2006 (Universitätsklinikum Gießen und Marburg GmbH, Heinz Kalk-Krankenhaus GmbH, Frankenwaldklinik Kronach GmbH)	2.5	0.9	1.6	177.8
Acquisitions in 2007 (Krankenhaus Köthen GmbH)	0.5	-0.3	0.8	266.7
Acquisitions in 2008 (St. Petri-Hospital Warburg GmbH)	-0.7	0.0	-0.7	N. A.
Other companies (MVZ and service companies)	0.1	-0.3	0.4	133.3
Total	**172.1**	**157.5**	**14.6**	**9.3**

Earnings before interest and tax (EBIT) rose 9.3% versus the previous year, which was largely accounted for by our long-standing hospitals contributing growth in EBIT of € 12.5 million. The hospitals acquired in 2006 and 2007 are developing in line with targets. St. Petri-Hospital Warburg GmbH depressed consolidated EBIT in 2008 by € 0.7 million. The other companies generate sustained moderately positive profit contributions. The MVZ and service companies succeeded in slightly improving their EBIT by € 0.2 million, respectively.

Universitätsklinikum Gießen und Marburg GmbH – despite having to cope with significant wage increases for doctors, a surge in pension liabilities (contributions to VBL pension scheme), and higher depreciation – succeeded in raising its EBIT compared with the previous year by € 2.9 million.

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

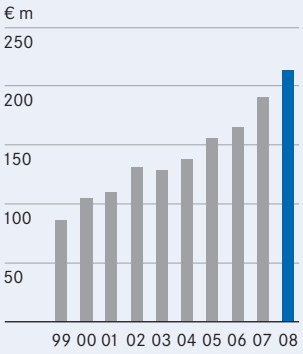
	2008	2007	Change	
	€ m	€ m	€ m	%
Revenues	2,130.3	2,024.8	105.5	5.2
EBITDA	262.8	249.3	13.5	5.4
EBIT	172.1	157.5	14.6	9.3
EBT	142.9	137.1	5.8	4.2
Operating cash flow	213.8	191.0	22.8	11.9
Net consolidated profit	122.6	111.2	11.4	10.3

In financial year 2008, revenues rose by € 105.5 million or roughly 5.2% to reach € 2,130.3 million (previous year: € 2,024.8 million). Adjusting for changes in the scope of consolidation as well as acquisitions with the MVZs, this translates into organic growth of € 89.6 million or 4.4%.

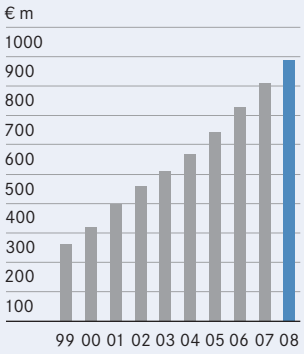
Without taking into account further acquisitions and despite the greater burdens also expected in 2009 due to higher prices and wages compared with relatively moderate increases in remuneration, we expect a further improvement in our key ratios in 2009.

	2008	2007
	%	%
Return on equity (after taxes)	14.4	14.4
Return on sales	5.8	5.5
Cost of materials ratio	25.3	24.5
Personnel cost ratio	59.6	59.5
Depreciation and amortisation ratio	4.3	4.5
Other cost ratio	9.7	10.4
Tax rate	14.2	18.8

Operating cash flow



Equity capital acc. to IFRS



In a year marked by relatively few acquisitions, we nonetheless achieved a good improvement in our key ratios.

The disproportionate rise in the cost-of-materials ratio stems from the significantly higher purchases of materials for the production of cytostatics that we increasingly also sell to Group-external facilities, which in turn are generating correspondingly higher income. Excluding changes in the scope of consolidation as well as disproportionate price increases for food and energy, the remaining cost-of-materials expenditure remained nearly constant at 19.9% (previous year: 19.7%).

In the personnel cost ratio, which was nearly unchanged versus the previous year, restructuring successes of roughly 3% are cancelled out by corresponding rises in wages and old-age pension contributions.

The decline in the tax ratio in 2008 is attributable to the tune of € 15.1 million essentially to the first-time application of the new corporation tax rate of 15% (previous year: 25%). It moreover reflects one-off tax reducing effects, also applicable in the previous year, from the revaluation of deferred tax liabilities (€ 8.6 million).

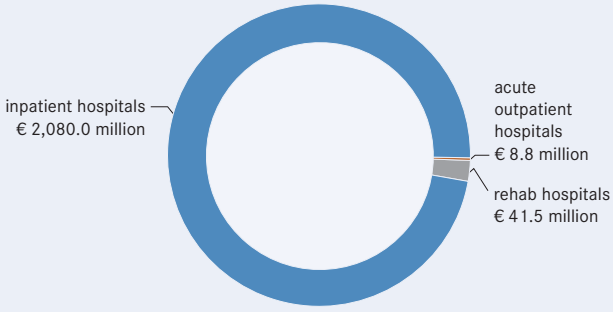
	2008	2007	Change	
	€ m	€ m	€ m	%
Cost of materials	539.9	496.5	43.4	8.7
Personnel expenses	1,270.6	1,204.0	66.6	5.5
Depreciation/ amortisation and impoirment	90.7	91.8	-1.1	-1.2
Other operating expenditure	206.3	211.1	-4.8	-2.3
Total	**2,107.5**	**2,003.4**	**104.1**	**5.2**

The cost-of-materials ratio for financial year 2008 includes, in addition to purchases of goods for cytostatics in the amount of € 18.1 million (previous year: € 16.9 million) as well as expenditures for food and energy in the amount of € 92.7 million (previous year: € 80.9 million), also corresponding expenditures for the first-time-consolidated St. Petri-Hospital Warburg GmbH (€ 1.3 million) as well as additional expenditures from the follow-on consolidation of Krankenhaus Köthen GmbH (€ 2.0 million) for a full financial year. The MVZs commissioned during the financial year account for additional expenditures of € 1.9 million. Excluding these expenditures, the cost of materials rose compared with the previous year by € 25.2 million or 6.3% and thus roughly in line with the trend in revenues.

The rise in personnel expenditures by € 66.6 million or 5.5% includes the first time effects of personnel costs for St. Petri-Hospital Warburg GmbH (€ 4.0 million) and the increase in personnel costs for Krankenhaus Köthen GmbH arising for first time on a full-year basis (€ 4.4 million). At the MVZs, additional personnel costs of € 3.4 million were recorded as a result of the commissionings during the financial year. The remaining increase in personnel expenditure by € 54.8 million after adjusting for the foregoing items is roughly in line with the trend in revenues. In this figure, successes achieved in restructuring measures to the tune of roughly 3% are cancelled out by wage increases.

The slight decline in depreciation and impairments by € 1.1 million or 1.2% stems primarily from one-off effects that burdened the previous year by roughly € 4.4 million. On an adjusted basis, the depreciation item rose by € 3.3 million or 3.8% driven by investments.

Analysis of revenue at RHÖN-KLINIKUM Group



Without the expenditure-reducing effect of € 0.4 million resulting from the first-time recognition of construction-time interest, a rise in the negative financial result by € 9.2 million is calculated, which is accounted for by a depreciation expenditure from the revaluation of our interest-rate hedging instruments (€ 4.2 million) and higher interest expenditure from the rise in net debt to banks (€ 5.0 million). 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 at equity in the amount of € 11.9 million without effect on the income statement.

The income tax expense item declined by € 5.6 million to € 20.3 million (previous year: € 25.9 million) compared with the previous year. Whereas in the previous year the revaluation of deferred tax liabilities had an earnings-relieving effect of € 8.6 million, the lowering of the corporation tax rate from 25.0% to 15.0% in 2008 as well as the effects from the recognition of deferred tax for previous years resulted in a tax reduction of € 15.1 million. The remaining € 0.9 million results from effects of the tax audit.

Net consolidated profit rose by € 11.4 million (+ 10.3%) from € 111.2 million to reach € 122.6 million. In this regard it has to be considered that the numbers were impacted by tax effects and the results of the revaluation of our financial instruments both in 2007 and in 2008. In financial year 2007, the revaluation of deferred tax liabilities made a positive contribution of € 8.6 million and the revaluation of financial instruments of € 2.4 million to net consolidated profit. In 2008, however, income from the recognition of deferred tax credits of € 4.2 million for loss carry-forwards of previous years was offset by expenditures of € 4.2 million from the impairment on our financial instruments. Moreover, the lowering of the corporation tax rate to 15% had a tax reducing effect in 2008 of € 15.1 million. Adjusted for these factors, the rise in the operative net consolidated profit is thus € 7.3 million (+ 7.3%) and in line with the trend in service volumes. For financial year 2009, we expect this positive trend to be maintained.

After the end of their start-up phase, our MVZs as a rule operate at cost-coverage. Overall, they recorded an undercoverage of € 0.1 million (previous year: € 0.4 million), with the start-up losses at the MVZs commissioned in financial year 2008 being nearly completely offset. We expect to see steadily rising profit contributions in 2009.

Our service companies met their targets, making a slightly positive contribution to earnings of € 0.4 million in financial year 2008 (previous year: € 0.1 million).

The earnings share of minority owners rose by € 0.4 million to € 5.3 million. This rise also reflects the proportionate impact of the aforementioned tax effects as well as the positive earnings performance at Universitätsklinikum Gießen und Marburg GmbH, resulting in higher earnings of minority interests.

The interest of RHÖN-KLINIKUM AG shareholders in profit for 2008 rose by € 11.0 million or 10.4% to € 117.3 million (previous year: € 106.3 million). This corresponds to earnings per share of € 1.13 (previous year: € 1.03). In accordance with a change in dividend policy adopted by the Board of Management and approved by the Supervisory Board, we plan to pay a dividend of 30% of the profit attributable to shareholders or 35 cents (previous year: 28 cents) out of these earnings.

ASSET AND CAPITAL STRUCTURE

	31 Dec. 2008		31 Dec. 2007	
	€ m	%	€ m	%
ASSETS				
Non-current assets	1,662.4	77.7	1,487.2	71.7
Current assets	478.5	22.3	585.9	28.3
	2,140.9	**100.0**	**2,073.1**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	889.3	41.5	810.8	39.1
Long-term loan capital	729.4	34.1	750.4	36.2
Short-term loan capital	522.2	24.4	511.9	24.7
	2,140.9	**100.0**	**2,073.1**	**100.0**

The balance sheet total rose by 3.3% to € 2,140.9 million compared with the previous year. Driven by acquisitions and investments, our non-current assets increased by € 175.2 million or 11.8%. Current assets decreased by € 107.4 million or 18.3% as a result of Group-internal debt refinancings and cash used for investments.

The equity ratio rose moderately from 39.1% to 41.5%, attributable to the high internal financing strength of our company.

Equity now stands at € 889.3 million (previous year: € 810.8 million). The increase of € 78.5 million stems from the net consolidated profit of € 122.6 million less dividends paid to shareholders and minority owners in the amount of € 32.2 million and less the € 11.9 million impairment requirement for the effective portion of the interest-rate hedging instruments recognised at equity without effect on the income statement (cash flow hedge).

In debt capital, slight conversions from the non-current to current area took place at balance sheet date. Overall, 97.4% (previous year: 105.0%) of non-current assets are covered arithmetically by equity and non-current liabilities. Net debt to banks rose from € 505.7 million to € 605.8 million at balance-sheet date.

January through December	2008	2007
	€ m	€ m
Cash generated (+)/utilised (-) by operating activities	187.0	128.1
Cash generated (+)/utilised (-) in investing activities	-254.8	-165.2
Cash generated (+)/utilised (-) by financing activities	-20.0	46.0
Change in financing funds	**-87.8**	**8.9**
Cash and cash equivalents at 1 January	164.7	155.8
Cash and cash equivalents at 31 December 2008	**76.9**	**164.7**

In financial year 2008, cash generated from operations amounted to € 187.0 million (previous year: € 128.1 million). This change resulted from the higher business volume.

Cash used in investing activities amounting to € 254.8 million (previous year: € 165.2 million) was well above the previous year's level since during the reporting year a number of major investment projects were pursued.

Cash used in financing activities amounting to € 20.0 million (previous year: cash generated in the amount of € 46.0 million) was in particular attributable to dividend payments to the shareholders of RHÖN-KLINIKUM AG.

Overall, cash and cash equivalents declined during the period from 1 January to 31 December 2008 to € 76.9 million.

The finance management department of RHÖN-KLINIKUM Group is essentially centrally organised and encompasses the functions of raising capital, Group-internal liquidity management as well as settlement. The processes implemented in this connection 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 for 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. Where these occur at all, they take the form of follow-on financings and fluctuations in interest rates. The business model of RHÖN-KLINIKUM AG is oriented on the long term; for this reason we regularly secure our financing requirements long-term to minimise the risk of refinancing. We limit the risk of fluctuating interest rates using interest-rate hedging transactions, thus making our interest expenditure calculable 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		
		2008	2007
Net debt to banks/ EBITDA	≤ 3	2.3	2.0
EBITDA/ net interest expenditure	≥ 6	9.0	12.2

Our internal financing strength has increased significantly. Compared with the same period last year, cash flow (excluding one-off non-cash effects) rose by € 22.8 million or 11.9% to reach € 213.8 million (previous year: € 191.0 million).

The Group continues to enjoy sound financial structures. As at balance sheet date, we have available credit lines in the amount of € 300 million. Our medium-term finance requirement is now to a very large extent secured in the long term by loan agreements in terms of the interest rate and loan term.

With regard to the economic situation of the Group it can be stated overall that in the view of the Board of Management the Group of RHÖN-KLINIKUM AG achieved a very good performance during the past financial year. The focus of work was on higher service volumes and efficiency and thus profitability. We also further strengthened our financial stability. Net liquidity stands at 29.5%, and we boosted the equity ratio to 41.6%. This was also acknowledged by the rating agency/agencies with a Baa3 rating.

INVESTMENTS

Aggregate investments of € 358.2 million (previous year: € 259.9 million) in financial year 2008 are shown in the following table:

	Use of grants	Use of own funds	Total
	€ m	€ m	€ m
Current capital expenditure	79.3	275.3	354.6
Hospital takeovers	0.0	3.6	3.6
Total	**79.3**	**278.9**	**358.2**

During financial year 2008, we invested a total of € 358.2 million (previous year: € 259.9 million) in intangible assets and in property, plant and equipment. Of this total, € 79.3 million (previous year: € 79.0 million) was financed from grants under the Hospital Financing Act (KHG) which we reflect as a deduction from acquisition cost.

In the consolidated financial statements we report net investments of € 278.9 million (previous year: € 180.9 million). Assets acquired on takeovers accounted for € 3.6 million (previous year: € 14.9 million) and current capital expenditure for € 275.3 million (previous year: € 166.0 million) of total net investments during the year under review.

In investments related to hospital takeovers, the acquisition of St. Petri-Hospital Warburg GmbH accounts for € 2.6 million and the acquisition of Wesermarsch-Klinik Nordenham GmbH accounts for € 1.0 million, with payment of the purchase price yet to be made in the latter case.

An analysis of investments in 2008 by region is given below:

	€ m
Bavaria	60.4
Baden-Wuerttemberg	7.5
Brandenburg	8.9
Hesse	161.6
Lower Saxony	65.0
North Rhine-Westphalia	8.2
Saxony	13.8
Saxony-Anhalt	3.5
Thuringia	29.3
Total investment	**358.2**
Deduct: grants under KHG	79.3
Net investment	**278.9**

Under company purchase agreements we still have outstanding investment obligations of € 424.0 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 2008

During the first two months of 2009, share prices for the most part moved sideways. The price of the RHÖN-KLINIKUM share remained stable within a range of € 14.50 to € 16.50. Our share reveals relative strength versus the DAX® and the MDAX®.

The positive trend in service volumes of the year 2008 continued without interruption in the first two months of financial year 2009. We are firmly con-

vinced that, assuming normal business performance, we will generate organic growth in revenues of at least roughly 3% in 2009 also.

The integration of Wesermarschklinik in Nordenham started as planned in January 2009. In the current financial year, our target is to halve the operating loss in 2008 of over € 3 million.

We have expanded the Board of Management to swiftly complete the transformation of our Company from hospital operator to integrated healthcare provider.

OUTLOOK FOR 2009

STRATEGIC OBJECTIVES

We will continue steadfastly in pursuing our successful and growth-oriented business model. An important move here is the already initiated transformation from hospital operator to integrated healthcare provider. This will help us to achieve steadily rising revenues and earnings. Within the bounds set by legislation, organic growth is possible only with limits – as a rule less than 5%. We are realising our goal of establishing national, generalised outpatient and inpatient healthcare coverage primarily through acquisitions and partnerships.

For this reason we will consistently exploit every economically sensible opportunity to expand our outpatient, day-case and inpatient healthcare provision capacities. We have the organisational and financial wherewithal to simultaneously handle the active and qualified integration of several intermediate-care hospitals or a university hospital even in the short term, while not departing from our principles of “quality before quantity” and “growth not at any price”.

Over the next few years we expect to see significant external growth in revenues on the back of hospital takeovers. We are prospectively seeking a market share of over 8% and a market coverage that will enable everyone in Germany to reach one of our facilities within one hour’s drive. We will therefore forge ahead with the establishment of medical care centres (specialist MVZs), the construction of portal clinics and the expansion of our hospital sites through acquisitions and co-operation schemes. We will continually extend the university hospitals in Gießen and Marburg as well as our further scientific sites in terms of medicine and science and will apply the knowledge gained from this relating to diagnosis and therapy methods to other hospitals within the Group.

ECONOMIC AND LEGAL ENVIRONMENT

In 2009 we expect to see a sharp economic slump or even a protracted recession in the real economy. In Germany we expect a sharp decline in exports followed, with a slight lag, by flagging private and commercial demand. That said, we do not deny that falling energy prices and various economic stimulus packages might begin to have some effect in the course of financial year 2009.

On the employment market we expect a decline in employment and rise in the jobless rate. At the same time, tax revenue will fall sharply due to the downturn in the economy. In a situation of overall lower revenues of the state and massive increases in state expenditures to shore up the social insurance systems and to finance the economic stimulus packages, public debt in our view will rise sharply.

We expect the crisis of trust within and towards the banking sector will be gradually diminished by the state support of so-called systemic banks and do not see any serious problems in credit provision at least for well reputed and properly managed companies. We see fundamental risks in the form of protectionist or state-capitalistic activities of policymakers in Germany and abroad.

The presumed poorer financing of public entities at the various levels of government (local, state and federal) in our view should lead to a wave of hospital privatisations in 2009. It remains to be seen whether this will also ring true in a year in which a federal election and many state elections are to be held. In any case, we have prepared ourselves for this.

In the public healthcare system we expect public hospital funding in the federal states to undergo further cuts, i.e. that disinvestment trends will gather pace. In our view the earnings deterioration of the public hospitals is set to continue in 2009.

For demographic reasons, we see the sector poised for rising demand for hospital services, but expect payers, as beneficiaries of the latest hospital reform legislation, to wholly maintain their policy of reining in costs and restricting spending in the healthcare system.

BUSINESS PERFORMANCE

RHÖN-KLINIKUM AG and its subsidiaries have made a successful start into financial year 2009. Patient numbers continue to rise steadily, and results achieved in the first months are in line with our targets.

For 2009 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.

We do not foresee significant improvements on the revenue side for 2009. Although the revenue-diminishing deductions for financing integrated care as well as for reforming the healthcare system have been ended, the payers of the system have sufficient bargaining power to bring about similar reductions in some other guise and thus have the wherewithal to restrict hospitals' revenue and earnings growth.

However, we are confident and optimistic that we will succeed in meeting the challenges of financial year 2009.

Not taking into account potential new acquisitions and assuming a moderate trend in wages, we expect revenues of roughly € 2.3 billion and a net consolidated profit of roughly € 130.0 million within a fluctuation range of plus or minus € 5 million. In financial year 2009, investments – excluding new acquisitions – will be in the order of € 285 million.

On continuation of our growth strategy and on the assumption that the current legal regulations will still apply in 2010, our trend in revenue growth and in earnings will continue.

Bad Neustadt a.d. Saale, 27 February 2009

The Board of Management

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

CONSOLIDATED INCOME STATEMENT

1 JANUARY - 31 DECEMBER 2008

	Notes	2008 € '000	2007 € '000
Revenues	6.1	2,130,277	2,024,754
Other income	6.2	149,192	136,141
		2,279,469	**2,160,895**
Cost of materials	6.3	539,863	496,517
Personnel expenses	6.4	1,270,593	1,203,979
Depreciation/amortization and impairment	6.5	90,680	91,772
Other operating expenditure	6.6	206,256	211,137
		2,107,392	**2,003,405**
Operating earnings		**172,077**	**157,490**
Finance income	6.8	7,591	10,167
Finance expenditure	6.8	36,756	30,572
Financial result (net)	**6.8**	**-29,165**	**-20,405**
Earnings before tax		**142,912**	**137,085**
Income taxes	6.9	20,268	25,891
Net consolidated profit		**122,644**	**111,194**
of which			
Minority owners	6.10	5,345	4,902
Shareholders of RHÖN-KLINIKUM AG		117,299	106,292
Earnings per share in €	**6.11**	**1.13**	**1.03**

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2008

ASSETS	Notes	31 Dec. 2008 € '000	31 Dec. 2007 € '000
Non-current assets			
Goodwill and other intangible assets	7.1	250,276	255,581
Property, plant and equipment	7.2	1,387,012	1,205,270
Investment property	10.3.3	4,007	4,172
Income tax claims	7.3	18,776	20,577
Other financial assets	7.4	2,308	1,556
		1,662,379	**1,487,156**
Current assets			
Inventories	7.5	42,027	39,842
Accounts receivable, other receivables and other assets	7.6	331,985	358,532
Current income tax claims	7.7	17,971	17,512
Cash and cash equivalents	7.8	86,532	170,057
		478,515	**585,943**
		2,140,894	**2,073,099**

EQUITY AND LIABILITIES	Notes	31 Dec. 2008 € '000	31 Dec. 2007 € '000
Equity			
Subscribed capital	7.9	259,200	259,200
Capital reserve		37,582	37,582
Retained earnings		432,016	366,714
Net consolidated profit attributable to shareholders of RHÖN-KLINIKUM AG		117,299	106,292
Treasury shares		-77	-77
Equity attributable to shareholders of RHÖN-KLINIKUM AG		846,020	769,711
Outside owners' minority interests in Group equity		43,243	41,120
		889,263	**810,831**
Long-term debt			
Financial liabilities	7.10	658,282	656,537
Deferred tax liabilities	7.11	3,648	12,867
Provisions for post-employment benefits	7.12	9,465	8,164
Other provisions	7.13	0	0
Other liabilities	7.15	57,998	72,834
		729,393	**750,402**
Short-term debt			
Accounts payable	7.14	101,675	107,966
Current income tax liabilities	7.16	7,695	10,560
Financial liabilities	7.10	48,758	19,562
Other provisions	7.13	23,235	24,485
Other liabilities	7.15	340,875	349,293
		522,238	**511,866**
		2,140,894	**2,073,099**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Subscribed capital		Retained earnings						
	Ordinary shares	Capital reserve	Market valuation Financial instruments	Other reserves	Net consolidated profit attributable to shareholders of RHÖN-KLINIKUM AG	Treasury shares	Equity attributable to shareholders of RHÖN-KLINIKUM AG	Outside owners' minority interests in Group equity	Share-holders' equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 31 Dec. 2006/ 1 Jan. 2007	**51,840**	**37,582**		**496,552**	**105,200**	**-77**	**691,097**	**37,644**	**728,741**
Net consolidated profit					106,292		106,292	4,902	111,194
Dividends paid					-25,914		-25,914	-3,692	-29,606
Allocation to reserves				79,286	-79,286				0
Capital increase out of company funds	207,360			-207,360					0
Changes in scope of consolidation								502	502
Other changes				-1,764			-1,764	1,764	0
Balance at 31 Dec. 2007/ 1 Jan. 2008	**259,200**	**37,582**	**0**	**366,714**	**106,292**	**-77**	**769,711**	**41,120**	**810,831**
Net consolidated profit					117,299		117,299	5,345	122,644
Cash flow hedges after taxes			-11,967				-11,967		-11,967
Net income			-11,967	0	117,299	0	105,332	5,345	110,677
Dividends paid					-29,023		-29,023	-3,244	-32,267
Allocation to reserves				77,269	-77,269		0		0
Changes in scope of consolidation							0	22	22
Balance as at 31 Dec. 2008	**259,200**	**37,582**	**-11,967**	**443,983**	**117,299**	**-77**	**846,020**	**43,243**	**889,263**

CASH FLOW STATEMENT

	Notes	2008 € million	2007 € million
Earnings before taxes		142.9	137.1
Financial result (net)	6.8	25.0	20.4
Impairment and losses on disposal of assets	6.5	91.2	90.8
Non-cash valuations of financial derivatives	7.17	4.2	0.0
Non-cash income tax claims		0.0	-10.1
		263.3	**238.2**
Change in net current assets			
Change in inventories	7.5	-1.4	-0.5
Change in accounts receivable	7.6	-4.8	-11.8
Change in other receivables	7.6	21.3	0.8
Change in liabilities (excluding financial debts)	7.14	-27.0	-24.7
Change in provisions	7.13	0.0	0.4
Income taxes paid	6.9	-31.8	-43.7
Interest paid		-32.6	-30.6
Cash generated from operating activities		**187.0**	**128.1**
Investments in property, plant and equipment and in intangible assets	7.2	-268.3	-172.0
Purchase of securities	7.6	0.0	-52.5
Sale of securities	7.6	9.5	52.5
Acquisition of subsidiaries, net of cash acquired	4	-5.6	-11.6
Subsidiaries, net of cash sold		-0.1	0.0
Sale proceeds from the disposal of assets		2.1	8.2
Interest received		7.6	10.2
Cash used in investing activities		**-254.8**	**-165.2**
Payments on contracting of long-term financial debts	7.10	160.0	162.0
Repayment of financial debts	7.10	-147.8	-86.4
Depositis of minorities		0.0	0.0
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.9	-29.0	-25.9
Dividends paid to minority owners	7.9	-3.2	-3.7
Cash used/generated in financing activities		**-20.0**	**46.0**
Change in cash and cash equivalents	7.8	-87.8	8.9
Cash and cash equivalents at beginning of the year		164.7	155.8
Cash and cash equivalents at end of year		**76.9**	**164.7**

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1 GENERAL INFORMATION

RHÖN-KLINIKUM AG and its subsidiaries build, acquire and operate primarily acute-care hospitals of all categories, and to an increasing extent also medical care centres (MVZs). 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.

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 essential shown in million 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 2008 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 2008.

The following amendments of standards as well as new interpretations that came into force in 2008 were observed in financial year 2008:

- IAS 39 and IFRS 7 “Reclassification of financial assets”
- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”.

There has been no impact on the net assets, financial position and results of operations.

The following standard and its interpretations, which has already been adopted by the European Union, were applied early in financial year 2008:

In the revised IAS 23 “Borrowing Costs”, the option of either capitalising or immediately recognising as an expenditure borrowing costs incurred in close connection with the financing of the purchase or production of a qualifying asset is replaced by a capitalisation obligation. The application of this standard during the financial year resulted in higher acquisition costs for qualifying assets and, correspondingly, in lower interest expenditure in the amount of € 0.4 million.

The following newly published standards as well as changes which have already been adopted by the European Union are the subject of mandatory adoption for RHÖN-KLINIKUM AG starting in financial year 2009 as well as subsequent years:

- Collective standard “Improvements to IFRSs”
- IAS 1 “Presentation of Financial Statements”
- IFRS 8 “Operating Segments”.

In May 2008 the IASB published the first annual collective standard “Improvements to IFRSs” for making small changes to IAS/IFRS. The objective of these changes is to clarify the content of the rules and to remove unintended inconsistencies between different standards. A significant part of the changes is the subject of mandatory first-time application to the reporting period commencing on or after 1 January 2009. RHÖN-KLINIKUM AG is currently reviewing the precise impact in terms of accounting policies.

IAS 1 (2007) “Presentation of Financial Statements” contains new rules on the presentation of financial statements. The new version of the standard provides for changed designations for the components of the financial statements. In addition, a clearer separation of non-owner-related changes in equity capital and owner-related changes in equity is made. Income and expenses recognised at equity without effect on the income statement (other comprehensive income, OCI) are therefore subject to mandatory inclusion in a comprehensive income statement. The mandatory presentation in the comprehensive income statement of the income and expenses recognised at equity without effect on the income statement can moreover be performed as part of one comprehensive statement (setting out all income and expenses with the result for the period as subtotal) or as part of two statements (income statement as well as presentation, based on the result for the period, of the income and expenses not recognised in the income statement). The comprehensive statement is differentiated by the individual components of the OCI, subject to the requirement of separate presentation, in addition to the effect of income tax, of also adjustment entries in the case of reclassification in the income statement on realisation of income and expenses previously recognised without effect on income. Moreover, for each component the income tax portion to which it relates is to be disclosed. IAS 1 (2007) is applicable for the first time for financial years commencing on or after 1 January 2009. The standard will have an impact on the presentation of the consolidated annual financial statements. However, no effect on the net assets, financial position and results of operations will arise.

IFRS 8 “Operating Segments” provides for the disclosure of information on the Group’s operating segments and replaces the obligation to define primary (operating segments) and secondary (geographical segments) segment information formats for the Group. The structure and content of segment information is to be adjusted to the reports regularly submitted to the internal decision-makers. The expected impact of its first-time application is currently being reviewed.

The following newly published standards as well as changes which however have not yet been adopted by the European Union are the subject of mandatory adoption for RHÖN-KLINIKUM AG starting in financial year 2010 as well as subsequent financial years and are of practical relevance:

- IAS 27 (revised) “Consolidated and Separate Financial Statements according to IFRS”,
- 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 at equity without effect in profit or loss. 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 relating to minorities that exceed their balance sheet value in future are to be presented as negative carrying values in the Group’s equity capital.

The new IFRS 3 (revised) contains changed rules on its scope, on purchase price components, on the treatment of minority shares and goodwill as well as on the scope of the assets, debts and contingent liabilities to be recognised as part of business combinations. The standard also contains rules on accounting of loss carry-forwards and on the classification of the acquiree’s contracts. The amended standard introduces material changes in the definition of cost of acquisition. For example, the adjustment of acquisition 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 debts as a rule are to be 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.

The revised versions of IAS 27 and IFRS 3 are to be applied prospectively for financial years commencing on or after 1 July 2009. 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 can not 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:

- IAS 32 and IAS 1 “Puttable Financial Instruments and Obligations Arising on Liquidation”
- IFRS 1 and IAS 27 “Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate in the Parent’s Separate Financial Statement”
- IFRS 2 “Share-based Payment: Vesting Conditions and Cancellations”
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 14/IAS 19 “Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”.

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 2009 as well as subsequent financial years:

- IAS 39 “Financial Instruments: Recognition and Measurement – Eligible Hedged Items in a hedging relationship“
- IAS 39 “Reclassification of Financial Assets: Effective date and transitional provisions”
- IFRS 1 “First-time Adoption of International Financial Reporting Standards”
- IFRIC 12 “Service Concession Arrangements”
- 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”.

Preparing consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made. Moreover, the application of Group-wide accounting and valuation principles means that the Management has to exercise its 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.

Preparation of the consolidated financial statements was effected on the basis of historical cost of purchase or cost of production 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 on 22 April 2009 by the Supervisory Board.

2.2 Consolidation

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% in the voting rights. When assessing whether the Group exercises control, the existence and impact of potential voting rights that are currently exercisable or convertible are considered.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date that the Group obtains control and are deconsolidated when the control ends. Acquired subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured as the fair value, at the transaction date (date of exchange), of assets given, equity instruments issued, and liabilities incurred or acquired plus any costs directly attributable to the acquisition.

Assets, liabilities and contingent liabilities identifiable within the scope of a business combination are recognised separately at their fair values at the acquisition date, regardless of the scope of minority interests. 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.

Group-internal transactions, balances and unrealised gains from transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction indicates an impairment on the asset transferred. To the extent necessary, the accounting and valuation principles of subsidiaries were amended to ensure application of uniform accounting principles within the Group.

Participating interests of between 20.0% and 50.0% whose individual or overall impact on the net assets and results of operations is not of a material nature 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

A business segment is a group of assets and business activities that is engaged in providing products or services and that is subject to risks and returns that are different from those of other business areas. A geographical segment is one that provides products or services within a particular economic environment and that is subject to risks and returns different from those of other economic environments.

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 attributed to intangible assets. Goodwill is subjected to an annual impairment test and measured at its historical cost less any impairment losses. Write-back amounts are excluded. Profits and losses arising on the sale of a company include the carrying amount of the goodwill attributed to the company sold.

For the purpose of the impairment test, goodwill is allocated to cash generating units. At RHÖN-KLINIKUM AG these correspond to the individual hospitals.

2.4.2 Computer software

Acquired computer software licenses are recognised at the cost of purchase or cost of production plus the costs of bringing them to a read-for-use condition. These costs are amortised over the estimated useful life (three to five years, straight-line method), and are shown under “depreciation/amortisation and impairment” in the income statement.

Costs relating to the development of websites or computer software are expensed as incurred.

2.4.3 Other intangible assets

Other intangible assets are stated at historic cost and – to the extent depletable – amortised over their respective useful lives (three to 15 years) using the straight-line method, and are shown under “depreciation/amortisation and impairment” in the income statement.

2.4.4 Research and development expenses

Research costs are recognised as current expenditure in accordance with IAS 38. Development costs are capitalised if 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 written back in the income statement 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 respective periods necessary to match them with the related costs 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 government entities in connection with the acquisition of hospitals are also accounted for as described above.

Grants not yet used for their intended purpose are stated separately under “Other liabilities” at the balance sheet date.

2.5 Property, plant and equipment

Land and buildings are stated 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. Costs include the expenditure directly attributable to the acquisition as well as the overheads attributable to the costs.

Subsequent costs are recognised as being attributable to the costs 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 life of the assets to their residual carrying amount as follows:

Buildings	33 ⅓ years
Machinery and equipment	5 to 15 years
Other plant and equipment	3 to 12 years

The residual carrying amounts and useful economic lives are reviewed at each balance sheet date and adjusted where applicable.

Profits and losses on disposal of assets are measured as the difference between the disposal income and the carrying amount and recognised through profit or loss. If revalued assets are sold, the corresponding amounts are transferred from the market valuation reserve to retained earnings.

2.6 Impairment of property, plant and equipment and intangible assets (excl. goodwill)

On every balance sheet date, the Group assesses whether there are any indications that an asset might be impaired. If such indications exist or if an annual impairment test has to be performed in relation to an asset, the Group estimates the recoverable amount. If it is not possible for independent inflows to be attributed 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 check is performed to establish whether there are any indications that an impairment which was recognised in previous reporting periods no longer exists or might have diminished. If such an indication exists, the recoverable amount is estimated. An impairment which has been previously recognised has to be reversed if, since the time at which the last impairment was recognised, there has been a change in the estimates used for determining the recoverable amount. 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 if no impairment had been recognised in previous years. Any such reversal of a prior impairment has to be recognised immediately in the result 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 carrying amount, over the residual service life of the asset.

2.7 Financial assets

Financial assets comprise the receivables, equity instruments, financial derivatives with positive fair values, and cash.

These financial assets are principally divided into the following categories:

- a financial asset or financial liability 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, as the case may be, 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 recognised 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 carried in the income statement under finance expenditure and income in the period in which they arise.

If no active market exists for financial assets or if these are assets that are not quoted, the fair values are calculated using suitable valuation methods. These include references to recently concluded 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 accordingly by the management. Derivatives are also included in this category provided they are not classified as hedges.

The category “held-for-trading” financial instruments under IAS 39 is also applicable for certain hedging instruments which are used for interest hedging in the RHÖN-KLINIKUM Group in accordance with

management criteria, but for which IAS 39 has not been applied for hedge accounting. These are derivative financial instruments such as interest-rate caps and options. Assets in this category are shown as current assets if they are held for trading.

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. Otherwise they are stated as non-current assets. Loans and receivables are reflected on the balance sheet under “Accounts receivable” and “Other receivables”. As of 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 of 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 stated 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 ancillary 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 necessary to make the sale.

2.10 Accounts receivable

Accounts receivable are initially stated 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 expenditure“. 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 with 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 “Short-term financial debts”.

2.12 Shareholders’ equity

Ordinary shares are classified as equity. Costs that are directly attributable to the issuance of new shares are reflected 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 to which the shareholders of the company are entitled 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 to which the shareholders of RHÖN-KLINIKUM AG are entitled.

The Group avails itself of financial derivatives to hedge against interest rate risks arising from financial transactions and applying 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 at equity without effect in profit or loss until recognition of the result from the hedged item (hedge reserve); the ineffective portion or change in value of the hedging instrument is recognised through profit or loss in the income statement.

Financial derivatives are stated at fair value on their initial recognition. 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 market values 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 concluded, the Group documents the hedge relationship between the hedging instrument and hedged item, the objective of its risk management as well as the underlying strategy in concluding hedge transactions. Moreover, on commencement of the hedge relationship and thereafter, the assessment of whether the derivatives used in the hedge relationship effectively compensate 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 at equity without effect in profit or loss – it is decisive whether or not the financial derivative is included in an effective hedge relationship in accordance with IAS 39. If there is no hedge accounting or if

portions of the hedge relationship are ineffective, the changes in fair values relating to such portions are immediately recognised through profit or loss in the income statement under financing income or financing expenditures. On the other hand, if an effective hedge relationship exists in accordance with IAS 39, the securing connection as such is accounted for.

The Group also performs hedging transactions that do not satisfy the strict requirements of IAS 39 but which effectively help hedge against 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 their amortised cost. For current liabilities this means that they are recognised at their repayment or settlement amount.

Non-current liabilities as well as financial debts, after initial recognition, are stated at fair value after deduction of transaction costs. In the ensuing periods they are measured at amortised cost; every difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognised over the term of the lending 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 taxable carrying amounts of the assets and liabilities and the respective IFRS consolidated carrying amounts. If, however, in a transaction which is not a business combination, a deferred tax liability 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 liability 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 corporation tax rate of 15.0% (plus the 5.5% solidarity surcharge on corporation 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 participating interests in subsidiaries are as a rule 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 through the formation of provisions (direct commitments) whose amount as a rule 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 not yet recognised.

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 which are issued in the currency in which the benefits are also paid and whose terms are consistent with those of the pension obligation.

Actuarial gains and losses based on experience 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 expenditure when due.

On the basis of collective agreement provisions the Group pays contributions to the Federal and State Pension Scheme (VBL) and other pubic 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.

The VBL/ZVK provision in principle is to be classified as 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. Guarantee obligations of public-law entities subject to priority redemption rank before the recognition of any liability item in our balance sheet.

The current contributions to the VBL/ZVK are reflected as pension expenses for the respective years as post-employment benefits in the employee benefits item.

The other long-term benefits due to employees relate to obligations arising from semi-retirement schemes. These obligations are valued in accordance with IAS 19 by an independent actuarial expert. The semi-retirement benefits are recognised at the present value of the obligations. During the phase in which the employees continue to work, a fulfilment back-log builds up at the company, as the employees do not receive the full payment of the work which they perform in the work phase (block model). The 2005G mortality tables of Professor Dr. Klaus Heubeck with a discount rate of 6.2% (previous year: 4.7%) have been used as a basis for calculating the value of the semi-retirement obligations. A salary trend of 2.5% has also been assumed. The top-up amount is recognised immediately through profit-and-loss.

2.15.2 Termination benefits

Termination benefits are provided if an employee is made redundant before the normal retirement date or accepts voluntary redundancy in return for severance compensation, which includes top-up amounts from termination benefits under semi-retirement agreements. The Group recognises severance compensation payments if it is demonstrably committed to terminate the employment of current employees subject to a detailed formal plan which cannot be rescinded, or is demonstrably committed to pay 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 valuation method oriented on the consolidated result or the results of the 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 formed 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 formed if the likelihood of outflow for any one of such obligations is deemed to be small.

Provisions are measured as the present value of the expenditure 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 stated in the income statement as interest expenditure.

2.17 Realisation 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 revenue and services is eliminated by way of consolidation. Revenue is realised as follows:

2.17.1 Inpatient and outpatient hospital services

Hospital services are recognised by reference to the stage of performance based on the proportion of the services rendered to aggregate services rendered in the financial year in which the services are performed. Consideration agreed with the payers is essentially invoiced at flat remuneration rates depending on duration of stay. In certain segments daily 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 revenue

Interest revenue is recognised on a pro rata basis using the effective interest method.

2.17.3 Dividend revenue

Dividend revenue 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 financial leases, i.e. as actually acquired assets. The assets are capitalised and written down over their normal economic life; the future lease payments are shown at their present value as liabilities.

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 on a straight-line basis over the term of the lease in the income statement.

2.19 Borrowing costs

Borrowing transaction 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/production of so-called 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 risk

The aim of financial risk management is to limit the risks attributable to current operating and finance-oriented activities. Selective derivative and non-derivative (e.g. fixed-interest loans) instruments are used for this purpose. Derivative financial instruments are used exclusively as hedging instruments, i.e. they are not used for trading and other speculative purposes. Such hedges for limiting the default risk are taken out only with leading financial institutions with a credit rating of min. BBB+/Baa1. Risk management is conducted by the CFO in line with the guidelines adopted by the Board of Management and the Supervisory Board. He identifies, measures and secures financial risks in co-operation 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 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 hospital services as a rule are settled by payers within the legally prescribed period. With regard to the default risks in financial year 2008, please refer to our comments under Note 7.6 "Accounts receivable, other receivables and other financial assets". The maximum risk of default is equal to the aggregate amount of the financial assets shown on the balance sheet less impairment.

2.21.3 Liquidity risk

Careful liquidity management includes holding a sufficient reserve of liquid funds, having the possibility of obtaining finance for an adequate amount under agreed credit lines, and being able to raise liquidity from market issuances. Given the dynamic nature of the market environment in which the Group operates, our objective is to maintain the necessary flexibility in finance matters by having sufficient credit lines available and access to the capital markets at all times. A liquidity report is prepared daily for monitoring liquidity risk. Short- to medium-term liquidity planning calculations are also carried out.

2.21.4 Interest risk

RHÖN-KLINIKUM AG as a rule is exposed to interest risks in the Eurozone. Interest derivatives are used in the Group of RHÖN-KLINIKUM AG to minimise the interest risks in view of the existing and planned debt structure.

Of the financial liabilities existing throughout the Group, 45.8% was subject to a fixed interest rate and 54.2% was subject to a floating interest rate as of the balance sheet date. Cash at banks was 98.9% invested at a floating interest rate, or a fixed interest rate was only applicable for short-term investments (less than three months).

Interest 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 result components 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.
- As was the case in the previous year, interest caps and interest swaps were again used for limiting interest rate risks in financial year 2008. The market value of these instruments is exposed to risks attributable to interest rate changes.

If the level of the market interest rates had been 100 basis points higher as of 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 € 0.1 million lower.

The theoretical impact of rising interest rates on the financial result is attributable to the potential effects of the floating-interest liabilities (€ -3.7 million), the effects attributable to the floating-interest cash at banks (€ 0.8 million) as well as the impact attributable to the change in value of derivatives (€ 13.7 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 (€ 3.7 million), the effects attributable to the floating-interest cash at banks (€ -0.8 million) as well as the effects attributable to the change in value of derivatives (€ -14.1 million). If the level of the market interest rates had been 100 basis points higher or lower on 31 December 2008, shareholders' equity would have been € 10.0 million higher or € 11.2 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. Long-term assets should be funded on a long-term basis. The items of shareholders' equity and long-term debt shown in the balance sheet are included under the source of long-term funds. This ratio should be at least 100%, and amounted to 97.4% in the year under review (previous year: 105.0%). Long-term appropriation of funds relates to financial assets and property, plant and equipment. Although with 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. A job at our company costs around € 100,000.00. We intend to ensure that the investment costs are sustainably backed by at least 35% equity. As at 31 December 2008, this ratio at the Group level was 41.6% (previous year: 39.1%).

We also manage Group growth by way of appropriate measures for equity via resolutions regarding the appropriation of profits for the included 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 €129.6 million approved until 31 May 2012 by the last annual general meeting held on 31 May 2007.

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 (= debt 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 € 262.8 million (previous year: € 249.3 million). The maximum limit in financial year 2008 would be € 788.4 million (previous year: € 747.9 million). This ratio was met in the year under review, with a ratio of 2.3 (previous year: 2.0).

The financial result from the consolidated income statement multiplied by a factor of six must not be less than the figure of EBITDA for the financial year. For financial year 2008, EBITDA was € 262.8 million and the financial result was € 29.2 million. The resultant ratio of 9.0 (previous year: 12.2) provides considerable further credit scope, and an additional cushion can be provided for interest rate increases.

The Group's capital costs are closely linked to all of the above-mentioned ratios, so that any differences would result in a deterioration in credit terms.

3 CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION

All estimates and assessments are subject to ongoing review and are based on historical experience and other factors, including expectations with respect to future events which appear reasonable under the given circumstances.

The Group makes assessments and assumptions relating to 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 7.1% (previous year: 6.6%). Based on this calculation, no impairment requirement was ascertained. Key assumptions having a substantial influence on fair value less costs to sell are WACC, average growth in revenue as well as average EBIT margin. See page 155 for average growth in revenues and average EBIT margin. For the cash generating units, the recoverable amount is equal to the carrying amount as of an assumed cost of capital rate of 8.2% (previous year: 7.4%).

3.2 Revenue realisation

The hospitals of RHÖN-KLINIKUM AG, like all other hospitals in Germany, are subject to the statutory regulations on remuneration.

In order to create planning and revenue certainty, these regulations normally provide for prospective remuneration agreements. In practice, however, these negotiations take place only in the course of the financial year or even thereafter, creating uncertainties as to the remunerated service volume at the balance sheet date. These are reflected in the balance sheet through objective estimates either as claims or

liabilities. Past experience has shown that the inaccuracies relating to the estimates represent well under 1.0% of our revenues.

The Group generates over 90.0% 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. The agreed volumes and the aggregate budget result in the individual hospital base rate that serves as a basis for calculating the prices of DRGs. DRGs are valued nationally on a uniform basis through the DRG catalogue. The valuation ratios are reviewed and adjusted each year by the InEK (Institut für das Entgeltsystem im Krankenhaus GmbH).

If the actual volumes exceed or fall short of the agreed total budget, only the additionally incurred variable costs are paid for additional services, or only the variable costs which have not been incurred are deducted in relation to the reduced services which have been provided (fixed rates are used for this purpose). Remuneration agreements existed at almost all hospitals at the point in time when the consolidated balance sheet was prepared; this meant it was possible for any compensation payments for excess revenues or shortfall revenues to be calculated precisely. In hospitals in which no budget agreements had yet been concluded for 2008, we adhered strictly to the legal framework conditions in our accounting. We assume that the agreements for 2008 will not have any negative impact on the result in 2009.

3.3 Income taxes

Estimates are required for the formation of tax provisions as well as deferred tax items.

For determining the actual value of deferred tax assets, it is essential to assess the likelihood 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 result in future periods. The Group forms 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. The group of consolidated companies comprises RHÖN-KLINIKUM AG (as the parent company) as well as 93 domestic subsidiaries.

During the financial year under review, two business combinations were effected as share deals:

			Costs			Earnings share since inclusion in consolidated financial statements	
Initial consolidation parameters	Date of acquisition	Interest acquired %	Purchase price cash € million	Ancillary costs € million	Total € million	Revenue € million	Earnings € million
St. Petri-Hospital Warburg GmbH	1 Sep. 2008	100.0	2.4	0.2	2.6	4.9	-0.6
Wesermarsch-Klinik Nordenham GmbH	31 Dec. 2008	100.0	1.0	0.1	1.1	0.0	0.0
Total, first-time consolidation of acquisitions in 2008			**3.4**	**0.3**	**3.7**	**4.9**	**-0.6**

By notarised agreement dated 9 May 2008, we acquired 100% of St. Petri-Hospital Warburg, a basic-care facility with 153 approved beds, from Krankenhauszweckverband Warburg. The company is included in the consolidated financial statement from 1 September 2008.

By notarised agreement dated 12 November 2008, we acquired 100% of Wesermarsch-Klinik Nordenham GmbH, a basic- and standard-care hospital with 137 approved beds, from the District of Wesermarsch. This facility is included in the consolidated financial statement from 31 December 2008.

The first-time consolidation of the acquired companies took place at the point in time that 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.

From the purchase price allocation, the inclusion of St. Petri-Hospital Warburg GmbH as well as Wesermarsch-Klinik Nordenham GmbH has the following impact on the Group's net assets:

St. Petri-Hospital Warburg GmbH	Carrying amount before acquisition € million	Adjustment amount € million	Fair values € million
Acquired assets and liabilities			
Property, plant and equipment	1.0	0.0	1.0
Accounts receivable	1.2	0.0	1.2
Cash and cash equivalents	-0.4	0.0	-0.4
Other assets	2.2	0.0	2.2
Accounts payable	-0.6	0.0	-0.6
Other liabilities	-2.4	0.0	-2.4
Net assets acquired			**1.0**
+ Goodwill			1.6
Purchase price			**2.6**
less outstanding payments			-0.2
plus acquired short-term debt			0.4
Cash outflow on transaction			**2.8**

The fair values of the assets and liabilities acquired are to a great extent equal to the carrying amounts.

Wesermarsch-Klinik Nordenham GmbH	Carrying amount before acquisition € million	Adjustment amount € million	Fair values € million
Acquired assets and liabilities			
Property, plant and equipment	0.4	0.6	1.0
Inventories	0.3	0.0	0.3
Accounts receivable	2.1	0.0	2.1
Cash and cash equivalents	0.3	0.0	0.3
Other assets	0.2	0.0	0.2
Accounts payable	-0.7	0.0	-0.7
Other liabilities	-2.0	-0.1	-2.1
Net assets acquired			**1.1**
+ Goodwill			0.0
Purchase price			**1.1**
less outstanding payments			-1.0
plus acquired short-term debt			-0.3
Cash outflow on transaction			**-0.2**

In the purchaser's view, hidden reserves were realised in the acquired property, plant and equipment of Wesermarsch-Klinik Nordenham GmbH. Adjustments of € 0.6 million were made on landed property. The

adjustment amounts for other liabilities amounting to € 0.1 million relate to the aforementioned realisation of hidden reserves on landed property and the related allocation to deferred tax liabilities.

The goodwill resulting from the acquisitions of € 1.6 million in total essentially reflects the revenue opportunities as well as the reorganisation potential. As part of the process of purchase price allocation, the inclusion in the hospital requirement plan as a transaction similar to a concession in particular did not have to be identified as a separate intangible asset. If the acquisition of St. Petri-Hospital Warburg GmbH and Wesermarsch-Klinik Nordenham GmbH had taken place as at 1 January 2008, consolidated revenues would have been € 2,155.0 million and consolidated net income before the profit distribution would have been € 113.3 million.

In financial year 2008 we also commissioned two service companies for provision of infrastructural services.

In financial year 2008, two service companies as well as a shelf company were sold. The sale of these assets and liabilities is of minor importance for the Group's net assets.

5 SEGMENT REPORTING

Our hospitals are operated in the legal form of 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.

IAS 14 (revised 1997) requires a segmentation by business and geographical units that are characterised by different risks and rewards and that meet certain size criteria.

Our acute hospitals have similar risks and rewards and are therefore regarded by us as a single business segment. The MVZ companies and the area of rehabilitation do not show the minimum size of a reportable segment as defined by IAS 14 (revised 1997).

RHÖN-KLINIKUM AG operates on the German market, exclusively, which is highly homogenised due to uniform regulations under federal law. As a result, our hospitals' business risks and opportunities are the same in the various federal states. The German federal states do not represent geographical segments as defined by IAS 14.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 Revenues

The development of revenues by business areas and geographical regions has been as follows:

	2008 € million	2007 € million
Business areas		
Acute hospitals	2,080.0	1,979.7
Medical care centres (MVZs)	8.8	5.0
Rehabilitation hospitals	41.5	40.1
	2,130.3	**2,024.8**
Federal states		
Bavaria	462.1	445.5
Lower Saxony	344.0	328.8
Saxony	287.0	264.4
Thuringia	269.2	262.6
Brandenburg	103.4	97.3
Baden-Wuerttemberg	111.1	109.1
Hesse	488.8	465.9
North Rhine-Westphalia	36.6	30.2
Saxony-Anhalt	28.1	21.0
	2,130.3	**2,024.8**

In financial year 2008, revenues rose by € 105.5 million or 5.2% to reach € 2,130.3 million, of which our acute and rehabilitation hospitals accounted for € 2,121.5 million (previous year: € 2,019.8 million) and revenues generated by our medical care centres (MVZs) for € 8.8 million (previous year: € 5.0 million). In the inpatient area, the facilities in Köthen and Warburg acquired in the previous year and the current year account for € 12.1 million of the growth in revenues.

The Group's long-standing hospitals increased their revenues by € 89.6 million (+ 4.4%) and the MVZs succeeded in expanding their revenues by € 3.8 million (+ 76.0%).

6.2 Other operating income

Other operating income comprises:

	2008 € million	2007 € million
Income from services rendered	119.2	104.2
Income from adjustment of receivables	3.3	3.1
Income from grants and other allowances	11.9	13.7
Income from the release of provisions	1.1	1.3
Indemnities received	1.1	1.0
Other	12.6	12.8
	149.2	**136.1**

Income from services rendered includes income from ancillary and incidental activities as well as income from rental and lease agreements. The rise is attributable particularly to Universitätsklinikum Gießen und Marburg GmbH.

The Group received grants and other allowances as compensation for current expenditures (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, € 1.1 million is attributable to consolidation effects (first-time consolidation of Krankenhaus Köthen GmbH on 1 April 2007, of St. Petri-Hospital Warburg GmbH on 1 September 2008 as well as the commissioning of the MVZ companies).

6.3 Materials and consumables used

	2008 € million	2007 € million
Expenditure for materials and supplies	449.8	414.6
Expenditure for services	90.1	81.9
	539.9	**496.5**

Compared with the previous year, the cost of materials increased by € 43.4 million to € 539.9 million. Consolidation effects account for € 5.2 million, or 12.9%, of the increase in materials and consumables used. The disproportionate rise in the cost-of-materials ratio from 24.5% and 25.3% stems from the significantly higher purchases of materials for the production of cytostatics that we increasingly also sell to Group-external facilities. Excluding changes in the scope of consolidation as well as disproportionate price increases for food and energy, the remaining cost-of-materials expenditure was nearly constant at 19.9% (previous year: 19.7%).

6.4 Employee benefits expense

	2008 € million	2007 € million
Wages and salaries	1,055.5	992.7
Social insurance contributions	82.8	82.6
Expenditure for post-employment benefits		
defined contribution plans	130.5	127.3
defined benefit plans	1.8	1.4
	1,270.6	**1,204.0**

Expenditures 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 benefit expenses include a figure of € 0.9 million for severance payments.

Of the figure shown for the increase in employee benefit expenses, € 7.4 million is attributable to consolidation effects of financial year 2008. Adjusting for other consolidation effects which took place in the course of financial year 2007 (first-time consolidation of Krankenhaus Köthen GmbH on 1 April 2007), employee benefit expenses increased by € 54.8 million or 4.6%.

Thanks to restructuring successes, the personnel cost ratio rose only slightly from 59.5% to 59.6%, although in-house collective agreements concluded with doctors and other hospital staff in the previous year had a cost-increasing impact from the beginning of financial year 2008 which was virtually impossible to offset by the change in the aggregate rate of income of all health insurance members of 0.64%.

6.5 Depreciation/amortisation and impairment

This item includes depreciation in relation to intangible assets, property, plant and equipment and investment property. Financial year 2008 was subject to increased depreciation incurred in the previous year for adjusting the residual carrying amount to the changed residual useful life of buildings in a total amount of € 1.2 million as well as risk-oriented impairments for adjusting the carrying amounts of land to an appropriate lower fair value less costs to sell in a total amount of € 3.2 million.

6.6 Other expenditure

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

	2008 € million	2007 € million
Maintenance	67.9	70.5
Charges, subscription and consulting fees	51.9	45.6
Administrative and IT costs	18.9	18.0
Impairments on receivables	6.4	7.0
Insurance	10.2	10.8
Rents and leaseholds	9.1	8.2
Travelling, entertaining and representation expenses	6.1	5.5
Other personnel and continuing training costs	8.5	7.8
Losses on disposal of non-current assets	1.1	1.2
Secondary taxes	0.8	0.9
Other	25.4	35.6
	206.3	**211.1**

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 expenditures 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:

	2008 € million	2007 € million
Finance income		
Cash at banks	7.6	7.3
Profits due to change in the market value of derivative financial instruments	0.0	2.4
Other interest income	0.0	0.5
	7.6	**10.2**
Finance expenditure		
Bonds	4.0	4.0
Liabilities to banks	28.1	26.3
Losses due to change in the market value of derivative financial instruments	4.2	0.0
Other interest expenses	0.5	0.3
	36.8	30.6
	-29.2	**-20.4**

In accordance with IAS 17 (Leases), finance lease contracts are shown under property, plant and equipment, and the interest component of € 0.5 million included in the leasing instalments is shown under the financial result.

The total net 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 € 25.7 million in financial

year 2008 (previous year: € 24.2 million), and comprises income of € 6.6 million (previous year: € 6.1 million) and expenses of € 32.3 million (previous year: € 30.3 million).

During the financial year, borrowing costs of € 0.4 million (previous year: € 0.0 million) were incurred which arose for financing the acquisition/production of qualifying assets and were recognised in additions to property, plant and equipment. An interest rate of 4.6% (previous year: 0.0%) was used, which reflects the Group's general costs of borrowing for contracting liabilities with banks.

The ineffective portion of the valuation result for hedge accounting shown under losses from the change in fair values of financial derivatives amounts to € 0.2 million.

6.9 Income taxes

Income taxes consist of the corporation tax and the solidarity surcharge. This item also reflects deferred taxes provided on differences in valuations in the tax balance sheets and commercial balance sheets of subsidiaries as well as on consolidation adjustments and realisable tax loss carry-forwards which, as a rule, have no expiry date.

Income tax comprises the following:

	2008 € million	2007 € million
Current income tax	26.8	36.4
Deferred taxes	-6.5	-10.5
	20.3	**25.9**

The income tax expense item declined by € 5.6 million to € 20.3 million (previous year: € 25.9 million) compared with the previous year. Whereas in the previous year the revaluation of deferred tax liabilities had an earnings-relieving effect of € 8.6 million, a tax reduction resulted in financial year 2008 in particular as a result of the lowering of the corporation tax rate from 25.0% to 15.0% based on the Corporation Tax Reform with effect from 1 January 2008. The income tax burden declined to 14.2% (previous year: 18.9%).

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

	2008		2007	
	€ million	%	€ million	%
Earnings before taxes	**142.9**	**100.0**	**137.1**	**100.0**
Nominal tax expense (tax rate 15%, previous year 25%)	21.4	15.0	34.3	25.0
Solidarity surcharge (tax rate 5.5%)	1.2	0.8	1.9	1.4
Additional expense from dividend payment	0.6	0.4	0.9	0.7
Increase in tax liability due to non-deductible charges	0.2	0.1	0.2	0.1
Taxes, previous year	1.1	0.8	0.0	0.0
Goodwill amortisation	-0.5	-0.3	-0.9	-0.7
Recognition of loss carry-forwards	-4.9	-3.4	0.0	0.0
Derecognition of previous loss carry-forwards	1.0	0.7	0.0	0.0
Revaluation of deferred taxes	0.0	0.0	-8.6	-6.3
Other	0.2	0.1	-1.9	-1.4
Effective income tax expense	**20.3**	**14.2**	**25.9**	**18.9**

Further details of how tax deferrals break down by assets and liabilities are given in the Notes to the consolidated financial statements.

6.10 Minority interests in profit

These are profit shares to which other owners are entitled.

6.11 Earnings per share

Earnings per share are calculated using the net consolidated profit and the weighted average number of shares in circulation during the financial year.

The following table sets out the development in ordinary shares in issue:

	No. of shares 1 Jan. 2008	No. of shares 31 Dec. 2008
Ordinary shares	103,680,000	103,680,000
Treasury shares	-24,610	-24,257
	103,655,390	**103,655,743**

For further details, please refer to the explanations regarding shareholders' equity (Note 7.9).

Earnings per share are calculated as follows:

	Ordinary shares
Share in net consolidated profit (€ '000)	117,299
(previous year)	(106,292)
Weighted average number of shares in issue (in '000 units)	103,656
(previous year)	(103,655)
Earnings per share in €	1.13
(previous year)	(1.03)
Dividend per share in €	0.35
(previous year)	(0.28)

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 2008	**242.6**	**27.5**	**270.1**
Additions due to change in scope of consolidation[1]	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 depreciation and impairment			
1 January 2008	**0.0**	**14.5**	**14.5**
Amortization	0.0	5.0	5.0
Disposals	0.0	0.5	0.5
31 December 2008	**0.0**	**19.0**	**19.0**
Balance sheet value at 31 Dec. 2008	**235.2**	**15.1**	**250.3**

[1] *incl. acquisitions.*

	Goodwill € million	Other intangible assets € million	Total € million
Cost			
1 January 2007	**234.5**	**20.0**	**254.5**
Additions due to change in scope of consolidation[1]	8.1	0.0	8.1
Additions	0.0	10.0	10.0
Disposals	0.0	3.0	3.0
Transfers	0.0	0.5	0.5
31 December 2007	**242.6**	**27.5**	**270.1**
Cumulative depreciation and impairment			
1 January 2007	**0.0**	**11.7**	**11.7**
Amortization	0.0	4.2	4.2
Disposals	0.0	1.4	1.4
31 December 2007	**0.0**	**14.5**	**14.5**
Balance sheet value at 31 Dec. 2007	**242.6**	**13.0**	**255.6**

[1] *incl. acquisitions.*

The item “Other intangible assets” primarily includes software.

The disposals in goodwill amounting to € 9.0 million result from the adjustment of contingent purchase price liabilities for acquisitions carried out in previous years.

There are no restrictions on title and/or other rights related to the assets.

Goodwill is subject to an annual impairment test for the respective cash generating unit (each hospital). 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 cash flow-oriented valuation method (DCF method). A corresponding present value is calculated on the basis of a detailed ten-year plan and subsequent recognition of a perpetual yield. A growth discount of -0.5% (previous year: -0.5%) has been used for calculating the present value of the perpetual yield. 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 conditions 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 2008.

The weighted cost of capital of a potential investor from the healthcare sector is taken as the discount rate at the time of valuation, with due consideration being given to a tax shield arising from theoretical debt financing. For 2008, we have defined this discount rate as 7.1% (previous year: 6.6%). Significant goodwill relates to the following cash generating units:

Company	31 Dec. 2008 € million	31 Dec. 2007 € million
Universitätsklinikum Gießen und Marburg GmbH	137.5	140.0
Zentralklinik Bad Berka GmbH	13.8	13.8
Klinikum Hildesheim GmbH	13.6	13.6
Klinikum Salzgitter GmbH	8.6	10.1
St. Elisabeth-Krankenhaus GmbH	9.1	9.1
Krankenhaus Waltershausen-Friedrichroda GmbH	6.2	6.2
Klinikum Pirna GmbH	6.0	6.0
Klinikum Pforzheim GmbH	5.8	5.8
Kreiskrankenhaus Gifhorn GmbH	5.6	5.6
Amper Kliniken AG	5.2	5.2
Other goodwill of less than € 5.0 million	23.8	27.2
	235.2	**242.6**

For the planning period 2009-2019 (previous year: 2008-2018), revenue growth of companies accounting for the main portion of goodwill is in the average range of 2.4% to 4.3% (previous year: 1.8% to 3.1%).

The EBIT margins of the companies during the planning period range from 4.6% to 20.0% (previous year: 6.2% to 25.0%) in the planning period.

The companies accounting for the main portion of goodwill are assumed to have a homogenous structure during the planning.

7.2 Property, plant and equipment

	Land and buildings € million	Technical equipment, plant and machinery € million	Operational 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]	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 impairments					
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**
Balance sheet value at 31 Dec. 2008	**1,006.8**	**25.6**	**187.3**	**167.3**	**1,387.0**

[1] *incl. acquisitions.*

	Land and buildings € million	Technical equipment, plant and machinery € million	Operational and office equipment € million	Plant under construction € million	Total € million
Cost					
1 January 2007	**1,169.4**	**50.1**	**311.2**	**51.3**	**1,582.0**
Additions due to change in scope of consolidation[1]	5.9	0.2	0.7	0.0	6.8
Additions	21.4	2.5	47.6	84.3	155.8
Disposals	5.0	1.4	30.0	0.5	36.9
Transfers	29.4	0.0	4.5	-34.4	-0.5
31 December 2007	**1,221.1**	**51.4**	**334.0**	**100.7**	**1,707.2**
Cumulative depreciation and impairments					
1 January 2007	**249.7**	**30.2**	**166.1**	**0.0**	**446.0**
Depreciation	37.3	3.1	43.8	0.0	84.2
Impairments	3.2	0.0	0.0	0.0	3.2
Disposals	1.7	1.3	28.5	0.0	31.5
Transfers	0.0	-0.2	0.2	0.0	0.0
31 December 2007	**288.5**	**31.8**	**181.6**	**0.0**	**501.9**
Balance sheet value at 31 Dec. 2007	**932.6**	**19.6**	**152.4**	**100.7**	**1,205.3**

[1] *incl. acquisitions.*

The Group has registered charges on real property as collateral for bank loans with a total residual carrying amount of € 55.5 million (€ 68.4 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 € 767.9 million (previous year: € 781.8 million). To secure conditionally repayable single grants under the Hospital Financing Act (e.g. for the construction of new hospitals or major extensions) totalling € 236.9 million (previous year: 222.6 million), the Group holds registered charges on real property in the amount of € 428.8 million

(previous year: € 388.1 million). Nothing has come to the attention of the Group to indicate that these grants will have to be repaid.

Technical equipment and machinery include the following amounts for which the Group is the lessee in a finance lease.

	31 Dec. 2008 € million	31 Dec. 2007 € million
Costs of purchase – capitalized assets from finance lease	8.6	10.2
Cumulative depreciation	6.6	5.8
Net carrying amount	2.0	4.4

7.3 Income tax claims

Corporate tax netting credits shown under this item comprise claims in accordance with Section 37 Corporation Tax Act (KStG) (latest version) which are paid out in equal annual instalments during the period between 2009 and 2017. They are shown at their present value of € 18.8 million, and are measured on the basis of a historical interest rate of 4.0% which is commensurate for the term.

7.4 Other assets (non-current)

	31 Dec. 2008 € million	31 Dec. 2007 € million
Participating interests	0.2	0.2
Other financial assets	2.1	1.4
Balance sheet value at 31 Dec.	**2.3**	**1.6**

Minor companies in which our participating interest is between 20.0% and 50.0% are not consolidated. In general, they are shown at amortised cost of purchase. This is also applicable for the other financial assets.

7.5 Inventories

Materials and supplies of € 42.0 million (previous year: € 39.8 million) mainly consist of medical supplies. Impairments of € 4.6 million (previous year: € 4.3 million) have been deducted. All inventories are owned by RHÖN-KLINIKUM Group. There are no assignments or pledges of inventories.

7.6 Accounts receivable, other receivables and other assets (current)

	31 Dec. 2008 < 1 year € million	31 Dec. 2007 < 1 year € million
Accounts receivable (gross)	302.3	293.7
Impairments on accounts receivable	-19.0	-17.9
Accounts receivable (net)	283.3	275.8
Receivables under the Hospital Financing Act	18.1	33.0
Other receivables	30.5	35.3
Other financial assets	0.0	14.4
	331.9	**358.5**

Accounts receivable (net) totalling € 283.3 million (previous year: € 275.8 million) reflect identifiable risks from impairments, which are determined based on the likelihood of a default. Additions to impairments 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 public payers are legal entities not subject to insolvency.

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).

Other receivables include reimbursement claims against insurers for loss events in the amount of € 3.5 million. No write-ups or impairments have been recognised in relation to 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 other assets show financial derivatives (interest swaps and interest caps) as well as short-term securities at their market values. The decline is due to the revaluation of financial derivatives which has become necessary as a result of the change in the level of interest rates as well as the sale of short-term securities in financial year 2008.

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

	Carrying amount	Thereof: Neither impaired nor overdue as of the reference date	Thereof: Not impaired as of the reference date and overdue in the following periods		
			0-30 days	31-90 days	91-180 days
	€ million	€ million	€ million	€ million	€ million
31 December 2008					
Trade accounts receivable	302.3	236.2	20.7	9.3	5.8
31 December 2007					
Trade accounts receivable	293.7	215.3	44.9	9.7	4.7

With regard to the accounts receivable in the amount of € 236.2 million (previous year: € 215.3 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 age structure 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 individual 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 increased from € 17.9 million by € 1.1 million to € 19.0 million, with € 0.4 million being accounted for by hospitals consolidated for the first time.

Accounts receivable were derecognised in the income statement in the amount of € 3.4 million in financial year 2008 (previous year: € 4.0 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of € 1.0 million (previous year: € 0.6 million) were recognised in the income statement in relation to previously derecognised accounts receivable.

7.7 Current income tax claims

Current income tax claims include claims against tax authorities for reimbursement of corporation tax.

7.8 Cash and cash equivalents

	31 Dec. 2008 € million	31 Dec. 2007 € million
Cash and cash equivalents	58.4	121.8
Cash in hand and cash in banks	28.1	48.3
	86.5	**170.1**

The effective interest rate for short-term bank deposits was 2.9% (previous year: 3.2%). These deposits have an average term of five days.

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

	31 Dec. 2008 € million	31 Dec. 2007 € million
Cash and cash equivalents	86.5	170.1
Bank overdrafts	-9.6	-5.4
	76.9	**164.7**

7.9 Shareholders' equity

The registered share capital of RHÖN-KLINIKUM AG was € 259,200,000. It is divided into 103,680,000 non-par bearer shares each with a proportionate interest in the registered share capital of € 2.50 per share.

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

	Number of shares	Arithmetic interest in share capital €
Ordinary shares 1 January 2008	**103,680,000**	**259,200,000**
Change 2008	0	0
Ordinary shares 31 December 2008	**103,680,000**	**259,200,000**

The registered share capital of RHÖN-KLINIKUM AG can be increased by way of an issue of new shares in return for cash contributions. As at 31 December 2008, RHÖN-KLINIKUM AG had an authorised capital of € 129,600,000 which can be issued up to the amount of € 129,600.00 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 performing capital increases out of the authorised capital.

Capital reserves are unchanged at € 37.6 million, and include the premium resulting from capital increases.

Retained earnings 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 consolidated measures. Moreover, changes in the market values of financial derivatives designated as interest hedging instruments are recognised at equity without effect on income under retained earnings after taking into account deferred tax. In financial year 2008, the first-time adoption of hedge accounting led to the formation of a revaluation reserve of € -12.0 million which resulted in a reduction in equity.

The Annual General Meeting held on 17 June 2008 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 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 shall not exceed 10% 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 1 January 2008	**24,610**
Change 2008	-353
Treasury shares 31 December 2008	**24,257**

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 35 cents (previous year: 28 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 28 cents after the stock split (previous year: 25 cents after the stock split) was made in financial year 2008.

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 € 36.3 million (previous year: € 29.0 million) should be used completely for paying out a dividend of 35 cents per ordinary share (previous year: 28 cents).

The amount of the pay-out attributable to the treasury shares is to be carried forward to the new account.

Minority interests of € 43.2 million (previous year: € 41.1 million) relate to shares of outside shareholders in the shareholders' equity of the following consolidated subsidiaries:

	Outside shareholder' interests	
	31 Dec. 2008	31 Dec. 2007
	%	%
Hospitals		
Amper Kliniken AG, Dachau	25.1	25.1
Frankenwaldklinik Kronach GmbH, Kronach	5.1	5.1
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		
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a.d. Saale (formerly: MVZ Universitätsklinikum GmbH, Gießen)	0.0	5.0
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-Wäschereinigungsgesellschaft mbH, Bad Neustadt a.d. Saale (formerly: RK Klinik Betriebs GmbH Nr. 20)	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

7.10 Financial liabilities

	31 Dec. 2008		31 Dec. 2007	
	Residual term > 1 year	Residual term up to 1 year	Residual term > 1 year	Residual term up to 1 year
	€ million	€ million	€ million	€ million
Non-current financial debt, bond	109.8	1.9	109.6	1.9
Liabilities to banks	534.3	36.8	546.9	12.0
Total non-current financial debt	**644.1**	**38.7**	**656.5**	**13.9**
Current financial debt				
Liabilities due to banks	0.0	9.6	0.0	5.4
Negative market values of derivative financial instruments	14.2	0.5	0.0	0.3
Total current financial debt	**14.2**	**10.1**	**0.0**	**5.7**
Total financial debt	**658.3**	**48.8**	**656.5**	**19.6**

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 coupon pays a nominal rate of 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 written back using the effective interest method.

In financial year 2006, a syndicated loan was taken out by RHÖN-KLINIKUM AG under the lead management of Dresdner Bank AG, Luxembourg branch, for financing investments. The minimum term of the agreement is six years, with a credit limit of € 400.0 million. As at the reporting date 31 December 2008, € 170.0 million of the total volume had been drawn down. The term-linked interest rate is between 3.31% p.a. and 5.77% p.a. in the year under review. Interest is charged on the credit volume which has not been drawn down at a rate of 0.20% p.a.

In financial year 2007, two fixed-interest loans with a total volume of € 90.0 million and a term until 2017 were taken out in order to reschedule existing floating-rate liabilities; interest is charged on these loans at a rate of 5.23% and 5.13% p.a. respectively.

In financial year 2008, RHÖN-KLINIKUM AG took out a fixed-interest loan with a volume of € 10.0 million and a term until 2017 in order to reschedule existing floating-rate liabilities; interest is charged on this loan at a rate of 5.10% p.a. Moreover, two subordinated loan notes 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 hedge was taken out.

Of the non-current financial debt, variable interest (based on EURIBOR) is charged on € 363.9 million (previous year: € 334.8 million). In order to limit the interest rate risk, we have taken out rate cap agreements which limit the interest rate to 4.0% until 2012 and to 4.68% until 2018. The interest fluctuation risks and contractual interest adjustment dates relating to the interest-bearing liabilities are shown as follows:

Duration of fixed interest agreements	31 Dec. 2008 Interest rate[1]	Original value	Carrying amount of loans	31 Dec. 2007 Interest rate[1]	Original value	Carrying amount of loans
	%	€ million	€ million	%	€ million	€ million
Bond	3.65	110.0	109.8	3.65	110.0	109.6
Interest of bond			1.9			1.9
		110.0	**111.7**		**110.0**	**111.5**
Liabilities to banks						
2008				5.36	374.9	348.5
2009	4.90	440.8	410.7	4.45	56.0	49.5
2010	3.88	25.2	20.9	3.50	27.8	24.0
2011	5.07	46.3	31.2	4.45	50.9	37.8
2012	5.34	3.6	3.0	5.35	3.6	3.1
2013	0.00	0.0	0.0	0.00	0.0	0.0
2014	0.00	0.0	0.0	3.60	97.1	96.0
>2015	5.16	106.8	105.3			
		622.7	**571.1**		**610.3**	**558.9**
		732.7	**682.8**		**720.3**	**670.4**

[1] *Weighted interest rate.*

The effective interest rates at balance sheet date are:

	31 Dec. 2008 %	31 Dec. 2007 %
Bond	3.65	3.65
Liabilities to banks	4.93	5.10
Liabilities on current accounts to banks	4.72	6.31

The remaining terms of the financial debt are as follows:

	31 Dec. 2008 € million	31 Dec. 2007 € million
Up to 1 year	48.8	19.6
Between 1 and 5 years	396.3	485.2
More than 5 years	262.0	171.3
Total	**707.1**	**676.1**

Of the financial debt stated, € 42.4 million (previous year: € 55.9 million) is secured by registered charges on real property.

7.11 Deferred tax liabilities

Deferred tax assets and liabilities are netted if there is an enforceable right to set off 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. 2008 Assets	Liabilities	31 Dec. 2007 Assets	Liabilities
	€ million	€ million	€ million	€ million
Tax loss carry-forwards	8.0	0.0	5.0	0.0
Property, plant and equipment	0.0	17.6	0.0	16.8
Interest-bearing debt	2.3	0.0	0.0	0.7
Tax liabilities	0.0	0.6	0.0	0.6
Other assets and liabilities	7.1	2.8	3.3	3.1
Total	**17.4**	**21.0**	**8.3**	**21.2**
Balance		**3.6**		**12.9**

Deferred tax assets for tax loss carry-forwards are recognised at the amount at which the realisation of the tax benefits in connection therewith is probable as a result of future taxable profits. Tax loss carry-forwards in connection with previous hospital takeovers are included in the calculation based for accruing 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 tax accruals is € 50.5 million (previous year: € 31.4 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to € 64.6 million (previous year: € 39.4 million); no deferred tax assets were recognised in relation to € 14.1 million of this figure. Tax loss carry-forwards can in future reduce in full the current tax result in Germany up to an amount of € 1.0 million for an indefinite term. However, above this amount, only 60.0% of the remaining current tax result can be netted against tax loss carry-forwards. As a result of changes in legislation, there will be no further tax loss carry-forwards resulting from hospital acquisitions in future.

Deferred taxes from property, plant and equipment result from the useful lives defined in tax law and the existing economic depreciation periods in accordance with IFRS. In addition, tax impairments were corrected in IFRS.

Interest bearing debts are deferred tax differences resulting from the treatment of liabilities with a term of over one year and from differences in the tax treatment of costs in connection with borrowing.

Deferred tax liabilities for non-distributed profits of subsidiaries totalling € 70.0 million, which at the parent company lead to non-tax-deductible expenditures amounting to 5.0% of the dividend total, were stated in the consolidated financial statements.

Changes in deferred taxes are shown as follows:

	31 Dec. 2008 € million	31 Dec. 2007 € million
Deferred tax liability at the beginning of the year	12.9	23.4
Exclusion from profit or loss of deferred tax in connection with derivative financial instruments recognised at equity without effect on the income statement	-2.2	0.0
Liabilities acquired on company acquisitions	-0.6	0.0
Income from revaluation in the income statement	0.0	-8.6
Income from current netting in the income statement	-6.5	-1.9
Deferred tax liability at end of year	**3.6**	**12.9**

7.12 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 forming provisions. Amounts relating to defined contribution plans are recognised immediately in profit or loss.

Obligations under defined benefit plans relate to pension commitments of 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 result is broken down as follows:

	2008 € million	2007 € million
Current service cost	0.8	0.7
Interest cost	0.5	0.4
Netted actuarial gains and losses	0.5	0.3
	1.8	**1.4**

Pension costs are shown fully under the pension costs item.

The amount of the provision shown in the balance sheet is broken down as follows, and the development in the provision in the balance sheet is also shown:

	31 Dec. 2008 € million	31 Dec. 2007 € million
Defined benefit obligation	11.0	9.6
Actuarial gains and losses not yet netted	-1.5	-1.4
Provisions for pensions (defined benefit liability)	**9.5**	**8.2**

	2008 € million	2007 € million
Balance 1 January	**8.2**	**7.3**
Current service cost	0.8	0.7
Interest cost	0.5	0.4
Netted actuarial gains and losses	0.5	0.3
Payments rendered	-0.5	-0.5
Balance 31 December	**9.5**	**8.2**

The calculation is based on the following assumptions:

	31 Dec. 2008 %	31 Dec. 2007 %
Rate of interest	6.20	5.40
Projected increase in wages and salaries	2.50	2.50
Projected increase in pensions	2.00	1.00

The defined benefit obligation as well as the actuarial profit/loss attributable to experience adjustment has developed as follows:

	2008 € million	2007 € million	2006 € million	2005 € million	2004 € million
Defined benefit obligation 31 December	11.0	9.6	9.6	14.5	12.6
Fair value of plan assets	0.0	0.0	0.0	0.0	0.0
Shortfall 31 December	11.0	9.6	9.6	14.5	12.6
Experience adjustment for plan liabilities	0.7	-0.3	0.8	0.7	-

The development in the defined benefit obligation in financial year 2008 compared with the previous year is shown in the following:

	2008 € million	2007 € million
Balance 1 January	**9.6**	**9.6**
Service time cost	0.8	0.7
Interest cost	0.5	0.4
Pension payments	-0.5	-0.5
Actuarial profit/losses	0.6	-0.6
Balance 31 December	**11.0**	**9.6**

The pensions which are expected to be payable in 2008 amount to € 0.5 million (previous year: € 0.5 million).

The 2005G mortality tables of Prof. Dr. Klaus Heubeck were again used as the basis of actuarial calculations (unchanged compared with last year).

7.13 Other provisions

Other provisions developed in the financial year as follows:

	1 Jan. 2008 € million	Change in scope of consolidation € million	Consumption € million	Write-back € million	Addition € million	31 Dec. 2008 € million	of which < 1 year € million	of which > 1 year € million
Demolition obligations	4.0	0.0	1.8	0.2	0.0	2.0	2.0	0.0
Liability risks	18.9	0.0	5.9	0.8	8.3	20.5	20.5	0.0
Provisions for onerous contracts	0.6	0.0	0.3	0.0	0.0	0.3	0.3	0.0
Other provisions	1.0	0.0	0.6	0.0	0.0	0.4	0.4	0.0
	24.5	**0.0**	**8.6**	**1.0**	**8.3**	**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 claimed in financial year 2009.

The provisions for liability risks relate to claims for damages of third parties. These compare with repayment claims of € 3.5 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 expenditures.

Provisions for onerous contracts relate mainly to rental guarantees that are expected to be claimed in financial year 2009.

Compared with the previous year, their maturities are as follows:

	31 Dec. 2008 € million	of which < 1 year € million	of which > 1 year € million	31 Dec. 2007 € million	of which < 1 year € million	of which > 1 year € million
Demolition obligations	2.0	2.0	0.0	4.0	4.0	0.0
Liability risks	20.5	20.5	0.0	18.9	18.9	0.0
Provisions for onerous contracts	0.3	0.3	0.0	0.6	0.6	0.0
Other provisions	0.4	0.4	0.0	1.0	1.0	0.0
	23.2	**23.2**	**0.0**	**24.5**	**24.5**	**0.0**

One of the hospitals included in the consolidated financial statements has negotiated with the payers and agreed a budget which has been approved by the approval authorities on condition that legal action taken by the payers under administrative law does not result in the reversal of the approved budgets for 2004. In

financial year 2008 we obtained a favourable decision in a similar proceeding. In our view it is highly unlikely that the payers will prevail in the proceeding that is still pending, and have therefore not recognised possible repayment obligations as liabilities. It is not possible to make a reliable estimate of what impact this matter will have.

7.14 Accounts payable

	31 Dec. 2008		31 Dec. 2007	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Accounts payable	101.7	0.0	108.0	0.0

Accounts payable exist towards third parties. Of the total amount of € 101.7 million (previous year: € 108.0 million), € 101.7 million (previous year: € 108.0 million) is due within one year.

7.15 Other liabilities

	31 Dec. 2008		31 Dec. 2007	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	128.8	26.0	121.3	33.3
Deferrals	7.9	0.0	7.0	0.0
Operating taxes and social security contributions	20.1	0.0	15.8	0.0
Payments received	0.9	0.0	1.4	0.0
Other	16.3	0.0	13.9	2.0
Other liabilities (non-financial instruments)	**174.0**	**26.0**	**159.4**	**35.3**
Liabilities under the Hospital Financing Act	126.2	8.4	129.3	8.4
Purchase prices	6.1	0.0	10.0	2.9
Other financial liabilities	34.6	23.6	50.6	26.2
Other liabilities (financial instruments)	**166.9**	**32.0**	**189.9**	**37.5**
Other liabilities (total)	**340.9**	**58.0**	**349.3**	**72.8**

Personnel liabilities mainly relate to performance-linked remuneration, obligations arising from still outstanding holiday leave entitlement, semi-retirement obligations as well as severance payment obligations.

The liabilities under the 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 Federal Hospital Nursing Rate Ordinance (Bundespflegesatzverordnung) and Hospital Remuneration Act (Krankenhausentgeltgesetz).

The purchase prices relate to contractually stipulated obligations subject to conditions.

The carrying amounts of the monetary liabilities recognised under this item correspond to their fair values. The long-term obligations arising from purchase price payments as well as the long-term other liabilities have been discounted on the basis of historical market rates.

Of the figure stated for other non-current liabilities, € 15.3 million is attributable to obligations arising from research grants owed to the University of Gießen and Marburg.

Other liabilities with a residual term of more than five years amount to € 0.2 million (previous year: € 0.2 million).

7.16 Current income tax liabilities

Current income tax liabilities in the amount of € 7.7 million (previous year: € 10.6 million) comprise corporation tax and solidarity surcharge not yet assessed for the past financial year and previous years.

7.17 Financial derivatives

The Group is exposed to fluctuations of market interest rates in respect of its financial debts and interest-bearing investments. Our long-term financial debt totalled € 682.8 million (previous year: € 670.4 million); of this figure, € 318.0 million (previous year: € 335.6 million) was subject to fixed interest rates and terms running until 2027. Interest caps with a volume of € 231.0 million (previous year: € 235.0 million) exist in relation to other long-term debt which is financed at a variable rate in order to utilise the level of market interest rates. Interest rate swaps in a volume of € 167.6 million (previous year: € 17.0 million) are in place for long-term financial debt.

Financial derivatives measured at fair value in profit or loss resulted in losses of € 4.2 million (previous year: profit of € 2.4 million). The future cash flows secured by cash flow hedges will fall due within the next nine years.

Financial derivatives are stated at market values (as measured on the balance sheet date on the basis of recognised valuation models using current market data).

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.

		Term		Reference interest rate	Interest rate cap	Reference amount
2008	Fair value	from	until	31 Dec. 2008	or fixed rate	31 Dec. 2008
	€ million			%	%	€ million
Interest rate swaps, assets	0.0	04/05/2004	31/12/2011	5.94	5.70	2.30
Interest rate swaps, liabilities	-13.5	11/06/2008	11/06/2018	2.89	4.65	150.00
	-0.6	28/02/2002	28/02/2012	2.89	5.99	6.50
	-0.2	02/01/2007	29/06/2018	2.89	3.94	5.10
	-0.1	28/02/2002	28/02/2012	2.89	6.30	1.70
	-0.1	16/01/2008	06/03/2013	2.89	4.25	2.00

		Term		Reference interest rate	Interest rate cap	Reference amount
2007	Fair value	from	until	31 Dec. 2007	or fixed rate	31 Dec. 2007
	€ million			%	%	€ million
Interest rate swaps, assets	0.0	04/05/2004	31/12/2011	9.49	5.70	3.1
Interest rate swaps, liabilities	0.1	02/01/2007	30/09/2018	4.68	3.94	5.5
	-0.3	28/02/2002	28/02/2012	4.68	5.99	6.7
	-0.1	28/02/2002	28/02/2012	4.68	6.30	1.8
Interest rate caps, assets	0.0	02/01/2006	30/09/2009	4.68	4.00	4.6
	0.1	02/01/2006	30/06/2009	4.68	4.00	10.2
	0.0	02/01/2006	30/06/2009	4.68	4.00	3.4
	0.0	02/01/2006	30/09/2009	4.68	4.00	2.1
	0.1	28/02/2006	26/02/2010	4.68	4.00	2.9
	0.1	30/06/2006	31/03/2010	4.68	4.00	12.0
	2.5	02/01/2007	01/01/2012	4.71	4.00	100.0
	2.3	02/01/2007	31/12/2011	4.71	4.00	100.0

7.18 Additional disclosures regarding financial instruments

7.18.1 Carrying amounts, recognised figures and fair values according to valuation categories

	Valuation category under IAS 39	2008	Thereof: Financial instrument		2007	Thereof: Financial instrument	
			Carrying amount	Fair value		Carrying amount	Fair value
ASSETS		€ million	€ million	€ million	€ million	€ million	€ million
Non-current assets							
Other receivables and other financial assets		**2.3**	1.3	1.3	**1.6**	0.7	0.7
Thereof: Other assets	Loans + receivables	**1.4**	0.4	0.4	**1.6**	0.7	0.7
Thereof: Derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.9**	0.9	0.9	**0.0**	0.0	0.0
Current assets							
Trade accounts receivable, other receivables and other assets		**332.0**	325.6	325.6	**358.5**	353.4	353.4
Thereof: Trade accounts receivable, other receivables	Loans + receivables	**326.0**	325.5	325.5	**338.9**	338.9	338.9
Thereof: Securities (HfT)	Financial assets measured at fair value through profit or loss	**0.0**	0.0	0.0	**9.5**	9.5	9.5
Thereof: Derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.1**	0.1	0.1	**5.0**	5.0	5.0
Cash and cash equivalents	Loans + receivables	**86.5**	86.5	86.5	**170.1**	170.1	170.1
LIABILITIES							
Non-current debt							
Debt		**658.3**	658.3	522.5	**656.5**	656.5	549.7
Thereof: Debt	Financial liabilities measured at residual carrying amount	**644.1**	644.1	508.3	**656.5**	656.5	549.7
Thereof: Derivative financial instruments (HfT)	n. a.	**14.2**	14.2	14.2	**0.0**	0.0	0.0
Other liabilities		**58.0**	32.0	32.0	**72.8**	37.5	37.5
Thereof: Other liabilities	Financial liabilities measured at residual carrying amount	**58.0**	32.0	32.0	**70.8**	35.5	35.5
Thereof: From finance leases	n. a.	**0.0**	0.0	0.0	**2.0**	2.0	2.0
Current debt							
Trade accounts payable	Financial liabilities measured at residual carrying amount	**101.7**	101.7	101.7	**108.0**	108.0	108.0
Financial liabilities		**48.8**	48.8	48.8	**19.6**	19.6	19.6
Thereof: Debt	Financial liabilities measured at residual carrying amount	**48.3**	48.3	48.3	**19.3**	19.3	19.3
Thereof: Derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.5**	0.5	0.5	**0.3**	0.3	0.3
Other liabilities		**340.9**	166.9	166.9	**349.3**	189.9	189.9
Thereof: Other liabilities	Financial liabilities measured at residual carrying amount	**338.9**	164.9	164.9	**346.8**	187.4	187.4
Thereof: From finance leases	n. a.	**2.0**	2.0	2.0	**2.5**	2.5	2.5

Aggregated according to voluation categories, the above figures are broken down as follows:

	Loans + receivables		412.4	412.4		509.6	509.6
	Financial assets measured at fair value through profit or loss		1.0	1.0		14.5	14.5
	Financial liabilities measured at residual carrying amount		991.0	855.2		1,006.7	899.9
	Financial assets measured at fair value through profit or loss		0.5	0.5		0.3	0.3

Accounts receivable, other receivables, other financial assets as well as cash and cash equivalents in general mainly have short residual terms. Their carrying amounts as at the reporting date accordingly correspond to the fair value.

Financial derivatives are stated at market values (as measured on the balance sheet date on the basis of recognised valuation models using market data).

The figure shown for debt includes loans from credit institutions as well as a bond. The fair value of the loans from credit institutions 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 residual terms, the carrying amounts correspond to their fair values on the reporting date.

7.18.2 Net result according to valuation categories

		From subsequent measurement			Net result	
	From capital gains	At fair value	Impairment	From disposal	2008	2007
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and receivables			0.7	2.4	3.1	3.9
Financial assets measured at fair value through profit or loss	-0.2	4.2			4.0	-3.6
Total	**-0.2**	**4.2**	**0.7**	**2.4**	**7.1**	**0.3**

* + = cost – = income

The net result from the subsequent measurement of loans and receivables is calculated on the basis of the income and expenses relating to impairments on accounts receivable. The disposal includes the final write-off of receivables netted with income from payments received in relation to receivables which have been impaired in the past.

The financial assets measured at fair value through profit or loss comprise the market valuation of derivative financial instruments recognised in the income statement as well as income from short-term securities.

7.18.3 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:

	Outflows		
	2009	2010 – 2015	> 2015
	€ million	€ million	€ million
Debt	-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 due to finance leases	-2.4	0.0	0.0
	-368.1	**-669.9**	**-159.2**

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

	2008 € million	2009 – 2014 € million	> 2014 € million
Debt	-19.3	-673.4	-131.7
Trade accounts payable	-108.0	0.0	0.0
Derivatives	-0.3	0.0	0.0
Other liabilities	-187.4	-35.4	-0.2
Liabilities due to finance leases	-2.9	-2.4	0.0
	-317.9	**-711.2**	**-131.9**

The above table includes all financial instruments which were 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 flow payments in the agreements which were valid as at the balance sheet date. Current liabilities and liabilities which can be terminated at any time have been included in the shortest time scale.

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 financing statements includes cash on hand, cheques as well as cash with banks. For the purposes of the cash flow statement, bank overdrafts are deducted from cash and cash equivalents. Reconciliation is provided in the Notes on cash and cash equivalents. The cash flow statement has included a figure of € 9.9 million (previous year: € 2.9 million) for outstanding construction invoices as well as a figure € 4.2 million for non-cash losses from financial derivatives (previous year, non-cash income tax claims: € -10.1 million).

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	Result for the year € '000
Hospital companies			
Amper Kliniken AG, Dachau	74.9	64,370	4,132
Aukamm-Klinik für operative Rheumatologie und Orthopädie GmbH, Wiesbaden	100.0	1.856	597
Fachkrankenhaus für Psychatrie und Neurologie Hildburghausen GmbH, Hildburghausen	100.0	33,968	5,421
Frankenwaldklinik Kronach GmbH, Kronach	94.9	20,471	1,324
Haus Saaletal GmbH, Bad Neustadt a.d. Saale	100.0	192	79
Herz- und Gefäß-Klinik GmbH, Bad Neustadt a.d. Saale	100.0	7,928	0
Herzzentrum Leipzig GmbH, Leipzig	100.0	31,510	23,496
Klinik "Haus Franken" GmbH, Bad Neustadt a.d. Saale	100.0	2,431	21
Klinik für Herzchirurgie Karlsruhe GmbH, Karlsruhe	100.0	13,818	6,690
Klinik Kipfenberg GmbH Neurochirurgie und Neurologische Fachklinik, Kipfenberg	100.0	6,122	3,018
Klinik Herzberg und Osterode GmbH, Herzberg am Harz	100.0	16,041	1,183
Kliniken Miltenberg-Erlenbach GmbH, Erlenbach	100.0	10,249	358
Kliniken München Pasing und Perlach GmbH, Munich	93.7	38,520	4,299
Klinikum Uelzen GmbH, Uelzen	100.0	29,326	1,217
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	102,587	7,238
Klinikum Hildesheim GmbH, Hildesheim	100.0	17,170	6,193
Klinikum Meiningen GmbH, Meiningen	100.0	28,681	12,832
Klinikum Pforzheim GmbH, Pforzheim	94.9	53,446	5,876
Klinikum Pirna GmbH, Pirna	100.0	30,228	2,759
Klinikum Salzgitter GmbH, Salzgitter	94.9	25,488	1,276
Krankenhaus Cuxhaven GmbH, Cuxhaven	100.0	12,950	1,020
Krankenhaus Köthen GmbH, Köthen	100.0	10,211	505
Krankenhaus St. Barbara Attendorn GmbH, Attendorn	100.0	10,912	-620
Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda	100.0	20,181	1,840
Kreiskrankenhaus Gifhorn GmbH, Gifhorn	96.0	25,902	3,563
Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg	100.0	24,158	1,845
Neurologische Klinik GmbH Bad Neustadt a.d. Saale, Bad Neustadt a.d. Saale	100.0	2,365	1,162
Park-Krankenhaus Leipzig-Südost GmbH, Leipzig	100.0	11,447	3,310
Soteria Klinik Leipzig GmbH, Leipzig	100.0	4,577	2,148
Städtisches Krankenhaus Wittingen GmbH, Wittingen	96.0	5,112	-704
St. Elisabeth-Krankenhaus GmbH, Bad Kissingen	98.5	11,493	-4,183
St. Petri-Hospital Warburg GmbH, Warburg	100.0	5,776	-6,494
Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden	100.0	22,154	1,963
Universitätsklinikum Gießen und Marburg GmbH, Gießen	95.0	42,788	2,162
Weißeritztal-Kliniken GmbH, Freital	100.0	35,072	3,766
Wesermarsch-Klinik Nordenham GmbH, Nordenham	100.0	1,047	-3,515
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	90,797	24,020

	Interest held %	Equity € '000	Result for the year € '000
MVZ companies			
MVZ Management GmbH Franken, Bad Neustadt a.d. Saale	100.0	235	-212
MVZ Management GmbH Attendorn, Attendorn	100.0	165	-27
MVZ Management GmbH Baden-Württemberg, Pforzheim	100.0	206	16
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	150	-40
MVZ Management GmbH Leipzig, Leipzig	100.0	188	-3
MVZ Management GmbH Niedersachsen, Nienburg	100.0	194	5
MVZ Management GmbH Sachsen, Pirna	100.0	223	84
MVZ Management GmbH Thüringen, Bad Berka	100.0	553	180
MVZ Management GmbH Sachsen-Anhalt, Köthen	100.0	189	-4
MVZ Management GmbH Hessen, Wiesbaden	100.0	32	-171
MVZ Service Gesellschaft mbH, Bad Neustadt a.d. Saale	100.0	1,489	0
MVZ Universitätsklinikum Marburg GmbH, Marburg	95.0	136	48

	Interest held %	Equity € '000	Result for the year € '000
Research and training companies			
ESB-Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a.d. Saale	100.0	1,693	3
Gemeinnützige Gesellschaft zur Förderung der klinischen Forschung auf dem Gebiet der Humanmedizin und zur Betreuung von Patienten an den Universitäten Gießen und Marburg GmbH, Marburg	100.0	31	-18

	Interest held %	Equity € '000	Result for the year € '000
Property companies			
Altmühltalklinik-Leasing GmbH, Kipfenberg	51.0	5,401	606
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a.d. Saale	100.0	24,281	164
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH, Leipzig	100.0	315	53
Grundstücksgesellschaft Park Dösen GmbH, Leipzig	100.0	6,520	-65
GTB Grundstücksgesellschaft mbH, Leipzig	100.0	39,710	1,456

	Interest held %	Equity € '000	Result for the year € '000
Service companies			
RK-Cateringgesellschaft West mbH, Bad Neustadt a.d. Saale	51.0	49	1
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a.d. Saale	51.0	204	2
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a.d. Saale	51.0	74	11
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a.d. Saale	51.0	51	4
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a.d. Saale	51.0	78	21
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a.d. Saale	51.0	30	-2
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a.d. Saale	51.0	98	48
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a.d. Saale	51.0	176	92
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a.d. Saale	51.0	195	138
UKGM Service GmbH, Bad Neustadt a.d. Saale (formerly: RK Klinik Betriebs GmbH Nr. 21)	100.0	45	7
RK-Wäschereinigung GmbH, Bad Neustadt a.d. Saale (formerly: RK Kliniken Betriebs GmbH Nr. 20)	51.0	30	0
WMK-Service GmbH, Nordenham	100.0	28	0

	Interest held %	Equity € '000	Result for the year € '000
Shell companies/other companies			
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	74.9	89	13
Leben am Rosenberg, Kronach (formerly: Dienstleistungs- und Servicegesellschaft Kronach mbH)	100.0	93	35
Heilbad Bad Neustadt GmbH, Bad Neustadt a.d. Saale	100.0	1,912	410
KDI Klinikservice GmbH, Dachau	74.9	69	8
Kinderhort Salzburger Leite gGmbH, Bad Neustadt a.d. Saale	100.0	399	16
Klinik Feuerberg GmbH, Bad Neustadt a.d. Saale	100.0	29	-2
Psychosomatische Klinik GmbH, Bad Neustadt a.d. Saale	100.0	37	-3
PTZ GmbH, Bad Neustadt a.d. Saale (formerly: RK Klinik Betriebs GmbH Nr. 30)	100.0	18,993	-999
RK-Bauträger GmbH, Bad Neustadt a.d. Saale	100.0	126	-14
RK Klinik Betriebs GmbH Nr. 11, Bad Neustadt a.d. Saale	100.0	552	444
RK Klinik Betriebs GmbH Nr. 16, Bad Neustadt a.d. Saale	100.0	25	-4
RK Klinik Betriebs GmbH Nr. 28, Bad Neustadt a.d. Saale	100.0	39	-3
RK Klinik Betriebs GmbH Nr. 29, Bad Neustadt a.d. Saale	100.0	38	-4
RK Klinik Betriebs GmbH Nr. 31, Bad Neustadt a.d. Saale	100.0	39	-3
RK Klinik Betriebs GmbH Nr. 32, Bad Neustadt a.d. Saale (formerly IVM GmbH Gesellschaft für integrative Versorgung in der Medizin, Gießen)	100.0	49	-7
RK-Klinik-Betriebs GmbH Nr. 33, Bad Neustadt a.d. Saale (formerly Krankenhausreinigungsgesellschaft Bad Kissingen mbH, Bad Kissingen)	100.0	40	-3
RK Klinik Betriebs GmbH Nr. 34, Bad Neustadt a.d. Saale (formerly Krankenhaus Einrichtungs- und Ausstattungsverwaltungsgesellschaft mbH Bad Kissingen, Bad Kissingen)	100.0	48	-3
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a.d. Saale (formerly MVZ Universitätsklinikum GmbH, Gießen)	100.0	200	3
Wolfgang Schaffer GmbH, Bad Neustadt a.d. Saale	100.0	557	20

9.2 Other companies in accordance with Section 313 (2) (2) et seq. HGB

	Interest held %	Equity € '000	Result for the year € '000
Hospiz Mittelhessen gGmbH, Wetzlar[1]	15.9	158	-16
Imaging Service AG, Niederpöcking[1]	18.8	497	194
miCura Pflegedienste Dachau GmbH, Dachau[1]	36.7	26	0
Seniorenpflegeheim GmbH Bad Neustadt a.d. Saale, Bad Neustadt a.d. Saale[1]	25.0	-948	-32
Soemmering GmbH, Bad Nauheim[1]	31.7	-46	-4

[1] *According to the financial statements for the period ending 31 December 2007.*

10 OTHER DISCLOSURES

10.1 Annual average number of employees

	2008	2007	Change	
	Number[1]	Number[1]	Number[1]	%
Medical services	3,144	2,966	178	6.0
Nursing services	10,355	10,248	107	1.0
Medical-technical services	4,248	4,197	51	1.2
Functional	3,201	3,024	177	5.9
Supply and misc. services	3,995	3,450	545	15.8
Technical	541	550	-9	-1.6
Administrative	2,169	2,094	75	3.6
Other personnel	411	358	53	14.8
	28,064	**26,887**	**1,177**	**4.4**

[1] *Headcount, excl. board members, managing directors, apprentices, trainees, students on work experience programmes, and persons performing alternative national service.*

10.2 Other financial obligations

	31 Dec. 2008	31 Dec. 2007
	€ million	€ million
Order commitments	**24.7**	**39.4**
Operating leases		
Maturity subsequent year	4.0	5.0
Maturity 2 to 5 years	5.6	6.7
Maturity after 5 years	0.5	0.5
Other		
Maturity subsequent year	49.2	48.6
Maturity 2 to 5 years	16.5	18.2
Maturity after 5 years	5.6	0.5

Of the figure for order commitments, € 2.3 million (previous year: € 0.5 million) is attributable to intangible assets, and € 18.6 million (previous year: € 32.4 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 purchase price and investment obligations totalling € 424.0 million (previous year: € 546.9 million); most of these obligations have to be settled within a period of up to 48 months.

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 and RK Reinigungsgesellschaft Nord mbH. Accordingly, the Group capitalises the assets at the present value of the minimum leasing payments of € 8.6 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 shown; this is subsequently redeemed and amortised 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 two 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 which also have to be acquired on the acquisition of hospitals are serviced as planned; however, when they have expired they are replaced by investments.

Liabilities from finance leases – minimum payments	2008 € million	2007 € million
Maturity in subsequent year	2.4	2.9
Maturity 2 to 5 years	0.0	2.4
Maturity after 5 years	0.0	0.0
	2.4	**5.3**
Future financing costs from finance leases	**0.4**	**0.8**
Present value of liabilities from finance leases	**2.0**	**4.5**

Present value of liabilities from finance leases:	2008 € million	2007 € million
Maturity in subsequent year	2.0	2.5
Maturity 2 to 5 years	0.0	2.0
Maturity after 5 years	0.0	0.0
	2.0	**4.5**

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 building to a nursing home operator. On the basis of income valuations we see no material differences between the fair value of the properties and their carrying amounts shown below:

	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
Value 31 December 2008	4.0

	Total € million
Cost	
1 January 2007	5.0
31 December 2007	5.0
Cumulative depreciation	
1 January 2007	0.6
Depreciation	0.2
31 December 2007	0.8
Value 31 December 2007	4.2

Depreciation is recognised on a straight-line basis over a useful life of 33 ⅓ years. Rental income of € 0.4 million (previous year: € 0.4 million) was received in 2008. 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 and dependent partial areas of building sections. We have therefore not shown them separately.

The minimum lease payments to be received in future (up to one year) are stated at € 0.8 million. The minimum lease payments for the period of up to five years are stated at € 1.2 million. The corresponding figure for the period in excess of five years is € 0.1 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 a participating interest of between 20.0% and 50.0% and which we have not included in the consolidated financial statements on the grounds of materiality (with regard to the companies of the Group, please refer to the list of shareholdings in

these Notes). From the point of view of the Group, there was the following volume of services with related companies in financial year 2008:

	Expense 2008 € '000	Income 2008 € '000	Receivables 31 Dec. 2008 € '000	Liabilities 31 Dec. 2008 € '000
Imaging Service AG, Niederpöcking	0.0	92.0	0.0	0.0
miCura Pflegedienste Dachau GmbH, Dachau	0.0	299.8	13.6	0.0
Seniorenpflegeheim GmbH Bad Neustadt a.d. Saale, Bad Neustadt a.d. Saale	458.2	0.0	0.0	17.8
Soemmering GmbH, Bad Nauheim	0.0	0.0	0.0	0.0
	458.2	**391.8**	**13.6**	**17.8**

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 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 party	Companies as defined by IAS	Nature of service	€ '000
Herr Prof. Dr. Gerhard Ehninger	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	148.9
	DKMS – Deutsche Knochenmarkspender-datei gemeinnützige Ges. mbH, Tübingen	Transplants/removals	478.4

As at the balance sheet date 31 December 2008, accounts payable totalling € 66,000.00 existed towards 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 2008.

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 last year:

	Fixed € '000	Profit-linked € '000	Total € '000
Dr. Bernhard Aisch	77	2	79
Gisela Ballauf	30	2	32
Bernd Becker	26	5	31
Helmut Bühner	42	5	47
Ursula Harres	37	2	39
Werner Prange	41	2	43
Joachim Schaar	50	33	83
	303	**51**	**354**

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

	2008 € '000	2007 € '000
Remuneration of the Supervisory Board	2,226	1,635
Remuneration of the Board of Management	7,086	6,601
Remuneration of the Advisory Board	17	14

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 16.07% of the shares of RHÖN-KLINIKUM AG.

During the reporting period 2008 there were four notifiable transactions pursuant to Section 15a of the Securities Trading Act (WpHG) of members of the Board of Management or of the Supervisory Board (directors' dealings) at RHÖN-KLINIKUM AG. These related to the purchase of 600 ordinary shares on 22 January 2008 at a price of € 16.50 with a total volume of € 9,900 by Mr. Dietmar Pawlik, the purchase of 7,000 ordinary shares on 23 January 2008 at a price of € 17.46 with a total volume of € 122,225 by Mr. Gerald Meder, the purchase of 5,500 ordinary shares on 19 March 2008 at a price of € 17.85 with a total volume of € 98,175 by Mr. Wolfgang Pföhler as well as the purchase of 620 ordinary shares on 21 November 2008 at a price of € 15.80 with a total volume of € 9,796 by Mr. Dietmar Pawlik.

Expenses (excluding VAT) for members of the Supervisory Board are broken down below:

	Basic amount € '000	Attendance fee, fixed € '000	Attendance fee, variable € '000	Functional days, variable € '000	Total 2008 € '000	Total 2007 € '000
Eugen Münch	20	48	121	213	402	297
Wolfgang Mündel	20	52	134	135	341	240
Bernd Becker	20	44	54	0	118	91
Dr. Bernhard Aisch	20	10	20	0	50	38
Gisela Ballauf	20	14	26	0	60	38
Sylvia Bühler	20	10	20	0	50	38
Helmut Bühner	20	10	20	0	50	41
Prof. Dr. Gerhard Ehninger	20	10	18	0	48	41
Ursula Harres	20	8	15	0	43	50
Caspar von Hauenschild	20	20	59	12	111	84
Detlef Klimpe	20	26	95	0	141	94
Dr. Heinz Korte	20	26	95	0	141	94
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	12	23	0	55	38
Joachim Lüddecke	20	22	57	0	99	70
Michael Mendel	20	20	71	0	111	94
Dr. Brigitte Mohn	20	14	24	0	58	40
Jens-Peter Neumann	20	10	20	0	50	26
Timothy Plaut (bis 31.05.2007)	0	0	0	0	0	7
Werner Prange	20	22	57	0	99	79
Joachim Schaar	20	14	24	0	58	47
Michael Wendl	20	26	95	0	141	88
	400	**418**	**1,048**	**360**	**2,226**	**1,635**

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

	Fixed € '000	Performance-linked € '000	Total 2008 € '000	Total 2007 € '000
Andrea Aulkemeyer	201	657	858	801
Wolfgang Kunz	204	657	861	806
Gerald Meder	296	1,728	2,024	1,878
Dietmar Pawlik	177	394	571	535
Wolfgang Pföhler	396	1,806	2,202	2,046
Dr. Brunhilde Seidel-Kwem	176	394	570	535
	1,450	**5,636**	**7,086**	**6,601**

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 severance compensation:

	Provisions as at 31 Dec. 2007 € '000	Increase in severance claims € '000	Provisions as at 31 Dec. 2008 € '000	Nominal amount[1] € '000
Andrea Aulkemeyer	453	140	593	1,061
Wolfgang Kunz	393	124	517	1,061
Gerald Meder	1,935	372	2,307	3,023
Dietmar Pawlik	105	59	164	351
Wolfgang Pföhler	530	244	774	1,369
Dr. Brunhilde Seidel-Kwem	105	59	164	351
	3,521	998	4,519	7,216

[1] *Entitlement after the planned expiry of the Board of Management agreement on the basis of the emoluments of the previous 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 holdings of these members of the Board of Management of shares issued by the Company is also less than 1.0%. The entire shareholding of all members of the Supervisory Board – except Mr. Eugen Münch – amounts to less than 1.0% of the shares in issue. There are no options or other derivatives. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, holds 16.07% of the shares of RHÖN-KLINIKUM AG.

It was not necessary to create 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 Statement 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 30 October 2008, the Company made the corresponding declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2008. 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 auditor of the consolidated financial statements

	2008 € '000	2007 € '000
Audit of the annual financial statements	1,560	1,471
Other auditing or valuation services	406	243
Tax advice	317	508
Other services	203	320
	2,486	**2,542**

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
Also a member of the supervisory board of:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen (until 31 December 2008)
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
Nurse at Herzzentrum Leipzig GmbH, Leipzig, BA (VWA)

WOLFGANG MÜNDEL
Kehl
2nd Deputy Chairman
Wirtschaftsprüfer (German public auditor) and tax consultant in own practice
Other mandates:
– Jean d'Arcel Cosmétique GmbH & Co. KG, Kehl (chairman of the Advisory Board)

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

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

PROFESSOR DR. GERHARD EHNINGER
Dresden
MD
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)
– Universitätsklinikum Gießen und Marburg GmbH, Gießen (Supervisory Board)

URSULA HARRES
Wiesbaden
Medical-technical assistant at Stiftung Deutsche Klinik für Diagnostik, 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 Universitätsklinikums Aachen, Aachen (deputy chairman of the Board of Management)
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

JOACHIM LÜDDECKE
Hanover
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 Remuneration Committee of this Supervisory Board

MICHAEL MENDEL
Vienna
Merchant, Member of the Board of Management of Österreichische Volksbank 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)

JENS-PETER NEUMANN
Frankfurt am Main
Bank Director

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
Also a member of the supervisory board of:
– Städtisches Klinikum München GmbH, Munich
Other mandates:
– Zusatzversorgungskasse Bayer. Gemeinden, Munich (Board of Directors)

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
Regional Director for Saxony/Saxony-Anhalt, Mecklenburg-West Pomerania, Berlin, Brandenburg, provisionally, Thuringia (from 1 October 2008 to 31 December 2008) provisionally
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 Supervisory Board)
Other mandates:
– Deutsche Krankenhausgesellschaft e.V., 1st Vice-President
– Baden-Württembergische Bank AG (Advisory Board)

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:
– Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden (chairman)
– Amper Kliniken AG, Dachau (chairman)
– Universitätsklinikum Gießen und Marburg GmbH, Gießen (chairman) (from 1 January 2009)

ANDREA AULKEMEYER
business address at Bad Neustadt a.d. Saale
responsible for Southern and South-West Germany and Thuringia, Personnel at Company (from 1 January 2008 to 30 September 2008), Internal Auditing (from 1 October 2008)
Also a member of the supervisory board of:
– Klinikum Pforzheim GmbH, Pforzheim
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)

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

DIETMAR PAWLIK
business address at Bad Neustadt a.d. Saale
Member of the Board of Management
Finance, Investor Relations, Group EDP (until 31 December 2008)
Also a member of the supervisory board of:
– Amper Kliniken AG, Dachau

DR. BRUNHILDE SEIDEL-KWEM
business address in Hamburg
Member of the Board of Management
Regional Division Western and Northern Germany (Bremen, Hamburg, Lower Saxony, North Rhine-Westphalia, Schleswig-Holstein) (until 31 December 2008)
Also a member of the supervisory board of:
– Klinikum Hildesheim GmbH, Hildesheim
– Klinikum Salzgitter GmbH, Salzgitter

DR. ERIK HAMANN
business address Bad Neustadt a.d. Saale
Member of the Board of Management,
Finance, Investor Relations and Controlling (from 1 January 2009)

RALF STÄHLER
business address at Bad Neustadt a.d. Saale
Member of the Board of Management
Outpatient-Inpatient Basic and Standard Care division (from 1 January 2009);

DR. IRMGARD STIPPLER
business address Bad Neustadt a.d. Saale
Member of the Board of Management
Communication and IT (from 1 January 2009)

DR. CHRISTOPH STRAUB
business address at Bad Neustadt a.d. Saale
Outpatient-Inpatient Basic and Standard Care division (from 1 January 2009)

3. Advisory Board

WOLF-PETER HENTSCHEL
Bayreuth (Chairman until 8 November 2008)

PROF. DR. MED. FREDERIK WENZ
Heidelberg (Chairman from 8 November 2008, Member of the Advisory Board from January 2008)

HEINZ DOLLINGER
Dittelbrunn

MINISTERIALRAT A.D. HELMUT MEINHOLD
Heppenheim

PROFESSOR DR. MICHAEL-J. POLONIUS
Dortmund

HELMUT REUBELT
Dortmund

DR. KARL GUSTAV WERNER, DÜSSELDORF
(until 31 May 2008)

FRANZ WIDERA
Duisburg

Bad Neustadt/Saale, 27 February 2009

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, 27 February 2009

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, 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 2008. 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) HGB 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 with section 317 HGB and German generally accepted accounting standard for the audit of financial state-ments promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer – IDW) as well as the International Standards on Auditing (ISA). The standards require an audit to be planned and performed in such a way that misstatements having a material impact on the view of the assets, 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 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 in the EU, the additional requirements of section 315a (1) HGB and give a true and fair view of the asset, financial and earnings position of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and presents a true and fair view of the Group's overall position and the potential risks and rewards for its future development.

Frankfurt am Main, 3 March 2009

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Harald Schmidt)
Wirtschaftsprüfer

(Hafid Rifi)
Wirtschaftsprüfer

SUMMARY REPORT OF RHÖN-KLINIKUM AG

BALANCE SHEET

ASSETS	31 Dec. 2008 € million	31 Dec. 2007 € million
Intangible assets	4.3	3.9
Tangible assets	35.2	65.9
Financial assets	986.4	938.2
Fixed assets	1,025.9	1,008.0
Inventories	4.5	3.8
Receivables and other assets	229.7	141.8
Securities, cash and cash equivalents	1.5	19.2
Current assets	235.7	164.8
Prepaid expenses	2.5	2.7
	1,264.1	1,175.5

EQUITY AND LIABILITIES	31 Dec. 2008 € million	31 Dec. 2007 € million
Subscribed capital	259.2	259.2
Capital reserve	37.6	37.6
Retained earnings	138.5	118.1
Net distributable profit	36.3	29.0
Equity	471.6	443.9
Contributions to finance fixed assets	0.2	0.1
Tax provisions	0.0	2.5
Other provisions	30.4	29.8
Provisions	30.4	32.3
Liabilities	761.9	699.2
	1,264.1	1,175.5

INCOME STATEMENT

	2008 € million	2007 € million
Revenues	134.5	131.7
Changes in services	0.8	0.3
Other operating income in progress	19.9	18.5
Material and consumables used	37.1	35.2
Personnel costs	74.7	71.3
Depreciation	5.5	5.9
Other operating expenses	34.8	35.9
Operating earnings	3.1	2.2
Investment result	75.7	73.9
Financial result	-21.4	-20.1
Earnings from ordinary operations	57.4	56.0
Taxes	0.7	0.0
Net profit for the year	56.7	56.0
Allocation to retained earnings	20.4	27.0
Net distributable profit	36.3	29.0

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 2008, 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 € 36,288,000.00. The Board of Management will propose to shareholders at the forthcoming annual general meeting that this profit be appropriated as follows:

Distribution of a dividend of € 0.35 per ordinary share (DE 0007042301)

and to carry forward the dividend on treasury shares.

Bad Neustadt a.d. Saale, 27 February 2009

RHÖN-KLINIKUM Aktiengesellschaft

The Board of Management

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

MILESTONES

1973

Takeover of management of Kur- und Therapiezentrum Bad Neustadt a.d. Saale, comprising 1,500 condominium units, as a rehabilitation centre

1975

Opening of psychosomatic hospital Psychosomatische Klinik Bad Neustadt a.d. Saale

1977

Development of a training concept for ethnic German immigrants in partnership with a non-profit associated company providing room and board

1984

Opening of the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt a.d. Saale

1988

Inception of RHÖN-KLINIKUM AG with an initial capital of DM 10 million (€ 5.11 million), through conversion of the share capital of Rhön-Klinikum GmbH (limited liability company) into ordinary share capital. Resolution on authorised capital

1989

Increase in share capital of RHÖN-KLINIKUM AG by DM 5 million (€ 2.56 million) to DM 15 million through issuance of 100,000 non-voting preference shares

Takeover of majority of condominium rights; on 27 November 1989 IPO of first German hospital group: listing of preference shares for official trading on the stock exchanges in Munich and Frankfurt am Main

Takeover of 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden

Takeover of all shares of Heilbad Bad Neustadt GmbH & Co. Sol- und Moorbad

1991

Opening of neurological hospital Neurologische Klinik Bad Neustadt a.d. Saale

Founding and takeover of 75% of shares in Zentralklinik Bad Berka GmbH, Bad Berka

Listing of the ordinary shares and placement of 25% of ordinary shares

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 15 million (€ 7.67 million) by DM 15 million (€ 7.67 million) to DM 30 million (€ 15.34 million); admission of all ordinary and preference shares to the stock exchanges in Munich and Frankfurt am Main

Commissioning of extension of Herz- und Gefäß-Klinik Bad Neustadt a.d. Saale

1992

Opening of the hand surgery clinic Klinik für Handchirurgie Bad Neustadt a.d. Saale

1993

Opening of a specialist centre for addictive diseases as temporary solution until the opening of a planned new facility (opened in January 1997)

Opening of specialist hospital for neurology Neurologische Klinik in Kipfenberg

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 30 million (€ 15.34 million) by DM 6 million (€ 3.07 million) to DM 36 million (€ 18.41 million)

1994

Opening of operative and intensive care centre of Zentralklinik Bad Berka with 14 operating rooms and 88 intensive care beds

Opening of Herzzentrum Leipzig with the status of a university hospital

1995

Opening of Klinikum Meiningen, with 532 beds

Opening of replacement bed facility of Zentralklinik Bad Berka with 488 beds

Opening of heart surgery clinic Klinik für Herzchirurgie Karlsruhe with 65 beds

Reduction in nominal value of RHÖN-KLINIKUM shares from DM 50.00 to DM 5.00

Increase in the share capital of RHÖN-KLINIKUM AG against cash contribution from DM 36 million (€ 18.41 million) by DM 7.2 million (€ 3.68 million) to DM 43.2 million (€ 22.09 million)

1996

Takeover of a further 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik Wiesbaden, making us sole shareholder

Commissioning of reconstructed central facility of Zentralklinik Bad Berka

1997

Opening of Soteria-Klinik Leipzig-Probstheida

Takeover of Krankenhaus 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

WESERMARSCH-KLINIK IN NORDENHAM

ST. PETRI-HOSPITAL WARBURG

ST. PETRI-HOSPITAL WARBURG

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

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.

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For further information on our hospitals, visit our website at www.rhoen-klinikum-ag.com under the section "Hospitals".

KEY RATIOS Q1-Q4 2008

	Jan.-Dec. 2008 € '000	Oct.-Dec. 2008 € '000	July-Sep. 2008 € '000	April-June 2008 € '000	Jan.-March 2008 € '000
Revenues	2,130,277	543,977	536,122	529,437	520,741
Material and consumables used	539,863	143,106	135,669	134,017	127,071
Employee benefits expense	1,270,593	312,518	322,340	320,648	315,087
Depreciation/amortization and impairment	90,680	25,124	23,213	21,870	20,473
Net consolidated profit according to IFRS	122,644	33,479	27,234	32,368	29,563
– Earnings share of RHÖN-KLINIKUM AG shareholders	117,299	32,100	25,924	31,062	28,213
– Earnings share of minority owners	5,345	1,379	1,310	1,306	1,350
Return on revenue, %	5.8	6.2	5.1	6.1	5.7
EBT	142,912	35,741	32,312	39,463	35,396
EBIT	172,077	45,142	40,705	42,501	43,729
EBITDA ratio, %	8.1	8.3	7.6	8.0	8.4
EBITDA	262,757	70,266	63,918	64,371	64,202
EBIT ratio, %	12.4	12.9	11.9	12.1	12.3
Operating cash flow	213,745	57,390	52,295	52,102	51,958
Property, plant and equipment as well as investment property	1,391,019	1,391,019	1,317,916	1,275,828	1,229,013
Income tax claims (long-term)	18,776	18,776	18,689	20,902	20,777
Equity capital according to IFRS	889,263	889,263	867,102	845,122	840,364
Return on equity, %	14.4	15.3	12.7	15.4	14.3
Balance sheet total according to IFRS	2,140,894	2,140,894	2,095,020	2,076,752	2,028,580
Investments					
– in property, plant and equipment as well as in investment property	278,784	101,015	68,036	69,489	40,244
– in other assets	103	-92	70	73	53
Earnings per ordinary share (€)	1.13	0.31	0.25	0.30	0.27
Number of employees (by headcount)	33,679	33,679	33,046	32,385	32,303
Case numbers (patients treated)	1,647,972	406,442	408,155	423,181	410,194
Beds and places	14,828	14,828	14,684	14,584	14,584

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