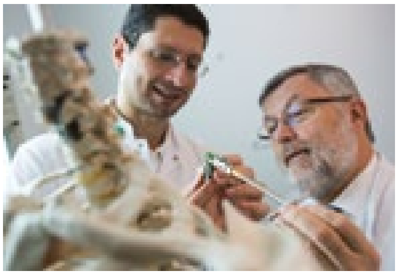
ANNUAL REPORT 2014

RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

TRUST RELIABILITY INNOVATION EXCELLENCE RESPONSIBILITY

CONTENTS

KEY FIGURES 2010–2014

	2010	2011	2012	2013	2014
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenues	2,550,384	2,629,148	2,864,909	3,013,835	1,510,519
Materials and consumables used	656,902	678,622	753,354	791,656	425,106
Employee benefits expense	1,513,848	1,562,100	1,740,358	1,840,407	963,937
Depreciation / amortisation and impairment	109,399	141,535	141,161	119,697	82,792
Consolidated profit	145,069	161,073	92,401	90,027	1,227,878
– Profit share of shareholders of RHÖN-KLINIKUM AG	139,693	156,114	90,116	86,648	1,225,711
– Profit share of non-controlling interests	5,376	4,959	2,285	3,379	2,167
EBT	173,852	186,464	114,166	117,693	1,248,466
EBIT	197,857	213,188	150,813	155,747	1,330,850
EBITDA	307,256	354,723	291,974	275,444	1,413,642
Operating cash flow	255,889	303,875	232,263	211,042	1,310,278
Property, plant and equipment and investment property	1,832,361	1,863,705	1,924,128	715,103*	666,259
Income tax assets	13,616	11,572	9,480	6,684*	4,576
Other non-current assets, other non-current financial assets	1,724	2,064	13,668	375*	11,942
Equity	1,495,195	1,598,658	1,606,866	1,666,687	1,248,924
Return on equity in %	9.9	10.4	5.8	5.5	84.2
Balance sheet total	3,058,244	3,175,265	3,184,501	3,098,189	1,804,311
Investments					
– in goodwill, other intangible assets, property, plant and equipment and investment property	348,428	270,853	273,511	118,808	54,366
– in other non-current assets, in other non-current financial assets	178	220	765	130	11,717
Earnings per ordinary share (in €)	1.01	1.13	0.65	0.63	9.36
Number of employees (headcount)	38,058	39,325	43,059	43,363	15,602
Number of cases (patients treated)	2,041,782	2,277,153	2,555,822	2,654,249	1,222,846
Beds and places	15,900	15,973	17,089	17,113	5,227

** Excluding assets held for sale.*

FINANCIAL CALENDAR 2015

DATES FOR RHÖN-KLINIKUM SHAREHOLDERS AND FINANCIAL ANALYSTS

27 February 2015	Preliminary results for financial year 2014
17 April 2015	Results Press Conference: publication of 2014 annual financial report
7 May 2015	Publication of interim report for the quarter ending 31 March 2015
10 June 2015	Annual General Meeting (Jahrhunderthalle Frankfurt)
6 August 2015	Publication of half-year financial report as at 30 June 2015
6 November 2015	Publication of interim report for the quarter ending 30 September 2015

DISCLAIMER

Any market, price or performance data provided herein are for information purposes only. Nothing contained in this Report is intended as, or constitutes, an offer to buy or sell or any solicitation of an offer to buy or sell any RHÖN-KLINIKUM shares. RHÖN-KLINIKUM AG believes that the information is accurate as of the date of this Report.

However, although the information has mainly been obtained from company sources and is deemed to be reliable, RHÖN-KLINIKUM AG does not guarantee or make any warranty regarding the accuracy, suitability or completeness of such information.

Any decision to invest in RHÖN-KLINIKUM shares should not be made solely on the basis of the information contained in this Report.

Although as a general rule we employ the masculine form for better readability when referring to persons, such references in each case shall mean both male and female persons.

Additional information is available upon request.

KEY FIGURES Q1–Q4 2014

	Jan.-Dec. 2014	Oct.-Dec. 2014	July-Sept. 2014	April-June 2014	Jan.- March 2014
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenues	1,510,519	273,093	278,312	329,633	629,481
Materials and consumables used	425,106	83,855	80,076	95,072	166,103
Employee benefits expense	963,937	178,276	179,234	220,024	386,403
Depreciation / amortisation and impairment	82,792	19,723	15,373	33,482	14,214
Consolidated profit	1,227,878	1,229	12,756	-183,701	1,397,594
– Profit share of shareholders of RHÖN-KLINIKUM AG	1,225,711	1,559	12,309	-184,433	1,396,276
– Profit share of non-controlling interests	2,167	-330	447	732	1,318
Return on revenues (in %)	81.3	0.5	4.6	-55.7	222.0
EBT	1,248,466	1,374	12,863	-183,834	1,418,063
EBIT	1,330,850	3,382	20,709	-167,010	1,473,769
EBIT ratio (in %)	88.1	1.2	7.4	-50.7	234.1
EBITDA	1,413,642	23,105	36,082	-133,528	1,487,983
EBITDA ratio (in %)	93.6	8.5	13.0	-40.5	236.4
Operating cash flow	1,310,278	21,194	28,102	-150,231	1,411,213
Property, plant and equipment and investment property	666,259	666,259	667,391*	674,513*	707,263*
Income tax assets (non-current)	4,576	4,576	4,527*	6,820*	6,752*
Equity	1,248,924	1,248,924	1,222,429	2,864,454	3,071,774
Return on equity in %	84.2	-3.5	0.9	-13.8	54.4
Balance sheet total	1,804,311	1,804,311	3,426,182	3,464,176	3,929,069
Investments					
– in goodwill, other intangible assets, property, plant and equipment and investment property	54,366	21,712	9,554	6,782	16,318
– in other non-current assets, in other non-current financial assets	11,717	1,993	9,656	43	25
Earnings per ordinary share (in €)	9.36	0.50	0.09	-1.33	10.10
Number of employees (headcount)	15,602	15,602	15,898	16,325	19,929
Number of cases (patients treated)	1,222,846	177,573	182,687	295,449	567,137
Beds and places	5,227	5,227	5,546	5,811	6,831

** Excluding assets held for sale.*

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

» It is our aim to equip RHÖN-KLINIKUM AG for the future, to promote its pioneering role in the implementation of innovative developments and to thereby continue to be a dynamic player in the healthcare business. «

Dear Shareholders,

In 2014 we were able to press on with the changes which started in 2013 and which shape our business in the long term. Since completing the sale of a total of 43 facilities we have been continuing with the further development of our strategy which is based on an integrated healthcare company focusing on innovation and excellence in treatment.

The associated transformation process significantly influenced the previous financial year. This applies to business development, and also to the necessary adaptation of structures. All measures and initiatives serve to equip RHÖN-KLINIKUM AG for the future. At the same time we stand by our claim of continuing to be a key pioneer of innovative developments and a dynamic co-designer of the healthcare industry in the future.

INNOVATION AND EXCELLENCE IN TREATMENT

We are working intensively on ensuring that RHÖN-KLINIKUM AG makes steady progress as a powerful, homogeneous group of ten excellent clinics at five locations. All facilities are characterised by the close link of patient care, research and teaching, as well as high-quality medical and nursing care.

With greater focus on cutting-edge medical services, RHÖN-KLINIKUM AG is following a path in its original arena – in the world of hospitals – that is also taken in other sectors: the company has reduced diversity; instead of having numerous hospitals which differ in size, the range of services on offer and the main areas of treatment, we are focusing more closely on full-service hospitals, where we can provide the best medical treatment and nursing care to our patients with serious or multiple conditions. Our campus facilities are devoted to indicative priorities which are demand-driven and reflect major common diseases, such as in the field of cardiovascular disease or oncology. The strategic goal of the company is to gain a unique position, even if we also continue to provide "classical" medical services for in-patient care.

RHÖN-KLINIKUM AG therefore stands for innovation and excellence in treatment. Not only do we claim to diagnose and treat our patients using the latest scientifically-based therapies and state-of-the-art medical technology – it is reality. However, each long-term successful treatment is not only based on medical apparatus, but also on the best possible care and support. The corresponding services therefore work hand-in-hand.

Our self-image remains grounded and is shaped by the maxim that we offer our patients affordable, high-quality medical care. This culture will not change in any way. Consequently, in future human beings – our patients – and not the question of whether they are publicly or privately insured will continue to be in the foreground at all times. For us, ethical responsibility, patient well-being and cutting-edge medicine do not conflict with each other. They also go hand-in-hand as a precondition and are the result of economically successful business management.

MEDICAL BOARD

Every courageous entrepreneurial reorientation involves risks and offers opportunities. We are convinced that we can generate additional growth and earnings potential with a new entrepreneurial character.

Against this background we appointed our "Medical Board" last year. It brings together first-class doctors from all our group locations and works closely with the Group Medicine Division. Its main role is to further develop and implement the medical strategy of RHÖN-KLINIKUM AG and to bring it into line with the corporate goals.

The Medical Board advises and assists the Board of Management and the management teams of our clinics in the evaluation and practical implementation of medical innovations, new therapies and the installation of complex medical technology. Since medical innovation is not an end in itself, it always aims to be of diagnostic and therapeutic benefit for our patients.

The annual report also includes a detailed presentation of our Medical Board, its functions and its members.

PARTICLE THERAPY CENTRE AT THE MARBURG LOCATION

The establishment of our Particle Therapy Centre at the Marburg University Hospital is a beacon of innovative cutting-edge medicine. This technology makes it possible to accurately align protons and carbon ions against certain types of tumour by means of high-energy acceleration, and to thus carry out radiotherapy with virtually no side effects on areas of disease that were previously inoperable and partially unsuitable for radiotherapy.

After many years of work on the technical implementation of this technology – combined with some setbacks – the breakthrough was finally achieved. All main contracts and agreements for the project were signed last year.

In future the particle therapy facility will be run by the "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft" (Marburg ion beam therapy operating company) which was specifically set up for this purpose. In addition to RHÖN-KLINIKUM AG, which holds an interest of 24.9 per cent in the company, the Heidelberg University Hospital also has a significant holding in the project; it has also taken over management of the facility.

Preparations are currently underway for the forthcoming commissioning. However, the required lead time is needed due to the technical complexity of the system and the necessary staff training. We assume, if the project progresses steadily, that the first patient can be treated at this world-class facility towards the end of the current financial year.

REVENUES AND OPERATING PROFIT STRONGLY INFLUENCED BY EFFECTS DURING THE YEAR

The profound changes in the corporate structure have also had a major impact on daily business. In particular, management and administration were tasked to handle the transaction in the correct legal and organisational manner. This test was passed and processes became increasingly standardised during the year. However, the transaction and its subsequent consequences have shaped the entire course of the financial year.

For the first two months of the year, the full consolidation of the entire former portfolio of 54 hospitals was carried out. Then since March – the time of the actual and legal transition of most of the sold clinics – the new portfolio has generally shaped the structures. However, mainly due to anti-trust reasons, facilities that were originally part of the transaction remained with RHÖN-KLINIKUM AG until the fourth quarter. They were then sold as planned to other experienced hospital operators in the fourth quarter.

In addition, our financial results were positively affected by exceptional factors associated with the transaction.

Against this background we treated a total of roughly 1.22 million patients in the last financial year. Revenues were € 1.51 billion due to the sales transaction. Operating earnings before interest, taxes and depreciation and amortisation (EBITDA) was € 1.41 billion due to transaction.

Given the ongoing difficult framework conditions this is a very satisfactory result. The disproportionate influence of one-off items and special accounting circumstances should be noted. The company management took this into account in the previous financial year and thus steadfastly focused on opening up additional revenue and earnings potential since the health policy conditions to which the company is exposed in a highly regulated market remain a challenge.

Two main developments continue to shape our business sector: on the one hand, the increase in demand for medical care and in particular, cutting-edge medical care is continuing, not least due to demographic change. On the other hand, remuneration for performing such services is not keeping pace.

We have reacted to this scenario the company reorientation and focus on high-quality and comparatively merely adequately remunerated medical services, and regard the company as being well-positioned for the future. The focus on quality and corresponding quality-oriented remuneration, which have been announced as part of new hospital reform efforts, could open up additional earnings opportunities for our company since most of the homework has already been done at our company.

SHARE REPURCHASE AND CHANGED SHAREHOLDER STRUCTURE

In early October, the Board of Management began implementing the capital reduction resolution of the shareholders' meeting of 12 June 2014 and started an appropriate share repurchase.

In the course of the share repurchase, which was conducted from 16 October to 14 November 2014, the company returned around € 1.63 billion to its shareholders in accordance with the approved and published share repurchase programme. All shareholders were given the opportunity to tender their company shares outside the stock exchange through a public tender offer. The offer price for the public purchase offer was € 25.18 per share. If individual shareholders did not want to participate in the share repurchase, they were able to sell their rights to tender. Similarly, shareholders were able to purchase additional tender rights if they wanted to tender more shares. This method was used in this form in Germany for the first time.

Overall, the offer was accepted for nearly 65 million RHÖN-KLINIKUM shares, which corresponds to an acceptance rate of 98.4 per cent.

As a result, it was possible to ensure the shareholders price-friendly participation in the high earnings of the company. At the same time, the capital reduction associated with the repurchase also reflected the smaller structure of RHÖN-KLINIKUM AG and thus created a solid financial foundation for future development prospects.

The redemption of shares associated with the tender also led to a change in weighting among the main shareholders. In addition to B. Braun Melsungen (about 18 per cent) and the Münch family (about 11 per cent together), the corporate group Asklepios Kliniken (around 15 per cent), under the leadership of its founder and partner, Dr. Bernard gr. Broermann, now also has a significant holding in our company.

In each case, we see the decision to hold, or even significantly increase the number of shares held in RHÖN-KLINIKUM AG as acknowledgement of the reorientation of the company and its strategic principles. We are aware of the associated responsibilities, while assuming at the same time that the major shareholders will constructively support our business development in line with their growing importance, and that they will successfully cooperate at all times in the best interest of the company and all owners.

INVESTOR RELATIONS, COMMUNICATION AND MARKETING

As part of the ongoing process of change, external and internal communication naturally become crucially important. Last year, we therefore regularly informed all relevant stakeholders – our employees, the general public, the press, and particularly investors and analysts – about all significant changes and relevant steps.

In conclusion it can be said that the logic of the transaction and resulting business opportunities were ultimately perceived as overwhelmingly positive. The development of public opinion and acceptance has been extremely positive overall. This was not necessarily to be expected following the failed takeover by Fresenius in 2012.

Corporate communication activities will therefore also, play an important role in the current financial year. The focus will thereby increasingly shift towards internal communication since we will concentrate more intensively on making the company more cohesive, not only structurally, but also culturally and emotionally.

All our facilities face intense competition every day and are often located in regions that are particularly affected by demographic change and migration deficits. The marketing of our range of services therefore plays a particularly central role.

FUTURE PROJECT AT THE RHÖN CAMPUS IN BAD NEUSTADT

The completely new construction and renovation of our clinics at the Bad Neustadt location started at the end of the 2014 financial year. By 2018 we will invest a total of around € 180 million in the project at our company headquarters.

RHÖN-KLINIKUM AG thus also incorporates the goal of implementing a pilot project for the further development of healthcare provision in Europe with of a forward-looking overall concept. In the course of the implementation, the RHÖN-KLINIKUM Campus in Bad Neustadt will not only satisfy requirements through its age-appropriate, regionally adjusted, nationally-oriented and wider sectoral patient care, but it will also do so through its sophisticated hospital architecture, its modern medical and nursing organisation and logistics, as well as in terms of the solutions for internal interconnectedness.

NETWORK IN DEVELOPMENT

In the last financial year, further development of the targeted network group made significant progress with participation of the key network partners Helios and Asklepios. The network was created under the name "Wir für Gesundheit" ("We stand for Health") and sales expansion is forging ahead. In the medium term, the network will be expanded to become a nationwide owner-independent affiliation of qualified providers who offer patients additional out-patient and in-patient services as part of additional employer-sponsored insurance cover.

We are confident that the network partnership will also give significant additional impetus to our economic development. The first patients will be treated at the facilities of the network partners in the current financial year. In this way, both the business-based and health policy-based vision from our company founder and Supervisory Board Chairman, Eugen Muench, will become a tangible reality.

STAFF AND CORPORATE BODIES

In the last financial year, RHÖN-KLINIKUM AG could once again count on their excellently qualified and highly motivated staff. The intermittent uncertainty has waned considerably. On behalf of the entire Board of Management and the Supervisory Board, I would like to express my gratitude for this ongoing commitment.

Our thanks also goes to all members of our Supervisory Board and our employee representative bodies for their objective and constructive cooperation.

I cordially invite you to be part of the continually exciting development of the company in the future.

Yours sincerely,

Dr. Dr. Martin Siebert
Chairman of the Board of Management

Bad Neustadt a. d. Saale, April 2015

THE RHÖN-KLINIKUM SHARE

Deal with Fresenius / Helios and share repurchase in 2014 dominate share price development in financial year 2014. Board of management and supervisory board propose a dividend of 0.80 euros per no-par value dividend share.

THE STOCK MARKETS IN 2014

In 2014, development on the international stock markets was still under the influence of extensive monetary policy support from central banks. The expansionary monetary policy with low interest rates and the purchase of securities stimulated the stock markets and drove them to new all-time highs. The weaker than expected global economy as well as numerous political risks and trouble spots had an adverse effect. In Germany the ifo Business Climate Index fell six times in a row from May, before rising again in November. In the USA the economy returned to growth and the unemployment rate fell, which is why the US Federal Reserve suspended its long-term bond purchases in October as planned. Uncertainties also arose from the geopolitical trouble spots (Ukraine, Iraq, Syria), the drastic decline in oil prices and the rouble as well as the reopened debate on a possible exit of Greece from the eurozone ("Grexit").

The equity markets were very volatile due to the various external factors. Overall, the DAX® increased by about 2.7 per cent during the course of the year. The 10,000 mark was exceeded for the first time in June and, following an interim low of 8,571 points in the middle of October, a new historical high of 10,087 points was reached on 5 December. The German mid-cap index MDAX® rose by around 2.2 per cent in 2014. German indices thus outperformed the major European indices. The DJ EURO STOXX 50® only gained 1.2 per cent. Defensive stocks from the healthcare industry benefited disproportionately in the volatile stock market environment. The DJ EURO STOXX Healthcare® increased by 5.7 per cent during the course of the year.

RHÖN-KLINIKUM SHARE PRICE MARKED BY INFORMATION ON DEAL WITH FRESENIUS / HELIOS AND SHARE REPURCHASE IN 2014

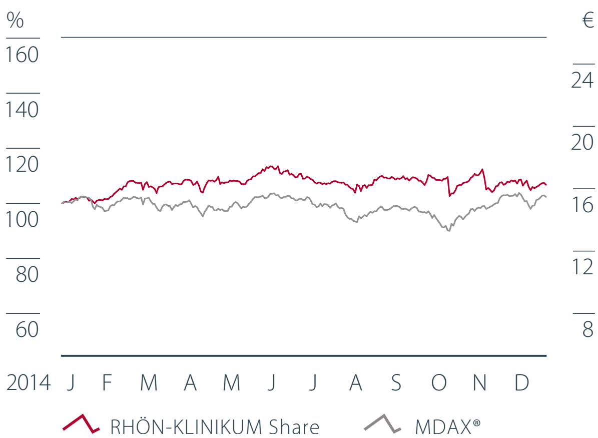
The RHÖN-KLINIKUM AG share price increased by 13.5 per cent during the first half of 2014. This positive performance was due to, among other things, corporate news on the progress of the deal with Fresenius / Helios. On 20 February 2014, the final approval was announced by the Federal Cartel Office, and completion of the sale of 40 clinics to Fresenius / Helios was reported on 16 June 2014.

For RHÖN-KLINIKUM AG the transaction makes it possible to focus on a homogeneous hospital portfolio. The Group is focused on medical excellence and high-quality cutting-edge medicine at five locations. Following completion of the transaction, it comprises around 5,300 beds and 15,000 employees and has a turnover of around 1 billion euros.

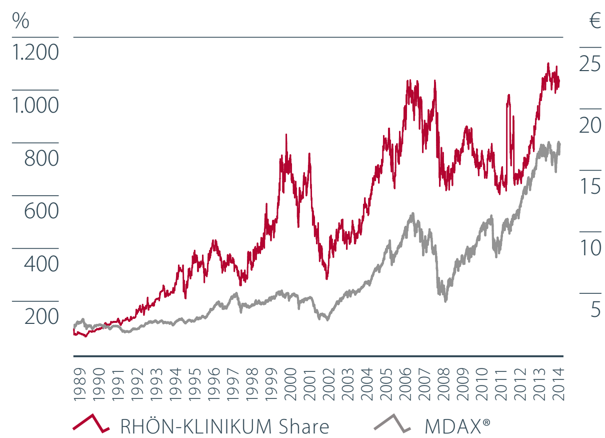
On 29 September 2014, the company agreed to a settlement with the complainants against the shareholders' resolution on Item 3 (capital reduction / share repurchase 2014). This paved the way for implementation of the share repurchase and thus the payout of a large part of the transaction proceeds after deducting debt.

The RHÖN-KLINIKUM share price gained 9.1 per cent throughout the whole of 2014. In 2014, driven by corporate news on the progress of the transaction with Fresenius / Helios and the planned share repurchase programme, the share price performance of RHÖN-KLINIKUM bucked from overall economic development and the general stock market trend. The share significantly outperformed the DAX® and MDAX® and also the DJ EURO STOXX Healthcare®, and ended the year with a closing price of 23.20 euros. Including consideration of the dividend payment, annual performance was up by 10.3 per cent.

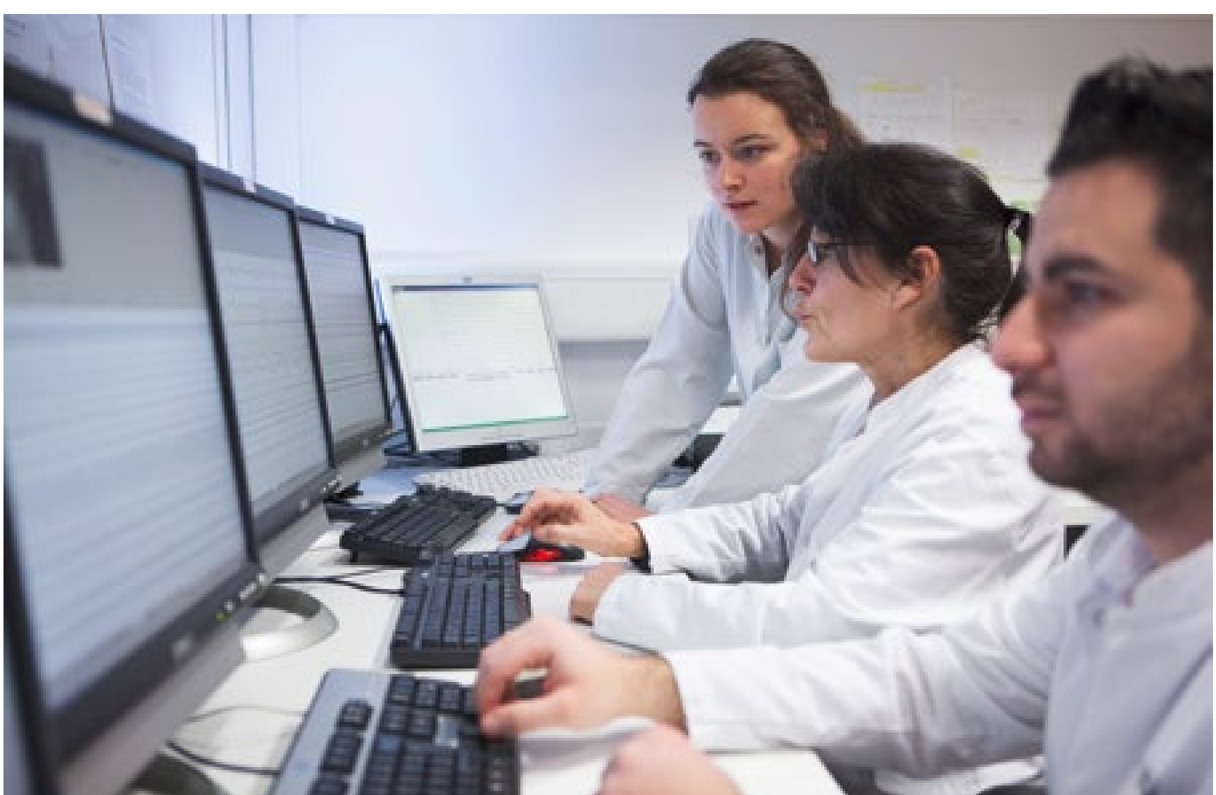
RHÖN-KLINIKUM SHARE ON A SHORT-TERM COMPARISON . . .



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



The market capitalisation of the issued 73.48 million no-par-value shares was 1.7 billion euros at the end of the year, after the share repurchase (previous year: 2.9 billion euros based on 138.23 million shares). Thus, on 31 December 2014 the RHÖN-KLINIKUM share held position 45 (previous year: position 23) in the MDAX® ranking. In 2014 the average daily trading volume on German stock exchanges, including Xetra trading, was 438,994 units.



PRO RATA PAYOUT OF TRANSACTION PROCEEDS / DIVIDENDS

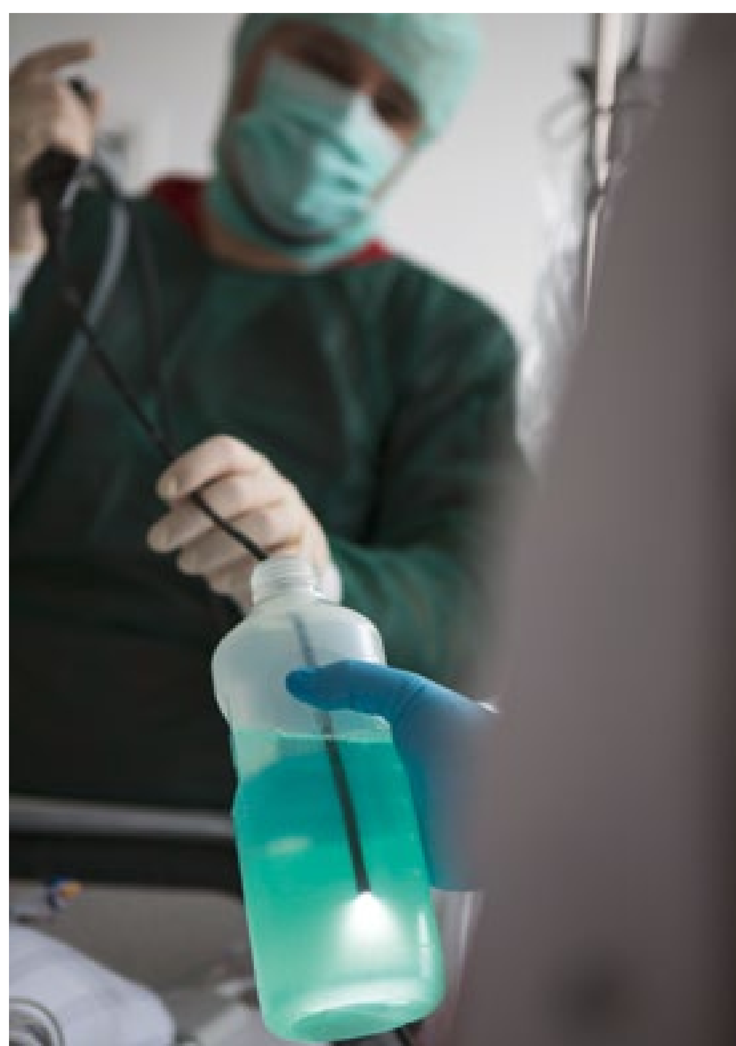
At the end of the acceptance period of the public offer to acquire up to 65,813,330 treasury shares against payment of the offer price of 25.18 euros per RHÖN-KLINIKUM share, the share capital of the company was 345,580,000 euros and was divided into 138,232,000 no-par bearer shares. Overall the public tender offer was accepted for a total of 64,750,140 RHÖN-KLINIKUM shares by the end of the acceptance period on 14 November 2014. This corresponds to approximately 46.8 per cent of the total share capital issued by the reporting date (calculated without deduction of 24,000 treasury shares). The company sees the final tender ratio of approximately 98.4 per cent, which was reached in the share repurchase, as a great success and clear statement of confidence by the market. The shares which were acquired in the share repurchase in 2014 were redeemed on 20 November 2014. As a result, a total of 1.63 billion euros was paid out to the shareholders and the share capital of the company was reduced to 183,704,650 euros, divided into 73,481,860 no-par bearer shares.

Through the successful share repurchase of 2014, the company took a significant step towards adapting the equity to the changed company organisation. Based on the new balance sheet ratios, the corporation regards itself as being very well-prepared for the healthy, organic development of the Group and will be able to utilize future growth opportunities in the German health sector effectively.

The board of management and supervisory board will propose a dividend payout of 0.80 euros per no-par value dividend share to the Annual General Meeting for 2014.

INVESTOR RELATIONS ACTIVITIES

RHÖN-KLINIKUM AG is committed to transparent and fair communication. Investor relations and relations with our shareholders and bond investors are very important to us. Our goal and claim is that we provide a realistic picture of our company in financial market communications. In this way, we wish to enable market participants to accurately assess and value our stocks and bonds. We provide a platform with comprehensive and timely information about the RHÖN-KLINIKUM Group to investors, analysts and all other interested market participants. Moreover, we maintain direct, continuous and personal dialogue with our investors and analysts as part of international investor conferences or investor roadshows, for example. The Investor Relations Department reports directly to the CFO.



We provide quarterly information about operating performance as part of our financial reporting. We immediately provide all investors, analysts and the press at the same time with up-to-date and share price-relevant information about our company. We also publish this information promptly on our website as IR news. Other sources of information are the fixed annual events in our financial calendar, such as the annual results press conference in spring and the Annual General Meeting mid-year.

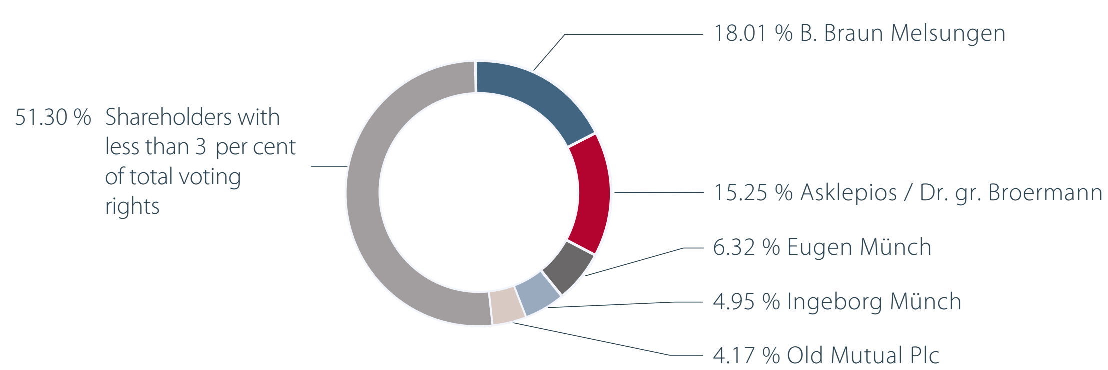
The next Annual General Meeting will be held on Wednesday, 10 June 2015 at 10:00 am (entry from 09:00 am) at the Jahrhunderthalle in Frankfurt (Main).

RHÖN-KLINIKUM SHARE

ISIN		DE0007042301
Ticker symbol		RHK
	from 20 Nov. 2014	until 19 Nov. 2014
Share capital (€)	183,704,650	345,580,000
Number of shares	73,481,860	138,232,000
share prices (€)	**2014**	**2013**
Year-end closing price	23.20	21.26
High	24.78	21.49
Low	21.62	14.60
Market capitalisation (€ m, as at 31 Dec.)	1,704.78	2,938.81

SHAREHOLDER STRUCTURE OF RHÖN-KLINIKUM AG

(As of: 31 December 2014, according to the most recent notifications of voting rights at that time)



You can find our financial calendar containing all important financial dates for 2015 on the front inside cover and also on our website www.rhoen-klinikum-ag.com under the heading "Investors".

Responsibility

As an integrated healthcare provider and one of Germany's major hospital groups we bear a high level of responsibility for the health and life of our patients, and for the employment situation and future of around 15,000 employees and for the future of our work locations.

Eugen Münch
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

for the financial year of RHÖN-KLINIKUM AG
from 1 January 2014 to 31 December 2014

Dear shareholders,

2014 was mainly characterised by the business, personnel and organisational restructuring which was initiated by the reorientation due to the sale of part of the corporate group to Helios in 2013. Here, we should not and will not forget that the pressure for change in the hospital sector in the form of demographic trends still continues to impact on healthcare and does not take our company into consideration.

The rapidly advancing digitisation of healthcare and the resulting consequences for medicine and healthcare itself are playing an ever increasing role. Yet this seems to have hardly been noticed by the established players in Germany. This is surprising since the digitisation of healthcare is expected to have a significant impact on the information given to and the care and management of outpatients and inpatients, for example. As in other industries, such as in the transport sector, profound changes can be expected in the structure of providers. Network medicine that is being driven forward in the cross-provider initiative "We stand for Health" will also face this challenge.

We remain firmly convinced that it was a correct and effective business decision to hand over to Helios the quantitative market leadership in the competitive field of "general full-service care" and with the initiation of and participation in a network to still be involved with a sophisticated care system that is being created step-by-step. With the systematic focus on cutting-edge and specialist medicine as well as the new small area full-service care model of Bad Neustadt, and the upcoming renewal of university medicine, which must be, and also can be, made more sustainable, we continue to have a good starting point. RHÖN-KLINIKUM AG is the initiator of and reliable partner in the care system "We stand for Health". By being integrated in the distribution system of this network it provides, we can safeguard our niche for specialist and cutting-edge medical care. At the same time, we are contributing our increased flexibility and speed to provide creative stimuli for addressing future tasks. In conjunction with new care models (in Bad Neustadt) which have been systemically re-designed, we are laying the foundation for a RHÖN-KLINIKUM AG with a very promising future.

The objective of the 2014 share repurchase programme was to transfer the first segment of the sale proceeds from the deal with Fresenius / Helios to shareholders in a meaningful way. With a take-up-rate of 98.4 per cent, acceptance among shareholders was excellent. The successful implementation of the programme also resulted in changes to the company's shareholder structure.

COOPERATION BETWEEN THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

In financial year 2014 the Supervisory Board continuously and comprehensively addressed the situation and development of our company, and performed the duties assigned to it by law and the articles of association. These include in particular monitoring the Board of Management and advising the Board of Management on the operational management of the company. When performing its duties, the Supervisory Board was always guided by the decisive principles of appropriateness, compliance with legal provisions, expediency and economic efficiency. Adherence to these principles by the Board of Management was monitored by periodic inspection of the general organisation of the company and by veryfing the instruments used in internal risk control.

The Supervisory Board was fully and directly involved in all the fundamental and important decisions of the Board of Management of RHÖN-KLINIKUM AG. The Board of Management informed us comprehensively both in writing and verbally in due time – the Supervisory Board received documents and records that are relevant for decision-making in good time ahead of the individual deliberations and formal meetings. The Supervisory Board reviewed the information presented by the Board of Management on strategic and operational business development, on compliance issues and on risks and risk management in terms of its conclusiveness and plausibility and also raised critical questions when necessary.

The focal points of the deliberations in the executive bodies and with the Board of Management were the handling and completion of the sale of a portfolio of 41 hospitals, medical care centres and other related investments to the Fresenius Group, and the resulting structural reorganisation of the company. This also included the provision of advice and the involvement in distributing the sales proceed from this deal to the shareholders by way of a capital reduction through the redemption of shares in a simplified procedure following the share repurchase by the company. Another key focus was setting up the particle therapy centre at the University Hospital in Marburg through an agreement with all those involved in the project – the State of Hesse, Siemens AG, the University of Heidelberg and the University Hospital in Heidelberg, Philipps University in Marburg, RHÖN-KLINIKUM AG and the University Hospital in Giessen and Marburg UKGM GmbH.

The Chairman of the Supervisory Board was also kept continuously and comprehensively informed by the Chief Executive Officer even between the scheduled meetings of the Supervisory Board and its Committees. Therefore we cannot determine any violations of the Board of Management in fulfilling its duty to provide information. We have discussed the proposed resolutions of the Board of Management in detail and, to the extent required by the provisions of law and the articles of association, given our vote following close examination. In a few cases we also considered it in the interest of the shareholders to involve external experts and consultants. In particularly urgent business operations, the Supervisory Board or relevant Committee held conference calls and passed resolutions by written procedure.

WORK OF THE SUPERVISORY BOARD IN THE COMMITTEES AND PLENARY SESSION

In order to perform its tasks and assume its responsibilities as effectively as possible, the Supervisory Board set up a total of seven standing committees, whose members have specific skills and experience to handle the specific issues faced by the committees.

The committees act in accordance with the law, articles of association and the rules of procedure of the Supervisory Board – also in lieu thereof – as committees with power to adopt resolutions, where this corresponds to the law and was previously determined down by the Supervisory Board. The committees generally meet separately from the plenary sessions. When needed, meetings were also held in the form of conference calls that were arranged at short notice.

The **Investment, Strategy and Finance Committee** convened at four regular meetings (97 per cent attendance rate) during the reporting year.

As with last year, network medicine was one of the priorities of the strategic deliberations of the committee. The idea is to develop and implement a business model for the creation of nationwide, comprehensive full-service medical care, including additional health insurance for members of the statutory health insurance system, through a network which is to be created with a broad, nationwide presence. For consultative assistance in the implementation of this project, there is a working group, "Network Medicine", which is composed of members of the Investment, Strategy and Finance Committee, the Board of Management and scientific experts, and which met four times during the financial year.

The committee thoroughly addressed the execution and consequences of the share purchase agreement concluded in the previous financial year with Fresenius / Helios for the sale of 41 hospital companies and 15 medical care centres, whereby, after completion of the deal, the allocation of resources – particularly the share repurchase adopted by the Annual General Meeting on 12 June 2014 – was the main topic. The restructuring of the remaining companies of the Group following the sale and the re-orientation of corporate goals and strategy were also focal points of the discussions in all meetings. Implementing the strategic re-orientation to cutting-edge medicine, innovation and excellence in treatment under the direction of a medical expert body called the Medical Board, as well as age-related healthcare and the investment required for this were the subject matters in strategic debates in the committee and received the approval of this body of experts.

The economic development of the subsidiary, University Hospital Giessen and Marburg GmbH, with the goal of achieving task-oriented profitability, was also one of the main focal points of the monitoring and advisory activities of the body. This also included the deliberations and, after careful consideration, the resolution on the decisive action required to set up and put the particle therapy centre in Marburg into service in a timely manner. The reimbursement for research and teaching from the State of Hesse to the university hospitals which continues to be incorrect was the reason for setting up a working group at the University Hospital Giessen and Marburg GmbH for further development of separate accounting and implementation of relevant provisions of the cooperation agreement.

In each meeting the CEO reported in the latest developments of the hospital industry and on the business situation of the Group. The investment plan for 2014 was approved following a critical discussion and review of the content. Approvals were also granted for debt measures, such as the early repayment of long-term debt, as a result of the allocation of resources from the "Scala" project (Fresenius / Helios deal).

In addition, the Board of Management reported in all meetings on the development of investment and financing in a continuously updated investment and financial plan. Specific applications for approval of investment projects and debt measures were openly discussed, critically reviewed and adopted in the committee on the basis of detailed, written resolution proposals drawn up by the Board of Management, including market studies, investment calculations and finance offers.

The **Personnel Affairs Committee** held two meetings (100 per cent attendance rate) during the reporting year. The committee dealt with the status and development of management contracts, taking into account the changes which had occured due to the Fresenius / Helios deal and the upcoming restructuring of the Group. Following a comprehensive review, a remuneration concept that includes the granting of virtual shares as an incentive measure for the Board of Management was presented to the Supervisory Board for approval. It is structured towards the achievement of future goals in a restructured company and should ensure continuity.

The assessment of the performance and development of individual members of the Board of Management and of the Board of Management as a whole were the subject of discussions at both meetings. Both the expectations of Board of Management members as well as their prospects in the further development of the company in the medium and long-term periods were discussed. Following negotiations the committee chairmen made recommendations to the Supervisory Board on the reappointment and extension of the Board of Management service contract with the CEO, Dr. Dr. Martin Siebert.

Pursuant to clause 27, para. 3 of the German Co-Determination Act, the **Arbitration Committee** was not needed in the past financial year.

The **Audit Committee** of the Supervisory Board met five times during the reporting year (91 per cent attendance rate). The Board of Management attended all meetings. Two meetings were held with participation of the auditor. For selected agenda items, the Board of Management called the heads of the departments for internal audit and accounting, taxation and controlling to the committee for additional reports and questioning.

The committee dealt in particular with the audit and preparation of the 2013 annual financial statements of RHÖN-KLINIKUM AG and the Group. Also reviewed and discussed were the individual financial statements and management reports, the respective audit reports of the Group of companies, which were subject to a critical review by the members of the committee, and the proposal on the appropriation of the net distributable profit.

The audit committee assessed the independence of the auditors designated for the annual financial statements of 2014 and, for the review of the half-year financial report, it obtained the declaration of independence pursuant to section 7.2.1 of the German Corporate Governance Code. It also recommended to the plenary session of the Supervisory Board a proposal for the election of the auditor to be submitted to the Annual General Meeting and – after the election – awarded the audit assignment to the auditor and agreed an appropriate fee with him. The auditors reported to the committee on orders for services that were rendered in addition to the auditor services. The qualification of the auditor was monitored by the committee. A list of audit items was developed and defined for the audit of 2014.

Fundamental issues of accounting, business planning, capital base, the supervision of the accounting process, the effectiveness of the internal control system, the risk management system including specific business risks and the internal audit system were discussed with the Board of Management and partly with the auditor. The interim reports were discussed intensively on a regular basis with the Board of Management and the half-year financial report with the Board of Management and the auditor before their publication. Here, special emphasis was placed on the precise analysis of the profit situation, taking into account the effects of the Fresenius / Helios deal on the figures of the current financial year.

The quarterly Group controlling report on performance and financial controlling, which is part of the risk management system, was discussed intensively with the Board of Management. Here the performance development of the individual Group hospitals is presented by the Board of Management at both hospital level and department level, and is discussed and queried by the committee.

The body was regularly informed of the activities of the internal audit department by the relevant member of the Board of Management and the head of internal audit, and examined the audit plan for 2014 and its update. The audit reports from the internal audit department and the operational report of 2013 were submitted to the committee and discussed with the Board of Management. We were informed about the implementation of recommendations from the internal audit department by means of information on the results of the follow-up reporting, as well as a review by the Board of Management. We were again satisfied with the effectiveness of the internal audit system.

For reasons of efficiency, the Supervisory Board delegated to the audit committee its consent requirement for further action to be determined by the Board of Management during the share repurchase which was adopted at the Annual General Meeting in 2014, and for the settlement of the dispute proceedings against resolutions of the AGMs in 2013 and 2014. In fulfilling this mission, the audit committee agreed, following several conference calls, to a settlement on the approval process related to the resolutions of the AGM in 2014 on the repurchase of shares on the basis of a settlement agreement with the claimants instead of the Supervisory Board, and it granted its assent to a Board of Management resolution on the approval of the offer documentation and on the determination of offer parameters for the share repurchase in 2014.

When updating the declaration of conformity pursuant to section 161 of the German Stock Corporation Act on the recommendations of the German Corporate Governance Code, the version of 24 June 2014 was checked and considered in terms of its application, and a recommendation for a resolution was submitted to the entire Supervisory Board.

The **Committee for Compliance and Communication** may be directly addressed by all employees, suppliers, patients and other third parties in compliance matters and concentrates on the advice and supervision of compliance management in the Group, as well as communication with the media and capital markets. To ensure close interaction with the Audit Committee, the Chairman of the Committee for Compliance and Communication was also given a seat in the Audit Committee.

The committee held four meetings (100 per cent attendance rate) during the reporting year. The Board of Management attended all meetings. For selected agenda items to the committee for additional reports and questioning, the Board of Management called the heads of the departments for compliance, communication, internal audit and investor relations.

At all meetings, the Board of Management reported on the work of the compliance department in order to convince us of the effectiveness of the compliance management system. Regular reporting includes a detailed report on reported compliance violations, their examination and processing. The audit reports and the operational report of 2013 were presented in the committee and discussed with the Board of Management. The submitted compliance programme for 2014 was approved. The committee was informed by the Head of Investor Relations about the communication with the capital market which takes place in the Group, and approved the communication concept for 2015. Several participants argued for a corporate communication strategy for the group which – due to the deal with Helios / Fresenius – especially has to face many challenges.

The **Medical Innovation and Quality Committee** advises the Board of Management on medical developments and trends in technical terms, and monitors the situation and development of medical quality at the company. The committee held one meeting (100 per cent attendance rate) during the reporting year. The meeting dealt with the goals and strategic direction of the newly established Medical Board in the company, the presentation of new diagnostic and treatment methods as well as the current situation of medical training at the Universities of Giessen and Marburg. In addition to the Board of Management, this meeting was also attended by the members of the Medical Board.

The **Nomination Committee** selects candidates from shareholder representatives to take up office in the Supervisory Board and proposes them to the Supervisory Board for nomination. At its meetings on 27 March and 3 April 2014 (100 per cent attendance rate), the committee agreed to the nomination of the previously court-appointed Supervisory Board members, Stephan Holzinger, Reinhard Hartl and Dr. Katrin Vernau, and to the nomination of Prof Ludwig Georg Braun as a replacement to succeed the Supervisory Board member Detlef Klimpe who had stepped down, for the Supervisory Board elections that were carried out in the Annual General Meeting on 12 June 2014.

During the year there were four ordinary meetings of the **plenary session** (95 per cent attendance rate). No Supervisory Board member attended less than half of the meetings.

In the four ordinary Supervisory Board meetings, the plenary session regularly deliberated with the Board of Management on the basis of detailed written Board of Management reports and presentations on the financial, liquidity and earnings position, the development of revenues, profit, performance data, key ratios and personnel of the company and Group as well as the individual Group companies. The Board of Management explained in detail the respective interim reports for the previous quarters at the plenary sessions prior to their publication. In each meeting, regular information and reports were made on the progress of the implementation of the "Scala" project (Fresenius / Helios deal) on setting up the particle therapy centre in Marburg, and on the re-orientation of the company due to the corporate structure resulting from the clinic divestitures.

At its meeting on 12 March 2014, the Supervisory Board held a special election for the Personnel Affairs Committee (Mr Härtel for Ms Müller) and made other appointments for the Committee for Compliance and Communication (Dr. Vernau) and the Audit Committee (Mr Hartl), because of the change in Supervisory Board members which had occurred. Mr Hanschur was proposed to succeed the employee representative Mr Prange who had stepped down in the Investment, Strategy and Finance Committee – the election was adopted by written procedure in lieu of a meeting. The members of the Supervisory Board unanimously consented to waive the part of performance-based Supervisory Board remuneration resulting from the exceptional profit made from completion of the Fresenius / Helios deal. The report of the Board of Management on the provisional annual financial statements of 2013 was received and the proposal on the appropriation of the net distributable profit for financial year 2013 was discussed in the context of the allocation of resources for the Scala project.

At the balance sheet meeting on 29 April 2014 the plenary session discussed in the presence of the auditor the annual financial statements and the management report of RHÖN-KLINIKUM AG, and also the consolidated financial statements and the Group management report for financial year 2013 together with the Board of Management and the auditor. The auditors reported on the key findings and results of the audits and were available to the Supervisory Board for questions and additional information. The plenary session approved the annual financial statements. A further subject of this meeting was the preparations for the 2014 Annual General Meeting, in particular the adoption of the proposed resolutions of the Supervisory Board on the applications for resolutions on the agenda of the Annual General Meeting following the previous discussion on the agenda items. Approval resolutions were adopted on the Supervisory Board report, the corporate governance report and on the corporate governance statement pursuant to section 289a of the German Commercial Code. The outcome of the review of the efficiency of the Supervisory Board's work, which was carried out by an external expert, was given by this report and its suggestions and recommendations for further optimisation of our activities were discussed in detail in the plenary session. Following detailed and critical discussion the conclusion of an agreement on granting virtual shares as an incentive measure for the members of the Board of Management was approved.

At the meeting on 3 July 2014 following the resignation of Mr Klimpe from the Supervisory Board, the required reappointment in the Arbitration Committee was made by Dr. Korte by means of a special election. The necessary consent to measures of the Board of Management in carrying out the share repurchase which was adopted at the Annual General Meeting in 2014 and the settlement of the dispute proceedings against resolutions of the AGMs in 2013 and 2014 were delegated to the Audit Committee for objective and rationalisation reasons.

Following previous discussion in the Personnel Affairs Committee, the plenary session adopted the resolution to reappoint Dr. Dr. Martin Siebert as a member of the Board of Management for another four years, and to approve the Board of Management service contract in the Supervisory Board meeting that was held on 6 November 2014. The Board of Management reported in detail on implementing the share repurchase, on setting up the particle therapy centre in Marburg, on the development status of the network medicine project, and on the network partnership with Helios and Asklepios, and also on the planned investments for a health mall at the Bad Neustadt (Saale) site.

CORPORATE GOVERNANCE CODEX AND DECLARATION OF CONFORMITY

In the past financial year, the Supervisory Board dealt with the further development and implementation of the recommendations and suggestions in the German Corporate Governance Code. The declaration of conformity of 6 November 2013 pursuant to section 161 of the German Stock Corporation Act was updated and replaced by a declaration of conformity made by the Board of Management and the Supervisory Board on 6 November 2014, taking into account the revised version of the code dated 24 June 2014. The declarations are permanently available to shareholders on the company's website. The Board of Management and Supervisory Board report jointly on corporate governance pursuant to section 3.10 of the German Corporate Governance Code on pages 27-43 of this company report.

EXAMINATION AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS FOR 2014

The Board of Management prepared the annual financial statements of the company as at 31 December 2014 and the management report for the financial year 2014 in accordance with the provisions of the German Commercial Code, as well as the consolidated financial statements as at 31 December 2014 and the consolidated management report for the financial year 2014 in accordance with section 315a of the German Commercial Code and following the principles of IFRS (International Financial Reporting Standards). The company's financial statements and management report for the financial year 2014 and the consolidated financial statements, as well as the Group management report for the financial year 2014, were audited by PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt (Main). The auditors issued an unqualified auditors' report in each case.

All members of the Supervisory Board received the company's financial statements and management report, the consolidated financial statements and Group management report, and the auditor's reports on the results of the audit together with the Board of Management's proposal on the appropriation of the net distributable profit. These documents were examined by the Supervisory Board and each discussed in detail by the Audit Committee and the Supervisory Board with representatives of the auditors in the respective balance sheet meetings. As part of the examination the Audit Committee and Supervisory Board considered both the accounting findings and also the associated procedures and processes. They primarily applied the criterion of legality as a measure of their review and examined whether the submitted documents complied with applicable law in particular with the applicable accounting rules. Furthermore, in addition to the review of legality, they also examined expediency in terms of accounting, financial and company policy aspects. Following the results of the preliminary review by the Audit Committee and as a result of its own examination, the Supervisory Board agreed with the findings of the auditors and established during its own review that there were no grounds for objection.

At the meeting on 16 April 2015 and at the recommendation of the Audit Committee, the Supervisory Board approved the company's annual financial statements and consolidated financial statements that were prepared by the Board of Management. The company's financial statements have thus been adopted as final. The proposal of the Board of Management on the appropriation on the net distributable profit was examined with particular regard to the economic situation, the liquidity situation, and also with consideration for the resources required for restructuring the company, taking into account the justified interests of the shareholders. The Supervisory Board consented to the proposals of the Board of Management for the appropriation of the net distributable profit.

CHANGES AND COMPOSITION OF THE BOARD OF MANAGEMENT

The composition of the Board of Management and the personal data, functions and duties of the individual members are presented in the annual report in the Notes.

CHANGES IN THE SUPERVISORY BOARD

Following expiration of the term of their legal appointment, the following individuals were elected as members of the Supervisory Board at the annual general meeting of 12 June 2014.

- Mr Stephan Holzinger, Managing Director of Holzinger Associates GmbH, Munich,
- Mr Reinhard Hartl, Auditor and Tax consultant, Director of Dr. Kleeberg & Partner GmbH, Icking / Irschenhausen, and
- Dr. Katrin Vernau, Head of Roland Berger School of Strategy and Economics, Hamburg, and
- Professor h.c. Ludwig Georg Braun, former Chief Executive Officer of B. Braun Melsungen AG, Director of B. Braun Holding GmbH & Co. KG, Melsungen, as successor to Mr Detlef Klimpe,

who resigned from office with effect from 12 June 2014.

Due to the Fresenius / Helios deal, Ms Annett Mueller and Mr Werner Prange stepped down from the employees' representatives team with effect from 28 February 2014. Professor Jan Schmitt resigned from the Supervisory Board with effect from 30 April 2014. They were succeeded with effect from 9 April 2014 by Mr Oliver Salomon, from 17 April 2014 by Mr Klaus Hanschur, and from 1 May 2014 by Dr. Franz-Josef Schmitz.

The organisational structure of the Supervisory Board and the members of the committees in the past financial year, and according to the current status, are derived from the list following this report.

Bad Neustadt a. d. Saale, 16 April 2015

The Supervisory Board

Eugen Münch
Chairman

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

CHAIRMANSHIP OF THE SUPERVISORY BOARD

Chairman
Eugen Münch

1st Deputy Chairman
Joachim Lüddecke

2nd Deputy Chairman
Wolfgang Mündel

COMPOSITION OF THE COMMITTEES

INVESTMENT, STRATEGY AND FINANCE COMMITTEE

Eugen Münch
Chairman
Peter Berghöfer
Stefan Härtel
Klaus Hanschur (from 17 April 2014)
Detlef Klimpe (until 12 June 2014)
Dr. Heinz Korte
Joachim Lüddecke
Michael Mendel
Wolfgang Mündel
Werner Prange (until 27 February 2014)

PERSONNEL AFFAIRS COMMITTEE

Eugen Münch
Chairman
Stefan Härtel (from 12 March 2014)
Joachim Lüddecke
Dr. Brigitte Mohn
Annett Müller (until 27 February 2014)

ARBITRATION COMMITTEE

Eugen Münch
Chairman
Sylvia Bühler
Detlef Klimpe (until 12 June 2014)
Dr. Heinz Korte (from 03 July 2014)
Joachim Lüddecke

AUDIT COMMITTEE

Wolfgang Mündel
Chairman
Reinhard Hartl (from 12 March 2014)
Stephan Holzinger
Detlef Klimpe (until 12 June 2014)
Dr. Heinz Korte
Michael Mendel
Oliver Salomon (from 01 June 2014)
Georg Schulze-Ziehaus

COMMITTEE FOR COMPLIANCE AND COMMUNICATION

Stephan Holzinger
Chairman
Bettina Böttcher
Helmut Bühner
Dr. Katrin Vernau (from 12 March 2014)

MEDICAL INNOVATION AND QUALITY COMMITTEE

Eugen Münch
Chairman
Prof. Dr. Gerhard Ehninger
Prof. Dr. Jan Schmitt (until 30 April 2014)
Dr. Franz-Josef Schmitz (from 01 June 2014)
Georg Schulze-Ziehaus

NOMINATION COMMITTEE

Eugen Münch
Chairman
Dr. Brigitte Mohn
Wolfgang Mündel

CORPORATE GOVERNANCE REPORT

Joint Report of the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG on Corporate Governance

CORPORATE GOVERNANCE IN THE RHÖN-KLINIKUM AG GROUP

For us corporate governance means responsible corporate management and control, geared to creating and increasing long-term corporate value. Good corporate governance forms the basis for the decision-making and control processes of the Supervisory Board and Board of Management.

In conjunction with a transparent, legally faultless and ethically justified business culture, corporate governance forms a precondition for retaining and consolidating the confidence shown in our company by patients, shareholders, business partners and employees and for consistent added value in our business ventures.

The Supervisory Board and Board of Management of RHÖN-KLINIKUM AG regularly scrutinized and provided detailed advice on the Corporate Governance Code, its development and amendments thereto, and equivalence at RHÖN-KLINIKUM AG and subsidiaries in the 2014 financial year.

DECLARATION OF CONFORMITY

As a result of these consultations, an updated declaration of conformity – jointly drafted by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG pursuant to Article 161 of AktG (German Stock Corporation Act) – was submitted on 6 November 2014, according to section 3.10 of the German Corporate Governance Code, as amended on 24 June 2014, which declaration is published on our website. Overall we vary from the recommendations with five disclosed exceptions. We observe most of the non-compulsory suggestions of the German Corporate Governance Code:

DECLARATION OF CONFORMITY PURSUANT TO ARTICLE 161 OF AKTG

(as at: 6 November 2014)

"The Board of Management and Supervisory Board of RHÖN-KLINIKUM AG hereby declare that the recommendations of the "Government Commission on the German Corporate Governance Code", promulgated by the Federal Ministry of Justice in the official part of the Federal Gazette on 30 September 2014, in the version of 24 June 2014, have been and will be observed, with the following exceptions:

Section 4.2.2 para. 2 clause 3

Relationship between remuneration of the Board of Management and remuneration of senior management and total workforce

When setting remuneration for the Board of Management, the Supervisory Board drew on the wage and salary structure at the company, but did not specifically establish how the senior management and relevant total workforce are to be differentiated. The relationship of remuneration of the Board of Management to remuneration of senior management and relevant total workforce is consequently not reflected, either, by application of such definitions in the case of the criteria specified in section 4.2.2 para. 2 clause 2.

In view of the new business strategy of concentrating on facilities providing full-service cutting-edge medical care, the Supervisory Board at present does not find such definitions to be objectively justified.

Section 4.2.3 para. 3

Pension commitments

No typical pension commitments exist at the company. Upon termination of the service contract or death of a member of the Board of Management, however, the company grants a "retirement benefit" under certain conditions, as explained in greater detail in the remuneration report, which benefit is paid out by means of a lump sum based on the number of service years completed and additionally capped.

If retirement benefits at the company are benefits as defined in the recommendation, pursuant to section 4.2.3 paragraph 3 valid (since 10 June 2013), the "level of benefit" results from the view of the Supervisory Board the expected term of office of the relevant member of the Board of Management and the formula set out in the retirement benefit scheme. Annual and long-term expenditure for the company is also derived from this.

With regard to the ambiguity of the recommendation, pursuant to section 4.2.3 paragraph 3 valid since 10 June 2013, and the special arrangement of retirement benefits existing at the company the deviation from section 4.2.3 paragraph 3 in the version applicable since 10 June 2013 is nonetheless hereby declared as a precaution..

Section 5.4.1 para. 2, 3

Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives for its composition as defined in section 5.4.1 para-

graph 2. As a result it is not possible to comply with the recommendations on this basis according to section 5.4.1 paragraph 3.

The Supervisory Board has so far exclusively been guided by the suitability of candidates in its proposed nominations for the Supervisory Board. This practice has proved its value in the opinion of the shareholders' representatives on the Supervisory Board. No need is therefore seen to change this practice.

Section 5.4.6 para. 2 clause 2

Performance-related remuneration of the Supervisory Board

In line with the recommendation under section 5.4.6 paragraph 2 clause 1 in the Code version effective until 15 June 2012, members of the Supervisory Board were promised performance-based remuneration, in addition to a fixed basic remuneration (and fixed attendance fees) pursuant to Article 14 section 3.3 paragraph 4 of the Articles of Association. Performance-based remuneration was tied to the consolidated profit in a financial year, whereas the Articles of Association did not provide for any specific alignment to sustainable business development as defined in section 5.4.6 paragraph 2 clause 2.

The recommendation in section 5.4.6 paragraph 2 clause 2 valid from 15 June 2012 had not yet taken effect at the time of convening the company's 2012 Annual General Meeting (AGM), meaning that the relevant provision of the Articles of Association could not be adjusted. In the run-up to the 2013 AGM, the Supervisory Board, as a result of the generally controversial discussion on remuneration structure, had not yet formed a conclusive opinion on whether a corresponding resolution proposal should be submitted to the AGM; the recommendation was not therefore implemented (and will not be implemented until the end of the 2014 financial year).

However, the Supervisory Board proposed abolishing performance-related elements of remuneration with effect from the 2015 financial year to the 2014 Annual General Meeting. The AGM held on 12 June 2014 agreed and resolved to amend the rules on the remuneration of the Supervisory Board in Article 14 of the Articles of Association, such that no performance-based elements of remuneration will be granted to the Supervisory Board with effect from the 2015 financial year.

Section 7.1.2 clause 4

Deadline for disclosure of the consolidated financial statement

The financial year of the company and the Group is the calendar year. The annual financial statement for the company and the Group is presented the following April.

The annual financial statement for the company and the Group is only completed on the date indicated above, due to specific intra-Group quality requirements.

The Board of Management and Supervisory Board shall decide on the application of suggestions in the Code on a case-by-case basis; in the event of deviations the Code and Article 161 of AktG do not provide for publication."

Bad Neustadt a. d. Saale, 6 November 2014

On behalf of the Supervisory Board	Eugen Münch
On behalf of the Board of Management	Dr. Dr. Martin Siebert

MANAGEMENT AND CONTROL STRUCTURE

In accordance with the requirements of German stock corporation and company law, RHÖN-KLINIKUM AG has a dual management system, with strict separation at the personnel level between the executive and monitoring bodies. The Board of Management has executive powers and the Supervisory Board has monitoring powers. Simultaneous membership of both bodies is excluded.

With the goal of creating sustainable added value for the company, the Board of Management and the Supervisory Board are obliged to cooperate through mutual trust for the benefit of the company based on a balanced division of tasks and responsibilities as defined by law, articles of association and procedural rules. There were no conflicts of interest, to be disclosed to the Supervisory Board, for members of the Board of Management and Supervisory Board.

RHÖN-KLINIKUM AG has taken out financial loss liability insurance (D&O insurance) for members of the Supervisory Board and the Board of Management with an appropriate coverage plan and the excess amounts recommended under section 3.8 paragraphs 2 and 3. The insurance premium (including insurance tax) undertaken by the company in the 2014 financial year was € 158,000.

ANNUAL GENERAL MEETING AND RELATIONSHIPS WITH SHAREHOLDERS

Pursuant to the Securities Trading Act (WpHG), RHÖN-KLINIKUM AG reports to its shareholders and the interested public once a quarter based on the effective International Financial Reporting Standards (IFRS), in application of Article 315a of the German Commercial Code (HGB), about business development and the net assets, financial position and results of operations for the Group. Provisional business figures for a past financial year are disclosed approx. six to ten weeks after year-end and forecasts for the next financial year, in accordance with the requirements, are provided. Major company reports are published immediately. All reports and communications can be accessed on our company's website.

Furthermore, the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG report annually to their shareholders about business development and the financial position and results of operations at an Annual General Meeting of the company, which is usually held in the first six months of the financial year. The information required by shareholders to take a decision is made available in compliance with the law.

The shareholders of RHÖN-KLINIKUM AG avail themselves of their rights within the scope of the possibilities afforded to them by the Articles of Association solely by exercising voting rights during the AGM. They may exercise voting rights in person or arrange for them to be exercised by an authorized representative of their choosing or by a of the company proxy subject to instructions. Each share grants one vote. In the interest of safeguarding the resolution procedure, we maintain, until the system further notices that voting rights are exercised by personal attendance or authorized representation at the AGM.

According to the legal regulations, the Annual General Meeting is obliged to select the auditor for the annual and half-year financial statement of the Group and for the annual financial statement of RHÖN-KLINIKUM AG. The Chairman of the Audit Committee appointed Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, to audit the 2014 half-year financial statement and the annual financial statement as at 31 December 2014, once the Audit Committee had been persuaded of its independence, i.e. the absence of any grounds for exclusion or prejudice.

With the auditor, we entered into the necessary agreements pursuant to the German Corporate Governance Code, to conduct the audit. The auditor shall therefore notify the Chairman of the Audit Committee immediately if grounds for exclusion or prejudice arise during the audit, unless they are eliminated. The auditor shall also report on all significant findings and events for the tasks of the Supervisory Board resulting from the audit of the annual accounts. If facts are identified when conducting the audit of the annual accounts, which reveal that the declaration of conformity submitted by the Board of Management and Supervisory Board, pursuant to Article 161 of AktG, is incorrect, the auditor shall inform the Supervisory Board and/or note this in the audit report.

BOARD OF MANAGEMENT

In the 2014 financial year, the Board of Management of RHÖN-KLINIKUM AG consists of three members and is presided over by the Chairman of the Board of Management, Dr. Dr. Martin Siebert.

The Board of Management manages the company and conducts transactions with shared responsibility based on procedural rules. Areas of responsibility for individual members of the Board of Management result from operational or functional responsibilities. The allocation of duties within the Board of Management was updated in the year under review. The Chairman of the Board of Management is responsible for business policy and the fundamental strategic alignment of the Group. Further information is given in the notes to the consolidated financial statements.

The Board of Management reports regularly, promptly and comprehensively to the Supervisory Board about all significant business development issues and the position of the Group and its companies. The Board of Management coordinates the further strategic development of the Group and discusses implementation with the Supervisory Board. The Chairman of the Board of Management shall report immediately to the Chairman of the Supervisory Board on events of special importance. Business transactions and measures requiring approval are submitted to the Supervisory Board in due time.

Members of the Board of Management are obliged to disclose any arising conflicts of interest immediately. Moreover, they need the approval of the Supervisory Board for secondary employment activities of any kind. Business transactions between members of the Board of Management and / or related persons, or companies with a close personal relationship to them on the one hand, and RHÖN-KLINIKUM AG on the other hand also require the consent of the Supervisory Board. In the 2014 financial year there were no conflicts of interest for members of the Board of Management of RHÖN-KLINIKUM AG. A fixed age limit of 65 is stipulated for members of the Board of Management in the Articles of Association.

SUPERVISORY BOARD

The Supervisory Board advises the Board of Management and supervises its management activity. Close and efficient cooperation between the Board of Management and Supervisory Board, with the shared objective of creating sustainable added value, is carried out on the basis of procedural rules for the work between the Board of Management and Supervisory Board.

The Supervisory Board of RHÖN-KLINIKUM AG, pursuant to the requirements of the Co-Determination Act (MitbestG), is equally and statutorily represented by a total of 20 shareholder and employee representatives and convened at four regular meetings in 2014.

The Chairman of the Supervisory Board is Mr Eugen Münch who performs this duty full-time.

At the AGM held on 12 June 2014 a resolution was adopted to amend Article 10 of the Articles of Association with regard to a future, new Supervisory Board being selected without modification in terms of size and composition according to the Co-Determination Act (MitbestG). With current staffing levels for the Group, this means that a newly elected Supervisory Board will in future be made up of 16 rather than the previous 20 members. Equal representation on the Supervisory Board from shareholder and employee representatives is unchanged. Given that the amendment to the Articles of Association does not automatically result in reduction to 16 members, status proceedings pursuant to Article 97 et seq. AktG are currently ongoing, with the objective of implementing the reduction at the next ordinary Annual General Meeting in 2015, where the Supervisory Board is in any case due to be re-elected.

The most recent election for shareholder representatives on the Supervisory Board was held in 2010 in the form of an individual election, according to the recommendations of the Corporate Governance Code. When proposing persons for election as members of the Supervisory Board, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence in order to avoid conflicts of interest. The Supervisory Board's term of office is five years and ends upon conclusion of the AGM, resolving on the formal approval of the actions of the Supervisory Board for the 2014 financial year. The age limit defined in the Articles of Association is 75.

Mr Werner Prange and Mrs Annett Müller retired from the Supervisory Board with effect from 28 February 2014. Their successors on the Supervisory Board were Mr Oliver Salomon with effect from 9 April 2014, and Mr Klaus Hanschur, starting from 17 April 2014. Professor Jan Schmitt left the Supervisory Board with effect from 30 April 2014. He was succeeded as a member of the Supervisory Board by Dr. Franz-Josef Schmitz on 1 May 2014. Following expiry of the term of their appointment by the court, Mr Stephan Holzinger, Mr Reinhard Hartl and Dr Katrin Vernau as well as Professor Ludwig Georg Braun, as successor to Mr Detlef Klimpe who retired from his office with effect from 12 June 2014, were elected as members of the Supervisory Board by the AGM held on 12 June 2014.

If members of this Supervisory Board also exercise mandates on supervisory boards or comparable bodies of other companies or organizations, there were no resultant conflicts of interest from membership of these supervisory boards in the view of the Supervisory Board of RHÖN-KLINIKUM AG, which could lead to an adverse effect on exercising their mandates.

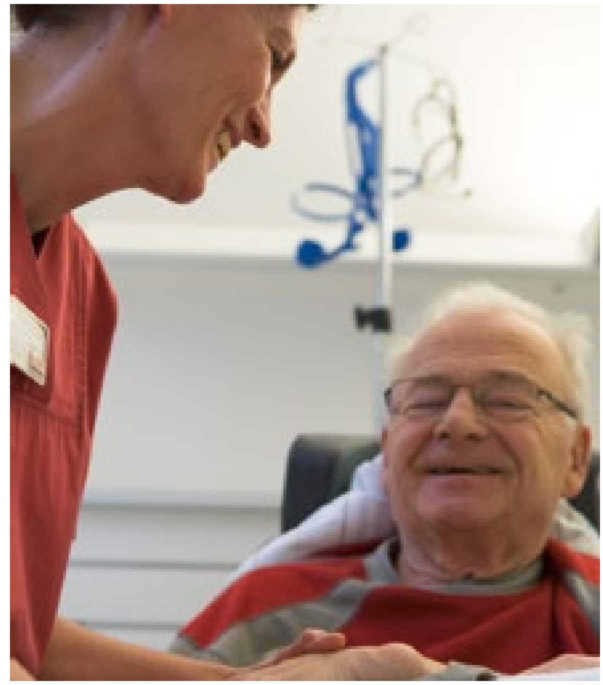
The procedural rules of the Supervisory Board provide for the formation of committees. There were seven permanent committees in 2014: the Mediation Committee, Personnel Affairs Committee, Audit Committee as well as the Investment, Strategy and Finance Committee, and the Committee for Compliance and Communication as committees with power to adopt resolutions, as defined in Article 107(3) AktG, and the Nomination and Medical Innovation and Quality Committee. The respective committee chairmen regularly report to the Supervisory Board about the work of the relevant committees.

The **Mediation Committee** submits proposals to the Supervisory Board for appointment of members to the Board of Management if the necessary majority of two thirds of the votes of members of the Supervisory Board is not achieved in the first ballot.

The **Personnel Affairs Committee** is responsible for personnel matters of the Board of Management. In particular it reviews candidates for service as members of the Board of Management and makes proposals to the Supervisory Board regarding appointments. The Committee's tasks include negotiations, preparatory measures for the conclusion, amendment and termination of Board of Management service and other contracts, performance appraisal of the Board of Management and regular review of the reasonable and customary level of Board of Management remuneration, guidelines on remuneration for members of the Board of Management and submitting proposed resolutions to the plenary session of the Supervisory Board.

The **Audit Committee** prepares resolutions of the Supervisory Board on the adoption of the annual financial statement and approval of the consolidated financial statement through a preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profits and discusses annual financial statements and audit reports as a part of a preliminary consultation with the auditor. In addition to selecting and appointing of the auditor of the annual accounts, including agreeing on the auditing fees, the tasks include reviewing and monitoring its independence and quality, including additional services performed by the auditor of annual accounts. The Audit Committee monitors financial reporting, including interim reports, the accounting process as well as the efficiency of the internal controlling system and the risk management and internal auditing systems. The Committee addresses the fundamental issues of accounting and corporate governance. In electing members, the Supervisory Board has given consideration to the independence of committee members and special expertise and knowledge in the application of accounting rules and internal controlling processes.

The Chairman of the Audit Committee, Mr Wolfgang Mündel, as a long-term member of the Supervisory Board of RHÖN-KLINIKUM AG, has the necessary knowledge of the company and its market environment and, as an auditor and tax adviser, has the necessary qualifications to carry out this demanding function pursuant to section 5.3.2 of the German Corporate Governance Code. As the second Deputy Chairman of the Supervisory Board, he performs his activities on the Supervisory Board on a full-time basis. Additional financial experts, who fulfil the conditions of Article 100(5) AktG, also form part of the Audit Committee.



The **Investment, Strategy and Finance Committee** advises the Board of Management on the business development strategy. The Committee adopts resolutions, as defined in Article 107(3) AktG, on the approval of clinic takeovers, on other investments requiring consent and financing thereof. At the same time it reviews and comments on reports – to be submitted to the Supervisory Board by the Board of Management – on investment and financial development and fundamental strategic developments.

The **Committee for Compliance and Communication**, through its members, is a direct contact point in the event of compliance cases brought by employees, suppliers and patients. The Committee acquires information about current compliance cases and addresses organizational, personnel and procedural factors in the area of compliance. If necessary the Committee has the right to request a special audit. The personnel interface with the Audit Committee guarantees effective engagement with the facts. In the area of communications, the Committee ensures a link between internal communication and associated compliance communication and addresses the company's public communications strategy.

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

The **Medical Innovation and Quality Committee** deliberates on medical developments and trends and monitors development in medical quality. The Committee prepares statements of opinion for the plenary session 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 arranges for a regular efficiency audit to be carried out by an external adviser. The results of the last external audit held in 2013/2014 based on questionnaires and discussions met the Supervisory Board's expectations in terms of the efficient performance of duties.

A detailed presentation of the work of the individual committees in the 2014 financial year, and their composition, is included in the Report of the Supervisory Board in the 2014 Annual Report.

OTHER BODIES

An Advisory Board is constituted as an additional body at RHÖN-KLINIKUM AG. It advises the Board of Management on future developments in the hospital and healthcare system and on medical development issues. We refer to details in the Notes to the consolidated financial statement regarding further information on the Advisory Board of the company.

TRANSPARENCY

We communicate with our shareholders actively and openly, i.e. transparently, and treat all shareholders equally. For the purpose of timely and consistent information we use appropriate channels of communication, such as the Internet, and ad-hoc service providers for compulsory publications to be submitted across Europe. We publish our financial calendar with all important financial dates for analysts, investors, shareholder associations and media on our website www.rhoen-klinikum-ag.com under the "Investors" heading. Moreover, we publish information on our website about our stocks and their price development, as well as insider information directly related to our company. Once we become aware that someone has reached, exceeded or undercut the statutory threshold values for voting rights in the company by means of acquisition, sale or in any other way, we also publish this fact on our website without delay.

We disclose all notices about the acquisition and sale of shares in the company or relating thereby financial instruments according to Article 15a of the Securities Trading Act (WpHG) by members of the Board of Management and the Supervisory Board, on our website. Members of the Supervisory Board and Board of Management and related parties (as defined in IAS 24) together held 29.3 per cent of the company's registered share capital on 31 December 2014. 29.3 per cent of the issued shares are allotted to the Supervisory Board and related parties. Members of the Board of Management and related parties do not hold any shares in the registered share capital of RHÖN-KLINIKUM AG on 31 December 2014.

We disclose relationships of RHÖN-KLINIKUM AG and its subsidiaries with related parties or companies related to such persons in the Notes to the consolidated financial statement. Contracts concluded with related parties were reviewed and approved by the Supervisory Board. In the view of the Board of Management and Supervisory Board, the contracts do not affect the independence of the related member of the Supervisory Board.

RISK MANAGEMENT AND PERSONAL INTEGRITY

Opportunities and risks are also handled pursuant to the principles of responsible corporate activity. The risk management system set up by RHÖN-KLINIKUM AG was established with the goal of identifying risks arising in RHÖN-KLINIKUM AG at an early stage and was simultaneously transferred to clinics and holdings. The risk profile and changes thereto enable the Board of Management to respond early and appropriately to any change in the risk situation of the Group and make use of any opportunities. The risk management system is reviewed by our auditor within the scope of the annual audit of accounts.

Compliance in the sense of upholding of personal integrity in corporate management is regarded as an essential management task by the Board of Management. The Board of Management is required to comply with all measures to adhere to the law statutory regulations and Group-internal guidelines, and to implement and enforce such measures in dealing with employees and business partners. There is a compliance guideline for RHÖN-KLINIKUM AG and all other Group companies, which is amended and adapted at regular intervals. The focus of our compliance activities is on combating active and passive corruption. Corruption offences are not tolerated and are strictly sanctioned on all management and staff levels. All employees are requested to actively detect cases of corruption in their areas of responsibility. A committee of the Supervisory Board with a duty of confidentiality, is directly available to employees.

REMUNERATION REPORT

In 2014, remuneration of the Supervisory Board and the Board of Management comprises fixed and variable components. Details on the remuneration received by each member of the Supervisory Board and the Board of Management, broken down by fixed and variable components, are set out in the table at the end of this Report.

The remuneration report summarizes the principles applied in determining the remuneration for the Board of Management of RHÖN-KLINIKUM AG, and explains the structure and amount of income for the Board of Management. It also describes the principles and level of remuneration of the Supervisory Board and Advisory Board and details of the shareholdings of the Board of Management and Supervisory Board are provided.

REMUNERATION OF THE BOARD OF MANAGEMENT

The Supervisory Board set out the remuneration system for the Board of Management in the guidelines on remuneration for members of the Board of Management of RHÖN-KLINIKUM AG (Remuneration Guidelines).

Total remuneration of members of the Board of Management consists of several elements of remuneration. In particular this involves the basic salary, profit sharing, fringe benefits (benefits in kind), long-term share price-based remuneration and conditional retirement benefit.

Following preparation by the Personnel Affairs Committee, the plenary session is responsible for determining the individual remuneration for the Board of Management, according to the Act on the Appropriateness of Management Board Remuneration (VorstAG), which took effect on 5 August 2009. The Supervisory Board adapted the remuneration system to the latest provisions on 20 February 2013 through revision of the Remuneration Guidelines and adopted a resolution on the long-term share price-based remuneration on 29 April 2014. The guidelines generally apply to all Board of Management service contracts which are concluded or amended from this date.

MAIN CONTENT OF THE REMUNERATION SYSTEM

The remuneration scheme provides that the entire remuneration of the members of the Board of Management is defined and reviewed by the Supervisory Board giving due regard to the criteria for assessing the reasonable and customary level of remuneration as well as the duties of each individual member of the Board of Management, such member's personal performance, as well as to the economic position and success of the Company, and that the overall remuneration does not exceed the customary level of remuneration unless there are special reasons for this. In the event of a deterioration in the Company's economic position, the Supervisory Board will lower the overall remuneration subject to the provisions of Article 87 (2) of the AktG where continued payment of the overall remuneration would be unreasonable.

Remuneration of members of the Board of Management consists of non-performance-related and performance-based components and short-term and long-term incentives. The non-performance-related elements consist of the basic salary and fringe benefits, whereas the performance-based component consists of profit sharing. Regulations on minimum remuneration and a cap on total remuneration should have a compensating effect in case of unforeseen developments in results. Long-term, share price-based remuneration (share options) is linked to the long-term development in the RHÖN-KLINIKUM AG share. Conditional retirement benefits are essentially based on annual remuneration at the time of termination of service and are thereby influenced by the non-performance-related and performance-related components of the remuneration system.

The basic salary usually amounts to € 192,000 p/a and is paid in twelve equal monthly instalments as non-performance-related remuneration. The Chairman of the Board of Management generally receives 1.5 to 2 times the standard salary. In addition, members of the Board of Management receive fringe benefits in the form of benefits in kind, essentially meaning the value determined by the taxation guidelines for the private use of company cars, insurance premiums for accident insurance, relocation costs and D&O insurance. Since use of a company car and the accidence insurance premiums are remuneration components, each individual member of the Board of Management has to pay tax on these benefits. In principle all members of the Board of Management have a similar entitlement; the amount varies depending on the personal situation.

The performance-related component of remuneration is profit sharing, the level of which depends on the development of the consolidated profit in the last three financial years as a multi-year basis for assessment. The benchmark is the consolidated profit after minority shares based on the applicable IFRS. One-off effects from extraordinary developments, which affected the consolidated profit, are eliminated. Profit sharing consists of a basic component and a performance related amount. The basic component is defined as an absolute amount (basic amount) when calculated by the Supervisory Board from the assessment basis for the duration of the service contract and is paid out as an advance payment in twelve equal monthly instalments. The basic component at the start or in the event of amendment to the service contract amounts to approx. two thirds of the basis for assessment. The profit sharing rate for the basic component is identical for all members of the Board of Management and is set by the Supervisory Board upon the recommendation by the Personnel Affairs Committee. If the basis for assessment calculated for a financial year falls below the basic amount, this profit sharing rate is applicable to the reduced basic amount. Non-covered advance payments on basic profit sharing result in a restitution claim for the company. The performance-related amount is shown as the difference between the basis for assessment calculated for the relevant financial year less the basic amount. The profit sharing rate for this performance-related amount is determined (by the Supervisory Board) individually for each member of the Board of Management, upon the recommendation of the Personnel Affairs Committee, with consideration for performance, tasks and number of terms of office. The Chairman of the Board of Management generally receives 1.5 to 2 times the profit sharing rates. An appropriate reduction in profit sharing rates can be agreed for initially appointed members, in particular for deputy members of the Board of Management. The same also applies to the alter members of the Board of Management if there are special reasons justifying the reduction.

An annual total remuneration (sum of basic salary and profit sharing) of at least € 450,000 is guaranteed for members of the Board of Management. The cap for annual total remuneration is set at € 900,000. The minimum remuneration and cap can be set at up to 2.5 times this level for the Chairman of the Board of Management and up to 2 times this level for his permanent deputy and the CFO.

The incentive program of virtual shares provided to the Board of Management in 2014 constitutes long-term share price-based remuneration. This is meant to establish a special incentive in 2014 for the distribution of surplus capital and support the long-term re-orientation of the company. Each incumbent member of the Board of Management was given non-forfeitable virtual shares through the successful share repurchase program in 2014. These virtual shares participate in all capital measures and dividends. The members of the Board of Management receive remuneration at the respective share price for the virtual shares remaining after five years.

If the service contract for a member of the Board of Management ends without this being attributable to good cause in the person of such member, or the member of the Board of Management dies during his term of office, he (or in case of death his heir) shall receive a retirement benefit in the form of a lump-sum payment. For each full year of service as a member of the Board of Management, this amounts to 0.125 times annual remuneration (annual basic salary plus profit sharing, excluding virtual shares) for the calendar year in which such member leaves the Board of Management or dies – but at most 1.5 times such latter remuneration and at least 1.5 times average remuneration during the contractual term for the duration of service on the Board of Management. Retirement benefit is due for payment six months after the end of the financial year in which the service contract comes to an end or the member of the Board of Management has died. Retirement benefit is not generally paid if a member of the Board of Management decides to terminate the service contract before reaching the age of 60 for reasons not attributable to the company, or does not extend the service contract, despite having been offered an extension.

If a member of the Board of Management receives a severance payment in the event of early termination of Board of Management activity without good cause, the sum of this payment, including fringe benefits, shall not exceed the value of two years' remunerations and shall not compensate for more than the residual term of the contract of employment.

Additional benefits such as pension commitments or loans are not currently granted to members of the Board of Management.

Total remuneration to incumbent members of the Board of Management in the 2014 financial year came to € 11.1 million (previous year: € 2.3 million). Of this amount, € 0.8 million (previous year € 0.9 million) was allotted to non-performance-related components and € 10.3 million (previous year € 1.4 million) to variable components. Provisions for claims to retirement benefits by incumbent and former members of the Board of Management based on IFRS amount to € 0.8 million on 31 December 2014 (previous year € 0.6 million). Those who were no longer incumbent members of the Board of Management on the balance sheet date, or their surviving dependents, received remuneration of € 0.2 million for retirement benefits in the 2014 financial year (previous year € 0.0 million).

REMUNERATION OF THE SUPERVISORY BOARD

Remuneration of the Supervisory Board is regulated in Article 14 of the Articles of Association. At the AGM held on 12 June 2014, the Supervisory Board proposed abolishing the performance-related elements of remuneration from the 2015 financial year. The AGM held on 12 June 2014 agreed and resolved to amend provisions on remuneration of the Supervisory Board in Article 14 of the Articles of Association such that no more performance-based remuneration components are granted to the Supervisory Board starting from the 2015 financial year.

The Supervisory Board was remunerated for the 2014 financial year pursuant to the old rules which were performance-based and depended on time spent working on the tasks and the functional responsibilities of the members of the Supervisory Board and on the economic success of the RHÖN-KLINIKUM Group. Supervisory Board remuneration consisted of fixed and variable components.

In addition to reimbursement of expenses, members of the Supervisory Board received remuneration, consisting of the following elements: a fixed basic amount of € 20,000 p/a and a fixed attendance fee of € 2,000 for each personal attendance at a meeting of the Supervisory Board, Committee or Annual General Meeting. The Chairman of the Supervisory Board and his deputies received double the amount of the fixed attendance fee. The Chairmen of committees also receive double the amount, unless they are simultaneously Chairman or Deputy Chairman of the Supervisory Board.

Furthermore, the Supervisory Board receives performance-related remuneration at a rate of 1.25 per cent of the modified consolidated profit of RHÖN-KLINIKUM AG. For this purpose, consolidated profit is reduced by 4 per cent of the contribution paid on the registered share capital of RHÖN-KLINIKUM AG. When calculating variable remuneration for the Supervisory Board, a cap on modified consolidated profit of € 150 million shall be considered in the financial year. The total amount is distributed to individual members of the Supervisory Board is carried out based on a remuneration policy issued by the Supervisory Board. Which particularly considers the time the individual member spent working and the change in workload during the year for members of the Supervisory Board are also considered in addition to the responsibility undertaken by the member.

With effect from the 2015 financial year, the Supervisory Board is remunerated without performance-related elements of remuneration. Remuneration of the Supervisory Board continues to be performance-based and depends on time spent working, on the tasks and functional responsibilities undertaken by members of the Supervisory Board. Remuneration of the Supervisory Board consists of fixed basic remuneration, a fixed attendance fee and a share of total fixed remuneration.

In addition to reimbursement of expenses, members of the Supervisory Board receive remuneration consisting of the following elements: a fixed basic amount of € 40,000 p/a (the Chairman of the Supervisory Board receives three

times this amount and his deputy receives double the fixed basic amount) and a fixed attendance fee of € 2,000 for each personal attendance at in a meeting of the Supervisory Board, Committee and Annual General Meeting. 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 also receive double the amount, unless they are simultaneously Chairman or Deputy Chairman of the Supervisory Board.

A € 20,000 share of the fixed basic remuneration is dependent on the number of attendances at meetings of the Supervisory Board and the AGM. This share is reduced by one fifth for each case of non-attendance.

Furthermore, members of the Supervisory Board receive total fixed remuneration of € 1,000,000. This total fixed remuneration is distributed to individual members of the

Supervisory Board pursuant to a remuneration policy issued by the Supervisory Board which particularly considers the time of the individual member spent working and the change in workload during the year for members of the Supervisory Board in addition to the responsibility undertaken by the member. The total fixed remuneration of € 1,000,000 a year is reduced to € 800,000 a year if the Supervisory Board consists of just 16 rather than 20 members.

Presiding over and membership of the Supervisory Board committees are separately remunerated in accordance with the German Corporate Governance Code. Members of the Supervisory Board, who only belong to the Supervisory Board for part of the financial year, are remunerated on a pro rata basis.

Members of the Supervisory Board are reimbursed all expenses incurred in connection with exercising of the mandate as well as VAT payable on the remuneration. The company's chauffeur service and an office with secretarial staff are provided to the Chairman of the Supervisory Board.

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

Remuneration of active members of the Supervisory Board amounted to € 2.6 million (previous year € 2.0 million). Out of this total, € 0.9 million (previous year € 1.0 million) was allotted to fixed remunerations. € 1.7 million (previous year € 1.0 million) was included as performance-related remuneration.

REMUNERATION OF THE ADVISORY BOARD

Members of the Advisory Board receive a fixed attendance fee of € 1,400 for each personal attendance at a meeting. Furthermore, members are reimbursed for all expenses incurred in connection with exercising of the mandate as well as VAT payable on the remuneration.

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

Total remuneration of the Advisory Board (excluding VAT) amounted to € 20,000 in the past financial year (previous year € 22,000).

REMUNERATION TABLES 2014

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

	2014	2013
	€ '000	€ '000
Remuneration of the Supervisory Board	2,586	1,950
Remuneration of the incumbent Board of Management	11,128	2,301
Remuneration of former members of the Board of Management	0	462
Remuneration of the Advisory Board	20	22

Total remuneration (excluding VAT) for members of the Supervisory Board is broken down in detail as follows:

	Basic amount	Attend-ance fee, fixed	Attend-ance fee, variable	Operating days, variable	Total 2014	Total 2013
Total remuneration	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Eugen Münch	20	60	135	273	488	313
Joachim Lüddecke	20	56	64	0	140	140
Wolfgang Mündel	20	56	152	173	401	267
Peter Berghöfer	20	18	56	0	94	87
Bettina Böttcher	20	18	40	0	78	20
Prof. Dr. h. c. Ludwig Georg Braun (from 12 June 2014)	11	4	12	0	27	0
Sylvia Bühler	20	10	25	0	55	69
Helmut Bühner	20	18	40	0	78	55
Prof. Dr. Gerhard Ehninger	20	8	17	0	45	54
Stefan Härtel	20	28	64	0	112	98
Klaus Hanschur (from 17 April 2014)	14	14	42	0	70	0
Reinhard Hartl (from 19 December 2013)	20	18	64	0	102	1
Caspar von Hauenschild (until 12 September 2013)	0	0	0	0	0	74
Stephan Holzinger (from 3 July 2013)	20	48	94	23	185	32
Detlef Klimpe (until 12 June 2014)	9	12	58	0	79	114
Dr. Heinz Korte	20	22	104	0	146	108
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach (until 4 June 2013)	0	0	0	0	0	34
Michael Mendel	20	16	71	0	107	105
Dr. Rüdiger Merz (until 12 September 2013)	0	0	0	0	0	40
Dr. Brigitte Mohn	20	12	27	0	59	49
Annett Müller (until 27 February 2014)	3	0	0	0	3	55
Werner Prange (until 27 February 2014)	3	2	0	0	5	98
Oliver Salomon (from 9 April 2014)	15	12	38	0	65	0
Prof. Dr. Jan Schmitt (until 30 April 2014)	7	4	12	0	23	59
Dr. Franz-Josef Schmitz (from 1 May 2014)	13	8	17	0	38	0
Georg Schulze-Ziehaus	20	22	77	0	119	77
Dr. Katrin Vernau (from 20 December 2013)	20	14	33	0	67	1
	395	480	1,242	469	2,586	1,950

Total remuneration for the Board of Management breaks down in detail as follows:

Incumbent member of the Board of Management	Martin Menger (member of the Board of Management)					
	granted allowances				inflow	
	2014	2013	2014 (Min.)	2014 (Max.)	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	9	8	9	9	9	8
Total	**201**	**200**	**201**	**201**	**201**	**200**
One-year variable remuneration						
Profit sharing	258	258	258	708	258	258
Multi-year variable remuneration						
Virtual share options	2,875	0	0	5,200	779	0
Total payments	**3,334**	**458**	**459**	**6,109**	**1,238**	**458**
Pension expenditure[1]	56	45	56	56	56	45
Total remuneration	**3,390**	**503**	**515**	**6,165**	**1,294**	**503**

[1] *Pension expenditure includes service period expenditure pursuant to IAS 19.*

Incumbent member of the Board of Management	Jens-Peter Neumann (permanent representative of the Chairman of the Board of Management)					
	granted allowances				inflow	
	2014	2013	2014 (Min.)	2014 (Max.)	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic salary (fixed remuneration)	211	195	211	211	211	195
Fringe benefits	9	86	9	9	9	86
Total	**220**	**281**	**220**	**220**	**220**	**281**
One-year variable remuneration						
Profit sharing	689	538	689	1,589	689	538
Multi-year variable remuneration						
Virtual share options	2,875	0	0	5,200	779	0
Total payments	**3,784**	**819**	**909**	**7,009**	**1,688**	**819**
Pension expenditure[1]	83	23	83	83	83	23
Total remuneration	**3,867**	**842**	**992**	**7,092**	**1,771**	**842**

[1] *Pension expenditure includes service period expenditure pursuant to IAS 19.*

Incumbent member of the Board of Management	Dr. Dr. Martin Siebert (Chairman of the Board of Management)					
	granted allowances				inflow	
	2014	2013	2014 (Min.)	2014 (Max.)	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic salary (fixed remuneration)	384	384	384	384	384	384
Fringe benefits	10	13	10	10	10	13
Total	**394**	**397**	**394**	**394**	**394**	**397**
One-year variable remuneration						
Profit sharing	741	627	741	1,866	741	627
Multi-year variable remuneration						
Virtual share options	2,875	0	0	5,200	779	0
Total payments	**4,010**	**1,024**	**1,135**	**7,460**	**1,914**	**1,024**
Pension expenditure[1]	113	28	113	113	113	28
Total remuneration	**4,123**	**1,052**	**1,248**	**7,573**	**2,027**	**1,052**

[1] *Pension expenditure includes service period expenditure pursuant to IAS 19.*

Retirement benefits for the Board of Management break down in detail as follows:

Retirement benefits	Provision as at 31 Dec. 2013	Change in retirement benefits	Provision as at 31 Dec. 2014	Nominal amount upon expiry of contract[2]
	€ '000	€ '000	€ '000	€ '000
Incumbent members of the Board of Management				
Martin Menger	164	80	244	353
Jens-Peter Neumann	95	153	248	450
Dr. Dr. Martin Siebert	138	184	322	984
	397	**417**	**814**	**1,787**
Member of the Board of Management who left in 2013				
Volker Feldkamp[1]	158	–158	0	0
	158	**–158**	**0**	**0**
Total	**555**	**259**	**814**	**1,787**

[1] *Until 9 August 2013.*
[2] *Eligibility after planned phase-out of the Board of Management contract based on remuneration.*

Bad Neustadt a. d. Saale, 16 April 2015

Supervisory Board Board of Management


HR
87
37
33
130

HIGHEST STANDARDS

Environment and sustainability, personnel, quality – in all these respects, RHÖN-KLINIKUM AG strives to meet the highest standards and to make steady progress. The focus is on the efficient energy consumption, responsible use of natural resources, investment in professionalism and dedication of the staff, and a variety of efforts to ensure and constantly improve quality.

ENVIRONMENT AND SUSTAINABILITY

We continue to rely on combined heat and power (CHP) for efficient **energy consumption**. We operate such plants with a total capacity of 6.8 megawatts in 4 out of 5 locations. In 2014 we thus generated around 40 per cent of our own electricity requirement.

Power consumption in the Group increased by 0.6 per cent from the previous year to 101.5 gigawatt hours. In contrast, heat consumption compared to the previous year was reduced by 9 per cent to 124.5 gigawatt hours. The reason for the decrease is mainly due to lower temperature reducing heating requirements.

Note:
Only the clinics which were part of the Group on 31 December 2014 are taken into consideration in Environment and Sustainability.

In 2014 **CO_2 emissions** amounted to a total of 70,954 tonnes (previous year: 73,644 tonnes), which was mainly due to the decrease in heat consumption. The values for the so-called scope 1 emissions – i. e. emissions that occur on-site due to combustion processes – which were calculated according to the GHG protocol, amounted to 35,803 tonnes. Scope 2 emissions incurred through the use of external electricity and district heating amounted to 35,151 tonnes.

Water consumption in the Group rose last year by 3.3 per cent to 743,000 cubic metres. In contrast, the volume of waste water only increased by 2.1 per cent to 695,000 cubic metres. Approximately 48,000 cubic metres of fresh water are not discharged into the sewer because it evaporates, for example. We therefore also use what is known as adiabatic cooling in the Giessen University Hospital for cooling rooms with air conditioning systems. Water is evaporated in this way. Due to the resulting evaporative cooling, the air supply from the air conditioning system can be cooled down by about 6 kelvins.

There were some significant increases regarding what is known as A and B **waste** to be disposed of – household-type waste. This was partly because of the more frequent use of disposable material as a result of regulatory requirements. Due to increasing demands in the processing of material that comes into contact with patients, disposable materials are often the better alternative, and sometimes the only solution.

Waste for disposal

Clinic / location	2014	Change from 2013
Bad Berka	566 t	+5.6 %
Bad Neustadt (Saale)	646 t	+0.9 %
Giessen	1,570 t	+4.6 %
Marburg	1,593 t	+6.4 %
Frankfurt (Oder)	404 t	+4.0 %
Sum	4,779 t	+4.7 %

QUALITY

2014 was characterised by the strategic reorientation of the company at all organisational levels of RHÖN-KLINIKUM AG. This also applies to the Group Medicine Division where we specified quality management measures in the individual areas of activity, such as internal and external quality assurance, medical controlling, control mechanisms in hygiene management, and strategic medical development. As in recent years the quality of hospital care was thereby always in the foreground.

In order not only to ensure but also steadily raise the high quality of medical care, RHÖN-KLINIKUM AG has developed and supplemented individual **quality management** procedures alongside tools and analysis systems which have already been tried and tested.

One example of this is the www.qualitaetskliniken.de comparison portal. With the portal RHÖN-KLINIKUM AG has been focusing on **quality transparency** and openness for several years now. Jointly developed pioneering methods for measuring and assessing of quality in several dimensions ensure that relevant developments can be detected and evaluated in a specific manner. In May 2014 we added another dimension to the four dimensions of medical quality, patient safety, patient satisfaction and referral satisfaction, namely ethics and values.

In parallel to the broad representation of quality indicators in the 4QD portal, we have agreed with the partner clinics in the "Wir für Gesundheit" ("We stand for Health") hospital network to implement strict and measurable medical quality criteria in our clinics.

The high medical **quality standards** in the partner clinics are based on performance-related, reliable and meaningful quality measurements, using the "German Inpatient Quality Indicators" (G-IQI) method. This makes it possible to see the medical quality of hospital performance in a simple manner. It uses data that is routinely documented for invoicing services. This data allows meaningful and comparable **measurement of quality** that can be verified at any time.

More specifically, the indicators include the following, for example:

- **Performance indicators** such as age and gender-specific hospital mortality rates with references to certain operations or treatments.

- **Process indicators** such as the proportion of minimally invasive surgical techniques and volume figures.

- **Indicators on the care situation** such as the proportion of therapeutic interventions in all left cardiac catheter procedures or the proportion of stroke patients who were treated in a stroke unit.

With www.qualitaetskliniken.de the patients have a tried and tested internet portal which gives them the means to make an objective comparison of the different hospitals. The clinics also benefit from this system. They can identify the required quality improvements from the available data and implement them.

By using these methods for quality assurance and quality presentation we go well beyond the current legal requirements. Together with our partners at www.qualitätskliniken.de and "Wir für Gesundheit" ("We stand for Health"), we are setting the right emphasis in the interests of best medical care and maximum patient safety. We therefore have a wide collection of measures at our disposal which can assist in reforming hospital care by means of the federal state working group. Here the key features are quality premiums and discounts, minimum volume levels, surgical checklists and second opinions. For us there is no question that quality will in future play a greater role in the remuneration of hospital services.

Hospitals, politicians and health insurance companies must work together to define framework conditions and preconditions for quality-oriented remuneration.

The continual improvement of medical care is a constant challenge, which the Group also addresses in its **expert panels**. With assistance from the Medical Board and Group Medicine Division our expert panels consisting of experts from all sites, encourage innovative ideas and improvements in the quality of care.

In this way the expert panel identifies best practice approaches, for example from routine data or considers critical treatment and diagnostic procedures in the specialist field. Other areas of focus are subject-specific advanced and further education and training, methodology in the use of medical devices, and all other activities related to the presentation, improvement and assurance of quality in medical care. The expert panels of RHÖN-KLINIKUM AG work in a problem-oriented manner and aim at understanding quality as a lifelong learning and improvement process. Their primary purpose is therefore to improve the current provision of care through a cooperative, problem-based feedback system.

The field of **medical controlling** is the economic counterpart to quality management. Medical controllers are internal consultants for the medical and administrative areas. In operational medical controlling, coding specialists record and document the service performed for each individual patient, while others check the documentation. In this way they provide the basis of correct invoicing of the services and a solid information basis for the budget negotiations with payers.

To support the clinics we have established an MDK reporting system (MDK: Medical Review Board of the Statutory Health Insurance Funds) in recent years. Using this analysis tool we can identify key areas for examination as well as the causes of identified losses in order to take relevant action to improve the process and documentation quality. To this end we create a central MDK benchmark across all locations several times a year. In 2015, we intend to analyse the key data and highlight possibilities in terms of best practice for optimisation in the invoicing and auditing processes with a working group of experts so that the financial impact of the MDK audits can be reduced.

Another field in medical controlling is the documentation and recording of a nursing complex procedure score (PKMS) in patient care, which we promoted, improved and consolidated in 2014. The invoicing requirements on the nursing documentation were met at the clinics without the need for time-consuming multiple entry of data. In some of the clinics, external companies were used to improve the PKMS recording.

Identifying patients with high care needs and improving the documentation of services rendered is a goal in all our clinics. To this end experts from the clinics exchange their ideas in regular internal workshops. The basis is a group-wide benchmark which is regularly provided to the clinics for monitoring.

The changed structure of RHÖN-KLINIKUM AG now with hospitals providing maximum and intermediate medical care in five locations also requires a new, adequate form of group-wide **hygiene management**. Following detailed consultation we have developed a combination of centralised and decentralised organisation. Thanks to the coordination of the Group Medicine Division, two specialists were found within the Group division who are responsible for the specialist topics in the field of hospital hygiene which are relevant throughout the Group. They are Prof. Dr. Thomas Eikmann for the field of technical hospital hygiene and Prof. Dr. Rainier Mutters for the field of infectious disease hospital hygiene. Prof. Eikmann is Director of the Institute of Hygiene and Environmental Medicine at UKGM in Marburg. Prof. Mutters is Head of Hospital Hygiene at the Institute for Microbiology and Hospital Hygiene at UKGM in Marburg.

The hygiene management priorities of the centralised organisation include the detection of multi-resistant bacteria and their comparison with data within RHÖN-KLINIKUM AG and with national reference data (surveillance). In addition relevant quality data in the fields of sterilisation and purification equipment is collected and the staffing with qualified hygiene specialists in hospitals is monitored centrally. The Institute for Hygiene and Environmental Medicine holds a variety of training courses for nurses and doctors.

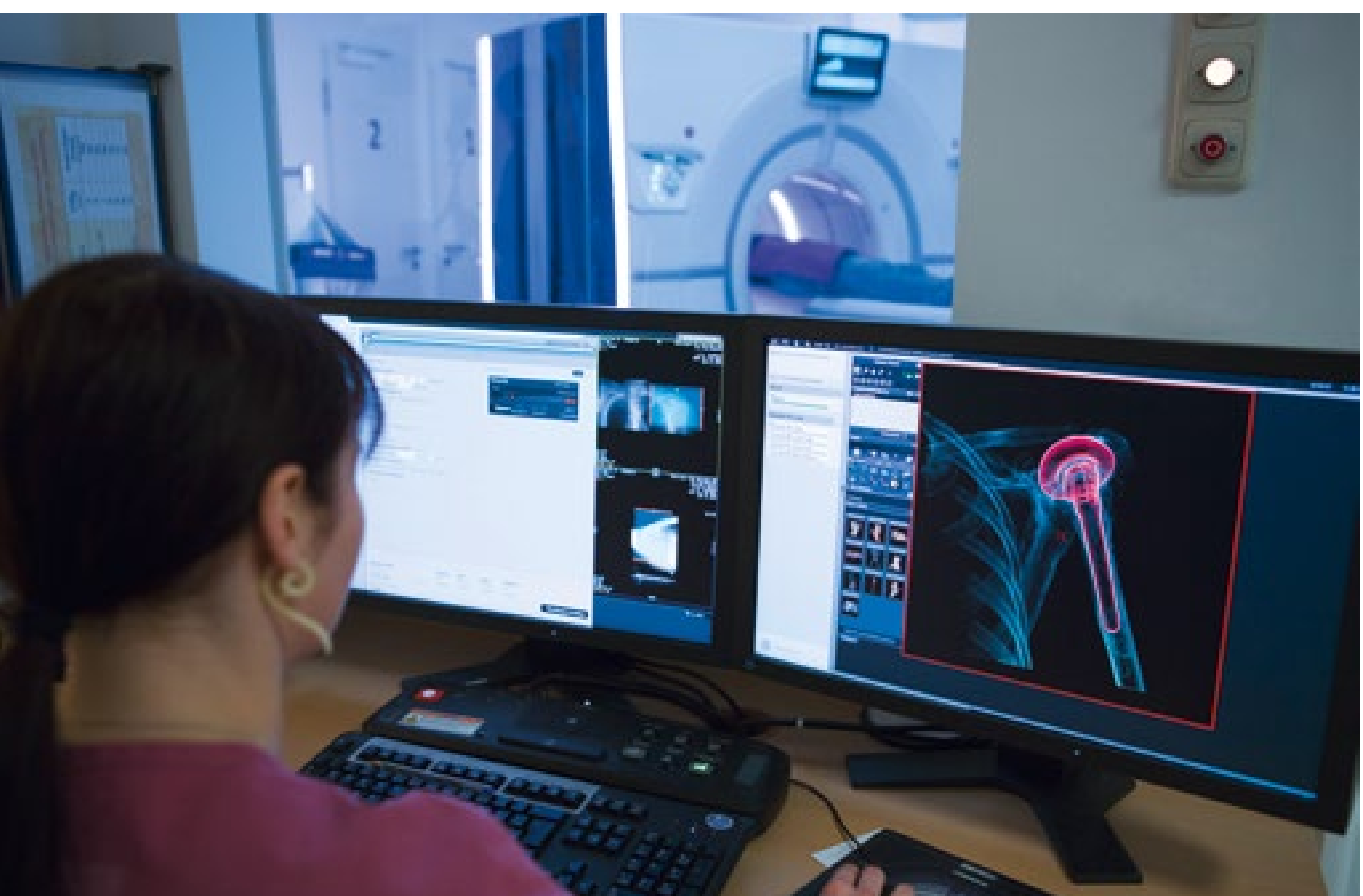
The organisation and employee training were further expanded in the area of antibiotic stewardship. Here we want to tackle the growing development of resistance of hospital pathogens by optimising antibiotic therapy. In addition to better quality of care for patients this can also result in considerable cost savings.

In December, a study was launched which will standardise the screening of multi-resistant organisms in a scientifically proven manner within the locations of RHÖN-KLINIKUM AG. The first results are expected mid-2015.

High-quality treatment has been provided in maximum and intermediate medical care at the five locations of RHÖN-KLINIKUM AG for many years. In addition to the constantly growing number of inpatients and outpatients (based on 2013, outpatients: +2.9 per cent, inpatients: +0.6 per cent), this high level of service is reflected in the variety of prizes and awards that have been received (see text box).

We also have special therapeutic and diagnostic procedures at some of our locations alongside the usual range of treatment at hospitals providing maximum medical implemented care. Especially in the field of oncology and cardiovascular medicine, we have achieved a number of innovations and improvements.

The technical commissioning of the Marburg **Ion Beam Therapy Centre** (MIT) took place in cooperation with the Heidelberg University Hospital after years of uncertainty. We hope to be able to treat the first patients here in October 2015. The innovative technology which was developed in cooperation with the GSI Helmholtz Centre for Heavy Ion Research in Darmstadt, will be available in both Heidelberg and Marburg for patient care and research. The procedure will extend the range of therapies for tumour treatment at UKGM in Marburg in an area where other irradiation methods are ineffective. The new therapies are being developed in clinical trials for which we expect the funding to come predominantly from health insurance.



PRIZES AND AWARDS

UKGM locations in Marburg and Giessen

- Prof. Dr. Werner Seeger (Internal Medicine, Giessen): Awards for lifetime achievement from the von Behring-Röntgen Foundation and the European Respiratory Society
- Prof. Dr. Andreas Neubauer (Internal Medicine, Marburg): Admission to the Leopoldina National Academy of Sciences
- Prof. Dr. Andreas Mahnken (Radiology Marburg): Eugenie and Felix Wachmann Prize of the German Society of Radiology
- Prof. Dr. W. H. Oertel (Neurology Marburg): Appointment as a member of the Scientific Panel of Health in Directorate General XII – Research and Innovation – of the European Commission
- Prof. Stephan Becker (Virology Marburg): Coordinator of the new consortium for ebola research (EBOKON) of the German Centre for Infection Research.
- Private lecturer, Dr. Benjamin Straube (Psychiatry and Psychotherapy Marburg): von Behring-Röntgen Prize for Young Talent
- Prof. Dr. A. Neubauer (Internal Medicine, Marburg): New member of Hinterzarten Circle of the DFG on Cancer Research
- Prof. Dr. W. H. Oertel (Neurology Marburg): Appointment as the Chairman of the Committee on European Affairs of the European Academy of Neurology
- Prof. Dr. J. A. Werner (ENT Marburg): Election as the Vice President of the German Society of Oto-Rhino-Laryngology, Head and Neck Surgery in 2014/15 and as the president of the society for the year 2015/2016
- Hessian Higher Education Award for Excellence in Teaching for two Marburg teams: "Inverted Classroom Mastery Model (ICMM) Virtual Linguistics Campus (VLC)" and "Anaesthesia Internship"

Neurologische Klinik Bad Neustadt (Neurological Clinic, Bad Neustadt)

- Hentschel Prize for ground-breaking networking in the field of stroke care

Herz- und Gefäßklinik Bad Neustadt (Cardiovascular Clinic, Bad Neustadt)

- One of the "TOP hospitals" in Bavaria according to FOCUS clinic list

Zentralklinik Bad Berka (Central Clinic, Bad Berka)

- Harshad Kulkarni (Clinic for Molecular Radiotherapy): Young Investigator Award from the Society of Nuclear Medicine and Molecular Imaging
- One of the "best clinics in Germany" according to FOCUS clinic list

The **Anneliese Pohl Cancer Centre** – Comprehensive Cancer Centre (CCC) at UKGM Marburg was certified in January 2014 as an comprehensive oncology centre by the OnkoZert institution on behalf of the German Cancer Society. With the certification the German Cancer Society would like to "promote the development of oncology centres with defined quality standards and thus improve the care of cancer patients". The Anneliese Pohl Cancer Centre brings ten specialised cancer centres together under one roof: the Breast Cancer Centre Regio, the Gynaecological Cancer Centre, the Carreras Leukaemia Centre, the Prostate Cancer Centre, the European Centre of Excellence for Neuroendocrine Tumours, the Centre for Interdisciplinary Out-Patient Chemotherapy, the Skin Cancer

RESEARCH PROJECTS

A variety of research activities are being conducted at the locations of RHÖN-KLINIKUM AG.

Scientific centres and clusters:

- German Centre for Infection Research (UKGM)
- German Centre for Lung Research (UKGM)
- Anneliese Pohl Cancer Centre – Comprehensive Cancer Centre (CCC) (UKGM, Marburg)
- Biomedical Research Centre (UKGM, Marburg)
- Centre for Tumour and Immune Biology (UKGM)
- ENETS Centre of Excellence (Zentralklinik Bad Berka)

Special areas of research

- Chromatin changes in differentiation and malignancy (UKGM)
- Innate immunity of the lung (UKGM)
- Mechanisms of cellular compartmentation (UKGM)
- RNA viruses (UKGM)

LOEWE projects:

- "UGMLC" (UKGM)
- "MIBIE" (UKGM)
- Non-neuronal cholinergic systems (UKGM)
- "SynMicro" (UKGM, Marburg)

DFG research groups:

- "K2P channels" (UKGM, Marburg)
- Genetics of drug resistance in cancer (UKGM, Marburg)
- Neurobiology of affective disorders: A translational perspective on brain structure and function

DFG post-graduate programmes:

- Intra- and inter-cellular transport and communication (IITC)
- Enzymes and multi-enzyme complexes acting on nucleic acids

Other funding

- "Reflective Learning at Work (MIRROR)" Neurological Clinic, Bad Neustadt (EU funding)
- INSPIRE: "Improving Service Productivity in Healthcare – IT-supported Improvement of Quality and Productivity in Healthcare Services", Neurological Clinic, Bad Neustadt (BMBF funding)
- In October the fourth KARDIO-INTERMEZZO was held at the Cardiovascular Clinic in Bad Neustadt. A current overview of cardiovascular medicine was given to over 450 participants in 50 presentations.

Centre, The Bowel Cancer Centre, The Head and Neck Tumour Centre and the Centre for Psycho-Oncology.

With the newly established **"Marburg Cardiac Arrest Centre"** (MCAC), the UKGM in Marburg is taking on an important and pioneering role, both nationally and internationally, in structured emergency treatment of people who have suffered a sudden cardiac arrest. In particular, the early use of circulatory support systems enables the earliest possible restoration of normal circulatory status and thus the best possible outcome after a cardiac arrest. The close interaction of neurologists, neurosurgeons, radiologists and other experts at UKGM ensures sustained success of treatment in resuscitated patients.

The **Centre for Undetected Diseases** (ZUK) at UKGM in Marburg, which was founded in 2013, continues to experience strong demand. Through the publication of one of his cases, Prof. Dr. Jürgen Schäfer achieved international interest and extensive media coverage.

In the Clinic for Cardiology and Angiology at UKGM in Giessen, the latest generation of Europe's first self-dissolving stents were used on cardiac patients. The close link between science, research and patient care enables the timely provision of innovative and improved methods to patients.

A **Shunt Centre** was established at UKGM in Giessen. This new centre will further raise the importance of nephrology in conjunction with the collaborating dialysis centres. Highly qualified shunt surgery is very important for the approximately 1,500 patients treated here who need dialysis.

We have begun constructing a **radiopharmacy** at the hospital in Bad Berka. This gives Thuringia the most modern facility of its kind in Germany. Here, we will be able to make a significant contribution to the provision of radiopharmaceuticals to clinics and practices. Using a cyclotron (circular accelerator) short-lived radionuclides are produced which are processed to radiopharmaceuticals under clean room conditions. These are for in-house use in the Clinic for Molecular Radiotherapy / Centre for Molecular Imaging, or enter the Germany-wide distribution of the authorised medicine, FDGscint, which is used for cancer diagnosis by means of PET / CT.

The clinic in Bad Berka has also received various certifications. For example, they include the Stroke Unit and the Lung Cancer Centre which has been certified by the German Cancer Society. The Clinic for Interventional Radiology was awarded the title of Certified Centre of Excellence for Embolisation Therapy. Embolisation is particularly useful for the treatment of prostate adenoma. The Clinics for Pneumology and Thoracic Surgery in Bad Berka were certified as a Lung Cancer Centre of the German Cancer Society.

A PET / CT was put into service at the hospital in Frankfurt (Oder). This modern device improves the diagnosis of cancer and combines the advantages of nuclear medicine with those of CT imaging.

In **network medicine**, RHÖN-KLINIKUM AG relies on trans-sectoral and owner-independent regional cooperation between service providers as well as the use and further development of tele-medicine applications at the locations.

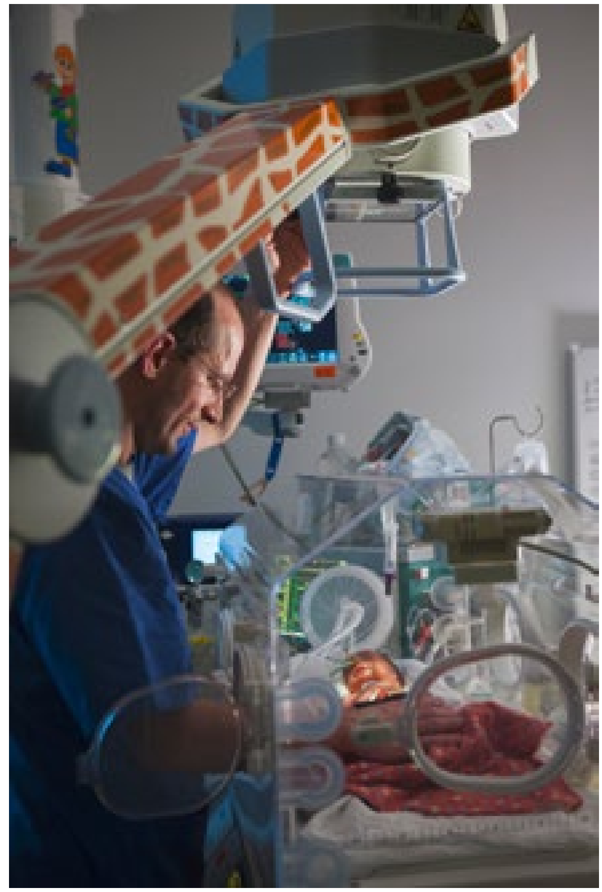
The Neurology Clinic in Bad Neustadt, for example, is consistently continuing its activities in cross-sectoral regional medical care. The BMBF project, INSPIRE (Improving Service Productivity in Healthcare – IT-supported Improvement of Quality and Productivity in Healthcare Services) which started in 2011 was extended until May 2014. The work of the so-called "Stroke Manager" provides cross-sectoral support to patients affected by strokes through the use of a care and case management system. Communication and cooperation between hospitals without stroke units and specialised stroke centres is organised in the TRANSIT network. This network has a three-tier, vertically structured design that organises the best possible regional care for stroke patients.

PERSONNEL

As a labour-intensive company, we rely on employees to demonstrate a high degree of personal commitment and professionalism. At the same time, we expect our employees to focus their work on the needs of our patients. A binding code of conduct has been agreed with all employees to ensure this. It follows our motto: "Do as you would be done by and do not forget anything that you would like done for yourself."

Highly qualified medical staff are key to the success of our hospitals. Assistants, specialists, consultants and senior consultants carry out demanding tasks in an excellent working environment at our clinics: state-of-the-art medical equipment, an attractive remuneration and pension package and childcare services make our clinics stand out from the rest. A cornerstone of our offer to our medical staff is also **further qualified training**. All locations in our network of clinics offer the option of becoming a specialist physician. In addition doctors can gain a wide range of additional qualifications or specialist qualifications. Students of medicine have the opportunity to complete their practical year at all of the Group’s locations. Our recognised academic teaching hospitals provide us with an ideal opportunity to attract qualified young doctors.

We also have a scholarship programme for **junior doctors from abroad** at the Bad Neustadt location. This is a scholarship which was established in 2011 and has been implemented very successfully ever since. Participants train for six months in one of our clinics at the location. At the same time, they can improve their language skills in the German courses that are offered as part of the scholarship. The programme specifically prepares students for further training as a specialist physician, while also facilitating the social integration of the foreign doctors into their new working and living environment at the same time. The scholarship holders have the opportunity to learn about daily clinical practice without having to immediately take over responsibility themselves. At the same time they are also given support in the organisation of their daily lives: language courses, housing options in the "scholarship guest house", shared activities, support with administrative procedures and further assistance after starting regular employment.



Nursing is an essential pillar in the successful operation of our clinics – **nursing training** is of equal importance. This is because nursing serves as a kind of mediator between doctors and patients as well as a link between patients, families and social insurance providers. Those who come to hospital as a patient not only need good medical care, but also nursing care – i. e. people who are available around the clock to address personal needs and to support the recovery process at all levels.

Therefore it is particularly important for us to encourage the training of employees in the field of nursing and non-medical health professionals in our clinics: we do this in our own nursing schools and in schools for the training of physiotherapists, occupational therapists, speech therapists, dietitians as well as assistants for medical documentation (MDA) and technical assistants for medical labs (MTLA), for radiology (MTRA) and for funktional diagnostics (MTAF). The goal of this training is to familiarize young talent with the sophisticated treatment concepts of RHÖN-KLINIKUM AG from the beginning. We wish to facilitate entry to a career in the Group in this way. In addition we place great importance on continuously enhancing the professionalism of our staff through advanced and further training measures. Across the Group our trained staff in nursing and the non-medical health professions have a wide range of these options available. Of course, this programme is designed according to the stipulations of the corresponding German federal state or according to the guidelines of the German Hospital Federation.

In 2014 another **scholarship programme** specifically for nursing staff was launched in Bad Neustadt. This further training and integration option first comprises a one-year posting as a nursing assistant in the wards and an intensive language course. This scholarship model is also complemented by a medical and social framework programme.

The company opens up a wide range of interesting prospects for its employees. We support specific education measures and advanced and further training as well as the in-house development of all occupational groups within the Group. Our goal is also to continue to offer interesting career opportunities to professionally trained staff in order to promote long-term loyalty to our company. It ist becoming more and more important to bear in mind the individual as a whole – with their professional and personal needs.

Excellence

Members of our body of strategic experts, the Medical Board, are working together with their colleagues in the clinics to make sure our patients benefit in particular from the medical and nursing expertise of RHÖN-KLINIKUM AG – thereby turning innovation and excellence in treatment into cutting-edge medicine every day.

»We stand for innovation and excellence in treatment«

Prof. Dr. med. Bernd Griewing (Bad Neustadt a. d. Saale)
Dr. med. Thomas Funk (Frankfurt / Oder)
Dr. med. Holger Thiemann (Bad Neustadt a. d. Saale)
Prof. Dr. med. J.-Christoph Geller (Bad Berka)
Prof. Dr. med. Richard P. Baum (Bad Berka)
Prof. Dr. med. Jochen A. Werner (Marburg)
Prof. Dr. Werner Seeger (Giessen)

Medical innovation and excellence in treatment are the strategic cornerstones of RHÖN-KLINIKUM AG. Since 1 May 2014 the Medical Board has become what is now a seven-member body actively pressing on with the direct implementation of this strategy. The experts of the Medical Board deal above all with issues of the medical strategy of the Group and its individual clinics and harmonising this strategy with the Group's business goals.

The motivation for establishing the Medical Board was, among other things, the recognition that commercial hospital management on its own can no longer handle the current and future challenges of the health system without the involvement of medical expertise. Competition-related innovation in terms of patient care can, rather, only succeed if there is cooperation on equal terms between medicine and economics.

Since RHÖN-KLINIKUM AG provides full-service, cutting-edge medicine at its clinics with direct access to research, use of the latest medical technology based on an efficient transformation of current research findings into clinical practice is as essential as the high-quality treatment and care of our patients. This therefore results in the noticeable commitment to invest in the research and innovation programme and our unique position in the market in order to maintain and expand our attractive service offering. This gives RHÖN-KLINIKUM AG the prospect of creating additional competitive advantages and benefitting on the revenue and growth side. The projects entail clinically-oriented basic medical research and the evaluation of new types of treatment methods, such as in the field of oncology. On the other hand, they deal with organisational and logistical issues, such as improving the link between inpatient treatment and home care.

DESIGN AND IMPLEMENTATION OF KEY INNOVATIVE MEDICAL INITIATIVES

The Medical Board identified six areas as central challenges and has already got specific initiatives and projects off the ground. These subject areas are pre-clinical models of disease, clinical trials, healthcare research (network medicine), second opinion services, best practice / clinical processes and quality excellence. In these subjects the experts of the Medical Board are seen as technical advisers to the clinics, rehabilitation clinics and specialist departments of RHÖN-KLINIKUM AG. The work focuses on the design and implementation of key medical innovations.

In this context we wish to strengthen our competitive position in treatment innovation and cutting-edge medicine in a specific manner by significantly increasing the research budget. In the coming months a total of 61 projects will therefore be financed with an overall sum of approximately € 4 million and will mainly deal with the subjects of "research and innovation" and "excellence in treatment and network medicine". The research and innovation programme comprises projects across all five Group locations and is the result of a group-wide competition.

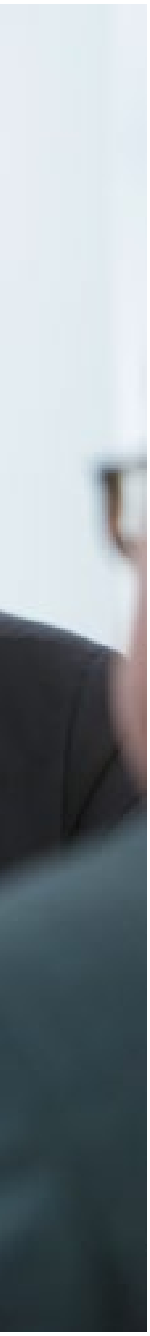
THE MEDICAL BOARD COMBINES ACADEMIC WITH NON-ACADEMIC MEDICINE

This example of targeted promotion shows just how pragmatically and tangibly the Medical Board operates as a direct interface between doctors and nurses on the one hand and the Group Board of Management on the other hand. Process optimisation, innovations, quality of care and patient safety are channelled through the Board. In this way the Medical Board combines academic with non-academic medicine. This bundling of medical expertise is an essential prerequisite for forward-looking action by our hospital group.

Prof. Dr. med. Bernd Griewing
Deputy Spokesperson

Prof. Dr. med. Jochen A. Werner
Spokesperson

»The Medical Board is the interface where the medical and corporate strategies meet.«



Innovation and excellence in treatment will only become cutting-edge medicine if they make a contribution to the treatment of our patients.

Professor Griewing, Professor Werner, how did the idea of bringing a Medical Board to life come about?
Prof. Griewing: The idea emerged in the transitional period of selling a large part of our clinics to Helios. We all very quickly agreed, after having found our new structure, that we also had to ensure continuity and structure in the medical development of our Group. Furthermore, there were specific reasons, such as specialist questions or staffing senior consultant positions. This is where the idea emerged of finding synergies and solutions for these and other issues within the company too.
Prof. Werner: The issue of integrating medical expertise in the Board of Management decisions of a hospital group has occupied the doctors' community of the UKGM (University Hospitals of Giessen and Marburg) since privatisation. Many aspects have to be taken into account here, from medical necessity to innovations and economic framework conditions. In the past this interaction was not always perfect so that it became obvious that this issue would have to be addressed after the restructuring of the Group. Now, after the transaction and the re-orientation, the desire of all clinics to start joint projects, carry out trials together and help each other advance medically was felt once again. The Medical Board emerged from this desire. Our positioning for this could not be better.

What's special about it?
Prof. Griewing: It's the composition of our company that no other hospital group can demonstrate. On the one side, we have the scientific expertise at the University Hospitals of Giessen and Marburg, for example. On the other side, there are highly specialised clinics at the other locations that offer well above average excellence in treatment. This combination is unique.
Prof. Werner: Other hospital groups make efforts to provide this through cooperation agreements, of course. In an integrated company including the third largest university hospital in Germany through to follow-up care facilities, as is the case with us, pathways are much shorter and cooperation tends to be more a matter of course. With about 5,000 beds and 16,000 employees we are also just about the right size on the one hand to achieve valid results in clinical trials, for example and on the other hand also to drive forward developments rapidly and allow our patients directly to benefit directly from the results of research.

What is the Medical Board all about specifically? Does it focus on current issues in the clinics or the major medical issues of the future?
Prof. Griewing: These cannot be separated from each other. For example, staffing a senior consultant's position is a practical issue. At the same time, securing young talent, education measures and further training are key issues we will face in the future. Whoever has the best doctors and the best staff in the medical sector provides the best medicine. We want to show that we claim to provide the best medicine. We therefore ensure that the university departments where expert deal with issues at the future at the cutting edge of medical science work closely together with other clinics that primarily stand for practical excellence. In the Medical Board we bring this expertise together at one table to develop new therapies and processes and integrate them in standard medical care.

Prof. Werner: What is unique here is that in our company there is not just one medic sitting on the Board of Management who decides on the suitability of supporting specific development issues. Instead, a body of various experienced doctors has been set up that brings together the expertise from the entire company. This also shows that it's not just about profit. It's much more about achieving a balance between medical necessities, innovation and what is economically possible. This is what the Medical Board stands for.

Has the Medical Board already had any success with this claim?
Prof. Werner: The Board of Management has provided around € 4 million for 2015 for a funding pool. This will be used to work on the key focal points of innovation and excellence in treatment. This investment and the projects it is supporting are the best proof of how the strategic focus on innovation and excellence in treatment is being implemented.

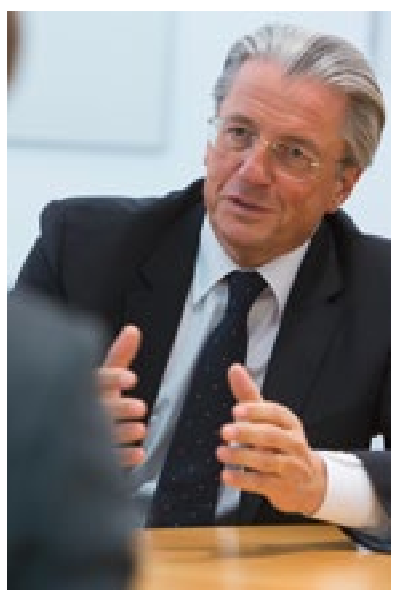
What is being supported specifically?
Prof. Werner: In the medium-term, funds are going to the two fields of innovation and excellence in treatment. We issued invitations to tender for this money within the Group last year and experienced great enthusiasm at all locations. There was a wealth of applications for the projects and a real spirit of optimism spread. Then a body of experts, which included internationally recognised assessors, evaluated the projects submitted. We in the Medical Board supervised the entire process. We paid very close attention to avoiding projects just for university institutions on the one hand and specialist clinics on

How the Medical Board works

The Medical Board, which consists of seven experts, meets every two months at each of our respective clinic locations. A telephone conference with the Group Head of the Medical Division takes place every Monday, in which current relevant issues are discussed. In addition the Board is in regular contact with the senior consultants of the clinics and with the Chairs of the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG. Expert panels have also been set up to deal with specialist are such as cardiology, oncology and hygiene. These deal with issues raised in the clinics and work on them on a cross-clinic basis. The projects of the funding pools for innovation and excellence in treatment form a further focal point for the work of the Medical Board. The composition of the Board is discussed every two years. Medical Board depending on the current issues being discussed. New experts can then be appointed to the Medical Board.

the other. Instead, we aimed at dealing with issues which we can process throughout the corporate group. The selection process was concluded in 2014 and the project teams started their work in spring 2015.
Prof. Griewing: In doing so we have, like other industrial companies too or those providing services benefitting form periods of practical training, established a veritable development department. It brings the cleverest people in the company together and occupies itself with the further development of medical care following trends and issues for the future.

Can you name some examples of specific projects?
Prof. Griewing: One example in the field of excellence in treatment concerns supervising the entire outpatient / inpatient treatment process of patients with cardiac arrhythmia by way of telemedicine. Here we look into the issue of how we can use telemedical solutions to intelligently look after patients who have been fitted with heart pacemakers after they leave hospital. Other projects are concerned with current hygiene procedures or issues relating to patient safety that we want to establish across all locations.



No future without young talent

Young talent in medicine places a high demand on the need for education measures and further training, demands the Medical Board wants to meet with new offerings. Concepts are currently being prepared that make education measures and further training possible on a rotational basis across the individual locations, making it possible for young talent to take advantage of temporary stays at several clinics. An orthopaedic surgeon from Marburg can also benefit from the special expertise in hand surgery in Bad Neustadt, for example. Moreover, a scholarship programme is dedicated to securing young talent in the form of foreign doctors. This concept was originally developed in Bad Neustadt and provides doctors with support from language teachers and lets them become acquainted with the medical culture in Germany. It is now intended to extend the idea to nursing.

Prof. Werner: On the research side one large issue is, for example, personalised cancer therapy. No tumour is the same as another. The more precisely you can classify it, the more precisely you can assess whether a certain antibody can be used in treatment or not. But this only works if you analyse a large number of patients and collate the data. The clinic in Bad Berka and the Anneliese Pohl Cancer Centre at the UKGM in Marburg work closely together here, for example. The focus is on neuroendocrine tumours and also pancreatic cancer.

In the founding statutes of the Medical Board you prioritised six subject areas. Will the funding pool now be active in all the subject areas?
Prof. Griewing: The first subject area is Pre-Clinical Disease Models, where we want to bring basic university research together with the patient pool from the clinics. This is being actively implemented in many projects.
Prof. Werner: In the second field, Clinical Trials, we are strengthening existing structures (Coordination Centre for Clinical Trials at the Philipps-Universität Marburg), to initially create the organisational conditions to be able to initiate and carry out clinical trials in the Group.

Care Research is the third subject...
Prof. Griewing: ...with which we come to the keyword network medicine. After all, with our clinics we cover all large relevant illnesses. With the network medicine approach we now want to overcome the existing boundaries between inpatient and outpatient care, or between prevention and follow-up care. Our aim is to create patient-oriented care models that apply across all phases of a disease and involve external cooperation partners. This is the basic concept we are pursuing with our partners both regionally and nationally. Thought through to the end this also means, of course, securing the refinancing of such care processes by presenting valid cost models to the statutory health insurers.
Prof. Werner: Our fourth subject in network medicine also plays a role, namely second opinion services. This concerns patient safety and the quality of treatment. Both are important, not only to patients but also to doctors who can obtian a second opinion from their colleagues in the company. And we organise this through the Medical Board, just as we do our fifth subject area, Best Practice / Clinical Processes. Here too it's all about bringing expertise together and sharing knowledge. We have brought expert panels into being on key subjects such as cardiology, oncology and anaesthetics. These experts regularly explore current issues from the clinics.
Prof. Griewing: This exchange of knowledge is also helping us in rebuilding our hospital campus in Bad Neustadt. If, for example, the organisation of the accident and emergency department in Frankfurt an der Oder has won many awards, we want to use this experience for ourselves in Bad Neustadt, of course. The Medical Board is a strong catalyst for this transfer of knowledge.

Lastly, the subject area of Quality. What does this mean specifically?
Prof. Griewing: That is precisely the central question. We are currently looking at the most varied approaches and opinions of what is required from medicine in terms of quality in the long term. We are collecting the approaches and experiences in the company to help shape the answer to this future-based issue. Signals from politicians are indicating a change in the financing of services, where quality will have a direct effect.

Taking all the subjects together you have given yourselves a tall order.
Prof. Werner: That's true, but we are now in an excellent position to work on all these key issues, from basic research through to clinical application on site. I don't know of any other hospital group that organises focussed medical expertise and includes internationally recognised academic medicine in the Board of Management as comprehensively as us.

The interview was conducted by the journalist Lutz Zimmermann

Research as the Key

"RHÖN-KLINIKUM AG and the work we do with patients is based particularly on the fact that we work very closely together and in an interdisciplinary manner. With the Medical Board we now clearly focus on medical expertise and excellence in healthcare. For me it is crucial that we also make the most of applying our research expertise at the non-academic locations and make even better use of the group structure for future education and training. Research is the key to success. In this way knowledge of the genetic basis of diseases, for example, can give us indications regarding causal relationships, which can then be used for rational and more effective treatment. Therefore the scientific committee of internal and external experts, which we at the Medical Board have chosen to back, is of particular importance for medical progress. Personalised healthcare and fine-tuned, precise treatment especially in tumour therapy are also particularly close to my heart. Here we can achieve a lot with local doctors practising in the region, thanks to new imaging procedures and even better digital networking, for example. Digital media, big data as well as biotechnology and tissue databases open up entirely new possibilities in medicine today. A key success factor for the work of the Medical Board will be that we fully support the science in our Group clinics, promote specialists and also integrate nursing in our projects. One thing is clear: in all our activities the focus must be on the patient, and not only or primarily on economic gain."

Prof. Dr. med. Richard P. Baum

Head of the Clinic for Molecular Radiotherapy / Centre for Molecular Imaging

Zentralklinik Bad Berka

The nuclear medical specialist
Prof. Dr. med Richard P. Baum, who was born in Pirmasens in 1954, studied medicine at the University of Mainz. Since 1997 he has been a senior consultant at the Clinic for Molecular Radiotherapy at Zentralklinik Bad Berka. He is one of the pioneers behind the application of radiotherapy (isotope-labelled peptides and antibodies) in nuclear medicine and has played a key role in developing and researching different forms of treatment to which his election to the post of President of the international "World Association of Radiopharmaceutical and Molecular Therapy" (WARMTH) bears testament. Prof. Baum is also a visiting professor at universities in China (Xi'an and Nanjing) as well as in Belgrade. In addition to numerous, predominantly international prizes, Prof. Baum was awarded the GLORINeT prize from the self-help organisation Network for Neuro-Endocrine Tumours (NET) in 2014 which is awarded for outstanding services contributing to the well-being of patients with neuro-endocrine tumours (one of the focal points of the ENETS Center of Excellence at Zentralklinik Bad Berka).

The neurosurgeon
Dr. med. Thomas Funk was born in Limburg a. d. Lahn in 1959. After studying medicine, he began his career in neurology at the state psychiatric hospital of Spandau / Berlin in 1985. From 1986 to 1999 he worked in the neurosurgery clinic of the "Benjamin Franklin" University Hospital in Berlin, where he became deputy director in 1993. Since 1999 Funk has been the senior consultant at the Clinic for Neurosurgery in Frankfurt (Oder). In 2005 he was also appointed as Medical Director of the Klinikum Frankfurt (Oder).

Dr. med. Thomas Funk

Medical Director and Senior Consultant in the Department of Neurosurgery

Klinikum Frankfurt (Oder)

Open Communication

"In the group of RHÖN clinics medical care has a sovereign status, and medical staff and economists meet as equal partners. I value this very much. For me it is especially important that we use the Medical Board to strengthen networking of networks within our Group. This gives us the opportunity to extend our medical expertise while achieving economic benefits. Second opinion services, the development of our staff through regularly exchanging information and knowledge, but also consultation and advice amongst colleagues can only bring us forward. The same is true for research studies where several clinics are involved. This has special significance for my field of expertise, namely neurosurgery. To understand how malignant brain tumours arise, we need to deal with molecular genetics. Many years of basic research are still needed for this. In addition, we will also need to network with competent partners outside our group so that we can develop new healing methods one day. The release of funds to support research, the excellence in treatment and the group medicine in the RHÖN-KLINIKUM Group are already exemplary in terms of the objectives of the Medical Board. It is crucial that we – the medical staff and the board of management – openly communicate with each other. Only then can the economy develop an understanding of medicine and vice versa. If we continue to succeed in this, we will be well on the way to occupying a leading role in innovative projects and cutting-edge medicine at the highest level."

Seeing the Big Picture

"The ageing of society is associated with an increase in diseases for which we need specialists in medicine. These include joint and spinal disorders as well as dementia, for example. In addition, more and more people in Germany are suffering from heart arrhythmias which are still being treated inadequately. As a member of the Medical Board, I will work to ensure that cardiology, neurology, orthopaedics and cardiac surgery find common solutions to support such patients optimally. The very good and collegial collaboration between different disciplines within RHÖN-KLINIKUM AG is certainly one of the strengths that we should draw on even more in the future. Key factors for the success of the Medical Board will be openness and creative thinking, also in relation to new approaches. In addition the ability to see the big picture is essential. Instead of just focusing on their own small area, everyone should work towards cooperating in an interdisciplinary manner and especially establishing future prospects for younger colleagues. For the Group's five clinics it will be extremely important to achieve a strategic direction and focus of effort as well as the appropriate allocation of resources. The clinical expertise which RHÖN-KLINIKUM AG has in plenty is crucial for these key strategic decisions."

The specialist for cardiac arrhythmias
Prof. Dr. med. J. Christoph Geller was born in Bonn in 1959. He studied medicine at the university of his native city and at the University of Basel. After his sub-specialisation training in cardiac electrophysiology which he undertook in the USA, he was a consultant at the Clinic for Cardiology at the University of Magdeburg from 1995. Since 2004 he has been the senior consultant at the Department of Rhythmology and Invasive Electrophysiology at the Zentralklinik Bad Berka. He has also been an adjunct professor at the University of Magdeburg since 2007. He specialises in the field of cardiac arrhythmias.

Prof. Dr. med. Johann-Christoph Geller

Senior Consultant at the Department of Rhythmology and Invasive Electrophysiology

Zentralklinik Bad Berka

Prof. Dr. med. Bernd Griewing

Medical Director and Senior Consultant in the
Neurology Department, Stroke Unit, Neurological Intensive Care

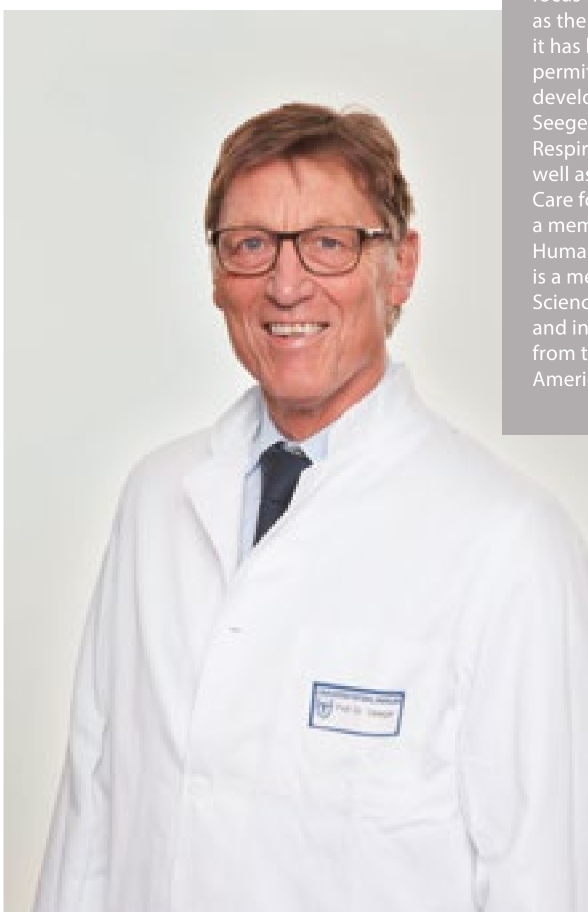
Neurological Clinic at the RHÖN-KLINIKUM Campus in
Bad Neustadt a. d. Saale

On Equal Terms

"In today's medicine we need innovations which set us apart from the competition and provide real benefits for patient care. Such innovations will only succeed if medicine and economics work together as equals – a key function of the Medical Board. In the neurological clinic in Bad Neustadt, we have, for example, been developing for several years now integrative care processes for major illnesses, such as stroke, multiple sclerosis and Parkinson's disease. We wish to promote such processes for both inpatients and outpatients and also in the acute medical and rehabilitation areas. We specifically search for innovations for communicative and technological assistance so that as many sick people as possible across the board have access to our solutions. It is very exciting to see how medical professionals, technicians and representatives of health economics cooperate here with each other. In general neurology is, for me, one of the key medical specialities of the modern era. Today we have fascinating new diagnostic methods and scientific knowledge. Diseases of the blood vessels in the brain, Parkinson's syndrome, dementia, epilepsy and chronic inflammations are increasing in Germany as part of demographic trends. These are enormous challenges for medicine and healthcare systems. The structure of RHÖN-KLINIKUM AG gives us a unique position that we should use to overcome these challenges. We combine clinical centres of excellence in pracitcal treatment and active academic research facilities under one roof. The main task of the Medical Board will be to bring together, coordinate and support the respective special competencies."

The stroke expert
Prof. Dr. med. Bernd Griewing was born in Siegen in 1961 and studied human medicine at the Westphalian Wilhelms University in Munster. After working as a senior physician at the Neurological University Hospitals in Marburg and Greifswald, he joined the Neurological Clinic in Bad Neustadt an der Saale as a chief physician in 1998. He has also worked here as the Medical Director since 2000. Prof. Dr. med. Griewing has received many awards for his involvement in the treatment of stroke patients, particularly for his "Stroke Angel Initiative".

The lung specialist
Werner Seeger is Professor of Internal Medicine at the Justus-Liebig University in Giessen and Director at the Max-Planck Institute for Heart and Lung Research in Bad Nauheim. He is Chairman of the Lung Center at the Universities of Giessen and Marburg (UGMLC), the Excellence Cluster Cardio-Pulmonary System (ECCPS), the German Centre for Lung Research (DZL). His research activities focus on acute and chronic lung diseases as well as the interaction of the heart and lungs whereby it has been possible to obtain an international permit for serveral new therapy approaches developed at the Lung Center he runs. Professor Seeger was President of the German Society for Respiratory, the German Society for Medicine as well as the German Society for Internal Intensive Care for internal medicine. For many years he was a member of the German Council of Science and Humanities and the Health Research Council and is a member of the German National Academy of Sciences Leopoldina. He has won several national and international prizes including leading awards from the European Respiratory Society and the American Colleges fo Cardiology.



Prof. Dr. med. Werner Seeger

Medical Director and Vice Chairman of the Board of Management as well as Director of the Medical Clinic and Outpatient Department II – Pneumology, Infectious Diseases, Gastroenterology, Nephrology and Intensive Care for Internal Medicine

University Hospital in Giessen and Marburg

Promoting Promise

"By establishing the Medical Board Rhön-Klinikum AG proved its willingness to be open to innovative future-based concepts relating to cutting-edge medical care. What providing cutting-edge medical care means today, and this will apply much more in the future, is integrating the latest scientific expertise in treatment programmes. To this end a direct link to research is of decisive importance which is what the recently-restructured Rhön-Klinikum AG is all about. It is the only privatised German group of hospitals which also has sites devoted to academic medicine, i.e. university hospitals. Access to the latest scientific knowledge does not simply mean implementing the latest guidelines but having access to the appropriate clinical studies far in advance of this is increasingly becoming a marketing tool argument for informed patients. This is precisely what I see my role in the Medical Board as being – accentuating this distinguishing feature of RHÖN-KLINIKUM AG by supervising expert opinions and allocating additional funds for research opinions."

Dr. med. Holger Thiemann MBA

Head of the Group Medicine Division Bad Neustadt a. d. Saale

RHÖN-KLINIKUM AG

The doctor and manager
Dr. med. Holger Thiemann, born in Lubeck in 1961, studied medicine in Marburg and has also completed an international MBA programme. In the 1990s he first built a training company for doctors before holding executive positions in several clinics. In 2012 he joined the University Hospital of Marburg as Commercial Director. Since 2014 Dr. med. Thiemann has headed the Group Medicine Division of RHÖN-KLINIKUM AG. He is also a lecturer at the Mittelhessen University of Applied Sciences.

Effective patient care

"How will medical advances be available to everyone? How can large-scale medical care be achieved? For me, these are central questions affecting the future of medicine in Germany. The Medical Board can make a key contribution towards finding answers to these questions. We will consistently pursue and implement the reorientation of the Group towards excellence in treatment and innovative medicine. This requires a body with great clinical and scientific expertise in order to evaluate developments. In addition the linking of remuneration to the quality of care and hospital planning, which is being planned by politicians, is a further challenge. We focus on addressing the question of how innovative medicine can be managed and how adequate compensation for this can be ensured. We have already achieved a lot in recent months. We have set the direction for quality assurance and patient safety, established panels of experts and defined how the Medical Board and the Group Medicine Division should work together as a joint force. The research project on patient safety, for example, is already a step in the right direction. Based on this we can now develop new strategies to prevent errors. For me other milestones are our Centre for Unidentified Diseases, the Marburg Ion-Beam Therapy Centre for improved oncological care and our research concept for hospital hygiene, which focuses on multi-resistant bacteria. I am convinced that if the Board of Management, doctors and nurses pull together to improve patient care, we will achieve our goals.

The expert for the head and neck area
Prof. Dr. med. Jochen A. Werner, born in Flensburg in 1958, began his career after completing his medical studies at Kiel University Hospital for Ear, Nose and Throat Medicine, where he worked as a senior consultant from 1995. In 1998 he took on a professorship for ear, nose and throat medicine at the Philipps University in Marburg. He has worked as the Medical Director at the University Hospital of Giessen and Marburg since 2011. He specialises in tumours of the blood vessels and malformations of lymphatic and blood vessels in the head and neck area. Prof. Dr. med. Werner has received various scientific awards and is a member of numerous international bodies.

Prof. Dr. med. Jochen A. Werner

Medical Managing Director at the Marburg site and Medical Director of the Oto-Rhino-Laryngology Clinic

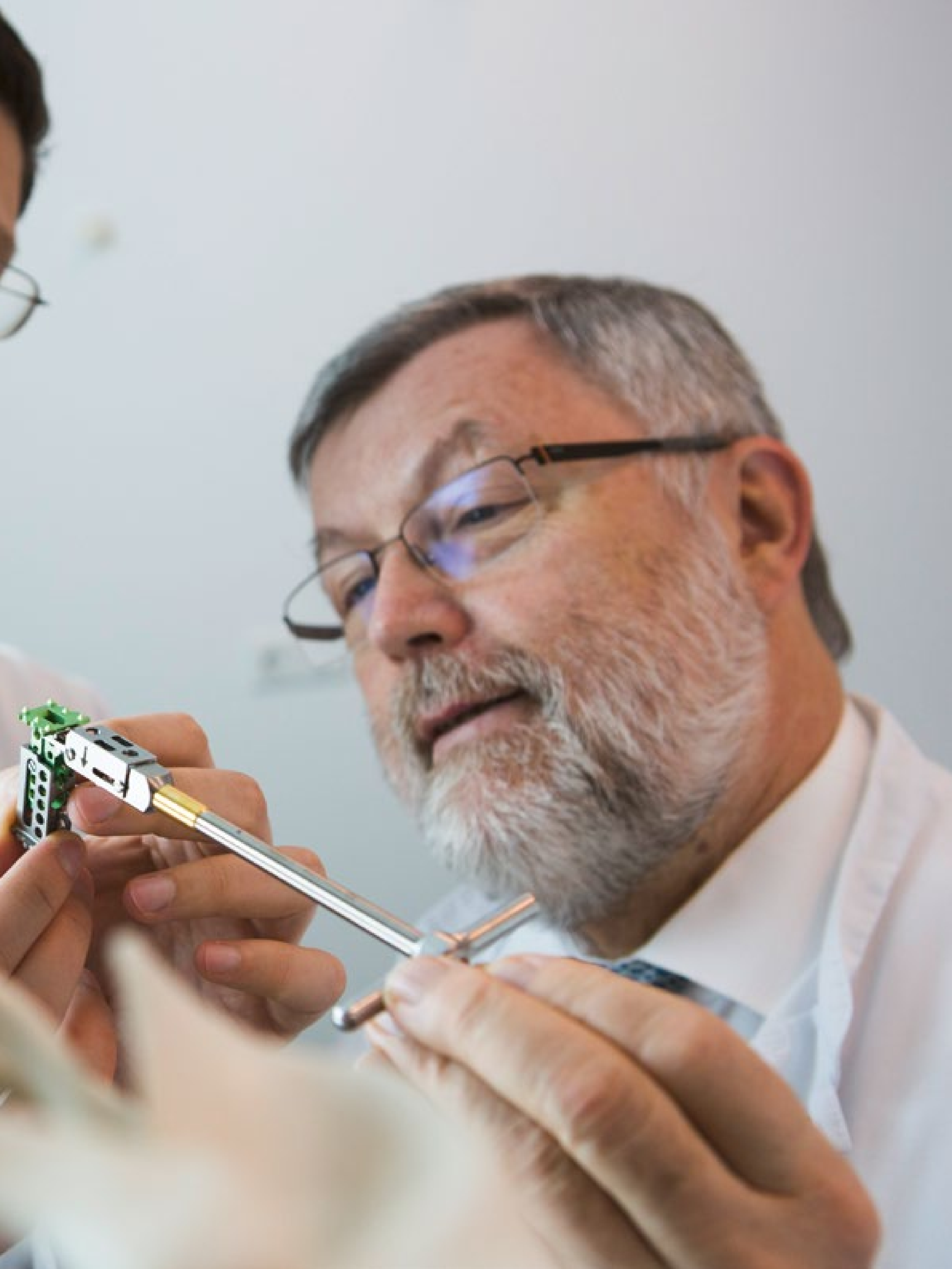
University Hospital in Giessen and Marburg

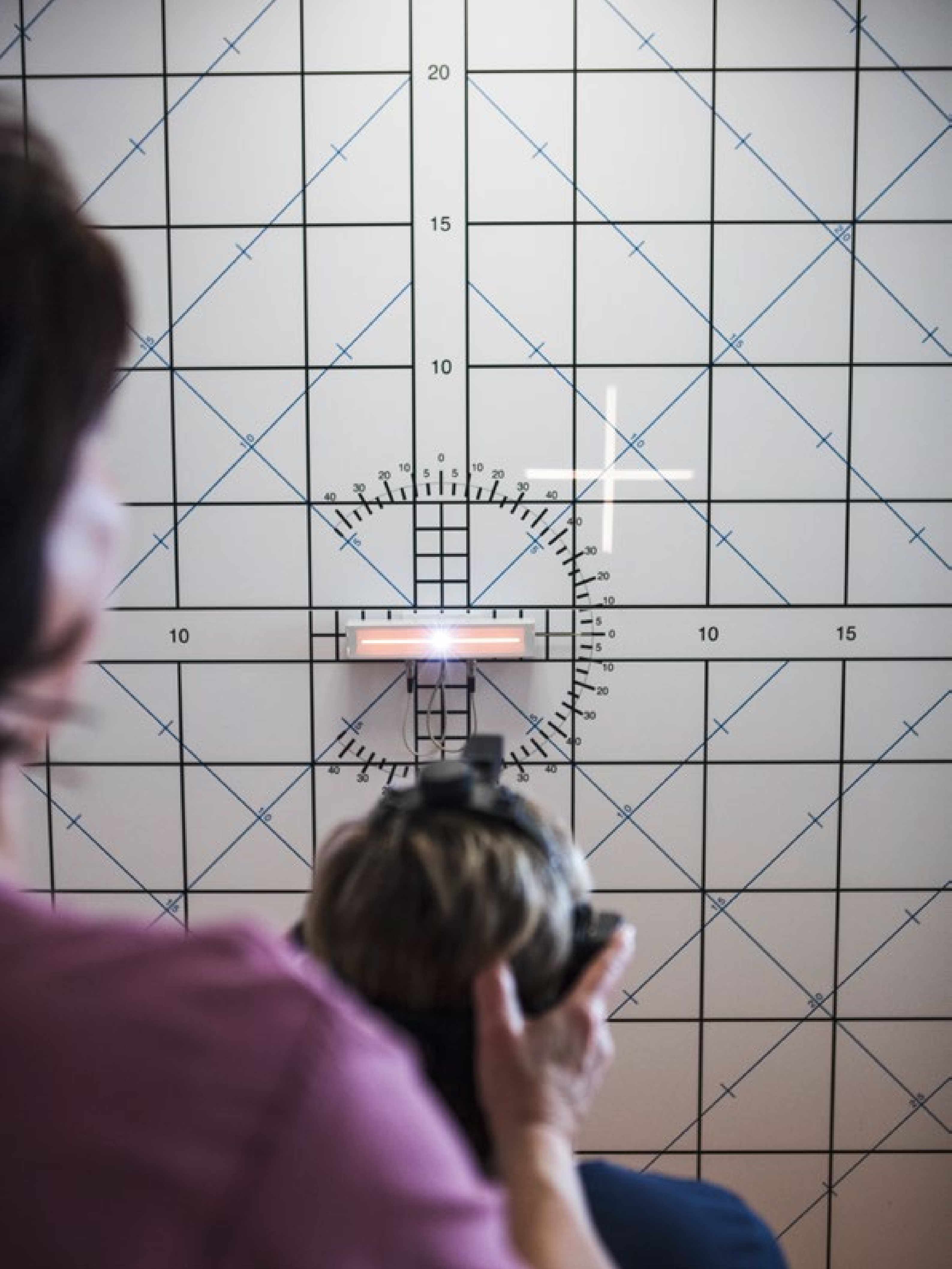
Progress through Cooperation

"The Medical Board is the direct interface between doctors and nurses and the Group Board of Management. We want to be drivers of process optimisation, quality of care and patient safety. Furthermore the Medical Board is a platform that brings together academic and non-academic medicine. I am heavily involved in this area which addresses cooperation with other hospitals and large medical practices for example in order to integrate the latest developments and findings into the Group. One of our projects is therefore the consistent development of a biobank here in Marburg which will be used throughout the Group. In a biobank biological samples are stored together with the medical history of the patient. This wealth of data allows us to compare the progression of diseases in order to develop better treatment and more effective prevention. Overall I value the opportunity to participate in the restructuring process of the Marburg University Hospital. For us and the other Groups hospitals, being able to share the ideas of others is a major bonus. In my view all this will result in the long-term optimisation of the entire RHÖN Group."

Innovation

Innovative capacity and a pioneering spirit have been features of RHÖN-KLINIKUM AG since its foundation. The power, vision and courage to constantly reinvent itself and its strategy are more important than ever today and will remain so in future in light of turbulent times in a constantly changing, regulated market.

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GROUP MANAGEMENT REPORT 2014

- In financial year 2014 RHÖN-KLINIKUM AG sold a portfolio of 43 hospitals, medical care centres and other related investments to HELIOS Kliniken GmbH and Fresenius SE & Co. KGaA, as well as to third parties. The sites in Bad Neustadt a. d. Saale, Bad Berka, Frankfurt (Oder) and the University Hospital Giessen and Marburg are not part of the deal. With these five sites RHÖN-KLINIKUM AG is a new, highly-specialised hospital portfolio which focuses on innovation and excellence in treatment. We earned a profit of € 1,347.3 million from the sale in financial year 2014.

- With the share repurchase in the fourth quarter 64,750,140 fully paid shares were redeemed, contributing a total of € 161,875,350.00 to the share capital. The share capital of RHÖN-KLINIKUM AG of € 345,580,000.00 was hereby reduced by a total of € 161,875,350.00 to € 183,704,650.00 by means of the simplified redemption pursuant to clause 237, para. 3, no. 2, para. 4 and 5 of the AktG (German Stock Corporation Act).

- In financial year 2014 we generated revenues of € 1,510.5 million (previous year: € 3,013.8 million), EBITDA amounting to € 1,413.6 million (previous year: € 275.4 million) influenced by the sale of companies, and resulting net consolidate profit of € 1,227.9 million (previous year: € 90.0 million).

- In 2014 the contracts and agreements for operating the particle therapy centre at the University Hospital Marburg site were signed. In future the particle therapy facility will be run by a company held by both RHÖN-KLINIKUM AG and the University Hospital Heidelberg – "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft" (Marburg ion beam therapy operating company).

1 BASIC CHARACTERISTICS OF THE RHÖN-KLINIKUM GROUP

1.1 OVERVIEW

The Group is generally organised on one tier. The individual hospital companies are legally independent corporations that have their headquarters at the respective place of operations and are managed as direct subsidiaries of RHÖN-KLINIKUM AG (Group holding company). The Group holding company is headquartered in Bad Neustadt a. d. Saale.

	2014	2013	Change
	€ m	€ m	%
Revenues	1,510.5	3,013.8	-49.9%
EBITDA	1,413.6	275.4	no data
EBIT	1,330.9	155.7	no data
EBT	1,248.5	117.7	no data
Operating cash flow	1,310.3	211.0	no data
Consolidated profit	1,227.9	90.0	no data
Balance sheet total	1,804.3	3,098.2	-41.8%
Investments	78.5	177.4	-55.7%
Equity	1,248.9	1,666.7	-25.1%
Net financial debt	0.0	730.6	-100.0%

Due to the sale of hospitals, medical care centres and other related investments, along with earnings of € 1,347.3 million from the sale, we have reported an increase of € 1,138.2 million in the EBITDA, an increase of € 1,175.2 million in the EBIT and an increase of € 1,137.9 million in consolidated profit. As a result of the significantly changed corporate structure and reduced business volume, only limited comparisons with the previous year can be made. While the majority of the sold companies were reported in the consolidated financial statements for financial year 2014 with two months of business activity, the HSK Group is reported with five months of business activity, the hospital in Cuxhaven with seven months of business activity, and the hospitals in Boizenburg and Waltershausen-Friedrichroda with ten and eleven months business activity respectively.

As at 31 December 2014 we included in our consolidated financial statements ten hospitals with 5,227 beds / places at five locations. In financial year 2014 we treated 1,222,846 patients in our hospitals (previous year: 2,654,249). The reason for the decline of 1,431,403 patients or 53.9 % is primarily the sale of companies. At the balance sheet date we had 15,602 employees; the proportion of women continues to be around 75 %.

The operating cash flow, calculated from the net consolidated profit plus depreciation / amortisation and less / plus other non-operating issues (net gains and losses on the disposal of assets, expenses from fair value derivatives), increased compared to the same period last year, primarily due to the sale of companies, by € 1,099.3 million to € 1,310.3 million (previous year: € 211.0 million). Total investments amounted to € 78.5 million (previous year: € 177.4 million).

Our equity decreased due to the share repurchase and the associated capital reduction by € 417.8 million to € 1,248.9 million (previous year: € 1,666.7 million). Since the last reporting date, the equity ratio has increased from 53.8 % to 69.2 %. This was due to the outflow of funds from the share repurchase and the reduction of capital in financial year 2014. Due to the receipt of payment from the sale of companies as well as the repayment of financial debt, net financial debt returned to € 0.0 million since the last reporting date.

1.2 FUTURE OF THE GROUP

Following the now completed sale of a total of 43 hospitals, medical care centres and other related investments, the changes that began in 2013 could be continued during financial year 2014. Our facilities, now consisting of ten excellent hospitals at five locations, are characterised by the close integration of patient care, research and teaching, and also high-medical and nursing quality.

With a strong focus on cutting-edge medicine, the claim and reality of diagnosing and treating our patients using the latest scientifically-based therapies and state-of-the-art medical technology are combined. The "Medical Board" was appointed in financial year 2014. It brings together first-class doctors from all locations and works closely with the Group Medicine Division. Its main role is to further develop and implement the medical strategy of RHÖN-KLINIKUM AG, and to synchronise it with the corporate goals.

The establishment of our Particle Therapy Centre at the Marburg University Hospital is a beacon of innovative, cutting-edge medicine. This technology makes it possible to accurately align protons and carbon ions against certain types of tumour by means of high-energy acceleration, and to thus carry out radiotherapy with virtually no side effects on areas of disease that were previously inoperable and partially not suitable for radiotherapy. Preparations are underway for early commissioning. We assume, if the project runs to schedule, that the first patients can be treated at this world-class institution towards the end of financial year 2015.

Incidentally, the completely new construction and renovation of our hospitals at the Bad Neustadt a. d. Saale site started at the end of financial year 2014. Furthermore, development of the target network association with the participation of the key network partners Helios and Asklepios made significant progress. In the medium term, the network will be expanded to a nationwide affiliation of qualified providers who offer the insured patients additional out-patient and in-patient services as part of additional employer-sponsored insurance cover. It is assumed that the network partnership will give significant additional impetus to the economic development of RHÖN-KLINIKUM AG. Our self-image continues to be shaped by the maxim that we should be offering our patients affordable, high-quality medical care.

Corporate model

The RHÖN-KLINIKUM Group follows a clear model: our aim is to achieve responsible and sustainable corporate governance. In our view, the healthcare in our facilities must be both high-quality and efficient. We are convinced that economic success and high quality standards are interdependent. In the interests of our patients, we therefore attach utmost importance to freedom of choice in medical treatment, make ongoing investments in medical progress and continually improve our internal processes and structures.

Our corporate model provides the framework for the overall body of rules governing compliance according to which RHÖN-KLINIKUM AG is managed and controlled in accordance with the legal framework. We also ensure that the Group acts in an ethically sound manner through our corporate governance regulations, which are likewise derived from the corporate model.

Our internal opportunities and risk management system ensures that we are able to take up and manage special challenges at an early stage. We ensure the best possible quality of treatment for our patients through rigorous quality management. Compliance, corporate governance, opportunities and risk management as well as quality management are thus the four main instruments that we use to breathe life into the aspiration of our corporate model. They make a major contribution to cementing investors' trust in our company. In so doing, they provide the basis for our ability to continue to increase and sustainably enhance the value of RHÖN-KLINIKUM AG.

Corporate social responsibility

RHÖN-KLINIKUM AG's entrepreneurial activities are geared to long-term commitment and sustainable value-added. These principles guide us not only in our role as a provider of healthcare services but also as an employer and a listed company.

To create sustainable value, we not only focus on continuous growth and economic progress, but also take our ecological and social responsibility seriously. We are aware of the fact that successful healthcare is especially dependent on wholesome environmental and living conditions. It is all the more important to us to maintain balanced and fair relationships with our employees.

Fostering welfare in society

For us, caring for people's health means assuming social responsibility. Health is each individual's greatest gift, having a decisive role in determining quality of life. That is why we are committed to affordable and top-quality healthcare for broad sections of the population. We want to help to ensure that the German healthcare system remains effective and socially balanced in future. In our view, economic efficiency and innovation are indispensable for this.

We therefore attach great importance to stream-lined, efficient structures in our hospitals. They assist us in continuing to improve care for our patients, while also increasing the productivity of our hospitals. Forging ahead with medical innovations is equally important to us. We want as many people as possible to share in these advances and our patients to benefit directly from the successes of modern medical research. We are doing what we can to achieve this at a local level in individual hospitals, promoting an exchange between our centres of excellence. Furthermore, we are co-operating with external research and development partners to further develop cutting-edge medical services and to find innovative solutions for the benefit of our patients.

Protecting the environment

We see the responsible use of natural resources and protection of the environment as an obligation that results directly from our entrepreneurial activities. People's health and well-being flourish only under sound environmental conditions. By protecting the environment, we are thereby making a direct contribution to the well-being of our patients, employees and partners in society.

We also regard energy and environmental management that puts efficiency and resource conservation centre-stage as being sensible from an economic point of view. Our particular focus is on sustainable energy management. We continually invest in innovative processes, both to generate energy and to reduce our consumption. Curbing the costs of energy consumption is also in line with our understanding of economically responsible corporate governance. We make sparing use of our resources to enable all the more funds to be available for affordable, high-quality medical care for as many people as possible.

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

Ensuring employee loyalty

The success of our Company would be inconceivable without the commitment of our staff. We therefore attach great importance to professional, long-term skills management and ongoing organisation of development. We promote both the professional qualification and the individual development and motivation of the people that are employed in our company.

The fast pace of advances in medicine and care and the constantly changing framework conditions nowadays present companies like RHÖN-KLINIKUM AG with the task of providing even experienced employees with recurring opportunities for further development. In addition to professional qualifications, the individual development of each employee in both professional and private respects is important to us. Internal training and further education of specialist and management staff, individual career development as well as a wide range of higher-qualification offerings therefore play an important role in our qualification strategy.

A key element of the strategy is the exchange of knowledge between the individual hospitals in our Group. The advanced and further training programmes offered by our facilities are organised on a local basis and enable our specialist and management staff to network with colleagues at other locations. In addition, we seek to achieve close integration between medicine and management.

As an attractive employer, we are also committed to enabling employees to strike a balance between their professional and private lives. In this regard, there is an ever-growing focus on individual provisions aimed at improving compatibility between career and family life. Our aim is to convince our staff through family-friendly working conditions, thus retaining them in the long term.

In addition to internal dialogue and exchange of knowledge, contact with university graduates and young professionals who are in the phase of professional orientation is also very important to us.

1.3 GOALS AND STRATEGIES

Since completing the sale of a total of 43 hospitals, medical care centres and other related investments, we have been continuing to focus on the further development of our strategy, which is based on an integrated healthcare company with focus on innovation and excellence in treatment.

For financial year 2015, we expect revenues in the range of € 1.08 billion and € 1.12 billion, as well as earnings before interest, taxes, depreciation and amortisation (EBITDA) in the range of € 145 million and € 155 million. We want to achieve these goals with around 15,500 employees and about 5,300 beds in ten hospitals at five sites. This means we will continue to be a major hospital operator in Germany in future.

With greater focus on cutting-edge medicine, RHÖN-KLINIKUM AG is following a path that is also taken in other sectors. The company is reducing diversity. Instead of being numerous in size, in the range of services and in the main areas of treatment of various hospitals, we are focusing more on full-service hospitals, where we can provide the best medical treatment and nursing care to our patients with serious or multiple conditions. The strategic goal of the company is to gain a stronger position, even if we also continue to provide "conventional" medical services for in-patient care.

Combined with the best-possible nursing and care, it is our goal to diagnose and treat our patients using the latest scientifically-based therapies and state-of-the-art medical technology.

We also appointed our "Medical Board" in 2014 against this background. It brings together first-class doctors from all locations of our company. Its main role is to further develop and implement the medical strategy of RHÖN-KLINIKUM AG, and to synchronise it with the corporate goals. The Medical Board advises and supports the Board of Management and the management teams of our clinics in the evaluation and practical implementation of medical innovations, new therapies and the installation of complex medical technology.

The establishment of our Particle Therapy Centre in conjunction with the University Hospital Heidelberg in Marburg is an example of innovation. This technology makes it possible to accurately align protons and carbon ions against certain types of tumour by means of high-energy acceleration, and to thus carry out radiotherapy with virtually no side effects on areas of disease that were previously inoperable and partially not suitable for radiotherapy. Preparations are underway for early commissioning. We assume, if the project progresses as expected, that the first patients can be treated at this world-class facility towards the end of financial year 2015.

Furthermore, we started with the completely new construction and renovation of our hospitals at the Bad Neustadt a. d. Saale site at the end of financial year 2014. Until 2018, we will invest a total of around € 180 million in the project at our company headquarters. In the course of the implementation, the RHÖN Campus in Bad Neustadt a. d. Saale will not only satisfy requirements through its age-appropriate, regionally adjusted, nationally-oriented and wider sectoral patient care, but also through its sophisticated hospital architecture, its modern medical and nursing organisation and logistics, as well as in terms of the solutions for internal networking.

The concept of network medicine will also be part of our strategic reorientation. In financial year 2014, further development of the target network association with the participation of the key network partners Helios and Asklepios made significant progress. The network was created under the name "Wir für Gesundheit" ("We stand for Health") and expansion of distribution channels is forging ahead. In the medium term, the network will be expanded to a nationwide affiliation of qualified providers who offer the insured patients additional out-patient and in-patient services as part of additional employer-sponsored insurance cover.

Patient well-being – the ethical foundation for our actions and also the basis for our economic success – will continue as the proviso. All patients who come to us can be sure that they will receive the best treatment at all times.

1.4 CONTROL SYSTEM

For our company, we have developed a target system that we believe enables us to continuously outperform the market and our competitors. The target system defines parameters that are relevant for management, such as revenues and EBITDA, as well as indicators for the growth of the services and the consolidated profit.

To increase our shareholder value, we believe that profitable growth of our services, our case numbers and our valuation ratios, as well as our revenues, are important factors.

The valuation ratios are indicators for the billing of medical services in hospitals. The valuation ratio is obtained for each group of patient cases (diagnosis related groups – DRG) in combination with the case mix index (parameter for the average case severity). The valuation ratio is thus a measure of the severity of a medical case. Multiplying the valuation ratio with the base case value, we obtain the amount that a cost bearer (health insurance provider) needs to pay to a hospital for a case of treatment. For us, this performance indicator is meaningful for both the number of cases and for the assessment of quality.

We calculate our revenue growth as the growth rate of the revenues reported in the consolidated financial statements. For the purpose of measurement and control, the revenues are adjusted for the effects of consolidation in order to determine organic growth.

EBITDA describes our operating performance before depreciation and is an important control-related financial performance indicator. Our goal is to achieve EBITDA margins over the financial year which, in line with the orientation of the individual hospitals, are among the most attractive in the hospital market. These are defined as the ratio of EBITDA and revenues.

Furthermore, the consolidated profit after taxes is used for the purpose of measuring and managing earning capacity at Group level. This number has the most significant impact on the undiluted earnings per share that is used for communication with the capital markets.

The aim of management when dealing with equity and debt is the strict pursuit of matching maturities (horizontal balance sheet structure) of assets and liabilities. Long-term assets should be financed long-term. Long-term sources of funds include as shown in the balnce sheet, equity and long-term debt. This ratio should be at least 100 %. Although the Group with its personnel cost ratio of over 50 % is often assigned to the service sector, the business model has a long-term focus and is initially investment-driven. We want to keep investment costs at less than 35 % of equity in the long term.

When using borrowed capital, we are guided by the following control variables in order to minimise risk. The aim is to limit the ratios of net financial debt (this corresponds to financial debt less cash and cash equivalents) and EBITDA to a maximum of 3.5 times, and the ratio of EBITDA to net finance result to a minimum of 5.0 times.

As part of the liquidity management of our business operations, we analyse the turnover factors of the operating net working capital. In addition, we have established minimum requirements that must be considered in general before an acquisition is made. In particular, acquisitions must have the potential to make a positive contribution to corporate value within a period of at least three years following integration, and to generate a positive cash return of 15 % within three to five years following our investment and modernisation.

1.5 QUALITY

At all organisational levels of RHÖN-KLINIKUM AG, financial year 2014 was marked by the strategic reorientation of the company. This also applies to the Group Medicine Division, where we specified quality management measures in the individual areas of activity such as internal and external quality assurance, medical controlling, control mechanisms in hygiene management, and medical-strategic development. As in recent years, the quality of clinical care was thereby always in the foreground.

In order to not only ensure but also steadily increase the high quality of medical care, RHÖN-KLINIKUM AG has developed and expanded individual quality management procedures, alongside tools and analysis systems which have already been tried and tested.

One example of this is the comparison portal www.qualitaetskliniken.de. With the portal, RHÖN-KLINIKUM AG has been focusing on quality transparency and openness for several years now. Jointly developed, pioneering methods for the measurement and assessment of quality in several dimensions ensure that relevant developments can be detected and evaluated in a targeted manner. In May 2014, another dimension was added to the four dimensions of medical quality, patient safety, patient satisfaction and referral satisfaction, namely ethics and values.

In parallel to the broad representation of quality indicators in the 4QD portal, we have agreed with the partner clinics in the "Wir für Gesundheit" ("We stand for Health") hospital network to implement strict and measurable medical quality criteria in our clinics.

The objective of high medical quality standards in the partner clinics are based on results-oriented, reliable and meaningful quality measures. For this purpose, we use the "German Inpatient Quality Indicators" (G-IQI) method. This makes it possible to see the medical quality of performance in a simple manner. It uses metrics that are routinely documented for the invoicing of services. This data enables a meaningful and comparable measurement of quality that can be verified at any time.

More specifically, the indicators comprise, for example:

- Performance indicators such as the age and gender-standardised hospital mortality related to certain interventions or treatment.
- Process indicators such as the proportion of minimally invasive surgical techniques and quantity information.
- Indicators on the care situation such as the proportion of therapeutic interventions in all left cardiac catheter procedures or the proportion of stroke patients who were treated in a stroke unit.

With www.qualitaetskliniken.de, the patients have a tried and tested internet portal which gives them an objective comparison of individual facilities. The clinics also benefit from this system. They can derive the necessary quality improvements from the available data and implement them.

By using these methods for quality assurance and quality presentation, we go well beyond the current legal requirements. Together with our partners at www.qualitaetskliniken.de and "Wir für Gesundheit" ("We stand for Health"), we are setting the right focus in the interests of best medical care and maximum patient safety. Thus, we have focused on the wide collection of measures which will be implemented through the regional working group on hospital care reform. Here, the key features are quality premiums and discounts, minimum quantities, surgical checklists and second opinions. For us, there is no question that quality will play a greater role in the future of the remuneration of hospital services. Hospitals, politics and health insurance companies must work together to develop a framework and conditions for quality-oriented remuneration.

The continuous improvement of medical care is a constant challenge, which the Group also addresses in its expert panels. With the expert panels, wherein experts gather from all sites, we, supported by the Medical Board and the Group Medicine Division, encourage innovative ideas and improvement in the quality of care.

In this way, the expert panel identifies, for example, best practice approaches from routine data or considers critical treatment and diagnostic procedures of the specialist field. Other areas of focus are subject-specific advanced and further education and training, methodology in the use of medical devices, and all other activities related to the presentation, improvement and assurance of quality in medical care. The expert panels of RHÖN-KLINIKUM AG work in a problem-oriented manner and aim to understand quality as the theme of a lifelong learning and improvement process. Their primary purpose is, therefore, to improve the current provision of care through a cooperative, problem-based feedback system.

The field of medical controlling is the economic counterpart to quality management. Medical controllers are internal consultants to the medical and administrative areas. In operational medical controlling, coding specialists record and document the service for each individual patient, while others control the documentation. In this way, they provide the basis of correct service billing and a solid information base for the budget negotiations with cost units.

The changed structure of RHÖN-KLINIKUM AG which now has five sites offering full-service and specialised care also requires a new, appropriate form of group-wide hygiene management. Following detailed consultation, we have developed a mix of a centralised and decentralised organisation. Under coordination of the Group Medicine Division, two specialists were found within the Group division who are responsible for the specialist topics in the field of hospital hygiene which are relevant throughout the Group.

The organisation and employee training were further expanded in the area of antibiotic stewardships. Here, we want to tackle the growing development of resistance of hospital pathogens by optimising antibiotic therapy. In addition to better quality of care for patients, this can also achieve considerable cost savings.

In December, a study was launched which will standardise screening for multi-resistant organisms within the RHÖN-KLINIKUM AG sites in a scientifically-proven manner. The first results are expected mid-2015.

1.6 MEDICAL RESEARCH AND TRANSFER INTO PRACTICE

Our hospitals participate in the continuous transfer of knowledge from research into practice in order to introduce scientific knowledge faster, more effectively and in a more targeted manner to the practice of medical healthcare. After all, demographic change comes with a growing need for medical progress. As a result of the steady ageing of the population, the number of people suffering from diseases such as cancer, diabetes, cardiovascular, infectious, pulmonary and neuro-degenerative diseases is growing.

With a significant increase in the research budget in 2015, RHÖN-KLINIKUM AG is consciously strengthening its competitive position in treatment innovation and high-performance medicine. In the coming year, projects are to be financed with a total of around € 4 million, which will mainly deal with the subjects of "research and innovation" and "treatment in excellence and network medicine". The research and innovation program includes projects across all five company sites.

At our hospitals, we provide full-service high-performance medicine with direct access to research. The use of the latest medical technology based on an efficient transformation of current research findings into clinical practice is essential for this, as is the effective treatment and care of our patients. We assume that we can generate further competitive advantages from this research spending, and, therefore, also benefit significantly in terms of revenue and growth.

Overall, the company is financing 61 individual projects in the current year. One of the priorities is personalised medicine. This deals with tailored therapies that use modern methods of molecular genetics. One specific application, for example, is the exact specification and treatment of brain tumours. Projects within the framework of tele-medicine and e-health are also a priority. In future, implanted devices such as pacemakers and defibrillators, will send continuous data about complications or particular incidents to special centres. In this way, doctors will be able to give patients targeted treatment before serious complications occur. There will also be projects on organisational and logistical issues, such as improving the interlinking of in-patient treatment and home care.

In addition to our academic medical sites, numerous other Group hospitals engage in open scientific dialogue. This ranges from leadership at scientific conferences to participation in long-term clinical studies and promising international research projects through to the delivery of academic teaching, as well as the provision of specific training for hospital doctors.

We have started to construct a radiopharmacy at the Zentralklinik Bad Berka. This gives Thuringia the most modern facility of its kind in Germany. Here, we will be able to make a significant contribution to the provision of radiopharmaceuticals to clinics and practices. Using a cyclotron (circular accelerator), short-lived radionuclides are produced, which are processed to radiopharmaceuticals under clean room conditions. These are for in-house use in the Department of Molecular Radiotherapy / Centre for Molecular Imaging or they are distributed throughout Germany.

A PET / CT was put into service at the Frankfurt (Oder) Clinic. This modern device improves the diagnosis of cancer and combines the advantages of nuclear medicine with those of CT imaging.

The large university research priorities in Giessen are the heart-lung system and reproductive medicine; in Marburg it is oncology. Research on infection and immunity is carried out jointly between these two sites. To obtain a complete overview of the excellent research activities in Giessen and Marburg, we need to consider the centres and clusters on the one hand, and the special research areas, LOEWE projects (federal state offensive for the development of scientific and economic excellence) and clinical research groups on the other hand:

- The Comprehensive Cancer Centre (CCC) at the University Hospital Giessen and Marburg (UKGM) was certified in January 2014 as an overarching oncology centre of the Institute OnkoZert on behalf of the German Cancer Society.

- With the newly established "Marburg Cardiac Arrest Centre" (MCAC), the UKGM in Marburg takes over an important and pioneering role, nationally and internationally, in structured emergency care for people who have suffered a sudden cardiac arrest.

- The Centre for Undetected Diseases (ZUK) at the UKGM site in Marburg, which was founded in 2013, continues to experience strong demand. Through the publication of one of its cases, it achieved international interest and extensive media coverage.

- In the Clinic for Cardiology and Angiology at the UKGM site in Giessen, the latest generation of Europe’s first self-dissolving stents were used on cardiac patients. The close integration of science, research and patient care enabled the timely provision of innovative and improved methods to patients.

- A Shunt Centre was established at the UKGM site in Giessen. This new centre will further increase the importance of nephrology in conjunction with the collaborating dialysis centres.

These research projects are just a few of countless studies and research projects that are being conducted at the University Hospital Giessen and Marburg.

These measures and activities help us to make modern medical research readily available to treat and heal our patients even more effectively. More specific examples related to medical research and development at the RHÖN-KLINIKUM Group can be found in our annual report.

1.7 COMPLIANCE

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

This corporate principle has applied from the very beginning to the entire RHÖN-KLINIKUM Group, both in patient care and with regard to administration and management. This guideline serves as the basis of everything we do. It is an obligation which must be adhered to in all our decision-making processes. In order to achieve our corporate objectives, we adhere not only to statutory provisions but also to our own internal requirements. Our own regulations are based on even stricter ethical standards. They are to be found in the form of Group works agreements, guidelines and recommendations, which enable every employee to pursue our corporate objective in accordance with our values.

System of rules for everyone

To put this motto into practice in our day-to-day activities, we have created numerous interdepartmental instruments and possibilities. In the personnel area, measures have been taken to ensure that each employment contract, whether entered into individually or under collective employment law, makes reference to our guiding principle. The Quality Management department breathes life into our corporate principle, while the Compliance department supports all other departments in its implementation and enforcement.

Above and beyond the basic level of compliance required by law, a compliance management system is in place at each hospital site of the RHÖN-KLINIKUM Group to monitor compliance by Management through to each individual employee not only with this principle but also with statutory requirements in general as well as with codes of conduct. In this regard, we are not limited to internal structures alone. Our compliance management system also requires our business partners to adhere to the provisions.

Support in day-to-day activities

The Rules of Procedure for Compliance are binding across the Group and apply to each and every employee. Within the scope of these Rules, various hierarchies are entrusted with their own compliance duties and functions. These are primarily concerned with providing internal advice and information but also with implementing preventive and protective measures. Within the scope of their duties in relation to compliance, the corporate bodies of the individual subsidiaries are assisted by the compliance officers on site as well as by the Group-wide Head of Compliance and the Anti-Corruption and Audit Committees of the Supervisory Board. Given the high importance of this subject, the Supervisory Board Committee for Compliance and Communication meets on a regular basis. To ensure coordination between risk management, internal audit and compliance, there is also a Compliance Group, which meets on a regular basis.

Under constant adjustment

A compliance management system is not static. That is why we conduct a regular review, based on internal and external events, of how effective and up to date this system is, constantly adjusting our sets of rules. The aim is to prevent future compliance breaches by identifying and averting risks in a timely manner. The main measures consist in creating procedures that ensure rule-compliant work practices and informing employees about rules to be complied with. The Compliance department will also pay particular attention to corresponding training courses, in future. The information policy has very high priority at RHÖN-KLINIKUM AG, whether as part of internal higher-qualification measures or work in bodies, representing employees or trainees, for example.

1.8 CORPORATE GOVERNANCE

Issued share capital

Following the share repurchase programme that was conducted in the previous financial year, the issued share capital of RHÖN-KLINIKUM AG that is reported in the consolidated financial statements is completely attributable to 73,481,860 no-par bearer shares with voting rights having a nominal share of € 2.50 each in the share capital. Restrictions which affect voting rights or the transfer of shares – even if they can arise from shareholder agreements – do not exist or are not known to us. None of our shares are issued with special rights that confer their holders with special powers of control. Employees who hold shares exercise their voting right freely. Shareholders may exercise their voting rights at the Annual General Meeting in person or through appointed proxies. We have detailed the direct and indirect capital investments pursuant to § 21 et seq. WpHG in our notes.

Consolidated financial statements, communication with shareholders and analysts

The consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS) that are applicable in the European Union, with application of clause 315a of the German Commercial Code (HGB), and are audited in accordance with national and international auditing standards. On a voluntary basis, the mid-year financial statements are subjected to the same aforementioned principles of an audit review. When awarding the contract to auditing firms, attention is paid to the required independence of the auditors appointed. The audit contract for the annual and the mid-year financial statements of the Group, and for the audit of the parent company, is issued by the chairman of the audit committee, following due examination, according to the resolution adopted in the Annual General Meeting.

We publish our consolidated financial statements in April of the new financial year. The ordinary Annual General Meeting is usually held in the first six months of the following financial year. Our forecast for the financial year is announced in accordance with the requirements. Numerous meetings are held with analysts and investors. We report on the business performance four times a year in the context of conference calls with analysts. We inform our shareholders, shareholder associations, analysts and the media of all other important recurring dates through our financial calendar, which is published in the annual report and on our homepage.

Corporate bodies

The management board and supervisory board are constituted under German stock corporation law. In accordance with this, the management board manages the company and its operations; the supervisory board advises the management board and monitors its management. The appointment and dismissal of members of the supervisory board and management board comply with the provisions of stock corporation law (supervisory board: clause 101 et seq. AktG; management board: clause 84 AktG) and the provisions of the German Co-Determination Act (MitbestG).

In accordance with the provisions of the Co-Determination Act, the supervisory board of RHÖN-KLINIKUM AG has a total of 20 shareholder and employee representatives, who are on equal terms, and convened four times in 2014 at four ordinary meetings (2013: four ordinary meetings and three extraordinary meetings). At the Annual General Meeting of 12 June 2014, it was decided to amend clause 10 of the Articles of Association so that a future new supervisory board can be elected in the size and composition according to the German Co-determination Act without modification. For our Group with the current number of employees, this means that a new supervisory board will consist of 16 supervisory board members in future instead of the current 20. The term of office of a member is five years. The age limit is 75 years. The supervisory board regularly makes decisions in plenary meetings and in the relevant technical committees where there is decision-making power, and also in writing in liuw of a meeting in individual cases.

The supervisory board has constituted a total of seven committees. The decision-making committees are the mediation committee, personnel affairs committee, audit committee and the investment, strategy and finance committee and the committee for compliance and communication. The Nomination Committe is furnished with the power to advise, monitor and make proposals for the election of shareholder representatives to the Supervisory Board by the Annual General Meeting and the Medical Innovation and Quality Committe has the same power to ensure and further develop medical quality.

There are rules of procedure for the activities of the management board, the supervisory board, and for the cooperation between the two bodies.

In financial year 2014, the management board of RHÖN-KLINIKUM AG was led by the chairman or, in his absence, by the permanent representative of the chairman. Please refer to the Notes to the consolidated financial statements for the composition of the management board. The management board leads the company and is jointly responsible for conducting its business in accordance with the rules of procedure. The tasks of the individual board members arise from operational or functional responsibilities. The chairman of the management board is responsible for corporate policy and for the fundamental strategic orientation of the Group. An age limit of 65 years was decided on for the management board.

Remuneration of the corporate bodies

The remuneration for the supervisory board and the management board is set out in the company's Articles of Association or by resolution of the supervisory board after preparation by the personnel affairs committee, and consists of fixed and variable components in financial year 2014. The variable remuneration components for the management board and supervisory board are based on assessment parameters derived from the consolidated profit. In addition, management board members are granted remuneration in kind (e.g. company car, insurance) and a contingent pension in the amount of to up to 1.5 years' salary. The remuneration for members of the management board includes both short-term and long-term incentives. During the financial year, long-term share-based compensation (stock options) was decided for the management board, which is coupled to the long-term performance of the RHÖN-KLINIKUM AG share. If a member of the management board receives severance pay upon premature termination of activity for the Board of Management without good cause, the amount of this benefit, including the additional benefits, may not exceed the value of two years' compensation and may not porvide remuneration for more than the remaining term of the service contract. For the management board and supervisory board, there are remuneration systems which determine the level and structure of their respective income. From financial year 2015, the remuneration of the supervisory board will not include performance-related remuneration components. The remuneration of the supervisory board will then continue to be performance-driven and based on the time spent on the tasks, the duties and on the functional responsibility assumed by the supervisory board member.

The management board members will have a guaranteed total annual remuneration (sum of base salary and bonus) of at least € 450 thousand. The upper limit (cap) for the total annual remuneration is € 900 thousand. The minimum remuneration and the upper limit may be set at up to 2.5 times this amount for the chairman of the management board and up to 2 times this amount for his permanent representative and the chief financial officer.

The total compensation for members of the management board in financial year 2014 was € 11.4 million (previous year: € 2.4 million). Of this amount, € 1.1 million (previous year: € 1.0 million) was attributed to non-performance-related components and € 10.3 million (previous year: € 1.4 million) to variable salary components. The provision for claims to pension benefits from members of the management board amounted to € 0.8 million (previous year: € 0.6 million). In financial year 2014, those who were no longer members of the management board and their surviving dependents received a payment of € 0.2 million for pension benefits (previous year: € 0.0 million).

Remuneration of the supervisory board is regulated in clause 14 of the Articles of Association. It is performance-based and is oriented to the time spent on the tasks, the duties and the functional responsibility assumed by the supervisory board members, as well as the economic success of the RHÖN-KLINIKUM Group for financial year 2015.

The remuneration of the active members of the supervisory board was € 2.6 million (previous year: € 2.0 million). Of the total amount, fixed remuneration accounted for € 0.9 million (previous year: € 1.0 million). Results-based remuneration of € 1.7 million (previous year: € 1.0 million) was paid.

Further details, particularly in relation to individual remuneration for the supervisory board and the management board, are provided in the remuneration report as part of the corporate governance report, and also in the Notes to the consolidated financial statements.

Shares held by members of corporate bodies

As at 31 December 2014, the members of the supervisory board and the management board and people close to them jointly held 29.3 % of the share capital pursuant to clause 15a of the German Securities Trading Act (WpHG). Of this, the supervisory board and people close to its members held 29.3 % of the issued shares. The members of the management board and people close to them do not hold any shares of capital stock.

We continue to disclose all reportable transactions by members of the management board and the supervisory board pursuant to clause 15a of the German Securities Trading Act.

Contracts with change of control clause

The company purchase agreements from the hospitals acquired by us, as well as various contracts on financial instruments, provide for arrangements under which if there is a change of control as a result of a takeover bid, such as in the event of a re-transfer of shares, the bond an loan creditors may demand immediate repayment. There are no other agreements from which the management board or employees can derive claims for compensation in the event of a corporate takeover.

1.9 DECLARATION ON CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Declaration on Corporate Governance

The Statement on Corporate Governance (clause 289a HGB) contains the Declaration of Compliance by the management board and the supervisory board pursuant to clause 161 AktG, as well as information on corporate governance practices. It also describes the work of the management board and the supervisory board, as well as the appointed bodies.

For further details, please refer to our website at www.rhoen-klinikum-ag.com where the Declaration on Corporate Governance is publicly available.

Declaration of Conformity with the German Corporate Governance Code

Under corporate governance, we understand responsible company management and control that is focused on long-term value creation and growth in the company's value. Good corporate governance is the basis for the decision and control processes of the supervisory board and management board. Together with a transparent, legal and ethical corporate culture, corporate governance forms the prerequisite for the preservation and strengthening of the trust placed in us by patients, shareholders, business partners and employees, and for constant value creation in our operations.

In financial year 2014, the supervisory board and management board of RHÖN-KLINIKUM AG extensively dealt with and discussed in detail, as scheduled, the Corporate Governance Code, its development and its amendments, and also the correspondence of RHÖN-KLINIKUM AG and its subsidiaries. As a result of these discussions, on 6 November 2014, in accordance with clause 3.10 of the German Corporate Governance Code in the version of 24 June 2014, a jointly supported and updated declaration pursuant to § 161 AktG was issued by the management board and supervisory board of RHÖN-KLINIKUM AG, which is published on our website. In accordance with this, the German Corporate Governance Code is fully complied with apart from the following exceptions:

- Section 4.2.2 (Relationship between remuneration of the Board of Management and remuneration of senior management and total workforce)
- Section 4.2.3 (Pension commitments)
- Section 5.4.1 (Stating specific objectives regarding the composition of the Supervisory Board)
- Section 5.4.6 (Performance-related remuneration of the Supervisory Board); from 2015, performance-related remuneration of the Supervisory Board no longer exists
- Section 7.1.2 (Deadline for disclosure of the consolidated financial statement)

We observe most of the non-compulsory recommendations of the German Corporate Governance Code.

2 ECONOMIC REPORT

2.1 OVERALL ECONOMIC CONDITIONS

In financial year 2014, the economy in Germany showed its first signs of weakness. Contrary to expectations, the German economy as a whole developed positively despite global crises and conflicts in 2014. According to the Federal Statistical Office, real gross domestic product increased in the last quarter of 2014, seasonally and calendar-adjusted, by 0.7 % compared with the previous quarter. Thus, the gross domestic product increased throughout 2014 by 1.5 %, following 0.1 % in 2013 and 0.4 % in 2012. However, the ongoing recession in some European countries did not go unnoticed in this country.

The positive trend was aided, on the one hand, by a still very high employment rate and rising wages. As a result of the growth in available income, consumption in 2014 increased by 1.1 % compared with the previous year. Consumers thus again played an important role in economic growth. Exports at 3.7 % also recorded higher growth than in the previous year. Furthermore, the increase in investments had a positive effect on the economy.

Economists expect the current year of 2015 to witness economic growth of around 1 %. The federal government expects to see an increase of 1.3 %. The weak Euro and the fall in the price of oil could have a favourable impact. On the other hand, international crises such as in Ukraine and the weak recovery of the euro zone pose risks. In February, the business climate index for the German economy increased as it did over the last five months. Companies are again looking more confidently at future business. The German economy is robust against the geopolitical uncertainties.

2.2 SECTOR-SPECIFIC CONDITIONS

According to the Federal Statistical Office, in 1,995 hospitals in Germany in 2013 (2012: 2,017) there was a total of nearly 501,000 beds for in-patients, which is 900 beds less than in 2012. Furthermore, almost half of all beds (48.1 %) were located in a public hospital, about one third of hospital beds (34 %) were in a non-profit facility. Private hospital operators had 18 % of all beds.

For quite some time, it has become increasingly clear that the funding provided for many hospitals is insufficient. According to the 2014 Hospital Rating Report, almost half of all German hospitals in 2012 were not sufficiently able to invest to ensure capital preservation. There had been an appreciable deterioration in the economic position of hospitals in 2012. For example, 16 % of hospitals were at increased risk of insolvency, almost twice as many as two years before. Furthermore, 2012 saw 35 % of hospitals post a loss for the year at group level. In 2010, this applied to only 16 % of hospitals.

Due to demographic change, the demand for hospital services also increased in 2014. However, the hospitals were not fully paid for these since, in accordance with the known laws, price reductions were to be accepted for the additional services that were demanded and provided – regardless of whether they were agreed or not. In addition, the hospitals had to continue accepting a discount of 25 % in financial year 2014 for so-called additional services that were agreed with health insurers. For additional services that were not agreed, the discounts according to statutory regulations were 65 %. Earnings were also strained by price increases in personnel costs.

Although the financial aid decided by the Bundestag helped to ease the situation in 2013 and 2014, there is a danger of it worsening again in 2015 unless countermeasures are taken, as costs will grow more rapidly than revenues. According to the Hospital Rating Report, this trend could see around 13 % of hospitals leaving the market by 2020.

Not only funding, but also the shortage in qualified staff remains a key challenge that hospitals will continue to have to face. For example, more than half of German hospitals have problems in filling vacancies for doctors.

2.3 BUSINESS DEVELOPMENT

2.3.1 Overall assessment of the economic situation

At the end of February 2014, a portfolio of 39 hospitals, medical care centres and other related investments were sold to HELIOS Kliniken GmbH and Fresenius SE & Co. KGaA (recorded in the consolidated financial statements with two months of business activity). After the city of Wiesbaden had given its approval for the sale in the second quarter of 2014, HSK, Dr. Horst Schmidt Kliniken GmbH, was also transferred to Fresenius / Helios (recorded in the consolidated financial statements with five months of business activity). The hospital in Cuxhaven was also transferred to Fresenius / Helios on 31 July 2014, since the Federal Cartel Office had declared the change of carrier as safe following a re-examination of the regional competitive situation (recorded in the consolidated financial statements with seven months of business activity). The hospitals in Boizenburg and Waltershausen-Friedrichroda were effectively sold to third parties in the fourth quarter of 2014 and included in the financial statements with ten months and eleven months respectively of business activity.

Due to the sale of companies, along with earnings of € 1,347.3 million from the sale, we have reported an increase of € 1,138.2 million in the EBITDA, an increase of € 1,175.2 million in the EBIT and an increase of € 1,137.9 million in consolidated profit.

Due to the significantly reduced corporate structure and the reduced volume of business, the figures for financial year 2014 can only be compared with those of the previous year to a certain extent. Despite increasing normalisation of the business during the financial year, the special effects and consequences of the deal affected business operations considerably. Because of the adaptation of our Group to the new structure and because of the sale process, further related expenses, such as in the form of consulting fees, were incurred.

In terms of price development, the hospital sector is characterised by its regulated compensation system. This leads to the revenue and cost gap that has been diverging for several years in the hospital sector, which also put a strain on operations in financial year 2014. Capacity expansions were remunerated with discounts of sometimes up to 65 % because of statutory regulations. In return, we also had recently record price increases again in personnel costs and in material costs, which significantly exceeded the development of remuneration.

As the RHÖN-KLINIKUM Group, we will focus on the remaining hospitals and continue to promote medical orientation toward innovation and excellence in treatment. Our efforts are aimed at providing everyone with cutting-edge medicine at our hospitals with the latest medical therapies and procedures. We continuously strive to review and optimise our processes, quality and strategies. We will also continue our activities for site optimisation by checking the service portfolio and identifying performance potential after the sale of companies to Fresenius / Helios.

In this way, our intensive efforts to set up the particle therapy centre at the site of the University Hospital Marburg were successfully concluded in September 2014 with the signing of the necessary contracts and agreements. In future, the particle therapy facility will be run by a company held by both RHÖN-KLINIKUM AG and the University Hospital Heidelberg – "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft". The specific design and implementation of the network medical concept continues to take shape. The network partnership will be intensively promoted under the brand "We stand for Health" – a joint sales company with our network partners Fresenius / Helios and Asklepios.

2.3.2 Performance development

Compared to the previous year, bed capacity changed as follows:

	Hospitals	Beds
As at 1 January 2014	53*	17,113
Change in capacity	-43	-11,886
As at 31 December 2014	10	5,227

** Merger of two hospitals in Leipzig before the sale.*

As at 31 December 2014, we included in our consolidated financial statements ten hospitals with 5,227 beds / places at a total of five sites. The decline compared with the reporting date 1 January 2014 is due to the sale of 43 hospitals with 11,886 beds / places in financial year 2014.

The change in capacity compared to 31 December 2013 is applicable to -11,510 beds / places or -69.3 % in our in-patient capacities and -376 beds / places or -73.9% in our semi-inpatient and day-care capacities:

	Approved beds / places		Change	
	2014	2013	Absolute	%
In-patient capacity				
Acute treatment clinics	4,435	15,233	-10,798	-70.9
Rehabilitation clinics and other in-patient capacity	659	1,371	-712	-51.9
	5,094	16,604	-11,510	-69.3
Semi-in-patient and day-care capacity	133	509	-376	-73.9
Total	5,227	17,113	-11,886	-69.5

As at 31 December 2014, we operate six medical care centres with a total of 24.25 specialist practices:

	Medical care centres	Specialist practices
As at 1 January 2014	39	179.00
Commissioning / acquisitions		
Various sites	-	6.00
Disposals		
Various sites	-33	-160.75
As at 31 December 2014	6	24.25

The disposals are related to the sale of companies. Neither planned nor unplanned write-downs result from the disposal of specialist practices.

The number of patients in our hospitals and medical care centres were as follows:

January to December	2014	2013	Change Absolute	Change %
In-patients and semi-in-patients treated at our				
acute treatment clinics	330,771	755,831	-425,060	-56.2
rehabilitation clinics and other facilities	6,798	11,520	-4,722	-41.0
	337,569	767,351	-429,782	-56.0
Out-patients in our				
acute treatment clinics	583,015	1,192,418	-609,403	-51.1
in our medical centres	302,262	694,480	-392,218	-56.5
Total	1,222,846	2,654,249	-1,431,403	-53.9

In financial year 2014, we treated 1,222,846 patients in our clinics and medical centres (previous year: 2,654,249). The decline of 1,431,403 patients or 53.9 % over the previous year was due to the sale of companies in financial year 2014. The decline is broken down as 30.0 % for in-patients and semi-inpatients and 70.0 % for out-patients.

The case revenue in the in-patient and out-patient areas are as follows:

January to December	2014	2013
Per-case revenue		
in-patient area (€)	4,140	3,676
out-patient area (€)	128	102

2.3.3 Results of operation

For computational reasons, rounding differences of ± one unit (€, %, etc.) may occur in the following tables. Where the following information is given for individual companies, these are values before consolidation.

With the sale of a large part of our hospitals to Fresenius / Helios and the realignment of the portfolio and strategy, we are also entering a new era in our company history. The ultimate aim is to transform RHÖN-KLINIKUM AG from a heterogeneous, decentralised hospital network to an integrated health service group focusing on cutting-edge, academic medical care.

Here, the revenue and cost gap that has been diverging for several years in the hospital sector puts further strain on operations. As the RHÖN-KLINIKUM Group, however, we are accustomed to dealing effectively with the ongoing regulatory and market-related challenges in healthcare. To do this, we need to interlink our hospitals more closely with each other so that we can consistently achieve synergies and work more efficiently overall. With this in mind, a favourable positive outlook results from the streamlining of our company, which is associated with the deal.

The economic performance of the Group is as follows:

January to December	2014	2013	Change	
	€ m	€ m	€ m	%
Earnings				
Revenues	1,510.5	3,013.8	-1,503.3	-49.9
Other income	157.7	216.2	-58.5	-27.1
Total	**1,668.2**	**3,230.0**	**-1,561.8**	**-48.4**
Cost				
Materials and consumables used	425.1	791.7	-366.6	-46.3
Employee benefits expense	963.9	1,840.4	-876.5	-47.6
Other expenses	212.9	322.5	-109.6	-34.0
Total	**1,601.9**	**2,954.6**	**-1,352.7**	**-45.8**
Result from deconsolidation of subsidiaries	1,347.3	0.0	1,347.3	no data
EBITDA	**1,413.6**	**275.4**	**1,138.2**	**no data**
Depreciation / amortisation and impairment	82.7	119.7	-37.0	-30.9
EBIT	**1,330.9**	**155.7**	**1,175.2**	**no data**
Finance result	82.4	38.0	44.4	116.8
EBT	**1,248.5**	**117.7**	**1,130.8**	**no data**
Income taxes	20.6	27.7	-7.1	-25.6
Consolidated profit	**1,227.9**	**90.0**	**1,137.9**	**no data**

Mainly due to the sale of 43 hospitals, medical care centres and other related investments in Fresenius / Helios or to third parties mainly in late February 2014 (recorded in the consolidated financial statements with two months of business activity up to handover of control), we have recorded the following, in comparison to financial year 2013, at our acute treatment and rehabilitation clinics and medical centres:

- a decrease in revenues (revenues, other income) by € 1,561.8 million or 48.4 % to € 1,668.2 million,
- a decrease in expenses (cost of materials and consumables used, employee benefits expense, other expenses) by € 1,352.7 million or 45.8 % to € 1,601.9 million, and
- earnings from the sale of companies (result from deconsolidation of subsidiaries) of € 1,347.3 million

an increase in EBITDA of € 1,138.2 million to € 1,413.6 million, an increase in EBIT of € 1,175.2 million to € 1,330.9 million and an increase in consolidated profit of € 1,137.9 million to € 1,227.9 million.

	2014	2013
	%	%
EBITDA margin	93.6	9.1
EBIT margin	88.1	5.2
EBT margin	82.7	3.9
Return on revenues	81.3	3.0
Return on equity (after tax)	84.2	5.5

Our ratios, which are based on the revenues, were as follows:

	2014	2013
	%	%
Materials ratio	28.1	26.3
Personnel ratio	63.8	61.1
Other expense ratio	14.1	10.7
Depreciation and amortisation ratio	5.5	3.9
Finance result ratio	5.4	1.3
Effective tax ratio	1.4	0.9

The cost of materials declined compared with the previous year by € 366.6 million or 46.3 % to € 425.1 million (previous year: € 791.7 million). This is due mainly to the sale of companies in financial year 2014. The materials ratio increased from 26.3 % to 28.1 % due to the use of expensive material items in our cutting edge medical facilities.

Personnel costs and other expenses declined over the previous year, also due to the sale of companies. While personnel costs decreased by € 876.5 million or 47.6 %, we recorded a decrease of € 109.6 million or 34.0 % for other expenses. This was offset by the personnel expenses which the directors granted in virtual shares. The intensive efforts to establish the particle therapy centre at the site of the University Hospital Marburg were successfully concluded in the third quarter of 2014 with the signing of the necessary contracts and agreements. In future, the particle therapy facility will be run by a company held by both RHÖN-KLINIKUM AG and the University Hospital Heidelberg – "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft" (Marburg ion beam therapy operating company). In this context, the recorded one-time expenses fall under the other expenses. The personnel ratio increased from 61.1 % to 63.8 % and the other expenses ratio from 10.7 % to 14.1 %. The statutory social security contributions including pension expenses amounted to 19.3 % (previous year: 20.5 %) of wages and salaries.

In financial year 2014, a return of € 1,347.3 million was recorded from the sale of hospitals, medical care centres and other related investments.

Depreciation and impairments compared to the same period in the previous year decreased by € 37.0 million or 30.9 % to € 82.7 million. The reason for the decline includes the sale of companies and the associated adjustments related to IFRS 5. In accordance with IFRS 5, non-current assets may not be depreciated if they are classified as held for sale. Incidentally, the full impairment of the building of PTZ GmbH, which was recorded in the second quarter of 2014, increased expenses by € 16.2 million. This impairment is related to the establishment of the particle therapy facility at the University Hospital Marburg and contractual terms for the purchase and operation of the facility.

The net finance result deteriorated compared to the same period last year by € 44.4 million or 116.8 %. The increase in the negative net finance result is mainly due to the early repayment of borrowings and related acceleration fee. In all other respects, the net finance result includes one-time interest amounts from the motion adopted at the Annual General Meeting on 12 June 2014 for the share repurchase and the redemption of the repurchased shares on 20 November 2014, as well as a long-term loan to the "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft".

Compared to the same period last year, income tax expenses at an unchanged tariff taxation decreased by € 7.1 million to € 20.6 million (previous year: € 27.7 million). Moreover, in the same period of the previous year, the writing off of deferred tax assets increased the losses carried forward at the companies that were held for sale, and their tax losses carried forward could no longer be deducted by the purchaser for tax purposes.

The consolidated profit increased by € 1,137.9 million to € 1,227.9 million (previous year: € 90.0 million). Compared to the same period in the previous year, profit shares attributable to non-controlling interests declined as a result of the deal by € 1.2 million to € 2.2 million.

We exceed the revenue expectations for the year 2014, which were specified for the "new RHÖN" in the Group management report of 2013, by around € 1 billion because the revenues generated from the sold companies are included in the revenue up until handover of control. A forecast of the result in 2014 was not given due to the disclosure of the capital gain from the sale of companies, as well as the ongoing restructuring of the company and the special effects in the Group management report of 2013 that were caused by the deal. The EBITDA for financial year 2014 that was forecast for the "new RHÖN" in the Group management report of 2013, including the capital gain of € 1 billion, was also exceeded, since the sold companies are also included in the EBITDA until the handover of control.

Compared to the previous year, the profit share attributable to shareholders of RHÖN-KLINIKUM AG for financial year 2014 increased to € 1,225.7 million (previous year: € 86.6 million), mainly due to the return from the sale of companies. This corresponds to an earnings per share in accordance with IAS 33 of € 9.36 (previous year: € 0.63).

The total comprehensive income (sum of consolidated profit and other comprehensive income) for financial year 2014 was € 1,248.5 million (previous year: € 100.1 million). While, in the previous year, positive changes in the fair value of our financial instruments were directly offset with € 10.0 million (after tax) in equity, the liquidation of our financial instruments in financial year 2014 due to the return of € 20.9 million (after tax) of the respective underlying asset, as well as losses of € 0.3 million (after tax) from the revaluation of defined benefit pension plans, were also to be recorded in the equity.

2.3.4 Assets and financial position

	31 Dec. 2014		31 Dec. 2013	
	€ m	%	€ m	%
ASSETS				
Non-current assets	846.5	46.9	886.9	28.6
Current assets	957.8	53.1	2,211.3	71.4
	1,804.3	100.0	3,098.2	100.0
LIABILITIES				
Equity	1,248.9	69.2	1,666.7	53.8
Non-current liabilities	178.2	9.9	742.6	24.0
Current liabilities	377.2	20.9	688.9	22.2
	1,804.3	100.0	3,098.2	100.0

In connection with the sale of companies and the associated application of IFRS 5, the assets and liabilities held for sale in the consolidated balance sheet were reported in the previous year in separate short-term balance sheet items – both on the assets side and on the liabilities side. In the previous year, € 1,473.5 million were reclassified from non-current assets to current assets, and € 77.7 million from non-current liabilities to current liabilities. This reclassification is omitted at the balance sheet date of 31 December 2014, since the deal is completed and there are no further assets or liabilities held for sale.

Compared with the previous year, the balance sheet total declined by € 1,293.9 million or 41.8 % to € 1,804.3 million (previous year: € 3,098.2 million). This decline was mainly due to the repayment of financial debt, as well as the capital reduction in connection with the share repurchase.

Since the last reporting date, the equity ratio has increased from 53.8 % to 69.2 %. This was due to the outflow of funds from the share repurchase and the reduction of capital in connection with the share repurchase in financial year 2014. The equity is now € 1,248.9 million (previous year: € 1,666.7 million). The decrease of € 417.8 million resulted from € 1,628.2 million from the share repurchase and the associated reduction of capital, with € 35.6 million from pay-outs to shareholders and non-controlling interests in equity, with € 2.5 million from other changes in the consolidated group, and with € 0.3 million from the recognition of losses from the revaluation of defined benefit pension plans, which, with € 1,227.9 million of consolidated profit for financial year 2014 and with € 20.9 million, face liquidation as derivative financial instruments that are designated as interest rate hedging instruments, due to the return of the underlying asset.

The non-current assets are calculated at 168.6 % (previous year: 271.7 %) as fully matching maturities financed by equity and long-term liabilities. The decrease resulted from the capital reduction in 2014. The net financial debt to banks – including liabilities from financing leases – as at 31 December 2014 is € 0.0 million (31 December € 2013: 730.6 million). The net financial debt is calculated as follows:

	31 Dec. 2014	31 Dec. 2013
	€ m	€ m
Cash	695.4	156.9
Financial liabilities (current)	4.5	121.1
Financial liabilities (non-current)	152.9	750.8
Liabilities under finance lease	1.9	41.1
Financial liabilities	**159.3**	**913.0**
Subtotal	**-536.1**	**756.1**
Negative fair value derivatives (current)	0.0	0.0
Negative fair value derivatives (non-current)	0.0	-25.5
Total	**-536.1**	**730.6**
Net financial debt	**0.0**	**730.6**

31 Dec. 2013 including assets and liabilities held for sale.

The source and use of our liquid assets is set out in the following table:

January to December	2014 € m	2013 € m
Cash inflow (+) / outflow (-) from operating activities	49.2	210.4
Cash inflow (+) / outflow (-) used in investing activities	2,879.8	-101.2
Cash inflow (+) / outflow (-) from financing activities	-2,350.5	-212.3
Change in cash and cash equivalents	**578.5**	**-103.1**
Cash and cash equivalents at 1 Jan.	116.8	219.9
Cash and cash equivalents at 31 Dec.	**695.3**	**116.8**
of which attributed to cash and cash equivalents held for sale at 31 Dec.	0.0	127.0
of which attributed to cash and cash equivalents not held for sale at 31 Dec.	**695.3**	**-10.2**

In financial year 2014, the cash inflow from operating activities amounted to € 49.2 million (previous year: € 210.4 million). This decrease resulted primarily from the sale of the companies in Fresenius / Helios.

The cash inflow from investing activities is characterised by the proceeds from the sale of the companies to Fresenius / Helios and the cash outflow from the establishment of the particle therapy facility in Marburg. The ongoing investments in property, plant and equipment and intangible assets, which are lower than the previous year, are due to the sale of companies.

This is linked to the reduction of financial debt of € 0.6 billion, the 0.1 billion-Euro acceleration fees for the debts and the share repurchase of € 1.6 billion which was agreed at the Annual General Meeting.

The treasury management of the RHÖN-KLINIKUM Group is mainly centrally organised and has the functions of raising capital, investment, intra-group liquidity management and financial settlement. The processes that are implemented in this context contribute to the fundamental principles of the dual control principle of the separation of functions, and also to transparency. We have established financial management as a service provider within our business model.

Our treasury management operates within the competing goals of securing liquidity, minimising risk, cost-effectiveness and flexibility.

The top priority is securing liquidity with the objective of achieving matching maturities, as well as fixed maturities that are tailored to the planning and project horizon of the company. The internal cash flows are available to maintain liquidity. Cash investments are extremely conservative.

Our financial ratios are as follows:

	Financial ratios		
	Set-point	2014	2013
Net financial debt / EBITDA	≤ 3.5	0.00	2.65
EBITDA / net interest expense	≥ 5.0	17.18	7.23

The operating cash flow, calculated from the Group profit plus depreciation / amortisation and less / plus other non-operating issues (net gains and losses on the disposal of assets, expenses from fair value derivatives), increased compared to the same period last year, primarily due to the sale of hospitals, medical care centres and other related investments, by € 1,099.3 million to € 1,310.3 million (previous year: € 211.0 million).

At the balance sheet date, we had cash investments that can be made available at short notice and credit lines totalling approximately € 744.4 million.

2.3.5 Investments

The total investments in financial year 2014 of € 78.5 million (previous year: € 177.4 million) are broken down as follows:

	Use of grants € m	Use of own funds € m	Total € m
Ongoing investments	24.2	53.9	78.1
Takeovers	0.0	0.4	0.4
Total	**24.2**	**54.3**	**78.5**

In financial year 2014, our investments in intangible assets, property, plant and equipment and investment property totalled € 78.5 million (previous year: € 177.4 million). Of these investments, € 24.2 million (previous year: € 58.6 million) are related to grants under the Hospital Financing Act (KHG) reflected as a deduction from acquisition cost.

The consolidated financial statements contain net investments of € 54.3 million (previous year: € 118.8 million). Of the net investments, € 53.9 million (previous year: € 118.3 million) are attributed to ongoing investments of the financial year and € 0.4 million (previous year: € 0.5 million) to fixed assets or specialist practices, which arose in the context of takeovers.

Our ongoing self-funded investments in financial year 2014 relate to the following locations:

	€ m
Giessen, Marburg	17.2
Bad Berka	12.8
Bad Neustadt a. d. Saale	12.1
Frankfurt (Oder)	3.5
Other sites	8.3
Total	**53.9**

As at the balance sheet date, there are no capital commitments from completed company purchase agreements. With the completion of the sale of our hospitals, medical care centres and other investments, and following the occurrence of all effectiveness conditions, such commitments were transferred to the purchaser.

2.3.6 Employees

On 31 December 2014, the Group had 15,602 employees (31 December 2013: 43,363):

	Number
As at 31 Dec. 2013	**43,363**
Personnel changes in hospital companies	-23,915
Personnel changes in medical care centre companies	-892
Personnel changes in service companies	-2,954
As at 31 Dec. 2014	**15,602**

The decline of 27,761 employees compared to 31 December 2013 resulted from the sale of companies in financial year 2014.

On the reporting date, the proportion of medical staff was 15.5 % (previous year: 14.8 %); the proportion of nursing and medical professionals was 55.5 % (previous year: 56.6 %). Averaged throughout the year, we recorded a decline of 49.7 % in full-time staff. The proportion of women was around 75 %, as it was in the previous year.

3 REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

In the current financial year 2015, it has been possible to reach an agreement with the German Pension Insurance organisation with regard to the amount of social security contributions. As a result of the investigations carried out in 2011 by the Main Customs Office in Schweinfurt into the cleaning companies in the RHÖN-KLINIKUM Group, social security contributions were recovered. The agreement which has been concluded, settles all possible additional claims. The provision formed for this is subject to the corresponding consumption as well as a reversal of approximately € 20 million in the first quarter of 2015. Since 31 December 2014, no significant events have occurred which give cause to expect a material effect on the assets, financial and earnings position for the RHÖN-KLINIKUM AG Group.

4 FORECAST REPORT

4.1 STRATEGIC GOAL

The profound changes in the corporate structure and the strategic realignment of our Group do not only follow the usual routine of daily business. In light of the continued challenging conditions that are specific to the healthcare market in a highly-regulated, competitive environment, the sustained orientation toward excellence in treatment and quality contribute equally to the dynamic development of our company in the medium term as does the consistent further expansion of network medicine. We will place great emphasis on adequate compensation for our academic medical excellence.

We are continuing to focus on expanding our excellence in treatment. We are and will remain one of the great hospital operators in Germany, where high investments will be funded from the surplus of the hospitals. This forms the basis for sustainable, efficient, and thus also affordable hospital care. We consciously take account of actual patient needs and create the conditions for patient-oriented and the open-minded medical care of tomorrow.

Following completion of the sale, we are going into the future with a solid balance sheet structure. Our financial performance is also a prerequisite for future growth through medical innovations – both organically and through acquisitions when appropriate. Following the deal, the company can now fully focus on achieving the revenue and earnings outlook associated with the realignment.

Also in future, qualified internal and external growth will continue to be the determining factor for development of the Group. Because of the legal framework in health care, organic growth is only possible within limits.

We will not disregard the qualitative and quantitative broadening of our range of services at existing sites. Together with cooperation partners, we want to build an extensive supply network in our regions.

4.2 ECONOMIC AND LEGAL ENVIRONMENT

The prospect for further positive economic development in Germany has become probable according to the latest forecasts. The economic outlook for the eurozone and in neighbouring countries is, however, still uncertain with its risks, although positive signals are recorded here. Leading economic research institutes expect the eurozone's gross domestic product to continue to rise slightly.

Due to continued demographic changes in the population, we also expect increasing demand for hospital services for 2015 and the years to come. However, the hospitals were not fully paid for these since, in accordance with the known laws, price reductions were to be accepted for the additional services that were demanded and provided – regardless of whether they were agreed or not. On the cost side, we also expect significant wage and material cost increases of 2 % to 3 % in 2015, which will not be offset by corresponding compensation on the revenue side.

The remuneration of hospitals is subject to a price increase, which relates to the so-called "Orientierungswert" ("benchmark value"). The benchmark value which is determined by the Federal Statistical Office (Destatis) from the development of various cost components specifies the scope for adjusting the prices for hospital services. Originally it was intended to completely replace the basic wage rate as the assessment basis. But the new arrangements only provide the comparison of the benchmark and the base wage rate, with the higher value taking effect. The higher value for 2015 will be the basic wage rate with a change of 2.53 %.

The federal state-specific remuneration of hospitals by means of the state's base rate caps the described price increase by the incorrect balancing of the estimation of the state's base rate. This incorrect balancing of the estimation reduces the price increase in the following year if the benefits that were agreed at the state level were too high in the previous year.

In addition, in financial year 2015 and the three years thereafter, hospitals are required to accept the so-called "additional service discount" of 25 % for the additional services agreed with the health insurers. For additional services that have not been agreed upon, the statutory regulations also intend additional discounts of 65 %. Price increases at the upper end of the initially assumed 2.0 % to 3.0 % for personnel costs and a capped price increase that is included in the state base rates add to profit pressure, which must be compensated accordingly.

Regardless of the wage tariffs, the sourcing of top personnel in medical service and nursing is a task to be managed in future due to the looming skills shortage and demographic trends. We are addressing this, as well as the increased desire on the part of employees for an improved work / life balance, with targeted concepts to improve our appeal as an employer in healthcare.

For the healthcare landscape in Germany, particularly the hospitals, there must be further potential for efficiency in future, and it must be possible to enhance this by means of appropriate investments. If this is not the case, the existing pressure on profits and margins will continue to be a reality.

Thus, selective development on the service provider side will continue and intensify. In our view, the only hospitals that can survive sustainably and independently in the market are those which can continue to expand their portfolio of services, while improving their process quality around the patient at the same time. We continuously review and improve our processes and strategies. Based on this, we respond throughout the Group to public health challenges. We are therefore very well positioned for the coming year in terms of our growth opportunities.

4.3 FORECAST

In 2015, we are working intensively on ensuring that RHÖN-KLINIKUM AG makes steady progress as a powerful, homogeneous Group of ten excellent hospitals at five sites. All facilities are characterised by the close integration of patient care, research and teaching, as well as high-quality medical and nursing care. At the same time, we stand by our claim of continuing to be a key pioneer of innovative developments and a dynamic co-designer of the healthcare industry in the future.

For financial year 2015, we expect for the RHÖN-KLINIKUM Group around 5,300 beds in ten hospitals at five sites in four German states. We will achieve our forecast with around 15,500 employees. In doing so, we are among the largest hospital operators in Germany.

For the current financial year 2015 – the first full financial year with the newly structured portfolio – the company expects revenue within the range of € 1.08 billion and € 1.12 billion, and earnings before interest, taxes, depreciation and amortisation (EBITDA) in the range of € 145 million and € 155 million. Here, one-off effects also come into play in the current financial year earnings after 2013 and 2014 – although not at a level that is comparable with the last two years. Each of these positive and negative special items are within the low double-digit million euro range; they are calculated step-by-step for the entire financial year 2015, during which time they are partly compensated. Regulatory intervention, progress in the management of major legal burdens and possible positive effects from the final accounting settlement of the deal with Fresenius / Helios are to be considered here. Our outlook is, of course, subject to any regulatory interventions that have an impact on the remuneration structure in the coming year.

5 OPPORTUNITIES AND RISK REPORT

Value-oriented and sustainable company management is significantly influenced by the active management of risks and opportunities. We see the handling of risks and opportunities, and the sustainable management thereof, as a core corporate task and this is firmly anchored in the management culture of the Group of RHÖN-KLINIKUM AG. Our value-based company strategy is designed to protect corporate assets against loss-making risks and to identify new opportunities, as well as to protect the interests of our shareholders and other capital market participants.

Our business activities are inseparable from risks and opportunities. The challenge for us is to deal with these appropriately – since only a company that recognises its significant risks in time and meets them systematically is also able to detect and responsibly take advantage of opportunities as they arise. In particular, our patients rely on us adequately managing risks and opportunities. As healthcare providers, we always see the danger to the life and health of our patients as the greatest risk, since, in the field of medicine and nursing, even the smallest mistakes can have devastating effects. Therefore, measures that avoid these risks are our highest priority. Risks and opportunities are to be continuously weighed up against each other.

5.1 RISK REPORT

5.1.1 Risk management system

The management board of RHÖN-KLINIKUM AG has implemented a Group-wide risk management system whose goal it is to identify emerging risks at an early stage and to address these in a targeted manner as part of a systematic process. Our implemented risk management system fully takes into account the statutory early detection of risks which threaten the existence of the company, and goes beyond the requirements of clause 91 para. 2 AktG. The risk management which is implemented at the company's head office is responsible for continuously developing the risk management system towards best practice and for adapting to new technology and customer requirements as needed. It is also responsible for reporting on opportunities within the context of risk management. Our risk management system is based on a Group risk policy and other explanatory documents. The Group risk policy describes both the principles of risk management and the requirements that are binding throughout the Group for the risk management process, as well as the corresponding duties and responsibilities. The actual risk management process is documented using a specially-procured software solution. Since we regularly examine, evaluate and adapt the risk management system to constantly changing conditions, we ensure acceptance of the system in the company. The management board has put the internal audit department in charge of the process-independent examination of situations. In this context, the internal audit department also monitors the functioning and correct application of the risk management guidelines in some areas or companies of RHÖN-KLINIKUM AG.

Principles of our risk management

- Everyone is responsible

  Each employee has a personal duty to actively prevent harm to our patients, our business partners and to the company.

- Not every risk is preventable, but every risk is manageable

  Risks are not always preventable, but can be controlled through early identification. Options for risk management are risk avoidance, risk reduction, risk transfer or risk acceptance. To ensure effective risk management and allow conclusions to be made about the overall risk situation, risks are systematically evaluated and documented. The danger to life and health is always regarded by us as high and as our greatest risk.

- Risk management – we always want to be better

  Specified preventive methods, clearly defined structures and a sense of responsibility of the individual form the basis of our risk management. To optimise the processes on a regular basis and to verify compliance with the rules, every company must continuously review and evaluate the Group's risks and adapt to changing conditions. Acute emerging risks that could threaten the existence of a company are, as before, to be reported directly and as quickly as possible to the CEO.

Our risk management process

Our risk management involves a number of processes which help to recognise, assess and control risks that could jeopardise the attainment of the company's objectives and opportunities. It comprises all the planned activities and organisational arrangements within the company that are designed to handle relevant risks. This is intended to make the risks manageable. Our risk management does not only refer to financial risks, but to all kinds of risk in the company.

We understand risk management to be an ongoing process which is divided into the following phases of risk identification, risk analysis and assessment, risk control and management, risk monitoring and risk communication.

Risk identification involves the systematic and structured recognition of relevant risks for RHÖN-KLINIKUM AG and its subsidiaries, and is used for identifying the relevant risks and the recording of these in the risk management system. Risks are identified by those who were specified beforehand, with the aid of a risk atlas in which the risk categories shown there are examined for risk. The categories in the risk atlas are defined centrally, and risk identification is decentralised. Risk identification is an ongoing task due to constantly changing conditions and requirements. Risk identification and opportunity recognition are, therefore, integrated into our standard business workflow, since we can only manage the risks and opportunities that we know about.

Relevant risks are analysed and evaluated by the respective managers. The risk analysis and evaluation are carried out by deriving the probability of occurrence and the potential monetary impact of the risk (losses), including an explanation of the valuation assumptions (gross evaluation).

Risk control and management involves the tasks with which risks can be controlled. For each identified risk, suitable measures with the expected effect are to be provided for this.

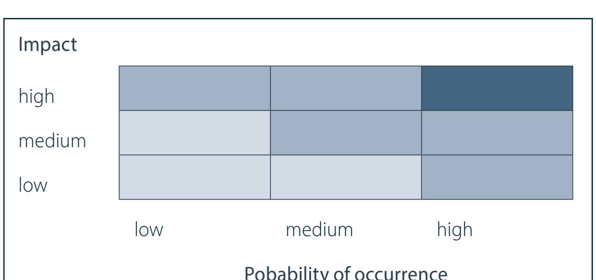
Options for risk control and management are risk avoidance, risk reduction, risk transfer and risk acceptance. The primary objective of risk control is, with consideration of the associated risks, to minimise and, if possible, avoid risks. By showing the expected effects of measures, the effectiveness of the measures and the need for further action can be determined. The proposed action must be weighed up in terms of its costs and benefits, and be chosen in a way which steers the expected probability of occurrence and extent of damage toward the company's own limits for risk tolerance.

As part of the risk monitoring, implementation of the introduced measures and their effects are examined. The results of the risk management process are made available by the specified dates. Through timely and open internal and external communication, we create trust and the basis for self-criticism and continuous learning.

5.1.2 Risks

We understand risks as events and possible developments inside and outside RHÖN-KLINIKUM AG, which may have a negative impact on the attainment of corporate goals and future operations, and on the quality and reputation of RHÖN-KLINIKUM AG and its subsidiaries.

Not all risks are equally important. To ensure efficient risk management, a systematic evaluation of the identified risks is carried out. The risk assessment is carried out by determining the probability of occurrence and the potential monetary impact of risk, taking into account existing and planned measures. The probability of occurrence and the impact are classified into three levels – low, medium, high – using a risk matrix. We classify risks with a high probability of occurrence and high impact as a going concern risk. With the probability of occurrence, we classify a medium probability from greater than 30 % and a high probability from greater than 70 %. In general, all risks are to be reported, regardless of the risk amount. Risks that jeopardise the existence of the company are assessed as high.



As with any other company, RHÖN-KLINIKUM AG is exposed to various sources of uncertainty. As healthcare providers, we also deal with an extremely complex risk environment. Factors such as the regulatory and legal framework, the increasing cost, competition and consolidation pressures within the industry and the increasing demands of patients not only open up opportunities but also pose risks. In general, business management potential and existing risks in the hospital sector are characterised by long-term cycles. Therefore, short-term changes in the market environment are an exception.

The following areas of risk have a significant impact on overall business performance and the development of the assets, financial and earnings position:

Performance-related risks

Due to state hospital requirements planning, all hospitals in Germany effectively have state-regulated territorial protection. Classic market and revenue risks exist only where site closures are determined by planning updates or where the quality assessment of a hospital by referring doctors or patients is significantly worse than that for neighbouring hospitals, which triggers the migration of patients.

Performance fluctuations in our facilities, the shift of services from in-patient to out-patient care and the regulated price setting can lead to loss of revenue, cost increases and thus to losses in earnings. Through regular time and inter-company comparisons in terms of performance, revenues and earnings, as well as selected business performance ratios and other indicators, we can detect adverse developments early on. Where appropriate and necessary, we can take corrective action. In this way, we have a manageable and low risk potential.

Operational risks

Medical advances and the claim of diagnosing and treating patients in a holistic manner rather than just targeting specific ailments requires an organisation where the division of labour processes is increasingly interdisciplinary. This need for cooperation not only exists in hospitals, but also between out-patient and in-patient care. Process faults pose a risk to the patient and the hospital. We place the highest importance on minimising these risks by ensuring quality of care by using qualified and trained staff through a guideline-oriented approach to operationally reliable and hygienic hospital buildings. The permanent monitoring of all setup and procedural organisations in the treatment of patients, as well as the consistent orientation of all efforts towards the needs of our patients generate the highest level of quality of care and limit existing operational risks.

In addition to the typical clinical risk areas in the field of patient safety (hygiene, nursing and medical care), risks due to the ageing of equipment in medical technology, fire protection and computer failure are also seen in the hospitals, as in previous years. Although the risks exist, they are generally rated as low due to existing action plans. Adequate and regularly updated insurance coverage exists for unavoidable risks.

Procurement risks

In times of growing economic pressure on companies in the healthcare industry, the qualification and motivation of staff – in addition to the optimal use of material resources – is becoming increasingly important.

Hospitals usually have personnel cost ratios in the range of 50 % and 70 %. The result is not only a significant dependence on tariff developments. Furthermore, the success of healthcare facilities depends on the ability to recruit a sufficient amount of qualified personnel at all times in order to achieve growth targets.

Therefore, it is crucial for us to ensure that we can convince our professionals and retain them within our company. By building and developing structured recruitment and training concepts for the medical services, nursing and health professions, and also for our managers, we see opportunities to efficiently address the current staff shortages and rate the personnel risk as comparatively low.

In terms of material procurement, we rely on third parties to supply us with medical facilities and equipment, and also with medical supplies. Risks from these business relationships can arise as a result of delivery and quality problems, for example. Across the Group, we ensure by means of continuous market and product observation that dependences on individual suppliers of products and services are kept within narrow limits and also rate risks in this area as low.

Environment and industry risks

We are only indirectly affected by developments in the domestic economy, since health expenditure depends on the premium income from the insured and thus on the situation on the labour market. Since we work exclusively on the national health market, external factors do not affect us.

Two main developments currently shape our sector. On the one hand, the demand for medical, especially cutting-edge medical, services is increasing. On the other hand, the remuneration for performing such services is not keeping pace. With the company reorientation and focus on high-quality and comparatively adequately remunerated medical services, we regard ourselves as being well-positioned to cope with the future.

For future corporate deals, there are generally legal risks – particularly in the antitrust field. Decisions taken by the antitrust authorities, therefore, also affect a Group that operates in healthcare. The resulting risks are monitored and evaluated by us if necessary. Possible risks resulting from existing company purchase agreements are regularly monitored and evaluated.

The proceedings against service companies had already expanded in the course of 2012 against legal persons who are in a contractual relationship with service companies. Meanwhile, the administrative proceedings against all clinics have been discontinued.

We classify environment and industry risks as very low.

Financial risks

We operate exclusively in Germany, so are not subject to transaction and currency risks.

As at 31 December 2014, the Group had financial debt of € 157.4 million. We currently see no financing or liquidity risks.

Apart from 24,000 treasury shares, no securities are held within the RHÖN-KLINIKUM AG Group. There are also no corresponding credit or currency risks.

Results of the risk inventory and overall assessment

In financial year 2014, no going concern risks were reported to us within the context of the risk inventory. The principles of the legally specified system for the early detection of going concern risks continued during the reporting year as it did in previous years.

The review of the risk situation of the Group and the individual companies of RHÖN-KLINIKUM AG found in an overall assessment for financial year 2014 that there are no risks for either the individual companies or the Group of RHÖN-KLINIKUM AG, and that there are still no visible situations that can adversely affect development. The risk assessment of the individual companies and the overall risk position of the Group will continue to be classified as low.

5.2 REPORT ON OPPORTUNITIES

Similar to the concept of risk we understand opportunities to be events and possible developments within and outside RHÖN-KLINIKUM AG which may have a positive impact on the achievement of the corporate goals, future operations, and on the quality and reputation of RHÖN-KLINIKUM AG. Within the context of risk management, there is also the possibility to report opportunities.

In order to take advantage of opportunities, possible risks must sometimes be consciously accepted. For example, every medical procedure exposes a patient to danger, but it also gives him / her the chance of a cure.

We continuously strive to review and optimise our processes and strategies. In financial year 2014, we continued our activities for optimising sites through review of the service portfolio and identification of potential performance, and realigned our company strategy due to the now completed sale of a total of 43 hospitals. Every company reorientation also provides opportunities. We are convinced that we can generate additional growth and earnings potential with the new company structure.

In 2014, we appointed our "Medical Board" which is staffed by recognised, leading specialists from all locations of our company. Its main role is to further develop and implement the medical strategy of RHÖN-KLINIKUM AG, and to synchronise it with the corporate goals.

With a considerable increase in the research budget, we want to strengthen our competitive position in treatment innovation and cutting-edge medicine. In 2015, projects are to be financed with a total of around € 4 million, which will mainly deal with the subject of "research and innovation" and "treatment in excellence and network medicine".

Here, we see the network medicine concept "We stand for Health" as an opportunity for our Group. It provides, in essence, a nationwide network of service providers wherein all out-patient, in-patient and rehabilitation services are offered.

As an overall assessment, we see our Group very well positioned with revenue of around € 1 billion which we want to achieve in the future with almost 15,000 employees across ten hospitals at five sites. In the future, we will also be among the major hospital operators in Germany as a powerful, homogeneous association with a consistent focus on cutting-edge and specialist medicine.

6 REPORTING PURSUANT TO CLAUSE 315 PARA. 2 NO. 5 OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH, HGB), ON INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS

In the RHÖN-KLINIKUM Group, the accounting-related internal control system consists of internal controls and the internal monitoring system, which ensures the preparation of financial statements for the Group of RHÖN-KLINIKUM AG and for RHÖN-KLINIKUM AG itself and its subsidiaries. As part of the internal control system, the risk management system is set up with respect to the accounting and also to detect the risk of misstatements in accounting and external reporting.

The accounting-related internal control system in our Group includes all policies, procedures and measures to ensure the effectiveness, efficiency and regularity of financial reporting, and to ensure compliance with applicable regulations.

The Group's accounting process is organised so that for each of the subsidiaries, and on the basis of uniform Group-wide accounting guidelines and a Group-wide accounting programme, financial statements are prepared in accordance with commercial law at the Group's own data centres by each reporting date – i. e. monthly, quarterly and annually. Consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for each quarter are derived from these financial statements. The financial statement data of the subsidiaries is combined into consolidated financial statements using certified consolidation software following capital consolidation and a consolidation of income and expenses, assets and liabilities, as well as the elimination of any inter-company profits. IFRS-relevant revaluations and reclassifications are carried out at Group level using uniform accounting and valuation policies.

Soon after each reporting date, the financial statements are reported to the Group accounting department, and are prepared and published. The accounts are analysed, checked for plausibility and evaluated together with the controlling department, and in some cases also with the internal audit department.

Both for the preparation of the individual financial statements in accordance with the German commercial code (HGB) and for the preparation of financial statements in accordance with applicable IFRSs, the accounting is standardised in accordance with extensive accounting policies and guidelines, and compliance is monitored stringently. Clear responsibilities for preparing the financial statements exist both in the individual companies and also in the Group. The preventive or downstream or the manual or automated, controls that are used in each case follow the principles regarding separation of functions

The quarterly financial statements, the midyear financial report and the annual financial statements are submitted to the audit committee of the supervisory board for review. The audit results of the audit committee are documented. In addition, the audit committee also regularly commissions the auditor of the accounts to conduct an in-depth accounting-related audit. As far as can be derived from the reviews of the audit committee, as well as the auditor's improvements to the consolidated financial reporting process, these are established immediately.

Bad Neustadt a. d. Saale, 6 March 2015

The Management Board

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

Reliability

Economic solidity and reliability have always been the cornerstones of our corporate history. And even as we emerge into a new era, these factors still form the basis for our activity, to allow for the prospect of continual growth – and to do justice in future to our vision of affordable cutting-edge medicine for all.

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2014

ASSETS	Note	31 Dec. 2014 € '000	31 Dec. 2013 € '000
Non-current assets			
Goodwill and other intangible assets	7.1	163,736	163,113
Property, plant and equipment	7.2	663,205	711,908
Investment property	10.3.3	3,054	3,195
Income tax assets	7.3	4,576	6,684
Deferred tax assets	7.4	0	1,643
Other financial assets	7.6	11,675	138
Other assets	7.7	267	237
		846,513	886,918
Current assets			
Inventories	7.8	21,830	21,145
Trade receivables	7.9	169,681	160,479
Other financial assets	7.10	56,385	10,871
Other assets	7.11	8,905	8,659
Current income tax assets	7.12	5,607	5,050
Cash and cash equivalents	7.13	695,390	29,851
Assets held for sale	4	0	1,975,216
		957,798	2,211,271
		1,804,311	3,098,189

EQUITY AND LIABILITIES	Note	31 Dec. 2014 € '000	31 Dec. 2013 € '000
Equity			
Issued share capital	7.14	183,705	345,580
Capital reserve		557,869	395,994
Other reserves		487,045	903,459
Treasury shares		-76	-76
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,228,543	1,644,957
Non-controlling interests in equity		20,381	21,730
		1,248,924	**1,666,687**
Non-current liabilities			
Financial liabilities	7.15	152,881	720,388
Deferred tax liabilities	7.4	770	0
Provisions for post-employment benefits	7.16	814	555
Other financial liabilities	7.19	17,310	21,388
Other liabilities	7.20	6,406	287
		178,181	**742,618**
Current liabilities			
Financial liabilities	7.15	4,540	116,367
Trade payables	7.18	89,598	73,420
Current income tax liabilities	7.21	2,325	606
Other provisions	7.17	176,620	16,170
Other financial liabilities	7.19	24,926	41,728
Other liabilities	7.20	79,197	78,207
Liabilities held for sale	4	0	362,386
		377,206	**688,884**
		1,804,311	**3,098,189**

CONSOLIDATED INCOME STATEMENT

1 JANUARY TO 31 DECEMBER 2014

	Note	2014 € '000	2013 € '000
Revenues	6.1	1,510,519	3,013,835
Other income	6.2	157,757	216,193
		1,668,276	**3,230,028**
Materials and consumables used	6.3	425,106	791,656
Employee benefits expense	6.4	963,937	1,840,407
Depreciation / amortisation and impairment	6.5	82,792	119,697
Other expenses	6.6	212,880	322,521
		1,684,715	**3,074,281**
Result from deconsolidation of subsidiaries	4	1,347,289	-
Operating result		**1,330,850**	**155,747**
Finance income	6.8	6,386	2,356
Finance expenses	6.8	88,770	40,410
Finance result (net)	6.8	**-82,384**	**-38,054**
Earnings before taxes		**1,248,466**	**117,693**
Income taxes	6.9	20,588	27,666
Consolidated profit		**1,227,878**	**90,027**
of which			
Non-controlling interests	6.10	2,167	3,379
Shareholders of RHÖN-KLINIKUM AG		1,225,711	86,648
Earnings per share in €			
undiluted	6.11	9.36	0.63
diluted	6.11	9.36	0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY TO 31 DECEMBER 2014

	2014	2013
	€ '000	€ '000
Consolidated profit	1,227,878	90,027
of which		
Non-controlling interests	2,167	3,379
Shareholders of RHÖN-KLINIKUM AG	1,225,711	86,648
Change in fair value of derivatives used for hedging purposes	24,786	11,931
Income taxes	-3,922	-1,888
Other comprehensive income (cash flow hedges), subsequently reclassified to income statement if certain conditions are met	20,864	10,043
Revaluation of defined benefit pension plans	-332	0
Income taxes	52	0
Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement	-280	0
Other comprehensive income *	20,584	10,043
of which		
Non-controlling interests	0	0
Shareholders of RHÖN-KLINIKUM AG	20,584	10,043
Total comprehensive income	1,248,462	100,070
of which		
Non-controlling interests	2,167	3,379
Shareholders of RHÖN-KLINIKUM AG	1,246,295	96,691

** Sum of value changes recognised in the equity.*

STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Capital reserve	Retained earnings	Cash flow hedges (OCI)	Treasury shares	Equity attributable to shareholders of RHÖN-KLINIKUM AG	Non-controlling interests in equity [1]	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
As at 31 Dec. 2012/1 Jan. 2013	**345,580**	**395,994**	**870,718**	**-30,907**	**-76**	**1,581,309**	**25,557**	**1,606,866**
Equity transactions with owners								
Capital contributions	-	-	-	-	-	-	61	61
Capital payments	-	-	-	-	-	-	-96	-96
Purchase of interest after obtaining control	-	-	1,509	-	-	1,509	-4,766	-3,257
Dividend payments	-	-	-34,552	-	-	-34,552	-2,405	-36,957
Total comprehensive income	-	-	86,648	10,043	-	96,691	3,379	100,070
Other changes								
Changes in scope of consolidation	-	-	-	-	-	-	-	-
As at 31 Dec. 2013	**345,580**	**395,994**	**924,323**	**-20,864**	**-76**	**1,644,957**	**21,730**	**1,666,687**
As at 31 Dec. 2013/1 Jan. 2014	**345,580**	**395,994**	**924,323**	**-20,864**	**-76**	**1,644,957**	**21,730**	**1,666,687**
Equity transactions with owners								
Share repurchase and capital reduction	-161,875	161,875	-1,628,157	-	-	-1,628,157	-	-1,628,157
Dividend payments	-	-	-34,552	-	-	-34,552	-1,000	-35,552
Total comprehensive income	-	-	1,225,431	20,864	-	1,246,295	2,167	1,248,462
Other changes								
Changes in scope of consolidation	-	-	-	-	-	-	-2,516	-2,516
As at 31 Dec. 2014	**183,705**	**557,869**	**487,045**	**0**	**-76**	**1,228,543**	**20,381**	**1,248,924**

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

STATEMENT OF CASH FLOWS

	Note	2014 € million	2013 € million
Earnings before taxes		1,248.5	117.7
Result from deconsolidation of subsidiaries		-1,347.3	-
		-98.8	117.7
Finance result (net)	6.8	82.2	38.1
Depreciation / amortisation and impairment and gains / losses on disposal of assets	6.5	82.3	121.0
Non-cash developments of derivative financial instruments	7.22	0.1	0.0
		65.8	**276.8**
Change in net current assets			
Change in inventories	7.8	0.3	-3.0
Change in trade receivables	7.9	-10.0	-2.5
Change in other financial assets and other assets	7.10 seq.	-24.7	3.5
Change in trade payables	7.18	12.3	22.9
Change in other net liabilities / Other non-cash transactions	7.19 seq.	52.7	-23.9
Change in provisions	7.16 seq.	-5.2	-1.6
Income taxes paid	6.9	-12.8	-22.0
Interest paid		-29.2	-39.8
Cash generated from operating activities		**49.2**	**210.4**
Investments in property, plant and equipment and in intangible assets	7.2	-93.9	-165.3
Government grants received to finance investments in property, plant and equipment and in intangible assets		20.4	58.6
Payments for the acquisition of associated companies	4	-43.0	-
Acquisition of subsidiaries, net of cash acquired	4	-0.4	-1.5
Sale of subsidiaries, net of cash disposed	4	2,984.0	-
Sale proceeds from disposal of assets		6.3	4.6
Interest received	6.8	6.4	2.4
Cash used in investing activities		**2,879.8**	**-101.2**
Proceeds from long-term debt	7.15	0.0	58.7
Repayment of financial liabilities	7.15	-603.9	-233.2
Acceleration fee of financial liabilities	7.15	-61.6	-
Loans to associated companies	7.6	-14.7	-
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.14	-34.6	-34.6
Payments for share repurchase	7.14	-1,632.3	-
Payments to non-controlling interests in equity	7.14	-3.4	-3.2
Cash used in financing activities		-2,350.5	-212.3
Change in cash and cash equivalents	7.13	578.5	-103.1
Cash and cash equivalents at 1 January		116.8	219.9
Cash and cash equivalents at 31 December	7.13	**695.3**	**116.8**
of which held-for-sale cash and cash equivalents as at 31 December		0.0	127.0
of which cash and cash equivalents not held for sale on 31 December		**695.3**	**-10.2**

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1 GENERAL INFORMATION

In the financial year 2014, RHÖN-KLINIKUM AG sold a portfolio of 41 hospitals, medical care centres and other affiliated interests to HELIOS Kliniken GmbH and Fresenius SE & Co. KGaA. Excluded from the transaction were the sites at Bad Neustadt a. d. Saale, Bad Berka, Frankfurt (Oder) and the Giessen and Marburg University Hospital. These five sites represent the new, highly-specialised RHÖN-KLINIKUM AG portfolio of hospitals focusing on innovation and excellence in treatment. In view of aspects relating to German antitrust law, the hospitals in Boizenburg, Cuxhaven and Waltershausen-Friedrichroda had initially been excluded from the application submitted to the German Cartel Office. The sale of all facilities that were the subject of the transaction was completed in the second quarter of 2014 after the City of Wiesbaden agreed to the sale of the Dr. Horst Schmidt Kliniken group of hospitals. The hospital in Cuxhaven also transferred to Fresenius / Helios on 31 July 2014 as the German Cartel Office had no objections to the proposed operator change following a renewed assessment of the regional competitive situation. The hospitals in Boizenburg and Waltershausen-Friedrichroda were also successfully sold to third parties in the fourth quarter of 2014.

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 located 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 shown in the financial statements. All figures shown in the Notes to the Consolidated Financial Statements are generally shown in millions of euros (€ million). The accounting method selected for the profit and loss statement is the total cost accounting method. For computational reasons, rounding differences of ± one unit (€, %, etc.) may occur in the tables.

2.1 PRINCIPLES APPLIED TO THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated annual financial statements of RHÖN-KLINIKUM AG dated 31 December 2014 were prepared by applying Section 315a of the German Commercial Code (Handelsgesetzbuch – HGB) in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as well as the related Interpretations of the International Financial Reporting Standard Interpretations Committee (IFRS IC), which are subject to mandatory adoption in accordance with European Parliament and Council Directive number 1606/2002 concerning the application of international accounting standards in the European Union in the financial year of 2014. Any early adoption of new Standards is currently not planned.

a) New accounting rules from the 2014 financial year onwards

New Standards and Interpretations of no practical relevance from the 2014 financial year onwards

From the current perspective, the following newly published or revised Standards and Interpretations already adopted by the European Union are of no practical relevance to the 2014 financial year or any subsequent years:

- Transition Guidance amendments related to the initial application of IFRS 10, IFRS 11 and IFRS 12

In June 2012, the IASB published amendments to the transition guidance related to the initial application of IFRS 10, IFRS 11 and IFRS 12. According to this amendment, the evaluation of the concepts of new regulations must now be carried out at the point when the Standard is first applied, rather than at the beginning of the comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments remove the requirement to present comparative information for periods before the Standard is first applied. The amendments affect business periods beginning on or after 1 January 2014. This amendment has no practical relevance for RHÖN-KLINIKUM AG.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 relating to "Investment Entities"

In October 2012, the IASB published amendments to IFRS 10, IFRS 11 and IFRS 12 relating to investment entities (defined in IFRS 10). These amendments exclude all entities that meet the definition of "investment entity" from the general IFRS 10 consolidation requirements. Instead, any such businesses must measure their investments in certain subsidiaries at fair value through profit or loss. The investment entity amendments are not only an addition to IFRS 10 but also complete the disclosure requirements for investment entities set out in IFRS 12. These amendments are to be applied to business periods beginning on or after 1 January 2014. These amendments did not have a significant impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

- IFRS 11 "Joint Arrangements"

As a further part of a package of five new Standards, IASB published IFRS 11 "Joint Arrangements" in May 2011, which was adopted on 11 December 2012. IFRS 11 defines a joint arrangement as an arrangement in which two or more parties have joint control over such an arrangement by contract. Joint arrangements may be joint operations or joint ventures. In the former, the parties to the joint arrangement have direct rights to the assets and obligations arising from the assumption of liabilities of the arrangement. In the latter, on the other hand, the parties to the arrangement have rights to the net assets. Joint ventures are accounted for using the equity method in accordance with the amended version of IAS 28. IFRS 11 replaces the previous Standard IAS 31, with the result that the previous classification "jointly controlled assets" has been altered to "jointly controlled operations". Inclusion based on proportionate consolidation is therefore no longer permitted. IFRS 11 is to be applied to financial years commencing on or after 1 January 2014. Since RHÖN-KLINIKUM AG already accounts for its joint ventures using the equity method, the amendment is of no consequence.

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

In May 2011, the IASB published the revised version of IAS 28 "Investments in Associates", which was adopted on 11 December 2012. The Standard has been renamed as IAS 28 "Investments in Associates and Joint Ventures (revised 2011)". IAS 28 continues to stipulate the accounting for associates as well as the use of the equity method for associates and jointly controlled entities. The amendments result from publication of IFRS 10, IFRS 11 and IFRS 12. IAS 28 (revised 2011) is applicable for the first time for financial years commencing on or after 1 January 2014. RHÖN-KLINIKUM AG has examined the precise impact on its accounting and valuation policies and has taken any impact into account. The impact on the accounting policies and its representation in the RHÖN-KLINIKUM AG consolidated financial statements was classified as negligible since the proportion of associates and joint ventures is of minor significance for the Group's net assets, financial position and results of operations.

- Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting"

In December 2013, the IASB adopted amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting – which were subsequently published on 20 December 2013. The amendments relate to the novation to central counterparties (CCP) to reduce the risks of default and improve transparency and regulatory supervision for over-the-counter (OTC) derivatives. IAS 39 "Financial Instruments: Recognition and Measurement" requires hedge accounting to be discontinued when derivatives are novated as a hedging instrument in the event of the discontinuation of the original derivative. Such discontinuation of hedge accounting is not required if the novation of a hedging instrument with a central counterparty meets specific criteria. This has no impact on how RHÖN-KLINIKUM AG accounts for hedging instruments as no hedge accounting for designated derivatives existed within the Group on 31 December 2014.

New Standards and Interpretations of practical relevance from the 2014 financial year onwards

From the current perspective, the following newly published or revised Standards and interpretations already adopted by the European Union are of practical relevance to the 2014 financial year or any subsequent years:

- IFRS 10 "Consolidated Financial Statements"

As part of a package of five new Standards, IFRS 10 "Consolidated Financial Statements" was published in May 2011 and adopted on 11 December 2012. It is aimed at a uniform consolidation model and replaces the guidance contained in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 "Consolidation – Special-Purpose Entities" relating to control and consolidation. IFRS 10 changes the definition of control such that the same criteria now apply to all companies when determining a relationship of control. According to the amended definition, the prerequisites for control are power over the investee and variable returns from the involvement with the investee. Power over the investee means the possibility of currently directing to a decisive extent the activities of the investee that have a material influence on variable returns. Such power is to be determined based on the current facts and circumstances and continuously re-evaluated. In this regard, economic results may be positive, negative or both. A temporary investment relationship does not release a company from its consolidation duty. The principle of presenting the consolidated financial statements of the parent company and its subsidiaries as a single company as well as the consolidation methods remains unchanged. IFRS 10 is subject to retrospective mandatory adoption for financial years commencing on or after 1 January 2014. This has no serious impact on the way the companies in the RHÖN-KLINIKUM AG Group are accounted for.

- IFRS 12 "Disclosures of Interests in Other Entities"

In May 2011, the IASB published IFRS 12 "Disclosures of Interests in Other Entities", which was adopted on 11 December 2012. This Standard prescribes the required disclosures for entities which account in accordance with the new Standards IFRS 10 and IFRS 11. The disclosure obligations for interests in subsidiaries, associates and joint ventures as well as unconsolidated "special-purpose entities", i.e. what are known as structured entities, are subject to the general Standards IAS 27, IAS 28 and IAS 31. According to IFRS 12, entities must make quantitative and qualitative disclosures enabling users of financial statements to assess the nature of as well as the risks and financial impact associated with an entity's interest in subsidiaries, joint arrangements and associates, and unconsolidated structured entities (special-purpose entities). IFRS 12 is to be applied to financial years commencing on or after 1 January 2014. RHÖN-KLINIKUM AG has reviewed the precise impact of the disclosures on the Notes and has represented this impact in the Notes to the 2014 Annual Report where necessary.

- Revised version of IAS 27 "Separate Financial Statements"

As part of a package of five new Standards, the IASB published the revised version of IAS 27 "Consolidated and Separate Financial Statements" in May 2011 and adopted it on 11 December 2012. It has been renamed as IAS 27 "Separate Financial Statements (revised 2011)" and in future contains provisions on separate financial statements only. This does not change the current regulations. The amendments to IAS 27 are to be applied for the first time to financial years commencing on or after 1 January 2014. This amendment has no practical relevance for RHÖN-KLINIKUM AG as it concerns separate financial statements.

- Amendment to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB published amendments to IAS 32 "Financial Instruments: Presentation" with respect to offsetting financial assets and financial liabilities. These amendments were adopted on 13 December 2012. However, the respective extensions do not result in any changes to the current offsetting model but merely serve to provide clarification. An entity is therefore required to offset financial assets and financial liabilities only if an entity has a legal right to set-off on the reporting date and intends to either settle on a net basis or to realise the financial asset and settle the financial liability simultaneously. The amendments clarify that a legally enforceable claim to offsetting must exist on the reporting date and must be independent of the occurrence of a future event. The right must be enforceable for all contractual parties in the ordinary course of business and also in the event of insolvency of one of the parties involved. IAS 32 moreover clarifies that a gross settlement method may be effectively equivalent to a net settlement in certain circumstances, thereby satisfying the criterion of IAS 32. However, the method must result in the elimination of default and liquidity risks and in the processing of receivables and liabilities in a single settlement procedure. Master netting arrangements in which the legal right to offsetting is enforceable only upon occurrence of future events will continue to fail to satisfy the offsetting criteria also in future. The amendments are to be applied retrospectively for the first time to financial years commencing on or after 1 January 2014. RHÖN-KLINIKUM AG has examined the precise impact on its accounting and valuation policies and has taken any impact into account. The impact on the accounting and valuation policies and the representation in the consolidated financial statements of RHÖN-KLINIKUM AG only concerns the offsetting of financial assets and liabilities within the scope of semi-retirement schemes and financial assets and liabilities that are protected from insolvency.

- Amendments to IAS 36 "Impairment of Assets" – Recoverable Amount Disclosures for Non-Financial Assets

The IASB adopted amendments to IAS 36 "Impairment of Assets" in December 2013 and published these on 20 December 2013. The amendments firstly correct the disclosure provision introduced by IFRS 13 "Fair Value Measurement" in IAS 36 related to the disclosure of the recoverable amount of every cash generating unit (or group of units) to which material goodwill or material intangible assets with an indefinite useful life are allocated. Secondly, the amendments impact on disclosures regarding the measurement of the recoverable amount in the case of impairments of assets, or reversal of impairments of assets, or a cash generating unit if such amount is based on fair value less costs to sell. The amendments are to be applied retrospectively to financial years commencing on or after 1 January 2014; however, they are to be applied only to reporting periods where IFRS 13 has already been applied. RHÖN-KLINIKUM AG has examined the precise impact on its accounting and valuation policies, and has concluded that this has no serious impact on these and the respective representation in the RHÖN-KLINIKUM AG consolidated financial statements.

b) New accounting rules from the 2015 financial year onwards

The following newly published or revised Standards and Interpretations already adopted by the European Union are to be applied from the 2015 financial year onwards:

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", to IFRS 3 "Scope of Exceptions for Joint Arrangements and Accounting for Contingent Considerations in Business Combinations" (Annual Improvement to IFRS Cycle 2010-2012), to IFRS 13 "Scope of Portfolio Exception and Fair Value Measurement of Current Receivables and Payables without Discounting if the Effect of not Discounting is Immaterial", and to IAS 40 "Interrelationship between IFRS 3 and IAS 40 when Classifying Investment Properties as Owner-Occupied" (Annual Improvement to IFRS Cycle 2011-2013).

- IFRIC 21 – "Levies"

These regulations concern accounting for liabilities to pay levies imposed by governments which do not represent "income taxes" as defined in IAS 12. Application of this Interpretation may lead to a liability to pay levies being recorded at a different point in time in the financial statements than has previously been the case, especially if the liability to pay only occurs if certain circumstances apply at a certain point in time. For EU-based companies, this Interpretation must be applied retrospectively for the first time for financial years commencing on or after 17 June 2014. The impact on accounting policies and representation in the RHÖN-KLINIKUM AG consolidated financial statements was classified as inconsequential.

c) New accounting rules from the 2016 financial year onwards

The following newly published or revised Standards and Interpretations partially already adopted by the European Union must be applied from the 2016 financial year onwards:

- Amendments to IFRS 2 “Definition of vesting conditions, performance conditions and service conditions”, to IFRS 3 “Accounting for contingent considerations in business combinations with consequential amendments to other Standards”, to IFRS 8 “Aggregation of operating segments” and “Reconciliation of the total of the reportable segments‘ assets to the entity’s assets”, to IFRS 13 “Short-term receivables and payables”, to IAS 16 / IAS 38 “Calculation of accumulated depreciation when the revaluation method is used” and to IAS 24 “Treatment of cases in which key management personnel services are provided by management entities” (Annual Improvement to IFRS Cycle 2010-2012).

- Amendments to IAS 19 “Employee Benefits”

In November 2013, the IASB published amendments to IAS 19 “Employee Benefits”. The new regulations apply to accounting for contributions from employees or third parties to defined benefit plans. The respective contributions must meet certain criteria. Besides the stipulation that these must be defined in the formal regulations pertaining to the plan, they must also be linked to service and be independent of the number of years of employee service. Contribution payments independent of the number of years of service may for example result from plans where these equal a certain percentage of the salary, if a fixed amount has been agreed for the entire period of service or if the payments depend on the age of the employee. If these criteria are met, companies may (but are not required) recognise the contributions as a reduction in service cost in the period in which the related service is rendered. The revised IAS 19 is to be applied to financial years commencing on or after 1 February 2015. The new requirements are available for early adoption. They resulted in effects which impacted only marginally on the consolidated financial statements.

- Amendments to IAS 1 within the scope of the “Disclosure Initiative”

In December 2014, the IASB published the narrow-scope amendments “Disclosure Initiative (Amendments to IAS 1)” with the aim of reducing restrictions placed on preparers in terms of exercising their judgement when presenting their financial reports. These narrow-scope amendments clarify the regulations concerning materiality, presentation of net assets and the financial position, and the information which must be disclosed in the Notes. The amendments are effective for financial years beginning on or after 1 January 2016. RHÖN-KLINIKUM AG is currently examining the precise impact on its accounting and valuation policies.

- Narrow-scope amendments “Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)”

In December 2014, the IASB published the narrow-scope amendments "Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)". These narrow-scope amendments introduce clarifications regarding the requirements resulting from the application of the consolidation exception for investment entities. The amendments are effective for financial years beginning on or after 1 January 2016. This amendment does not affect RHÖN-KLINIKUM AG.

- IFRS 14 "Regulatory Deferral Accounts"

On 30 January 2014, the IASB published IFRS 14 "Regulatory Deferral Accounts". Under the provisions of this Standard, an entity that is drawing up its annual financial statements for the first time in accordance with IFRS 1 is permitted to maintain regulatory deferral accounts which it applied subject to its previous national accounting rules in connection with price-regulated activities in its annual financial statements according to IFRS, and to continue to account for these in accordance with the accounting methods used previously. Pending EU approval, the amendments are to be applied to financial years commencing on or after 1 January 2016. This amendment does not affect RHÖN-KLINIKUM AG.

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

The IASB published amendments to IFRS 7 and IFRS 9 "Mandatory Effective Date and Transition Disclosures in the Notes" in December 2011. The amendment postpones the mandatory adoption of IFRS 9. IFRS 9 also provides for exemptions under which a company during its transition to the new Standard is not required to restate pre-year figures but may make additional disclosures in the Notes instead. IFRS 9 further requires additional disclosures in the Notes which are included as amendments in the current IFRS 7. Based on the respective measurement category in accordance with IAS 39, these relate to the changes in carrying amounts resulting from the transition to IFRS 9, provided that these do not refer to measurement effects at the time of the transition, and additionally to the changes in carrying amounts attributable to such effects. For financial assets and liabilities which will be measured at amortised cost in future as a result of the transition to IFRS 9, additional disclosures are required. On the basis of the disclosures in the Notes, it must also be possible to transfer the measurement categories as per IAS 39 and IFRS 9 to balance sheet items and financial instruments classes. Revised IFRS 7 and IFRS 9 are to be applied to financial years commencing on or after 1 January 2018. The new requirements are available for early adoption. RHÖN-KLINIKUM AG is currently examining the precise impact on its accounting and valuation policies.

- Amendment to IFRS 11: "Accounting for Acquisitions of Interest in Joint Operations"

In May 2014, the IASB published amendments to IFRS 11 "Joint Arrangements". These clarify that acquirers of interests in joint operations representing a business as per IFRS 3 "Business Combinations" are to apply the relevant IFRS 3 accounting principles and other applicable IFRSs to business combinations, provided these do not conflict with the guidance in IFRS 11. In consequence, the following applies to the value of the interest acquired in joint operations:

- the identifiable assets and liabilities acquired are to be measured at fair value at the time of the transaction, although in the case of acquisition of interests under retention of joint control, the previously held interest is not revaluated,
- any potentially resultant business value and goodwill and any deferred taxes resulting from the initial recognition of assets and liabilities are to be recognised,
- subsequent annual impairment testing of cash generating units to which goodwill arising in the business combination has been attributed to, and impairment testing whenever there is an indication that the intangible asset may be impaired, in accordance with IAS 36 "Impairment of Assets",

- recognition of acquisition-related costs as incurred and
- disclosure as per IFRS 3 and other Standards pertaining to business combinations.

The amendments do not apply where the reporting business and the parties involved in the joint operation share common control of the same higher-level controlling entity.

The new regulations apply prospectively to acquisitions of interests on or after the start of an entity's first reporting period. The revised IFRS 11 is to be applied to financial years commencing on or after 1 January 2016. The new requirements are available for early adoption. RHÖN-KLINIKUM AG does not expect these regulations to impact significantly on the income, financial and asset situation of the Group.

- Amendment to IAS 16 and IAS 38 "Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation"

In May 2014, the IASB published amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation". The aim of these amendments is to clarify the methods applied to the calculation of charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets. Generally, the method applied to the calculation of charges for the depreciation or amortisation of items of property, plant and equipment or intangible assets must reflect the use of the future economic benefits generated from the asset which the company expects. In this respect, the IASB has now clarified that methods based on the revenue generated with the goods produced with these items of property, plant and equipment are not appropriate as the future economic benefits not only depend on the economic benefits expected from property, plant and equipment consumption but also on other factors such as, for instance, sales volumes, price or inflation. In principle, this clarification will also be included in IAS 38, which specifies the depreciation and amortisation of intangible assets with limited useful economic lives. However, the IASB is introducing an additional rebuttable presumption in this respect. Accordingly, a revenue-based method for the depreciation and amortisation of intangible assets with limited useful economic lives may be applied in the following two exceptional cases:

- the "value" of the intangible asset is expressed directly as a measure of the revenue generated or
- it can be established that the revenue generated and the consumption of the economic benefits of the intangible asset correlate to a considerable degree.

It further clarifies for both items of property, plant and equipment and intangible assets that expected future reductions in the selling price of items produced by an item of property, plant and equipment could indicate technical or commercial obsolescence and therefore a reduction in the economic benefits embodied in the item.

The new regulations of IAS 16 and IAS 38 are to be applied to financial years commencing on or after 1 January 2016. The new requirements are available for early adoption. RHÖN-KLINIKUM AG does not expect these regulations to impact significantly on the income, financial and asset situation of the Group.

- IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the new IASB Standard on revenue recognition, IFRS 15 "Revenue from Contracts with Customers", was published at the same time as the FASB "Accounting Standards Update Revenue from Contracts with Customers". The particular aim of this review was to provide a uniform revenue recognition model to replace the previous IFRS standards which were not particularly comprehensive and the extremely detailed and in part industry-specific US-GAAP standards in order to improve the transparency and comparability of disclosures.

According to IFRS 15, revenue must be recognised when the customer obtains control over the agreed goods or services and can benefit from these. The transferral to the buyer of the significant risks and rewards of ownership of the goods as described in the previous IAS 18 "Revenue" standard is no longer decisive. The revenue is to be recognised at an amount that the entity expects to be entitled to in exchange for those goods or services. The model follows a five step approach to determine the revenue recognised. According to this, the first step is to identify the contract with the customer and the separate performance obligations therein. Subsequently, the transaction price of the customer contract must be determined and allocated to the individual performance obligations. And finally, the new model specifies that revenue must be recognised to the value of the allocated transaction price proportion as soon as each performance obligation is satisfied or the customer has obtained control over said obligation. In this respect, it must be determined on the basis of specific criteria whether control of a good or service is transferred over time or at a specific point in time. The new standard does not differentiate between different types of order or service but specifies uniform criteria as to when a performance obligation is to be recognised over time or at a point in time. The regulations and definitions of IFRS 15 replace both the contents of IAS 18 "Revenue" and those of IAS 11 "Construction Contracts".

The new standard IFRS 15 is to be applied to financial years commencing on or after 1 January 2017. The new requirements are available for early adoption. RHÖN-KLINIKUM AG is currently examining the precise impact of this new standard.

- Amendments to IAS 16 and IAS 41: "Bearer Plants"

In June 2014, the IASB published amendments to IAS 16 – Property, Plant and Equipment and to IAS 41 Agriculture – Recognition and Measurement of Biological Assets and Agricultural Produce. The term "bearer plants" refers to all living plants which

- are used in the production of agricultural produce
- are expected to bear produce for more than one period and
- have a remote likelihood of being sold as living plants or consumed as agricultural produce.

The published amendments clarify that prior to their maturity, such plants are accounted for equal to self-constructed items of property, plant and equipment at cost and subsequently either using the cost model or the revaluation model of IAS 16. In future, they may no longer be accounted for in accordance with the provisions in IAS 41.

The new regulations of IAS 16 and IAS 41 are to be applied to financial years commencing on or after 1 January 2016. The new requirements are available for early adoption. This Standard is not relevant for RHÖN-KLINIKUM AG.

- Amendments to IAS 27: Application of Equity Method in Separate Financial Statements

In August 2014, the IASB published amendments to IAS 27 “Separate Financial Statements”. The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in separate IFRS financial statements. Entities may therefore choose one of the following options to account for businesses of this kind in separate financial statements:

- inclusion at (ongoing) acquisition cost,
- valuation as financial instruments at market as per IAS 39 Financial Instruments: Recognition and Measurement and / or in future (depending on future EU approval) as per IFRS 9 Financial Instruments, and also
- inclusion using the equity method.

The new IAS 27 regulation is to be applied to financial years commencing on or after 1 January 2016. The new requirements are available for early adoption. These regulations will have no impact on the income, financial and asset situation of the RHÖN-KLINIKUM AG Group.

■ Amendments to IAS 28 and IFRS 10: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

In September 2014, the IASB published amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”. The amendments address an acknowledged inconsistency between the requirements in these two Standards. IFRS 10 requires that any investment the parent has in the former subsidiary after control is lost should be measured at fair value and that any resulting gain or loss should be recognised in profit or loss (full gain or loss recognition). IAS 28, on the other hand, requires that gains and losses resulting from upstream and downstream transactions between an investor and its associate or a joint venture should only be recognised to the extent of the interest attributable to the other equity holders in the associate or joint venture (partial gain or loss recognition). In consequence of the recently published amendments, the investor must now recognise a full gain or loss when the transaction (i.e. the contribution of a subsidiary to a joint venture or associate accompanied by the loss of control over that subsidiary) involves a business as defined in IFRS 3 “Business Combinations”. If this is not the case, only a partial gain or loss should be recognised (to the value of the shares held by the other investors).

Revised IAS 28 and IFRS 10 are to be applied to financial years commencing on or after 1 January 2016. The new requirements are available for early adoption. RHÖN-KLINIKUM AG does not expect these regulations to impact significantly on the income, financial and asset situation of the Group.

■ Annual Improvements “International Financial Reporting Standards” Cycle 2012-2014 (September 2014)

In September 2014, the IASB published the Annual IFRS Improvements (Cycle 2012-2014). The clarifications therein affect the following Standards and issues:

- IFRS 5: Reclassification of “an asset held for sale” to “held for distribution to owners”.
- IFRS 7: Clarification of the term “continuing involvement” and guidance on offsetting financial assets and liabilities in interim financial reports.
- IAS 19: Assessment of the depth of a market for high-quality corporate bonds in the context of the interest rate to be applied and also

- IAS 34: Disclosure of information “elsewhere in the interim financial report”.

The revised Standards are to be applied to financial years commencing on or after 1 January 2016. The new requirements are available for early adoption. RHÖN-KLINIKUM AG does not expect these regulations to impact significantly on the income, financial and asset situation of the Group.

New Standards and Interpretations of practical relevance from the 2016 financial year and subsequently

- IFRS 9 — “Financial Instruments” – Classification and Measurement of Financial Assets and Liabilities

In November 2009, the IASB published IFRS 9 Financial Instruments, which covers the classification and measurement of financial assets; the IASB made some minor changes to this in the autumn of 2012. IFRS 9 now prescribes a new, less complex approach for the classification and measurement of financial assets. Accordingly, there are now only two instead of four measurement categories when accounting for financial assets: at fair value or by amortised costs. In this respect, measurement at amortised costs requires a business model where the financial asset is held for the collection of contractual cash flows and basic financial asset lending arrangements that lead to cash flows at certain predetermined points in time only, giving rise solely to payments of principal and interest on outstanding repayment sums. Financial instruments which do not meet these two conditions must be measured at fair value. The classification depends, on the one hand, on the entity’s business model and on the other on the respective financial asset’s contractual cash flow characteristics. The Standard requires retrospective application to all existing financial assets, although classification in accordance with the new regulations is determined by the situation on the day of initial application of the Standard. In October 2010, the IASB expanded IFRS 9 “Financial Instruments” to include rules on the recognition of financial liabilities and for the derecognition of financial instruments. With the exception of the provisions for liabilities measured voluntarily at fair value (referred to as fair-value options), IFRS 9 adopted the rules from IAS 39 “Financial Instruments: Recognition and Measurement” without changes. In July 2014, the IASB published a revised version of IFRS 9 “Financial Instruments’ which expands the former version of the Standard with new provisions on accounting for financial asset impairments and contains revised rules on the classification and measurements of financial instruments. This also results in changes regarding the application of hedge accounting. The Standard therefore replaces all previous versions of IFRS 9. The revised version of IFRS 9 is to be applied to financial years commencing on or after 1 January 2018. The new requirements are available for early adoption. RHÖN-KLINIKUM AG is currently examining the precise impact on its accounting and valuation policies.

Consolidated financial accounts in accordance with IFRS call for assumptions and estimates. The application of Group-wide uniform accounting and valuation methods also calls for management evaluation. Areas with higher scope for evaluation or higher complexity or areas where assumptions and estimates are of decisive importance to the consolidated financial statements are listed and accompanied by explanations. The consolidated financial statements were calculated on the basis of historic acquisition or production costs, bar the financial assets and liabilities accounted for at fair value through profit or loss.

The Supervisory Board is scheduled to release the consolidated financial statements for publication on 16 April 2015.

2.2 CONSOLIDATION

The annual financial statements of the companies included in the consolidated financial statements were prepared in accordance with uniform accounting and valuation principles and for the same period as the consolidated financial statements.

2.2.1 Subsidiaries

Subsidiaries are all companies (including special-purpose entities) in which the Group exercises control as defined in IFRS 10. Assessing whether the Group exercises control involves the assessment of whether the parent company has the kind of power over the subsidiary that results in the receipt of positive or negative variable returns, and whether it can materially influence the value of these returns by exercising this power. The Group will also carry out a respective assessment if it has less than a 50.0 % share of the voting rights but could control the subsidiary's relevant business activities based on de facto control. De facto control exists, for example, in the case of voting right agreements or increased minority rights.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which the Group obtains control. They are deconsolidated when this control ends. Acquired subsidiaries are accounted for using the purchase method.

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

In the event of successive business combination, the previously acquired equity capital share of the company is revalued at the fair value applicable on the acquisition date. The resultant profit or loss is recognised in the profit and loss statement.

Any contingent considerations are recognised at their fair value on the acquisition date. Subsequent changes to the fair value of a contingent consideration classified as an asset or as a liability are valued in accordance with IAS 39, and any resultant profit or loss is recognised in either profit, loss or other income. A contingent consideration classified as equity capital is not revalued and its later settlement is accounted for in equity.

The value resulting from the acquisition cost excess, the value of non-controlling interests in the acquired company and also the fair value of any previously held equity interests on the acquisition date beyond the Group's interest in the fair value of the net assets is recognised as goodwill. If the acquisition cost is less than the recognised fair value of the net assets of the acquired subsidiary, the difference is accounted for directly in the consolidated income statement. Group-internal transactions and balances as well as unrealised profits and losses from transactions between Group companies are eliminated. In as far as necessary, the accounting and valuation policies of subsidiaries are adjusted to ensure application of uniform accounting principles within the Group.

2.2.2 Transactions with non-controlling interests

Transactions with non-controlling interests are treated like transactions with equity providers. Any difference arising – from the acquisition of a non-controlling interest – between the paid service and the relevant share in the book value of net assets of the subsidiary is included in equity capital. Profits and losses generated in the sale of non-controlling interests are also included in equity capital. This only applies if the sale does not result in loss of control.

2.2.3 Associated companies and joint ventures

Associated companies are enterprises over which the Group exercises a material influence, but does not have "control", given that the voting interest is between 20 per cent and 50 per cent. Holdings in associated companies and jointly-controlled companies (joint ventures) are shown in the balance sheet using the equity method and are initially recognized at their acquisition cost. The Group share in associated companies or joint ventures includes goodwill generated during acquisition (with consideration for accumulated impairments).

The Group share in profits and losses of associated companies or joint ventures, from the time of acquisition onwards, is included in the profit and loss statement and cumulative changes are offset against the book value of the holding. If the Group's share of losses in an associated company or joint venture is equal to or greater than the Group's share in this company, including other unsecured receivables, no further losses are recorded, unless it has undertaken an obligation on behalf of the associated company or joint venture, or has made payments on their behalf.

Unrealized intra-Group results from transactions between Group companies and associated companies or joint ventures are eliminated pro rata, where the underlying facts are significant.

Within the scope of the impairment test, the book value of a company valued at-equity is compared with its achievable amount. If the book value exceeds the recoverable amount, impairment is implemented in the amount of the difference. If the reasons for a previously recorded impairment no longer exist, an appropriate appreciation in value affecting net income is carried out.

The financial statements of holdings recognized based on the equity method are compiled pursuant to standard Group-wide accounting and valuation methods.

Associated companies, for which the influence on net assets and results of operations is immaterial individually and overall, are not consolidated based on the equity method. They are allowed for at their acquisition cost or lower fair value in the consolidated financial statement.

2.2.4 Sale of subsidiaries

If the Group loses control or decisive influence over a company, the residual share is revalued at the fair value and the resultant difference recorded as profit or loss. The fair value is the value calculated upon initial recognition of an associated company, joint venture or financial asset. Moreover, all amounts disclosed in the other result are shown in the balance sheet for this company, as would be demanded if the parent company had directly sold the associated assets and liabilities. This means that a profit or loss previously included in the other result is transferred from equity capital to the profit and loss statement.

Assets and liabilities allotted to companies intended for sale, pursuant to IFRS 5, shall be displayed as separate items in the balance sheet, and the results of discontinued operations are shown as separate items in the comprehensive income statement. Assets which are classified as held for sale are valued at the lower of book value and fair value, minus costs of sale, and depreciation on such assets is suspended.

2.3 SEGMENT REPORTING

Segment reporting is carried out, according to IFRS 8, based on the management approach, i.e. from the management perspective. External reporting is geared to internally employed control and reporting parameters and report structures, as provided to and used by decision-makers.

A component of an entity is regarded as an operating segment carrying out business activities that may generate revenues and incur expenditure, the operating results of which are regularly reviewed by the primary decision-maker of the company in light of decisions about the allocation of resources to this segment and the valuation of its earning power, and for which relevant financial information is available.

The ascertained operating segments are reduced to reportable segments. This is essentially carried out through a summary of homogeneous operating segments if they have comparable economic characteristics. The trigger for the reporting obligation is frequently exceeding segment-related materiality thresholds. IFRS 8 specifies the three segment-based materiality thresholds indicated below:

- segment revenues amount to at least 10 per cent of accumulated (internal and external) segment revenues;
- the segment result amounts to at least 10 per cent of the maximum from accumulated positive or negative segment results; or
- segment assets amount to at least 10 per cent of accumulated segment assets.

The required income segmentation indicates that reportable segments have to be formed until revenues from the identified reportable segments make up 75 per cent of total external revenues. The other non-reportable segments are shown as "All other segments" and the source of such revenues described.

Basic information on ascertaining and identifying reportable segments are provided in the notes to the financial statement, within the scope of an explanation of segment demarcation. This includes specifying determining factors for segment reporting and indicating products and services with which the individual segments generate revenues.

Furthermore, detailed information must be provided on the segment result, segment assets and segment liabilities. Moreover, information on products and services, geographical activities and major customers of the company shall be indicated. IFRS 8 also requires additional information on the internally employed methods for handling transactions between reportable segments and on differences between the internally employed accounting methods and the methods employed in the financial statement. In addition to verbal information, offsetting and reconciliation is compiled for the following segment data on the financial statement: this includes total revenues for all reportable segments, overall result of reportable segments before taxes and the discontinuation of operations, total assets of reportable segments, total liabilities of reportable segments and the total amount of reportable segments for each other material item, which is separately reported.

2.4 GOODWILL AND OTHER INTANGIBLE ASSETS

2.4.1 Goodwill

Goodwill constitutes the surplus of costs of company acquisition over the fair value of Group shares in net assets of the acquired company at the time of acquisition. Goodwill generated by company acquisition is assigned to intangible assets. Goodwill is subjected to at least one annual impairment test and valued at its original acquisition cost, less accumulated impairments. Moreover, a review is also carried out if events or circumstances indicate that the value could be reduced. Appreciations in value are not allowed for. Profits and losses from the sale of a company include the book value of goodwill, which is assigned to the outgoing company.

Goodwill is distributed to cash generating units for the purpose of the impairment test. At RHÖN-KLINIKUM AG these are essentially equivalent to individual hospitals, unless the associated goodwill of cooperating units is supervised at a higher level.

If the recoverable amount falls below the book value, an impairment loss is recorded. The recoverable amount is equivalent to the higher of the two amounts of fair value minus selling costs and the value in use of the asset.

2.4.2 Computer software

Acquired computer software licences are capitalized at their acquisition cost, plus the costs of placement into ready-for-use condition. These costs are written off on a straight-line basis over the expected useful life (three to seven years) and displayed in the profit and loss statement under the item Depreciation and impairments.

Costs associated with development of websites or updating computer software are recorded as expenditure at the time of their accrual, unless the requirements for capitalization are fulfilled.

2.4.3 Other intangible assets

Other intangible assets are recognized at historical acquisition cost and – where depreciable – written off as scheduled on a straight-line basis, in accordance with their relevant economic useful life (three to five years), and shown in the profit and loss statement under the item Depreciation and impairments.

2.4.4 Research and development expenses

Research costs are included as current expenditure, according to IAS 38. Development costs are capitalized if the requirements of IAS 38 are cumulatively fulfilled. There are no development costs to be capitalized.

2.4.5 Government grants

Government grants are recorded at their fair value if it can be assumed, with a great degree of certainty, that the grant will be carried out and the Group meets the necessary conditions for receipt of the subsidy. Government grants for investments are depreciated as a book-value reduction from the acquisition or manufacturing cost of the assisted assets. They are distributed as an expenditure-reducing item on a straight-line basis over the expected useful life of the affected assets. Such grants are provided within the scope of legally standardized investment support for hospitals. Subsidies that are not yet used appropriately are differentiated under other financial obligations on the balance sheet date.

2.5 PROPERTY, PLANT AND EQUIPMENT

Land and buildings shown under property, plant and equipment primarily include hospital buildings. Similarly to other items of property, plant and equipment, they are valued at historical acquisition / production cost, reduced by depreciation. Acquisition costs include expenditure directly allocable to the acquisition. Moreover, production costs include overheads allocable to production costs.

Retrospective acquisition / production costs are only included as part of the acquisition / production cost of the asset or – where appropriate – as a separate asset if it is likely that the Group will gain a future commercial benefit as a result and the costs of the asset can be reliably determined. All other repairs and maintenance works are recognized as expenditure on the profit and loss statement in the financial year in which they were incurred.

Tangible assets are checked for impairments if events or changed circumstances indicate that impairment might have occurred. In such a case, the impairment test is carried out based on IAS 36 in compliance with the principles explained for intangible assets. If impairment is to be implemented, the residual useful life is adjusted accordingly where appropriate. If the reasons for a previously recorded impairment no longer exist, such assets are ascribed affecting net income, whereby this appreciation in value shall not exceed the book value which would have been produced if no impairment had been recorded in earlier periods.

Land is not depreciated. In case of all other assets, depreciation is implemented on a straight-line basis, whereby acquisition costs are written off at the residual book value over the expected useful life of assets, as follows:

Buildings	33 1/3 years
Machinery and technical equipment	5 to 15 years
Other plants, operating and office equipment	3 to 12 years

Residual book values and useful economic life are reviewed on each balance sheet date and adjusted where appropriate.

Profits and losses from the disposals of assets are calculated as the difference between sales revenues and book value and recognized as income.

2.6 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS (EXCLUDING GOODWILL)

On each balance sheet date, the Group makes an assessment of whether there is any evidence that an asset might be impaired. If such evidence exists or an annual review of an asset for impairment is required, the Group makes an estimate of the recoverable amount. If no independent cash inflows can be assigned to the individual asset, the estimate of the recoverable amount is made for the cash generating unit to which the asset belongs. The recoverable amount is the higher of the fair value of the asset minus costs of sale and the value in use. If the book value of an asset exceeds its recoverable amount, the asset is regarded as impaired and written off at its recoverable amount. In order to calculate value in use, estimated future cash flows are discounted at their cash value based on a discount rate before taxes, reflecting the latest market expectations of the interest effect and specific risks to the asset. Impairment expenses are shown in the profit and loss statement under the item Depreciation and impairments. A review is conducted on each balance sheet date of whether there is any evidence that an impairment expense recorded in earlier reporting periods no longer exists or could have been reduced. If such an indicator exists, the recoverable amount is estimated. A previously recorded impairment expense is cancelled if a change in estimates has been produced since the inclusion of the last impairment expenditure, as used in calculating the recoverable amount. If this is the case, the book value of the asset is increased to its recoverable amount. However, this shall not exceed the book value, which would have been produced after allowing for scheduled depreciation if no impairment expenditure had been included in previous years. Such appreciation in value is immediately recorded in the result for the period. Once an appreciation in value has been implemented, depreciation expenditure shall be adjusted in future reporting periods in order to systematically distribute the adjusted book value of the asset, minus any residual book value, over its residual useful life.

2.7 FINANCIAL ASSETS

Financial assets consist of receivables, equity instruments, derivative financial instruments with positive fair values and cash.

These financial assets are essentially subdivided into the following categories:

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments and
- available-for-sale financial assets.

Categorization depends on the purpose, for which the relevant financial assets have been acquired. The management decides on categorization of financial assets upon initial recognition and reviews categorization on each valuation date.

All sales and purchases of financial assets are recognized on the settlement date, the date on which the sale or purchase of the asset is completed. Derivative financial instruments are recognized on the trading day.

Financial assets not included in the "fair value affecting net income" category are initially recognized at their fair value, plus transaction costs.

Financial assets valued at fair value affecting net income are assessed at the fair value on the date of addition. Transaction costs are recognized as expenditure.

Financial assets are derecognized if rights to payments from the investment have expired or been transferred and the Group has essentially transferred all risks and opportunities related to ownership. Financial assets available for sale and assets in the "at fair value affecting net income" category are assessed at their fair values following initial recognition. Loans and receivables, and financial investments to be held until final maturity shown in the balance sheet at amortized acquisition cost, using the effective interest method.

Profits or losses from fluctuations in the fair value of financial assets valued at fair value affecting net income, including dividends and interest payments, are shown in the consolidated income statement under the item Financial expenditure and income, in the period of their accrual.

If no active market exists for financial assets or there are no listed assets, the fair values are calculated using appropriate valuation methods. These may include references to recent transactions between independent business partners, use of current market prices for other assets, which are fundamentally similar to the reviewed asset, discounted cash-flow procedures and option price models, which make use of market data as far as possible and the least possible use of individual company data. A review is conducted on each balance sheet date of whether objective evidence exists for impairment of a financial asset or group of financial assets.

2.7.1 Assets at fair value through profit or loss

This category has two subcategories: financial assets classified from the outset as "held for trading" (including derivatives) and those classified as "at fair value affecting net income" if the appropriate preconditions are in place due to use of the fair-value option. A financial asset is assigned to this category if in principle it has been acquired with the intention of short-term sale or the financial asset was designated accordingly by the management. Derivatives are also included in this category, unless classified as hedges. Certain hedging instruments are also regarded as financial instruments held for trading, as defined in IAS 39, which may essentially serve the purpose, under business management criteria, of interest hedging in the RHÖN-KLINIKUM Group, to which IAS 39 for hedge accounting is not applied.

In addition fundamental derivative financial instruments are employed, such as interest rate swaps and options. Assets in this category are shown as short-term assets if they are payable within the next twelve months.

2.7.2 Loans and receivables, held-to-maturity investments

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not listed on an active market. They are included in current assets, unless their due date is more than twelve months after the balance sheet date. Assets which have a due date more than twelve months after the balance sheet date are shown as non-current assets. Trade receivables and other receivables are assigned to this category. There are no financial investments to be held until final maturity on the balance sheet date.

2.7.3 Financial assets available for sale

Financial assets available for sale are non-derivative financial assets, which have either been specifically assigned to this category or could not be assigned to any of the other categories shown. They are assigned to non-current assets, unless the management has the intention of selling them within twelve months of the balance sheet date. If the market value cannot be reliably calculated, financial assets available for sale are valued at acquisition cost.

2.8 INVESTMENT PROPERTY

Investment property includes land and buildings, which are held to generate rental income or for the purpose of value enhancement, and which are not used for internal provision of services, for administrative purposes, or for sales within the scope of usual business operations. Investment property is valued at acquisition or production cost minus accumulated depreciation.

If the economic ownership of leased objects remains with RHÖN-KLINIKUM AG or its subsidiary as lessor (operating leasing), they are shown separately in the balance sheet and marked accordingly. Leasing objects are capitalized at acquisition or production cost and written off in compliance with accounting principles for property, plant and equipment. Rental income is allowed for on a straight-line basis over the contractual term.

2.9 INVENTORIES

Inventories include raw materials, consumables and supplies in the RHÖN-KLINIKUM AG Group. They are valued at acquisition cost (including incidental costs) and lower net realizable value. Acquisition costs are determined based on the average cost method. The net realizable value constitutes the estimated selling price in the ordinary course of business, minus any incurred disposal costs.

2.10 TRADE RECEIVABLES

Trade receivables are initially recognized at fair value, plus any transaction costs, and subsequently valued at amortized acquisition cost, less impairments. Impairment is recorded for trade receivables if there is objective evidence that due receivable amounts are not fully recoverable. The amount of impairment is recognized – affecting net income – on the relevant adjustment account, under the item other expenditure. Significant financial difficulties for the debtor and an increased probability of debtor insolvency may be indicators of impairment of trade receivables. Impairment-related devaluation is calculated on the difference between the current book value of a receivable and anticipated cash flows with the receivable.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include hard cash, sight deposits and other short-term, highly-liquid financial assets with an original maximum term of three months. Exploited overdraft facilities are shown on the balance sheet as liabilities from credit institutions, under short-term financial liabilities.

2.12 EQUITY AND HEDGE ACCOUNTING

2.12.1 Equity

Ordinary shares are classified as equity. Costs which can be directly assigned to the issue of new shares are shown in the balance sheet under equity (net after taxes), as a deduction from revenues from issues.

If a Group company acquires equity interests in RHÖN-KLINIKUM AG, the value of the trade-off paid, including directly assignable additional costs (net after taxes) of equity, to which the company shareholders are entitled, is deducted until the shares are withdrawn, reissued or resold. If such shares are retrospectively reissued or sold, the trade-off received is recorded as a net amount – after deducting directly assignable, additional transaction costs and related income taxes – in equity, to which the shareholders of RHÖN-KLINIKUM AG are entitled.

2.12.2 Hedge accounting

The Group employed derivative financial instruments for hedging interest rate risks resulting from financial transactions until repayment of the respective underlying transaction in the second quarter of the financial year. The rules on hedging measures were applied, according to IAS 39 (hedge accounting). This reduces the volatility of the consolidated income statement.

Liabilities recognized on the balance sheet were hedged against future cash flow fluctuations by means of a cash flow hedge. If a cash flow hedge arises, the effective part of the change in value of the hedging instrument is recorded – not affecting net income – in equity as a hedge reserve until the result of the hedged underlying transaction is recorded; the ineffective part of the change in the value of the hedging instrument is recorded, affecting net income, in the profit and loss statement.

Derivative financial instruments are essentially assessed at fair value at the time of initial recognition. The subsequent valuation is also carried out at the applicable fair value on the relevant balance sheet date. The fair value of handled derivative financial instruments is equivalent to the market value, which may be positive or negative. If no stock exchange prices are available, fair values are calculated using accepted actuarial models. For derivative financial instruments, fair value is equivalent to the price, which independent market participants would receive on the primary market or most advantageous market upon sale, under usual market conditions on the valuation date, or would pay in case of assignment.

The Group essentially documents the hedging relationship between a hedging instrument and the underlying transaction upon conclusion of a transaction, the objective of its risk management and the underlying strategy in concluding hedges. Furthermore, at the start of the hedging relationship and later on, an assessment is documented regarding whether the derivatives employed in the hedging relationship effectively compensate for the changes to cash flows in the underlying transactions.

The full fair value of derivative financial instruments designated as hedging instruments is essentially shown as a long-term asset or long-term liability if the residual term of the hedged underlying transaction is longer than twelve months and as a short-term asset or short-term liability if the residual term is shorter.

Whether or not the derivative financial instrument is involved in an effective hedging relationship, according to IAS 39, is decisive for the recording of changes to fair values – recognition affecting net income in the consolidated income statement or recognition in equity not affecting net income. If no hedge accounting is available or parts of the hedging relationship are ineffective, the changes in fair values allotted hereto are immediately recognized affecting net income in the consolidated income statement. If an effective hedging relationship exists however, the hedge is shown as hedge accounting based on the rules of IAS 39.

2.13 FINANCIAL LIABILITIES

Financial liabilities consist of financial liabilities (including negative fair values of derivative financial instruments), trade payables and other financial obligations. The original financial liabilities are valued at amortized acquisition cost and derivative financial instruments at fair value. This means short-term liabilities are recognized at their repayment or settlement amount.

Financial obligations and financial liabilities are assessed at their initially recognized fair value, following deduction of transaction costs. Subsequently they are valued at amortized acquisition cost; any difference between the amount paid out (following deduction of transaction costs) and the repayment amount is recorded over the term of the loan, using the effective interest method, in the consolidated income statement, under Financial result. Loan liabilities are classified as short-term liabilities, unless the Group has the unconditional right to postpone settlement of the obligation to a date at least twelve months after the balance sheet date.

2.14 CURRENT AND DEFERRED TAXES

Tax expenditure for the period consists of current and deferred taxes. Taxes are recorded in the consolidated income statement, unless they relate to items which were directly recorded in Equity or in other comprehensive income. In this case taxes are also recorded in Equity or other comprehensive income.

Using the liability method, deferred taxes are recognized for all temporary differences between taxation book values of assets and liabilities and relevant IFRS consolidated book values. However, if within the framework of a transaction, which does not constitute a corporate merger, a deferred tax is generated from the initial recognition of an asset or liability, which at the time of the transaction does not have any effect on balance sheet or taxation profit or loss, tax deferral is omitted. Deferred taxes are valued using the tax rates (and tax rules), which apply on the balance sheet date or are essentially legally adopted and the validity of which is expected at the time of realization of the deferred tax receivable or settlement of the deferred tax liability. The calculation of deferred taxes is based on a corporate tax rate of 15.0 per cent (plus solidarity surcharge of 5.5 per cent on corporate tax).

Deferred taxes are recognized in the extent to which a tax advantage is deemed probable from offsetting against taxation profits.

Deferred taxes related to temporary differences in holdings at subsidiaries are essentially recognized, unless the date of reversal of the temporary differences can be controlled by the Group and a reversal of the temporary differences is unlikely in the foreseeable future.

2.15 EMPLOYEE BENEFITS

2.15.1 Pension obligations and other long-term benefits due to employees

There are various pension schemes in the Group. Schemes are financed through payments to insurance companies or pension funds or through formation of reserves (direct commitments), the level of which is based on actuarial calculations. The Group has both defined benefit and contribution-based pension schemes.

A defined contribution scheme is a pension plan, under which the Group makes fixed contribution payments to an independent company (insurance company or pension fund). The Group could only be called on to make additional contributions within the subsidiary liability. Given that RHÖN-KLINIKUM AG regards the risk of failure of an insurance company or pension fund as extremely low; such commitments are shown as defined contribution schemes.

In case of defined contribution schemes, the Group pays contributions to public or private insurance schemes by virtue of a legal or contractual obligation. The Group has no further payment obligations, beyond the payment of contributions. Contributions are recorded in personnel expenditure upon maturity.

A defined benefit scheme is a pension plan, which does not fall under the definition of a defined contribution. Typically it is characterized by stipulating a contribution to pension benefits, which an employee will receive upon retirement and its amount is usually dependent on one or more factors, such as age, period of service and salary.

The provision recognized in the balance sheet for defined benefit schemes is equivalent to the cash value of the defined benefit obligation (DBO) on the balance sheet date. The DBO is calculated annually by an independent actuarial expert, using the projected unit credit method. The cash value of the DBO is calculated by discounting anticipated future cash outflows at the interest rate for corporate bonds with a high credit rating, held in the currency in which the benefits are paid, and the periods of which comply with those of the pension obligation.

Actuarial profits and losses, which result from changes to actuarial assumptions or from discrepancies between earlier actuarial assumptions and actual development, are directly recorded in equity capital in the period of accrual with consideration for deferred taxes. As a result the balance sheet – following deduction of any existing planned assets – shows the full extent of obligations while avoiding fluctuations in expenditure, which may be produced in particular in case of changes to the calculation parameters. Actuarial profits and losses recorded in the relevant reporting period are separately presented in the comprehensive income statement as “Revaluation of defined benefit pension schemes”.

According to IAS 19, subsequently accounted expenditure in the service period, i.e. all benefit changes which reduce the defined benefit obligation, are recorded in full in the profit and loss statement at the time of the change to the plan.

Multi-employer schemes

As a result of collectively agreed provisions, the Group pays contributions for a certain number of employees to the Federal and State Government Employees Retirement Fund (VBL) and to other public service pension funds (Supplementary Pension Fund for Local Authorities, ZVK). Supplementary pension funds are corporate bodies or institutions under public law. Contributions are charged within the scope of assessment systems. This financing structure produces the risk of increasing contributions through the charging of restructuring contributions, which may be imposed unilaterally or disproportionately on employers.

The present schemes are multi-employer schemes (IAS 19.8), given that the participating companies share both the risk of capital investment and the biometric risk. The VBL- / ZVK provision is essentially classified as a defined benefit pension scheme (IAS 19.38), but the necessary information for appropriate depiction of the Group interest in the future payment obligation is lacking due to the current pay-as-you go financing. By virtue of such financing pursuant to the assessment system, in which the contribution rate is calculated for a certain period covered on the basis of the total insurance portfolio and not on the basis of individual risk to individual insured persons, the pension scheme, according to IAS 19.34, shall be shown in the balance sheet as a defined contribution scheme. There are no agreements as defined in IAS 19.37, which means that recognition of an equivalent asset or liability is omitted. Recording of any liability in the balance sheet is subordinate to warrantor obligations of public-sector regional authorities.

Current contribution payments to VBL / ZVK were shown in personnel expenditure as expenses on pension schemes in the relevant years, as benefits after termination of employment.

In addition to the share in costs, the VBL charges restructuring fees from participating employers with compulsorily insured persons in Abrechnungsverband ("Clearing House") West. The flat-rate restructuring payments cover the additional financing requirement required for obligations incurred until closure of the overall pension system. The share of the restructuring payment for which individual employers are liable depends on the pension burdens and insured fees allotted to them. On average the restructuring payment is currently around 2 per cent of fees.

The VBL finances benefits in Clearing House West through a modified segment coverage method (assessment system). Current segment coverage extends from 2013 to 2017. The contribution rate is assessed in such a way that the share in costs payable for the period of segment coverage, along with other anticipated income and available assets are sufficient to meet expenses during segment coverage and in the following six months. The contribution rate since 1 January 2002 has been 7.86 per cent of fees subject to the supplementary pension requirement. Employers assume a 6.45 per cent share thereof and employees are liable for a 1.41 per cent share of fees subject to the supplementary pension requirement.

Financing in the Abrechnungsverband Ost ("Clearing House East") has been gradually converted since 1 January 2004 from an assessment system to a funded system. In addition to a cost share of 1 per cent of fees subject to the supplementary pension requirement, additional amounts are charged in the funding method, to be split equally between employers and employees. Since 1 January 2010 all employers, in addition to the cost share, have uniformly paid a contribution to the funding method of 4 per cent of fees subject to the supplementary pension requirement (2 per cent employer and 2 per cent employee share).

Due to lack of satisfactory information it is not possible to make a statement on the level of participation in pension schemes based on contribution payments of RHÖN-KLINIKUM AG, by comparison with total contribution payments to the Federal and State Government Employees Retirement Fund (VBL) and to other public sector pension schemes (Supplementary Pension Fund for Local Authorities, ZVK).

In the event of termination of VBL participation, the resultant legal consequences are specified in Article 23 of the VBL statutes. Upon termination of VBL participation, compulsory insurance also ends. Given that the VBL continues to compensate pension claims and pension rights accrued until the end of participation, it must pay an equivalent value in order to compensate the exiting participant, with the exception of parts financed in the funded method. This equivalent value includes both funding of existing rights and coverage of administrative costs and future benefit claims. A similar provision is also provided for by the supplementary pension fund. Given that the risks to other system participants must also be compensated pro rata in case of an exit from pay-as-you-go financing, a traceable actuarial calculation is only possible through the pension fund itself.

Membership of VBL / ZVK arises due to the takeover of clinics from the public sector. After the transaction with Fresenius / Helios has been completed, only the Giessen and Marburg clinics are still members of VBL.

2.15.2 Termination benefits

Benefits from the termination of employment are paid if an employee is dismissed before regular retirement or voluntarily leaves employment in return for a severance payment. The Group includes severance payments if it is verifiably obliged to terminate the employment of current employees in accordance with a detailed formal plan, which cannot be reversed, or demonstrably has to make severance payments in case of voluntary termination of employment by employees. Benefits payable more than twelve months after the balance sheet date are discounted at their cash value.

2.15.3 Directors' fees and profit-sharing bonuses

An obligation is recognized as a liability for profit shares and earnings-related bonuses based on a valuation method geared to consolidated earnings or the results of consolidated subsidiaries. The Group recognizes an obligation under liabilities in cases where a contractual obligation exists or a factual obligation is produced due to past business practice.

2.15.4 Share-based payment

Share-based payments are shown pursuant to IFRS 2. Options were issued in the form of virtual shares in the 2014 financial year. Accounting is carried out as remuneration with a cash settlement. The provision for obligations from virtual shares is formed in the amount of anticipated expenditure. The fair value of the virtual shares is calculated using a binomial model.

2.16 PROVISIONS

Provisions for restructuring and legal obligations are recorded if the company has a legal or factual obligation as a consequence of a past event, if there is likely to be an outflow of economic resources in the course of fulfilling the obligation and if the value of the outflow of resources can be reliably determined. Restructuring provisions essentially include costs from the early termination of contracts of employment with employees. No provisions are formed for future operating losses.

In the event of a large number of similar obligations, the assessment of claim probability is made based on an overall examination of similar obligations. A provision is also formed if the claim probability for some of these obligations is assessed as low.

Provisions are valued at the cash value of payments anticipated by settling the obligation. Discounting is carried out at a pre-tax interest rate, which reflects current market expectations regarding the fair value of cash and the risk potential of the obligation. Increases in value of provisions, which are based on temporary interest effects, are shown in the consolidated income statement as interest expenditure.

2.17 REVENUE RECOGNITION

Revenues are included in the fair value amount of the trade-off received for the provision of services and sale of goods. Revenues from intra-Group sales and provision of services are eliminated within the framework of consolidation. Revenues are recognized as follows:

2.17.1 In-patient and out-patient hospital services

Hospital services are recorded according to progress pro rata for performed and total service provision in the financial year, in which the services are carried out. Accounting for performance accounting agreed with cost units is essentially carried out on the basis of flat-rate fees regardless of residence time. Daily nursing rates are accounted for in subdivisions.

Hospital services are limited in amount within an agreed budget. It follows from this that extra services (budget overspends) and shortfalls (budget underspends) shall be mutually compensated within the scope of statutory regulations.

2.17.2 Interest income

Income from interest is recorded pro rata using the effective interest method.

2.17.3 Income from distribution and dividends

Distributions of profits are recognized at the time when the right to receive payment arises.

2.18 LEASING

Leasing transactions, as defined in IAS 17, may result from lease and tenancy relationships and are classified as financing leasing or operating leasing.

Leasing transactions, in which the Group as lessee assumes all significant opportunities and risks associated with ownership, are essentially treated as financing leasing, i.e. as actually acquired fixed assets. Assets are capitalized and written off over the ordinary useful life and the term of the leasing contract; future leasing payments are recognized as liabilities at their cash value.

Leasing transactions, in which a significant share of risks and opportunities associated with ownership of the leasing object remains with the lessor, are classified as operating leasing. Payments made within an operating leasing relationship are recorded in the profit and loss statement on a straight-line basis over the term of the leasing arrangement.

2.19 COSTS OF BORROWING

Costs of raising external capital were deducted for the relevant items and distributed based on the effective interest method. Otherwise interest payments were included as current expenditure. Costs of borrowing incurred in relation to the acquisition / production of 'qualifying assets' are capitalized throughout the entire production process until start-up. Other borrowing costs are booked as expenditure.

2.20 DIVIDEND PAYMENTS

Shareholders' claims to dividend payments are recorded as a liability in the period in which the relevant resolution is adopted.

2.21 FINANCIAL RISK MANAGEMENT

2.21.1 Financial risk factors

RHÖN-KLINIKUM AG is in particular subject to the following risks to its assets, liabilities and planned transactions:

- credit risk,
- liquidity risk and
- interest rate risk.

The goal of financial risk management is to limit the itemized risks through ongoing operational activities and the use of derivative and non-derivative (e.g. fixed-interest loans) financial instruments. Derivative financial instruments shall essentially only be concluded for the purpose of hedging underlying transactions, i.e. they are not used for trading or speculative purposes.

Financial instruments are essentially only concluded with leading financial institutions in order to limit counterparty risks.

Financial risk management is carried out by the Treasury Department under the supervision of the financial director in compliance with the guidelines adopted by the Board of Management and Supervisory Board. Risk identification and assessment is carried out by the Board of Management, in cooperation with the Group's operating units. The financial director sets out the principles for interdepartmental risk management, as well as guidelines for specific divisions, such as handling interest and credit risk, use of derivative and non-derivative financial instruments and the investment of liquidity surpluses.

2.21.2 Credit risk

The Group pays more than 90 per cent of benefits to members of statutory social security and to self-payers, who are covered at private health insurance schemes. No significant concentrations exist with regard to individual cost units. Hospital benefits are usually paid by cost units within the statutorily prescribed trade. In respect of default risks in the 2014 financial year, reference is made to the comments under item 7.9 et seq. trade receivables, other financial assets and other assets. The maximum default risk is equal to total financial assets shown in the balance sheet, minus value adjustments. Counterparty risks from concluding financial transactions are minimized by compliance with rules and limits.

2.21.3 Liquidity risk

Cautious liquidity management includes holding a sufficient reserve of liquid assets, the opportunity to finance an appropriate amount within the framework of promised credit lines and the ability to float issues on the market. As a result of the dynamics of the market environment, in which the Group operates, the objective of RHÖN-KLINIKUM AG is to retain the necessary financing flexibility, in which sufficiently available credit lines exist and access to the capital markets is possible at any time. In order to ensure capacity for action at any time, a strategic minimum liquidity is held from cash positions and free, immediately available lines of credit. A daily liquidity report is compiled for monitoring liquidity risk. In addition, short- to medium-term liquidity forecasts are conducted.

2.21.4 Interest rate risk

Interest rate risk results from the uncertainty about the future development of the interest rate and has an impact on all interest-bearing items and on interest derivatives. RHÖN-KLINIKUM AG is therefore subject to fundamental interest rate risks.

Bonded loans of € 165.0 million and other loans in a total volume of € 127.1 million were repaid ahead of schedule by 31 March 2014. Furthermore, in the first quarter of 2014, a revolving syndicated credit line of € 350.0 million was repaid in full and cancelled with a claimed amount of € 70.0 million.

Where financial liabilities were subjected to variable interest and hedged with simultaneous interest rate instruments, they were also fully cancelled. On the balance sheet date there was one fixed-interest bullet loan of € 10.0 million in 2017 and one fixed-interest bond payable in 2016 with a residual nominal market value of € 143.2 million. 59.2 per cent (previous year 0.0 per cent) of maintained bank balances were recognized as fixed-interest with a term of less than three months on the balance sheet date and 25.8 per cent as variable-interest with a notice period of 30 days or terminated daily.

There were exclusively fixed-interest financial liabilities and bank balances with a term of less than twelve months on the balance sheet date. In addition, all derivative financial instruments were cancelled in the 2014 financial year. Due to this new situation and the reduced resultant interest rate, supervision of interest rate risks, using sensitivity analyses, was dispensed with.

2.21.5 Management of equity and debt

The objective of the management in handling equity and debt is the strict observance of matching maturities (horizontal balance sheet structure) for sources of funds and use of funds. Long-term fixed assets should be financed in the long term. Long-term sources of funds include the items – shown in the balance sheet – of Equity capital and long-term liabilities. This key figure should be at least 100 per cent and in the year of report came to 168.6 per cent (previous year 271.7 per cent). The decline results from the capital reduction associated with repurchase of shares in the 2014 financial year and the repayment of long-term financial liabilities. Long-term uses of funds relate to financial and tangible assets. Although the RHÖN-KLINIKUM AG Group, with a personnel cost ratio of over 50 per cent, is frequently assigned to the service sector, the business model has a long-term alignment and is initially investment-driven. Investment costs should be sustainably highlighted through at least 35.0 per cent equity. On 31 December 2014 this figure was 69.2 per cent on the Group level (previous year 53.8 per cent).

Group growth is also guided by appropriate measures for equity capital through resolutions on appropriation of net profits at consolidated companies. In case of reinvestment of parts of annual surpluses, the management is guided by an equity ratio of 25 per cent.

In the event of use of debt capital, the management is geared to the following control parameters for risk minimization. The target is to limit ratios from net financial debt (= financial liabilities minus cash and cash equivalents) and EBITDA to a maximum of 3.5-fold and the ratio of EBITDA to the net financial result to a minimum of 5.0-fold.

With the exception of one bullet loan with a nominal value of € 10 million and a bond with a nominal value of € 143.2 million, financial liabilities were fully amortized in the 2014 financial year. Under risk criteria, an evaluation of the presented key debt capital figures (covenants) is invalid due to the reduced level of debt. The covenants were observed in the 2014 financial year.

3 CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION

All estimates and assessments are continually reviewed and based on historical experience and other factors, including expectations of future events, which appear reasonable under the given circumstances.

The Group makes estimates and assumptions concerning the future. In very rare cases, derived estimates will naturally conform to actual later circumstances. These uncertainties largely relate to the following factors:

- parameters for planning, which form the basis for the impairment test for goodwill values,
- assumptions for determining pension obligations,
- assumptions and probabilities for assessment of provisions and
- assumptions regarding default risk for trade receivables.

Estimates and assumptions, which entail a significant risk in the form of an essential adjustment of book values for assets and liabilities within the next financial year, are discussed below.

3.1 ESTIMATED IMPAIRMENT OF GOODWILL

In order to determine fair values minus disposal costs of goodwill, the operating cash flows of individual clinics were discounted at the weighted average cost of capital (WACC) after taxes of 5.48 per cent (previous year 6.13 per cent). No requirement for impairment was produced on this calculation basis. Key assumptions with a major impact on fair value minus disposal costs are the WACC and average EBIT margin. Reference is made to our explanations under section 7.1 for average sales growth and average EBIT margin. In case of cash generating units, starting from an assumed cost of capital rate of 7.6 per cent (previous year 6.2 per cent), the recoverable amount is equal to the book value.

3.2 REVENUE RECOGNITION

Hospitals in the RHÖN-KLINIKUM AG Group, like all other hospitals in Germany, are subject to statutory charging schemes.

These schemes regularly make provision for prospective remuneration agreements, in order to create planning and earnings certainty. In practice however, such negotiations are only held in the course of or even after the financial year, meaning that uncertainties arise in respect of the remunerated service quantity on the balance sheet date, which are illustrated through appropriate estimates in the balance sheet, as claims or liabilities. Past experience has shown that inaccuracies associated with estimates are considerably lower than 1 per cent of the Group's sales revenues.

The Group conducts over 90 per cent of its turnover with statutory health funds. The various budgets are essentially set for individual hospitals with statutory health insurance funds at the start of the year. The valuation of diagnosis related groups (DRGs) is conducted uniformly nationwide via the DRG catalogue. Valuation ratios are annually reviewed and adjusted by the "Institute for Hospital Fee Systems" (InEK).

In case of a quantitative overspend or underspend of the agreed total budget, only additionally incurred or allotted variable costs are remunerated or deducted at flat rates for additional or reduced services. Until the time when the consolidated balance sheet was compiled, approved remuneration agreements existed in all clinics, meaning that any additional or reduced revenue compensation could be accurately calculated.

3.3 INCOME TAXES

Estimates are required for the formation of provisions for taxation and deferred tax items.

An estimate of the probability of reversal of valuation differences and the availability of losses carried forward, which resulted in recognition of deferred tax assets, is decisive for an assessment of the intrinsic value of deferred tax assets. This is dependent on the generation of future taxable earnings during periods in which tax valuation differences are reversed and carried forward taxation losses can be enforced. Uncertainties arise in respect of the interpretation of complex tax regulations and the amount and timing of future, taxable income, which results in changes to the tax result in future periods. The Group forms appropriate provisions for potential consequences of an external audit by the tax administration. In particular various factors are considered, such as experience from previous external audits and different interpretations of m aterial tax law between taxpayers and fiscal authorities regarding relevant facts.

4 COMPANY ACQUISITIONS

Consolidated companies

The Group parent company is RHÖN-KLINIKUM Aktiengesellschaft, with its head office in Bad Neustadt a. d. Saale. Consolidated companies are shown as follows:

	31 Dec. 2013	Additions	Disposals	31 Dec. 2014
Fully consolidated companies	100	1	-74	27
Companies consolidated at-equity	2	1	-1	2
Other companies	9	0	-3	6
Consolidated group	**111**	**2**	**-78**	**35**

The addition is the result of the foundation of MVZ Waltershausen-Friedrichroda GmbH in the first quarter of the current financial year. The foundation was carried out in relation to the sale of companies to Fresenius / Helios. In the third quarter, in connection with the future alignment of particle therapy in Marburg, the company Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung was founded. RHÖN-KLINIKUM AG holds 24.9 per cent of the company, which is consolidated based on the equity method. The clinic in Cuxhaven was also transferred to Fresenius / Helios on 31 July 2014, given that the Federal Cartel Office, following a further audit of the regional competitive situation, declared the change of carrier unobjectionable. The clinic in Boizenburg was sold to the KMG Group on 31 October 2014 and the clinic in Friedrichroda was sold to the SRH Group on 24 November 2014. Companies that were disposed of include 43 clinics, MVZ and other related holdings, which were sold to Fresenius / Helios and third parties within the scope of the transaction. Furthermore, three MVZ companies were transferred to doctors working there.

One of the two companies consolidated pursuant to the equity method is a joint venture. The remaining companies are included in the consolidated financial statement at their acquisition cost or lower fair values.

Acquisition of doctor's practices

Three clinic-oriented medical practices were acquired in the 2014 financial year, for which the efficiency requirements were duly in place in the 2014 reporting period. Integration in the Group also took place in the 2014 financial year. No costs were incurred within the framework of acquisition of medical practices. The sales revenues and annual results generated since integration in the consolidated financial statement are of secondary importance for the RHÖN-KLINIKUM AG Group. The final purchase price allocation has the following impact on the net assets of the Group in 2014:

Purchase of medical practices January to December 2014	Book value before acquisition € million	Adjustment amount € million	Book value after acquisition € million
Acquired assets and liabilities			
Property, plant and equipment	0.1		0.1
Acquired net assets			**0.1**
+ Goodwill			0.3
Acquisition costs			**0.4**
./. Outstanding purchase price payments			0.0
./. Accepted cash and cash equivalents			0.0
Cash outflow from transaction			**0.4**

Goodwill in an amount of € 0.3 million essentially contains synergy effects expected from the expansion of medical care centres. The assumption can be made that recognized goodwill is deductible for taxation purposes.

Acquisition of associated companies

All material contracts and agreements for the project "Realization of particle therapy centre at the University Clinic Marburg" were signed by the participants – the State of Hesse, Siemens AG, University of Heidelberg and University Clinic Heidelberg, Philipps-University Marburg, RHÖN-KLINIKUM AG and University Clinic Giessen and Marburg – in September 2014. The particle therapy facility will in future be operated by the specially established company "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung" (MIT); the University Clinic Heidelberg holds a 75.1 per cent stake, alongside RHÖN-KLINIKUM AG, which has a 24.9 per cent interest. RHÖN-KLINIKUM AG made payments in an amount of € 43.0 million to set up MIT in relation to the purchase and start-up of the ion-beam therapy facility.

Deconsolidation of subsidiaries

RHÖN-KLINIKUM AG, HELIOS Kliniken GmbH and Fresenius SE & Co. KGaA signed a share purchase agreement on 13 September 2013, pursuant to which RHÖN-KLINIKUM AG sold a portfolio of 43 clinics, medical care centres and other associated holdings to Fresenius / Helios and affiliated companies. The sites Bad Neustadt a. d. Saale, Bad Berka, Frankfurt (Oder) and the University Clinic Giessen and Marburg were exempt from the transaction. With consideration for an updated evaluation under cartel law within the framework of the overall transaction, the clinics in Cuxhaven, Waltershausen-Friedrichroda and Boizenburg were removed from cartel office notification. In the first stage, these facilities were not transferred to Fresenius, and a portfolio of 40 clinics were therefore still for sale. The same applies to several MVZ companies, which are conceptually or regionally related to the affected clinics. Approval was issued by the responsible cartel authority on 20 February 2014. In the second stage another cartel office approval was requested for the hospital in Cuxhaven. Following approval by the Cartel Office, Cuxhaven was transferred to Fresenius / Helios on 31 July 2014. The clinic in Boizenburg was sold to the KMG Group on 31 October 2014 and the clinic in Friedrichroda was sold to the SRH Group on 24 November 2014. The companies disposed of therefore include 43 clinics, MVZ and other associated holdings, which were transferred to Fresenius / Helios and third parties within the scope of the transaction. Moreover, three MVZ companies were transferred to doctors working there. All efficiency requirements for the transferred companies were in place until 31 December 2014. Warranty obligations from the sale are shown accordingly. The impacts from deconsolidation of the transferred companies are depicted as follows:

Effects from deconsolidation of subsidiaries	Book value disposals
	€ million
Sold assets and debts	
Non-current assets	1,486
Current assets	457
Cash and cash equivalents	124
Non-current liabilities	-84
Current liabilities	-179
Sold net assets	**1,804**
Non-controlling interests sold as part of the sale	-2
Rateable net assets of the Group	**1,802**
Sales income from deconsolidated subsidiaries	3,149
Income from the sale of deconsolidated subsidiaries	**1,347**
./. Sold cash and cash equivalents	-124
Cash inflow	**3,025**
./. Outstanding purchase price payments	-41
Cash inflow from deconsolidated subsidiaries	**2,984**

Assets and liabilities held for sale

RHÖN-KLINIKUM AG, HELIOS Kliniken GmbH and Fresenius SE & Co. KGaA signed a share purchase agreement on 13 September 2013, pursuant to which RHÖN-KLINIKUM AG sold a portfolio of 43 clinics, medical care centres (MVZ) and other associated holdings to Helios and affiliated companies. The locations of Bad Neustadt a. d. Saale, Bad Berka, Frankfurt (Oder) and the University Clinic Giessen and Marburg were exempt from the transaction. The transaction was concluded following sale of the latter clinics in the fourth quarter of 2014, meaning that there are no assets and liabilities held for sale on the deadline date.

In the previous year, within the framework of the adjustment to IFRS 5, assets and liabilities held for sale, which were allotted to companies intended for sale, were reclassified accordingly on the balance sheet and shown as a separate balance sheet item on the assets and liabilities side:

Assets held for sale	31 December 2013
	million €
Non-current assets	
Goodwill and other intangible assets	264.5
Property, plant and equipment	1,204.8
Investment property	1.1
Income tax assets	0.6
Deferred tax assets	0.0
Other financial assets	0.5
Other assets	2.0
	1,473.5
Current assets	
Inventories	38.8
Trade receivables	281.3
Other financial assets	45.3
Other assets	5.4
Current income tax assets	3.9
Cash and cash equivalents	127.0
	501.7
Total assets held for sale	1,975.2

Liabilities held for sale	31 December 2013
	million €
Non-current liabilities	
Financial liabilities	30.4
Deferred tax liabilities	2.3
Provisions for post-employment benefits	5.5
Other financial liabilities	39.4
Other liabilities	0.1
	77.7
Current liabilities	
Financial liabilities	4.8
Trade payables	82.8
Current income tax liabilities	10.1
Other provisions	7.7
Other financial liabilities	61.1
Other liabilities	118.2
	284.7
Total liabilities held for sale	362.4

5 SEGMENT REPORTING

The Group hospitals are managed in legally independent subsidiaries, which conduct their business operations in the region pursuant to the guidelines and specifications of the parent company. There are no non-independent hospital premises or branches within the RHÖN-KLINIKUM AG Group.

Segment information shall be presented in compliance with internal reporting to the primary decision-makers (“management approach”) pursuant to IFRS 8 “business segments”.

The primary decision-maker of RHÖN-KLINIKUM AG is the Group Board of Management, which takes strategic decisions on behalf of the Group and to which reports are submitted based on numbers of individual hospitals or companies. Accordingly, RHÖN-KLINIKUM AG, with its acute clinics and other facilities, continues to have only one reportable segment, given that the other divisions, such as rehabilitation facilities, medical care centres and service companies, do not exceed, either individually or overall, the quantitative thresholds of IFRS 8.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 REVENUES

The development of the revenue by business field and region is represented as follows:

	2014	2013
	€ million	€ million
Business fields		
Acute clinics	1,452.4	2,905.3
Medical care centres	26.6	58.5
Rehabilitation clinics	31.5	50.0
	1,510.5	**3,013.8**
Regions		
Bavaria	269.0	558.2
Saxony	65.9	398.6
Thuringia	211.2	314.5
Brandenburg	125.5	122.3
Baden-Wuerttemberg	21.8	129.1
Hesse	675.0	838.6
Lower Saxony	92.3	437.6
North Rhine-Westphalia	22.4	79.3
Mecklenburg-Western Pomerania	5.0	6.4
Saxony-Anhalt	22.4	129.2
	1,510.5	**3,013.8**

According to IAS 18, the revenue represents revenue from the provision of services and in the 2014 financial year this fell by € 1,503.3 million or 49.9 % to € 1,510.5 million because of the sale of clinics, MVZ and other associated holdings to Fresenius / Helios, mainly in late February 2014 (recognised in the consolidated financial statements with two months). It includes revenue in the acute and rehabilitation clinics of € 1,483.9 million (previous year: € 2,955.3 million) and revenue in the medical care centres of € 26.6 million (previous year: € 58.5 million).

6.2 OTHER INCOME

The other income comprises the following:

	2014	2013
	€ million	€ million
Income from services	131.9	170.3
Income from subsidies and other allowances	13.1	20.2
Income from impaired receivables	1.2	3.9
Income from compensation payments / other refunds	1.2	3.2
Other	10.4	18.6
	157.8	**216.2**

Income from services is revenue from auxiliary and supporting enterprises of € 122.6 million (previous year: € 152.1 million) and rental and lease income of € 9.3 million (previous year: € 18.2 million).

As compensation for specific, earmarked costs connected with measures supported with public funds (e.g. personnel and material costs for research and teaching, payments according to the Semi-Retirement Act), the Group received subsidies and other grants.

The miscellaneous other revenue includes, inter alia, € 4.2 million (previous year: € 9.4 million) from refunds from the cost units for audits of cases passed without concerns by the Medizinischer Dienst der Krankenversicherung, € 0.0 million (previous year: € 0.1 million) for capitalised own work and € 4.3 million (previous year: € 6.5 million) for funds for compensation for costs connected with the realisation of studies.

The cause for the reduction in all areas is the sale of clinics, MVZ and other affiliated holdings to Fresenius / Helios, largely in late February 2014.

6.3 MATERIALS AND CONSUMABLES USED

	2014	2013
	€ million	€ million
Costs for raw materials, consumables and supplies	367.0	650.0
Costs for purchased services	58.1	141.7
	425.1	**791.7**

The material costs fell, in connection with transactions, by € 366.6 million or 46.3 % compared to the previous year to € 425.1 million. Because of the use of material cost-intensive items in the cutting-edge medicine institutions, the material costs ratio increased from 26.3 % in the previous year to 28.1 %.

6.4 EMPLOYEE BENEFITS EXPENSE

	2014	2013
	€ million	€ million
Wages and salaries	807.7	1,527.3
Social insurance costs	65.7	131.7
Expenditure for post-employment benefits		
Defined contribution plans	90.2	181.0
Defined benefit plans	0.3	0.4
	963.9	1,840.4

The costs for the defined contribution plans relate to payments to supplementary pension funds (Zusatzversorgungskassen – ZVK) and to the Federal and State Government Employees Retirement Fund (Versorgungsanstalt des Bundes und der Länder – VBL). The defined benefit plans relate to pension commitments by Group companies and relate to commitments for old-age, invalid and dependant pensions and for severance payments to members of the Board after termination of the employment relationship.

The personnel costs include severance payments of € 2.3 million (previous year: € 2.3 million).

The cause for the reduction in personnel costs of € 876.5 million or 47.6 % is the sale of clinics, MVZ and other affiliated holdings in Fresenius / Helios, largely in late February 2014.

6.5 DEPRECIATION / AMORTISATION AND IMPAIRMENT

The position includes depreciation and impairments on intangible assets, plant, property and equipment, and on investment property. Depreciation fell compared to the same period in the previous year by € 36.9 million or 30.8 % to € 82.8 million. The cause of the reduction was the sale of companies to Fresenius / Helios and adjustments connected with IFRS 5. According to IFRS 5, non-current assets may not be depreciated as long as they are classed as being held for sale. The full write-down of the building belonging to PTZ GmbH increased costs by € 16.2 million. This write-down is connected with the establishment of the Particle Therapy Unit at the Universitätsklinikum Marburg. The achievable amount corresponds to the fair value minus costs of sale.

6.6 OTHER EXPENSES

Others expenses include:

	2014	2013
	€ million	€ million
Maintenance and servicing	58.4	101.3
Fees, contributions and consultancy costs	36.7	83.9
Administration and IT costs	12.2	22.4
Write-downs on receivables	9.6	13.8
Insurance	11.3	18.6
Rent and leases	10.1	23.4
Travel costs, subsistence, representation costs	2.8	7.8
Other personnel and training costs	6.4	14.0
Losses from the disposal of non-current assets	0.4	1.9
Other taxes	0.7	1.7
Other	64.3	33.7
	212.9	**322.5**

Other costs fell compared to the same period in the previous year by € 109.6 million or 34.0 % to € 212.9 million. The cause here is the sale of clinics, MVZ and other affiliated holdings to Fresenius / Helios, largely in late February 2014.

In the first nine months of 2014, the intensive efforts to establish the Particle Therapy Unit at the Universitätsklinikum Marburg continued successfully, and in coordination with the State of Hesse, Siemens AG as owner of the unit and with the University Hospital of Heidelberg, the contractual basis to purchase and run the unit was concluded. In the interests of long-term operating security, the Particle Therapy Centre in Marburg will be run by a company owned jointly by RHÖN-KLINIKUM AG and the University Hospital of Heidelberg – "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung" (MIT GmbH). One-off costs connected with this are recognised under miscellaneous other costs.

6.7 RESEARCH COSTS

The research activities primarily include process optimisations in in-patient hospital care and do not relate to the manufacture of marketable products. The research results therefore typically derive from or are in material conjunction with health care activities and therefore can only be delimited and evaluated in isolation to a very limited extent. Depending on the extent of the costs attributable to the research activities, the annual research costs are assessed at an amount in the range of 0.5 % to 2.0 % of sales revenue. They relate in particular to personnel costs and other operating costs. As part of the takeover of the two university and academic sites Giessen and Marburg, we have agreed to provide an annual amount of at least € 2.0 million to the two medical faculties.

6.8 FINANCE RESULT (NET)

The finance result comprise the following:

	2014	2013
	€ million	€ million
Finance income		
Bank balances	5.7	0.6
Other interest income	0.7	1.7
	6.4	**2.3**
Finance expenses		
Bonds	9.9	16.2
Bank liabilities	4.7	21.4
Other interest expenses	74.2	2.8
	88.8	**40.4**
	-82.4	**-38.1**

Compared to the previous year, the financial year 2014 saw an increase in the negative financial results of € 44.3 million to € 82.4 million. The increase is due primarily to the early buyback of financial debts and the associated prepayment penalties and fees, as well as the dissolution of derivative financial instruments. The financial results include one-off interest amounts from the reduction in capital and a long-term loan to "Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung."

The other interest income, which mainly relates to interest income from tax demands, also includes profits in at-equity companies of € 28 thousand (previous year: € 54 thousand).

Based on IAS 17 (Leases), financing lease contracts are recognised under plant, property and equipment and the interest proportion of the lease instalments of € 110 thousand (previous year: € 89 thousand) is recognised under other interest costs.

The total interest results according to IFRS 7 for financial assets and liabilities, which do not belong to the category "Financial assets and liabilities at fair value through profit and loss", in the financial year 2014 total € 83.0 million (previous year: € 40.6 million) and comprise € 5.9 million from income (previous year: € 1.7 million) and € 88.9 million from costs (previous year: € 42.3 million). Costs increased correspondingly compared to the previous year because of the dissolution of debts and the associated prepayment penalties. The higher income results from the receipts connected with the sale of hospitals.

6.9 INCOME TAXES

Income taxes include corporation tax, including the solidarity surcharge, and to a lesser extent trade tax. Additionally, this item includes deferred taxes based on different reporting methods in the IFRS and tax balance sheet, on consolidation transactions and on expected realisable loss carry-forwards, which can typically be carried forward without time limit.

The income taxes comprise the following:

	2014	2013
	€ million	€ million
Current income taxes	17.9	25.7
Deferred tax accruals and deferrals	2.7	2.0
	20.6	**27.7**

The costs for income taxes has declined due to transactions and sales compared to the same period in the previous year by € 7.1 million to € 20.6 million (previous year: € 27.7 million) with the standard rate taxation being unchanged. The tax burden is 1.6 % (previous year: 23.5 %).

The transition from the mathematical tax costs on the results before taxes to the costs of taxes on income is as follows:

	2014		2013	
	€ million	%	€ million	%
Earnings before taxes	**1,248.5**	**100.0**	**117.7**	**100.0**
Mathematical tax costs (tax rate 15.0 %, previous year 15.0 %)	187.3	15.0	17.6	15.0
Solidarity surcharge (tax rate 5.5 %)	10.3	0.8	1.0	0.8
Derecognition of previously delimited loss carry-forwards / loss carry-forwards not applied	7.5	0.6	5.9	5.0
Additional costs due to dividend payout	0.1	0.0	0.7	0.6
Trade tax	0.1	0.0	0.8	0.7
Tax increases due to tax non-deductible costs	0.2	0.0	0.2	0.2
Taxes for previous years	0.1	0.0	0.4	0.3
Effects from deconsolidation of subsidiaries / other	-185.0	-14.8	1.1	0.9
Effective income tax expense	**20.6**	**1.6**	**27.7**	**23.5**

Effects from the deconsolidation of subsidiaries / others relate mainly to amounts from the sale of companies to Fresenius / Helios and third parties, as well as to effects connected with the transaction. The profits from these sales are 95 % tax-exempt and only 5 % is subject to the assessment basis of standard taxation. With regard to the allocation of tax accruals and deferrals to the individual assets and liabilities, please refer to the notes regarding the Consolidated Balance Sheet.

6.10 PROFIT TO NON-CONTROLLING INTERESTS

This relates to shares of the profit due to other shareholders.

6.11 EARNINGS PER SHARE

The earnings per share according to IAS 33 is calculated as a ratio of the group results due to the shareholders of RHÖN-KLINIKUM AG and the weighted average of the shares in circulation during the financial year.

The development of the shares in circulation can be seen in the following table:

	Quantity as at 1 Jan. 2014	Quantity as at 31 Dec. 2014
Non-par shares	138,232,000	73,481,860
Treasury shares	-24,000	-24,000
	138,208,000	73,457,860

The reduction in shares results from the share buyback passed by the AGM totalling 64,750,140 shares. For other details, please refer to the notes on the equity capital (No. 7.14).

The earnings per share are calculated as follows:

	Ordinary shares
Proportion of consolidated profit (€ '000)	1,225,711
(Previous year)	(86,648)
Weighted average of shares in circulation in thousands	130,935
(Previous year)	(138,208)
Earnings per share in €	9.36
(Previous year)	(0.63)

The diluted earnings per share correspond to the undiluted earnings per share, as no option or conversion rights were issued as at the reporting dates.

7 NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
	€ million	€ million	€ million
Costs			
1 January 2014	**413.8**	**62.1**	**475.9**
Additions from changes to the consolidation group	0.3	0.0	0.3
Additions	0.0	4.3	4.3
Disposals	258.1	35.2	293.3
Reallocations	0.0	0.2	0.2
31 December 2014	**156.0**	**31.4**	**187.4**
Cumulative depreciation and impairment			
1 January 2014	**0.0**	**48.3**	**48.3**
Depreciation	0.0	3.0	3.0
Disposals	0.0	27.6	27.6
31 December 2014	**0.0**	**23.7**	**23.7**
Balance sheet value at 31 December 2014	**156.0**	**7.7**	**163.7**

	Goodwill	Other intangible assets	Total
	€ million	€ million	€ million
Costs			
1 January 2013	414.0	60.9	474.9
Additions from changes to the consolidation group	0.5	0.0	0.5
Additions	0.0	3.1	3.1
Disposals	0.7	2.1	2.8
Reallocations	0.0	0.2	0.2
31 December 2013	413.8	62.1	475.9
Cumulative depreciation and impairment			
1 January 2013	0.0	43.9	43.9
Depreciation	0.0	5.8	5.8
Disposals	0.0	1.4	1.4
31 December 2013	0.0	48.3	48.3
Subtotal 31 December 2013	413.8	13.8	427.6
Assets classified as held for sale	257.8	6.7	264.5
Balance sheet value at 31 December 2013	156.0	7.1	163.1

Other intangible assets primarily relate to software. There are no restrictions of ownership or disposal.

Goodwill is subject to an annual impairment test for its respective cash-generating unit (each hospital, insofar as the associated goodwill of the cooperating units is not monitored at higher levels). This impairment test is performed annually as at 1 October. The book value of the cash-generating unit is compared to the achievable amount for the unit, which has been calculated as the fair value minus the unit's costs of sale. The fair value is calculated on the basis of a cash flow-oriented valuation method (DCF method). A corresponding cash value is calculated for this on the basis of a ten-year detailed plan and the related consideration of a perpetual annuity. A growth discount of -0.5 % (previous year: -0.5 %) is taken into account when calculating the cash value of the perpetual annuity. This plan is an integral component of the corporate plan and to this extent is based on the actual expectations of the executive management for the respective unit and on the general statutory conditions in health care. We believe that the measures already planned with the purchase of the company, such as demolition and reconstruction, or renovation measures, can only be recorded sufficiently with this longer detailed consideration. At the end of the year there is a check as to whether the economic situation continues to support the results of the impairment test on an unchanged basis. This was the case as at 31 December 2014.

The intrinsic value of the goodwill of the purchased companies as at 31 December 2014 was checked using the data in the current corporate plan. No indications were found, which had a negative impact on the company values between the date of the contract and the reporting date.

The weighted capital costs of a potential investor from the health sector as at the valuation date were applied as the discount rate, taking into account a tax benefit from notional debt financing (tax shield). The discount rate for 2014 was calculated at 5.48 % (previous year: 6.13 %). Significant goodwill applies to the following cash-generating units:

Company	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Universitätsklinikum Giessen und Marburg GmbH	137.5	137.5
MEDIGREIF Group	-	93.9
HSK Group	-	60.4
Zentralklinik Bad Berka GmbH	13.8	13.8
MVZ ADTC Düsseldorf GmbH	-	11.8
Klinikum Hildesheim GmbH	-	10.5
St. Elisabeth-Krankenhaus GmbH	-	9.1
Klinikum Salzgitter GmbH	-	8.6
Krankenhaus Waltershausen-Friedrichroda GmbH	-	6.2
MVZ ADTC Mönchengladbach/Erkelenz GmbH	-	6.2
Klinikum Pirna GmbH	-	6.0
Klinikum Pforzheim GmbH	-	5.8
Amper Kliniken AG	-	5.2
Other goodwill less than € 5.0 million	4.7	38.8
Sub-total	**156.0**	**413.8**
Assets classified as held for sale	-	257.8
Balance sheet value	**156.0**	**156.0**

Payment streams have been forecast for the calculation of the fair value, minus costs of sale, of the corresponding business-generating companies, which are based on past experience, current operative results and the best possible estimates of future developments by the executive management and on market assumptions. The calculated fair value for the business-generating companies has been allocated to level 3 of the fair value hierarchy levels. The fair value minus costs of sale is primarily determined by the end value (cash value of the perpetual annuity), which reacts particularly sensitively to changes in the assumptions of the long-term growth rate of sales and the discount rate. While the discount rate has been determined uniformly for all business-generating companies, the growth rate is determined on an individual basis per unit. The discount rate reflects the current market assessment of the specific risks of the units. The growth rates take into account external macroeconomic data and branch-specific trends.

The following table shows the important assumptions regarding the growth rate of sales that have been applied when determining the fair value minus the costs of sale in the impairment test of the business-generated companies, to which the goodwill is allocated:

	2014		2013	
	Long-term growth rate	WACC	Long-term growth rate	WACC
Universitätsklinikum Giessen und Marburg GmbH	3.00%	5.48%	3.00%	6.13%
Zentralklinik Bad Berka GmbH	3.00%	5.48%	3.00%	6.13%

In conjunction with the impairment test, a sensitivity analysis was also performed. The following premises were applied within the test:

- EBIT decline by 10 %
- WACC increase by 0.5 %.

As a result of the sensitivity analysis, it was found that there is no need for a write-down if the EBIT declines by 10 % (previous year: € 4.7 million). An increase in WACC by 0.5 % does not result in a requirement for a write-down either (previous year: € 4.1 million). The requirement for a write-down based on the sensitivity analysis relates in the previous year to companies, which were classified as for sale.

A homogeneous structure was assumed for the business-generated companies during the planning.

7.2 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Technical plant and machinery	Operating and office equipment	Plant under construction	Total
	€ million	€ million	€ million	€ million	€ million
Costs					
1 January 2014	**2,152.5**	**96.1**	**604.3**	**90.7**	**2,943.6**
Additions from changes to the consolidation group	0.0	0.0	0.1	0.0	0.1
Additions	8.5	0.9	22.9	17.3	49.6
Disposals	1,304.3	56.8	367.7	47.9	1,776.7
Reallocations	31.2	2.5	5.0	-38.9	-0.2
31 December 2014	**887.9**	**42.7**	**264.6**	**21.2**	**1,216.4**
Cumulative depreciation and impairment					
1 January 2014	**558.5**	**55.0**	**413.4**	**0.0**	**1,026.9**
Depreciation	35.3	2.8	25.3	0.0	63.4
Impairments	16.2	0.0	0.0	0.0	16.2
Disposals	274.6	34.2	244.5	0.0	553.3
31 December 2014	**335.4**	**23.6**	**194.2**	**0.0**	**553.2**
Balance sheet value at 31 December 2014	**552.5**	**19.1**	**70.4**	**21.2**	**663.2**

	Land and buildings	Technical plant and machinery	Operating and office equipment	Plant under construction	Total
	€ million	€ million	€ million	€ million	€ million
Costs					
1 January 2013	2,084.2	92.5	616.2	68.6	2,861.5
Additions from changes to the consolidation group	0.0	0.0	0.0	0.0	0.0
Additions	40.3	3.4	12.5	58.9	115.1
Disposals	3.5	1.1	26.0	2.2	32.8
Reallocations	31.5	1.3	1.6	-34.6	-0.2
31 December 2013	2,152.5	96.1	604.3	90.7	2,943.6
Cumulative depreciation and impairment					
1 January 2013	509.1	50.4	382.3	0.0	941.8
Depreciation	51.9	5.7	56.1	0.0	113.7
Disposals	2.5	1.1	25.0	0.0	28.6
31 December 2013	558.5	55.0	413.4	0.0	1,026.9
Subtotal 31 December 2013	1,594.0	41.1	190.9	90.7	1,916.7
Assets classified as held for sale	989.4	22.0	116.4	77.0	1,204.8
Balance sheet value at 31 December 2013	604.6	19.1	74.5	13.7	711.9

Debt capital costs of € 0.3 million (previous year: € 2.6 million) were incurred in the financial year, which resulted from financing the procurement / manufacture of qualified assets and which were recognised in the additions to the plant, property and equipment. An average interest rate of 4.4 % (previous year: 4.5 %) was applied, which reflects the general debt capital costs for the Group when borrowing from financial institutions.

The real estate assets are charged with group liens in order to secure bank loans with a total residual book value of € 0.0 million (previous year: € 14.4 million).

Public subsidies and grants to finance investments are offset against the procurement or manufacturing costs of the subsidised assets and reduce current depreciation. The offset amortised amount of the correspondingly used subsidies according to the Hospital Financing Act total € 213.2 million (previous year: € 729.6 million). To secure conditionally repayable individual subsidies according to the Hospital Financing Act (e.g. for hospital construction or significant extensions) of € 3.1 million (previous year: € 225.7 million, including € 222.4 million held for sale), mortgages of € 4.1 million (previous year: € 461.5 million, including € 457.4 million held for sale) were provided. There are no circumstances that give cause for a repayment of these subsidies.

The buildings, technical plant and machinery include the following amounts, for which the Group is the lessee in a finance lease relationship.

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Acquisition costs – Capitalised leased objects from finance leases	50.5	50.5
Change to consolidation group	-50.5	-
Additions	2.4	-
Cumulative depreciations	0.5	9.4
Net book value	1.9	41.1

The lease obligations in the previous year related entirely to assets and liabilities held for sale.

7.3 INCOME TAX ASSETS

The corporation tax credit balances relate to claims as defined in Section 37 KStG, which will be paid out during a payment period from 2016 to 2017 in equal annual instalments. They are recognised at the cash value of € 4.6 million (previous year: € 6.7 million). The valuation is calculated on the basis of the historical term-adequate interest rate of 4.0 %.

7.4 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are netted if there is an enforceable right to offset current tax assets against current tax liabilities and if the deferred taxes exist against the same tax authority. The following amounts have been netted:

	31 Dec. 2014		31 Dec. 2013	
	Assets	Liabilities	Assets	Liabilities
	€ million	€ million	€ million	€ million
Losses carried forward	5.5	0.0	12.2	0.0
Property, plant and equipment / Intangible assets	0.0	10.5	0.0	23.8
Interest-accruing debts	0.0	0.0	3.6	0.0
Valuation differences for subsidiaries	0.0	0.8	0.0	0.8
Other assets and liabilities	6.1	1.1	10.6	2.5
Total	**11.6**	**12.4**	**26.4**	**27.1**
Balance	**-0.8**		**- 0.7**	
Reclassification of balance to liabilities held for sale	–		2.3	
Balance sheet value	**-0.8**		**1.6**	

Deferred tax assets for taxable loss carry-forwards are reported at the amount at which the realisation of the associated tax benefits through future taxable profits is probable. Loss carry-forwards from previous clinic acquisitions are then included in the assessment basis to delimit capitalised deferred taxes if they are sufficiently realisable in tax terms. In the event of a sale of shares in companies that is harmful in tax terms, existing deferred taxes on loss carry-forwards are derecognised. The valuation of deferred tax receivables from loss carry-forwards are based on tax planning calculation for a period of five years. The tax basis used for tax accruals and deferrals is € 34.9 million (previous year: € 77.0 million). As at the reporting date there are unused taxable loss carry-forwards of € 91.6 million (previous year: € 111.2 million), of which € 56.7 million has not been offset against capitalised deferred taxes (previous year: € 34.2 million). Taxable loss carry-forwards can fully reduce the current taxable results in Germany for an unlimited period up to € 1.0 million. In addition, however, only 60.0 % of the remaining current taxable results can be offset against taxable loss carry-forwards.

Deferred taxes from plant, property and equipment result from the useful lives prescribed in tax legislation and the depreciation periods according to the IFRS. Special tax depreciations are also corrected in IFRS.

The interest-bearing debts in the previous year were deferred tax differences from the treatment of liabilities with a term of more than one year and from the different treatment of costs connected with taking on the financial debts.

Deferred tax liabilities on profits not paid out by subsidiaries of € 105.4 million (previous year: € 103.0 million), which for the parent company lead to non-deductible costs of 5.0 % of the dividend total on the amounts paid out, have been taken into account in the consolidated financial statements.

The changes to deferred taxes are represented as follows:

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Deferred tax receivables at the start of the year	1.6	3.3
Recognition directly in equity of deferred taxes in conjunction with derivative financial instruments recognised directly in equity	-3.9	-2.0
Recognition directly in equity of deferred taxes in conjunction with revaluation of defined-payment pension plans recorded directly in equity	0.1	0.0
Profit / loss in the consolidated income statement from current offsetting	1.4	-2.0
Reclassification to assets held for sale	0.0	2.3
Deferred tax assets / liabilities at the end of the year	-0.8	1.6

7.5 INTERESTS IN OTHER ENTITIES

Information about changes in the consolidation group of RHÖN-KLINIKUM AG is explained in Chapter 4 Company acquisitions, and in Chapter 9 Shareholdings.

7.5.1 Investments accounted for using the equity method

The investments accounted for using the equity method relate to an insignificant associated company and a joint venture. Shares in companies recognised at-equity are valued at € 0.3 million (previous year: € 0.2 million) and are reported under other assets (non-current) due to immateriality. The requirements for reporting both holdings at-equity apply. Proportionally, the Group holds the following interest in the assets, liabilities, income and costs:

	31 Dec. 2014	31 Dec. 2013
Balance sheet of investments accounted for using the equity method	€ million	€ million
Non-current assets	8.4	0.7
Current assets	0.7	0.6
Current liabilities due to shareholders	4.1	0.9
Current liabilities	0.1	0.1
Equity	4.9	0.3
Book value from at-equity valued investments, total	0.3	0.3
Assets classified as held for sale	0.0	0.1
Book value from at-equity valued investments	0.3	0.2

	2014	2013
Income of investments accounted for using the equity method	€ million	€ million
Revenues	0.5	0.7
Annual results	-0.3	0.1

7.5.2 Associated companies

The object of the individual, immaterial associated company, registered as Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung (the Marburg Ion Beam Treatment Operating Company of the University Hospital of Heidelberg with Limited Liability) is to ensure operational readiness for patient operations at the particle therapy unit in Marburg. Apart from RHÖN-KLINIKUM AG, which holds 24.9 %, the University Hospital of Heidelberg holds a stake of 75.1 %. At the end of the financial year, the book value of the stake in this associated company was € 0.0 million (previous year: € 0.0 million). The summarised financial information for the immaterial associated company is shown below:

	2014	2013
	€ million	€ million
Proportion of:		
Profit / loss from continued operations	-0.3	-

In the financial year 2014, losses amounting to a total of € 0.3 million relating to stakes in associated companies were not recorded as there is no liability arising from the transfer of losses. The contribution to the overall result is € 0.0 million.

7.5.3 Joint venture

The object of the joint venture, registered as Energiezentrale Universitätsklinikum Giessen GmbH, is to supply energy, together with the Giessen public utilities, to the Giessen University Hospital. Apart from RHÖN-KLINIKUM AG, which holds 50 %, the Giessen public utilities hold a stake of 50 %. At the end of the financial year, the book value of the stake in this immaterial joint venture was € 0.3 million (previous year: € 0.2 million). The summary financial information for the immaterial joint venture is shown below:

	2014	2013
	€ million	€ million
Proportion of:		
Profit / loss from continued operations	0.0	0.1

The contribution to the overall result is € 0.0 million.

7.6 OTHER FINANCIAL ASSETS (NON-CURRENT)

Other financial assets (non-current) include € 11.7 million (previous year: € 0.0 million) for loans granted and € 0.0 million (previous year: € 0.1 million) for market values of derivative financial instruments. Moreover, this position includes equity investments of € 0.0 million (previous year: € 0.0 million). Equity investments relate to companies in which we hold between 20.0 % and 50.0 % of the equity. These are not consolidated. They are typically recognised at cost.

7.7 OTHER ASSETS (NON-CURRENT)

The other assets (non-current) of € 0.3 million (previous year: € 0.2 million) include € 0.3 million (previous year: € 0.2 million) of shares in companies that are recognised at-equity.

7.8 INVENTORIES

Raw materials, consumables and supplies of € 21.8 million (previous year: € 21.1 million) primarily relate to medical requirements. Value adjustments of € 2.2 million (previous year: € 2.2 million) have been applied here. All inventories are the property of RHÖN-KLINIKUM AG and RHÖN-KLINIKUM AG's associated companies. There are no assignments or liens.

7.9 TRADE RECEIVABLES

	31 Dec. 2014	31 Dec. 2013
	< 1 year	< 1 year
	€ million	€ million
Trade receivables (gross)	182.7	168.9
Value adjustments on trade receivables	-13.0	-8.4
Trade receivables (net)	**169.7**	**160.5**

With regard to the trade receivables (net) of € 169.7 million (previous year: € 160.5 million), the identifiable individual risks have been taken into account through value adjustments in a separate value adjustment account. These are assessed according to the probable default risk. Additions to the value adjustments are recognised in the Income Statement under other expenses, and reversals under other operating income. The development of the value adjustments on the trade receivables can be seen in the following table:

	2014	2013
	€ million	€ million
Value adjustment as at 1 January	**8.4**	**22.5**
Assets classified as held for sale	-	-16.4
Value adjustments in the reporting period	-1.4	-0.9
Value recovery / utilisation	6.0	3.2
Value adjustment as at 31 December	**13.0**	**8.4**

There is no concentration of credit risks in the trade receivables, as the receivables are almost exclusively due from public funding organisations. The individual public funding organisation can become insolvent in principle, but because of the total liability of the funding organisations, the default risk is assessed as low.

The present values of the trade receivables and other receivables largely correspond to their book values because of the overwhelmingly short terms.

The trade receivables have the following maturities:

	Book value	Of which neither impaired nor due upon maturity	Of which not impaired on the reporting date and overdue in the following time ranges			Of which impaired
			0-30 days	31-90 days	91-180 days	
31 Dec. 2014	€ million	€ million	€ million	€ million	€ million	€ million
Trade receivables	182.7	141.5	8.7	6.7	10.3	15.5
31 Dec. 2013						
Trade receivables	168.9	133.6	11.7	7.6	5.9	10.1

With regard to trade receivables of € 141.5 million (previous year: € 133.6 million) which are neither impaired nor overdue, as at the reporting date there is no indication that the debtors will not fulfil their payment obligations.

The Group estimates the proportion of irrecoverable accounts receivable as at the reporting date as a percentage based on age structure lists and past experience and depending on the duration outstanding. In addition, the Group recognises individual value adjustments of the recovery of the accounts receivable is not expected because of particular circumstances.

The value adjustments on trade receivables in the financial year totalled € 13.0 million (previous year: € 8.4 million).

In the financial year 2014, trade receivables of € 1.4 million (previous year: € 2.4 million) were derecognised through profit and loss. These bad debts were partly offset by equalisation mechanisms according to the Hospital Fees Act (Krankenhausentgeltgesetz – KHEntgG). € 0.2 million (previous year: € 0.2 million) was received through profit and loss for accounts receivable already derecognised.

7.10 OTHER FINANCIAL ASSETS (CURRENT)

	31 Dec. 2014	31 Dec. 2013
	< 1 year	< 1 year
	€ million	€ million
Receivables according to hospital financing legislation	5.7	1.5
Miscellaneous other financial assets	50.7	9.4
	56.4	10.9

Receivables according to hospital financing legislation relate overwhelmingly to equalisation claims according to the Hospital Fees Act or the Federal Nursing Fees Ordinance. Receivables according to hospital financing legislation do not include any value adjustments.

Miscellaneous other financial assets relate in particular to remaining purchase price demands of € 55.6 million (previous year: € 0.0 million) from the sale of companies, € 4.7 million (previous year: € 3.5 million) for receivables from the provision of services not primarily connected with patient treatments in hospital, and € 1.3 million (previous year: € 1.3 million) for receivables due from employees, in particular from invoices within the framework of the senior consultants' liquidation rights. In addition, there are creditors with debit balances of € 0.6 million (previous year: € 0.4 million). The other financial assets (current) include value adjustments of € 15.5 million (previous year: € 1.0 million) resulting mainly from the sale of companies. No appreciations have been applied.

In the Group, equalisation claims and liabilities with funding agencies from fee / budget agreements for the current year and previous years are recognised net. Subsidies for investment and subsidies not yet used for the intended purpose are treated analogously. The gross figures look as follows:

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Receivables according to KHG/KHEntgG gross	12.5	18.1
Receivables according to KHG/KHEntgG gross	-6.8	-16.6
Balance sheet value	**5.7**	**1.5**

The gross figures on the liabilities-side are explained in the notes in the chapter "Other financial liabilities".

7.11 OTHER ASSETS (CURRENT)

Other current assets of € 8.9 million (previous year: € 8.7 million) mainly include € 4.3 million (previous year: € 4.0 million) for prepaid costs, in particular insurance costs, and € 4.0 million (previous year: € 3.8 million) for repayment claims against insurers from liability cases.

7.12 CURRENT INCOME TAX ASSETS

Current income tax assets mainly include claims for corporation tax refunds against tax authorities.

7.13 CASH AND CASH EQUIVALENTS

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Bank balances and cash in hand	38.4	29.6
Short-term bank deposits	657.0	0.3
	695.4	**29.9**

The cause of the increase compared to the previous year is the receipts from the sale of companies. As at the reporting date, the effective interest rate for bank deposits was 0.15 % (previous year: 0.18 %), whereby as last year the investments had an average residual term of one day.

Cash and current account credits are summarised as follows for the cash flow statement:

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Cash and cash equivalents	695.4	29.9
Current account overdrafts	0.0	-40.1
Funds for financing	**695.4**	**-10.2**

7.14 EQUITY

The share capital of RHÖN-KLINIKUM AG was reduced in the financial year 2014 through the withdrawal of 64,750,140 fully paid-up shares with a mathematical proportion of the company's share capital of € 2.50 per share by the total amount of € 161,875,350 to € 183,704,650 by means of a simplified withdrawal according to Section 237 para. 3 No. 2, para. 4 and 5 AktG and is divided into 73,481,680 (previous year: 138,232,000) no-par value bearer shares with a mathematical proportion of the company's share capital of € 2.50 per share.

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

	Quantity	Mathematical proportion of share capital €
Ordinary shares as at 1 January 2014	**138,232,000**	**345,580,000**
Change 2014	-64,750,140	-161,875,350
Ordinary shares as at 31 December 2014	**73,481,860**	**183,704,650**

The capital reserves include the premium from the capital increase of € 396.0 million and the amount attributed to the shares withdrawn in the financial year 2014 of € 161.9 million.

The other reserves as at the reporting date of € 487.0 million (previous year: € 903.4 million) include € 487.0 million (previous year: € 924.3 million) for results achieved in previous years by companies included in the consolidated annual report, insofar as they have not been paid out, and effects from consolidation measures. Market value changes to the derivative financial instruments designated as interest hedging instruments after taking into account deferred taxes have been recorded directly in equity as at the previous year's reporting date in the equity capital under other reserves. As at 31 December 2014 a total of € 0.0 million (previous year: € 20.9 million) was allocated to the other reserves, reducing the equity. Costs of € 1.9 million were incurred in conjunction with the reduction in capital, which have been recognised directly in equity.

The total comprehensive income (total consolidated profit and other comprehensive income) for the financial year 2014 totals € 1,248.5 million (previous year: € 100.1 million). While positive market value changes to financial instruments of € 10.0 million (after taxes) were recognised directly in the equity in the previous year, in the financial year 2014 liquidations of financial instruments due to the repayment of the respective underlying transaction of € 20.9 million (after taxes) and losses from the revaluation of defined benefit plans of € 0.3 million (after taxes) are also recognised directly in equity.

Own shares of € 0.1 million (previous year: € 0.1 million) are deducted from the equity capital. The stock of own shares developed as follows in the financial year:

	Quantity
Treasury shares as at 1 January 2014	**24,000**
Change 2014	0
Treasury shares as at 31 December 2014	**24,000**

According to the German Companies Act, the dividends payable to shareholders are assessed according to the balance sheet profit reported in the annual report of RHÖN-KLINIKUM AG prepared in accordance with the German Commercial Code (HGB). At the last Annual General Meeting (AGM), the shareholders passed the motion from the Board of Management that an actual dividend payout of 25 cents (previous year: 25 cents) per share be paid in the financial year 2014.

The non-controlling interests in the equity of € 20.4 million (previous year: € 21.7 million) relate directly and indirectly to shares held by non-Group third parties in the equity of the following included subsidiaries:

	Minority interests	
	31 Dec. 2014	31 Dec. 2013
	%	%
Hospital companies		
Amper Kliniken AG, Dachau	0.0	5.1*)
Frankenwaldklinik Kronach GmbH, Kronach	0.0	5.1*)
HSK, Dr. Horst Schmidt Kliniken GmbH Klinikum der Landeshauptstadt Wiesbaden, Wiesbaden	0.0	51.0*)
Kliniken München Pasing und Perlach GmbH, Munich	0.0	0.3*)
Klinikum Gifhorn GmbH, Gifhorn	0.0	4.0*)
Klinikum Pforzheim GmbH, Pforzheim	0.0	5.1*)
Klinikum Salzgitter GmbH, Salzgitter	0.0	5.1*)
Krankenhaus Boizenburg GmbH, Boizenburg	0.0	8.0*)
St. Elisabeth-Krankenhaus GmbH Bad Kissingen, Bad Kissingen	0.0	1.5*)
Städtisches Krankenhaus Wittingen GmbH, Wittingen	0.0	4.0*)
Universitätsklinikum Giessen und Marburg GmbH, Giessen	5.0	5.0
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
MVZ companies		
HSK – Ambulante Therapie und Management GmbH, Wiesbaden	0.0	51.0*)
Medizinisches Versorgungszentrum Indersdorf GmbH, Dachau	0.0	5.1*)
MVZ Augenärztliches Diagnostik- und Therapiecentrum Mönchengladbach/ Erkelenz GmbH, Erkelenz	0.0	49.0*)
MVZ Augenärztliches Diagnostik- und Therapiecentrum Siegburg GmbH, Siegburg	0.0	30.0*)
MVZ Augenärztliches Diagnostik- und Therapiezentrum Düsseldorf GmbH, Düsseldorf	0.0	40.4*)
MVZ Campus Gifhorn GmbH, Gifhorn	0.0	4.0*)
MVZ UKGM GmbH, Marburg (formerly: MVZ Universitätsklinikum Marburg GmbH, Marburg)	5.0	5.0
MVZ Zentralklinik GmbH, Bad Berka	12.5	12.5
Service companies		
HSK ServiceGesellschaft mbH, Wiesbaden	0.0	51.0*)
KDI Klinikservice GmbH, Dachau	0.0	5.1*)
RK Reinigungsgesellschaft Nordost mbH, Bad Neustadt a. d. Saale	49.0	49.0*)
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	49.0	49.0*)
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Wäschereinigung Mitte GmbH, Bad Neustadt a. d. Saale	0.0	49.0*)
RK-Wäschereinigung Süd GmbH, Bad Neustadt a. d. Saale	0.0	49.0*)
Other companies		
Adangela HSK-WFK Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs KG, Wiesbaden	0.0	53.9*)
Altmühltalklinik-Leasing-GmbH, Kipfenberg	0.0	5.1*)
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	0.0	5.1*)

**) As at 31 Dec. 2013 classified as held for sale.*

7.15 FINANCIAL LIABILITIES

	31 Dec. 2014		31 Dec. 2013	
	Residual term > 1 year	Residual term < 1 year	Residual term > 1 year	Residual term < 1 year
	€ million	€ million	€ million	€ million
Non-current financial liabilities, bonds	142.9	4.5	398.5	12.6
Liabilities due to banks	10.0	0.0	296.9	63.7
Negative market values of derivative financial instruments	0.0	0.0	25.0	0.0
Total non-current financial liabilities	**152.9**	**4.5**	**720.4**	**76.3**
Current financial liabilities				
Liabilities due to banks	0.0	0.0	0.0	40.1
Total current financial liabilities	**0.0**	**0.0**	**0.0**	**40.1**
Total financial liabilities	**152.9**	**4.5**	**720.4**	**116.4**

In the 2012 financial year, RHÖN-KLINIKUM AG concluded a revolving, syndicated line of credit for € 350 million with a term to 2017. This line of credit was cancelled entirely and repaid in the first quarter of the 2014 financial year.

A promissory note loan of € 165.0 million and other loans in the Group with a total volume of € 127.1 million were repaid early by 31 March 2014. Insofar as these financial liabilities were subject to variable interest and were secured with concurrent interest instruments, these have also been fully cancelled. In 2014, the results were reduced by € 0.1 million – until cancellation of these interest hedging transactions. As at the reporting date there was still a fixed-interest loan of € 10.0 million due at the end of 2017.

In financial year 2010, RHÖN-KLINIKUM AG successfully placed a bond on the market with a volume of € 400.0 million and a term of six years (ISIN XS0491047154). The bond pays a coupon of 3.875 %. On 27 March 2014, RHÖN-KLINIKUM AG submitted a public bond buyback offer at a price of 106.1 %. The term of the offer expired on 16 April 2014, the buyback was completed on 24 April 2014. 61.95 % of the outstanding nominal amount of this bond was bought back, so that only a nominal amount of € 152.2 million remains on the market. In July 2014, the bond was further reduced with a nominal amount of € 9.0 million. As at the reporting date, a nominal amount of € 143.2 million remained on the market.

The institutional rating of RHÖN-KLINKUM AG from the rating agency Moody's of Credit Opinion Baa3 (negative outlook) from 03 December 2012 was withdrawn on 02 May 2014 within the framework of the successful bond buyback. Cost-benefit considerations following the transaction with Fresenius / Helios were crucial for the decision. Based on the altered financial profile, the stable business model and the very good reputation on the banking and capital market, RHÖN-KLINIKUM AG sees itself well positioned to be able to realise any future financing successfully at attractive conditions, even without public rating.

The interest change risks and contractual interest reset dates associated with the variable interest liabilities are represented as follows:

	31 Dec. 2014			31 Dec. 2013		
End of interest binding	Interest rate[1]	Original value	Book value Loans	Interest rate[1]	Original value	Book value Loans
	%	€ million	€ million	%	€ million	€ million
Bonds	4.06	143.2	142.9	4.06	400.0	398.5
Interest, bonds			4.5			12.6
		143.2	147.4		400.0	411.1
Liabilities due to banks						
2014				1.40	241.9	221.9
2015				0.00	0.0	0.0
2016				0.00	0.0	0.0
2017	5.10	10.0	10.0	5.18	100.0	100.0
2018				0.00	0.0	0.0
2019				5.45	15.0	15.0
2020				2.37	23.7	23.7
>2020						
		10.0	10.0		380.6	360.6
		153.2	157.4		780.6	771.7

[1] *Weighted interest*

The effective interest rates as at the reporting date are:

	31 Dec. 2014	31 Dec. 2013
	%	%
Bonds	4.06	4.06
Liabilities due to banks	5.10	2.72
Current account liabilities due to banks	-	1.03

The residual terms of the financial liabilities are:

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Up to 1 year	4.5	116.4
Between 1 and 5 years	152.9	696.3
More than 5 years	0.0	24.1
Total	**157.4**	**836.8**

The reported financial liabilities are not secured by mortgages / land charges (previous year: € 14.4 million).

7.16 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

Current pension payments are promised by the Group to a section of the employees for the time after retirement within the framework of corporate pension provision. The corporate pension provision is both defined benefit and defined contribution-based. The Group's obligations include both current pensions and vested rights from pensions payable in the future.

The defined benefit obligations are financed by provisions. Contributions as part of the defined contribution plans are recognised immediately through profit and loss.

The obligations from defined benefit plans relate to one (previous year: four) Group company. These are individual contractual commitments for old-age, invalidity and dependant pensions for doctors and board members. The provisions relate to active employees, departed employees with vested benefits and pension recipients. The payments depend on the years of service and the pensionable salary. These pension commitments are subject to a pension adjustment risk resulting from inflation as well as a longevity risk.

Apart from the general pension plans, there is a plan for members of the Board of Management, which envisages retirement pension payments after the end of the employment relationship. In addition to their current remuneration, the directors receive a retirement pension, depending on the length of their employment and the level of remuneration, which is limited to 1.5 times the last annual salary. When calculating the extent of the obligation, a standard retirement age has not been assumed, in contrast to the other pension plans, and the individual contractual terms are assumed instead. In this context, there are risks if the assessment basis changes. These mainly relate to the dependency on the last salary and on the variable salary components. Insofar as this assessment basis develops differently from assumptions in the provision calculations, it is possible that there will be a need for ex-post financing.

The amount of the provisions in the Balance Sheet is divided between lifelong and one-off payments:

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Obligation for lifelong payments	0.0	0.0
Obligation for one-off payments	0.8	0.6
Pension provisions (Defined Benefit Liability)	**0.8**	**0.6**

The obligations for lifelong payments in the previous year existed from contractually agreed fixed remuneration and from contractually agreed remuneration adjusted by current salary increases.

The calculation is based on the following assumptions:

	31 Dec. 2014	31 Dec. 2013
	%	%
Interest rate	1.90	3.50
Expected income development	2.50	2.50
Expected pension development	2.00	2.00

Like last year, the 2005 G actuarial tables by Prof. Dr. Klaus Heubeck are used as the biometric calculation basis. The pension costs are recognised in full under personnel costs.

The development of the extent of the obligation (Defined Benefit Obligation) in the financial year 2014 is represented as follows compared to the previous year:

	2014	2013
	€ million	€ million
As at 1 January	**0.6**	**6.2**
Past service costs	0.3	0.2
Interest costs	0.0	0.2
Losses from plan changes	0.0	0.0
Pension payments	-0.2	-0.6
Actuarial profits / losses from changes to financial assumptions	0.1	0.1
Experience-based adjustments	0.0	0.0
Reclassification to liabilities held for sale	-	-5.5
As at 31 December	**0.8**	**0.6**

There are no reimbursement claims deriving from reinsurance contracts concluded on the basis of pension commitments to employees.

The weighted average duration of the pension obligations is roughly eight years (previous year: six years). The sensitivity of the pension obligations in respect of the variations due to changes in the various actuarial valuation assumptions is shown in the following table:

Impact on the obligation (in %) as at 31 December 2014	Change of assumptions in % points	Increase in assumption	Decrease in assumption
Interest rate	0.2	-1.6	1.6
Income dynamics	0.2	1.6	-1.6
Probability of dying	+/- 1 year	0.1	-0.1

Impact on the obligation (in %) as at 31 December 2013	Change of assumptions in % points	Increase in assumption	Decrease in assumption
Interest rate	0.2	-1.2	1.3
Income dynamics	0.2	1.2	-1.2
Probability of dying	+/- 1 year	0.1	0.1

The effects of the sensitivity have been calculated according to the same method as the obligations as at the year's end. The effects of a simultaneous change to several assumptions have not been examined. As the commitments remaining at the end of the financial year are capital commitments, there are no or no significant impacts from the change in the pension trend, so the relevant details of the sensitivity have been omitted.

Contributions were paid to the supplementary pension fund (VBL) in the financial year of € 23.1 million (previous year: VBL and ZVK € 50.3 million). The reduction is due to the sale of companies in 2014.

As at the reporting date, 8,152 employees were registered with an entitlement to supplementary benefits exclusively from the VBL (previous year: 17,933 employees). The decline compared to the previous year is due to the sale of companies.

7.17 OTHER PROVISIONS

The other provisions developed as follows during the financial year:

	1 Jan. 2014	Change in consolidation group	Consumption	Dissolution	Addition	31 Dec. 2014	Of which < 1 year	Of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Liability risks	16.2	0.0	0.7	0.1	1.2	16.6	16.6	0.0
Other provisions	0.0	0.0	0.0	0.0	160.0	160.0	160.0	0.0
	16.2	**0.0**	**0.7**	**0.1**	**161.2**	**176.6**	**176.6**	**0.0**

The provisions for liability risks relate to claims for compensation from third parties. They are entitled to repayment claims from insurers of € 4.0 million (previous year: € 3.8 million), which are recognised under other assets (current). According to estimates by the Board of Management, the settlement of these liability cases will not result in any significant additional costs above the amounts for which provisions have been formed. The date of payments from liability risks, which in principle can arise at short notice, mainly depends on the development and result of individual liability cases.

Miscellaneous provisions relate to the risk provisions for legal and tax risks connected with the sale of companies.

The maturities of the other provisions compared to the previous year are represented as follows:

	31 Dec. 2014	Of which < 1 year	Of which > 1 year	31 Dec. 2013	Of which < 1 year	Of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million
Liability risks	16.6	16.6	0.0	16.2	16.2	0.0
Other provisions	160.0	160.0	0.0	0.0	0.0	0.0
	176.6	**176.6**	**0.0**	**16.2**	**16.2**	**0.0**

Contingent liabilities have been formed in the RHÖN-KLINIKUM AG Group at a volume of € 0.5 million (previous year: € 0.8 million). These are liabilities within the framework of the service process. At present, RHÖN-KLINIKUM AG does not assume any noteworthy utilisation going forward.

7.18 TRADE PAYABLES

	31 Dec. 2014		31 Dec. 2013	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Trade payables	89.6	0.0	73.4	0.0

There are trade payables to third parties. The total amount of € 89.6 million (previous year: € 73.4 million) is due within one year.

7.19 OTHER FINANCIAL LIABILITIES

	31 Dec. 2014		31 Dec. 2013	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Liabilities KHG	11.1	0.0	13.5	0.0
Purchase prices	0.0	0.0	2.4	0.0
Leases	0.5	1.4	0.0	0.0
Miscellaneous financial liabilities	13.3	15.9	25.8	21.4
Other financial liabilities (financial instruments)	**24.9**	**17.3**	**41.7**	**21.4**

The liabilities according to hospital financing legislation relate to subsidies not yet used for the intended purpose according to state provisions regarding hospital financing and equalisation obligations according to the Federal Nursing Fees Ordinance or Hospital Fees Act.

The purchase prices related to obligations contractually specified in the previous year.

The recognised book values of the current monetary liabilities recorded in this position correspond to their fair values. The non-current other liabilities have been discounted according to the effective interest method based on historical market interest rates.

Of the non-current other financial liabilities with a residual term of more than five years of € 8.7 million (previous year: € 14.1 million), € 8.7 million (previous year: € 9.9 million) relates to obligations from research subsidies to the universities of Giessen and Marburg.

In the Group, equalisation claims and liabilities with funding agencies from fee / budget agreements for the current year and previous years are recognised net. Subsidies for investment and subsidies not yet used for the intended purpose are treated analogously. The gross figures look as follows:

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Liabilities according to KHG/KHEntgG gross	17.9	30.1
Receivables according to KHG/KHEntgG gross	- 6.8	-16.6
Balance sheet value	**11.1**	**13.5**

The gross figures on the assets-side are explained in the notes in the chapter “Other financial assets (current)”.

7.20 OTHER LIABILITIES

	31 Dec. 2014		31 Dec. 2013	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	54.1	6.4	54.6	0.3
Deferrals	7.6	0.0	5.9	0.0
Company taxes and social insurance	10.0	0.0	10.2	0.0
Prepayments received	0.8	0.0	1.6	0.0
Other liabilities	6.7	0.0	5.9	0.0
Other liabilities (not financial instruments)	**79.2**	**6.4**	**78.2**	**0.3**

Personnel liabilities refer to success-related remuneration, liabilities from holiday entitlement not taken, partial retirement obligations and severance payment obligations.

The other liabilities mainly include third-party funds from current studies that have not yet been consumed.

7.21 CURRENT INCOME TAX LIABILITIES

The current income tax liabilities of € 2.3 million (previous year: € 0.6 million) relate to corporation tax, solidarity surcharge and trade tax not yet assessed for the completed financial year and for previous years.

7.22 DERIVATIVE FINANCIAL INSTRUMENTS

A promissory note loan of € 165.0 million and other loans in the Group with a total volume of € 127.1 million were repaid early in the financial year 2014. In addition, a revolving syndicated line of credit of € 350.0 million, € 70.0 million of which had been used, was also fully repaid and cancelled in the first quarter of 2014. Insofar as these financial liabilities were subject to variable interest and were secured with concurrent interest instruments, these interest hedging instruments have also been fully cancelled. As at the reporting date, therefore, there are no interest rate hedges (previous year: € 163.4 million). Of the non-current financial liabilities (bonds and liabilities to financial institutions) of € 157.4 million (previous year: € 771.7 million), € 157.4 million (previous year: € 538.7 million) has fixed interest conditions and terms to 2017. Until cancellation of the interest hedging instruments, costs of € 0.1 million (previous year: € 0.0 million) were incurred from the derivatives recognised as fair value through profit and loss.

Until their cancellation, the derivative financial instruments were valued at market values (reporting date valuation based on recognised valuation model, which is based on current market data). Within the framework of the hedge accounting, a large part of the hedging instruments were considered as a unit with the underlying transaction. From the hedge relationships, because of the repayment of financial liabilities, changes to the market values of derivatives minus deferred taxes were recognised in hedge reserves in the equity capital of € 0.0 million (previous year: € 20.9 million).

7.23 ADDITIONAL DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

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

The following table shows the book values and fair values of the individual financial assets and liabilities for each individual category of financial instrument and transfers them to the corresponding balance sheet positions:

	Valuation category according to IAS 39	31 Dec. 2014	Of which Financial instruments Book value	Of which Financial instruments Fair value	31 Dec. 2013	Of which Financial instruments Book value	Of which Financial instruments Fair value
ASSETS		€ million	€ million	€ million	€ million	€ million	€ million
Non-current assets							
Other financial assets		11.7	11.7	11.6	0.1	0.1	0.1
Of which equity investments	Financial assets held for sale	0.0	0.0	0.0	0.0	0.0	0.0
Of which derivative financial instruments (HfT)	Financial assets recognised at fair value through profit and loss	0.0	0.0	0.0	0.1	0.1	0.1
Of which other	Loans and receivables	11.7	11.7	11.6	0.0	0.0	0.0
Current assets							
Trade receivables, other financial assets		226.1	226.1	226.1	171.4	171.4	171.4
Of which trade receivables, other financial assets	Loans and receivables	226.1	226.1	226.1	171.4	171.4	171.4
Of which securities (HfT)	Financial assets recognised at fair value through profit and loss	0.0	0.0	0.0	0.0	0.0	0.0
Of which derivative financial instruments (HfT)	Financial assets recognised at fair value through profit and loss	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalents	Loans and receivables	695.4	695.4	695.4	29.9	29.9	29.9
LIABILITIES							
Non-current liabilities							
Financial liabilities		152.9	152.9	149.8	720.4	720.4	685.5
Of which financial liabilities	Financial liabilities recognised at amortised cost	152.9	152.9	149.8	695.4	695.4	660.5
Of which derivative financial instruments (hedge accounting)	n.a.	0.0	0.0	0.0	25.0	25.0	25.0
Other financial liabilities		17.3	17.3	20.4	21.4	21.4	23.2
Of which other financial liabilities	Financial liabilities recognised at amortised cost	15.9	15.9	19.0	21.4	21.4	23.2
Of which from finance leases	n.a.	1.4	1.4	1.4	0.0	0.0	0.0
Current liabilities							
Trade payables	Financial liabilities recognised at cost	89.6	89.6	89.6	73.4	73.4	73.4
Financial liabilities		4.5	4.5	4.5	116.4	116.4	116.4
Of which financial liabilities	Financial liabilities recognised at amortised cost	4.5	4.5	4.5	116.4	116.4	116.4
Of which derivative financial instruments (HfT)	Financial liabilities recognised at fair value through profit and loss	0.0	0.0	0.0	0.0	0.0	0.0
Other financial liabilities		24.9	24.9	24.9	41.7	41.7	41.7
Of which other financial liabilities	Financial liabilities recognised at amortised cost	24.4	24.4	24.4	41.7	41.7	41.7
Of which from finance leases	n.a.	0.5	0.5	0.5	0.0	0.0	0.0
Aggregated according to valuation categories, the above values are as follows:							
	Loans and receivables		933.2	933.1		201.3	201.3
	Financial assets held for sale		0.0	0.0		0.0	0.0
	Financial assets recognised at fair value through profit and loss		0.0	0.0		0.1	0.1
	Financial liabilities recognised at amortised cost		287.3	287.3		948.3	915.2

As the sale has been completed, there are no assets and liabilities classified as held for sale as at the reporting date. Consequently, there are no book values and fair values of the individual financial assets and liabilities for each category of financial instruments, which in the previous year were classified as held for sale.

The following table shows the allocation of our derivative financial assets and debts valued at market value to the three levels of the Fair Value Hierarchy:

	Level 1	Level 2	Level 3	Total	Previous year
	€ million	€ million	€ million	€ million	€ million
Non-current derivative assets	0.0	0.0	0.0	0.0	0.1
Securities	0.0	0.0	0.0	0.0	0.0
Current derivative assets	0.0	0.0	0.0	0.0	0.0
Non-current derivative liabilities	0.0	0.0	0.0	0.0	25.0
Current derivative liabilities	0.0	0.0	0.0	0.0	0.0

All derivative financial instruments were cancelled in 2014 in conjunction with the sale. As at the reporting date there are no assets or liabilities classified as held for sale.

The fair values of the financial assets and liabilities recognised at amortised cost are allocated to the three levels of the Fair Value Hierarchy as follows:

	Level 1	Level 2	Level 3	Total	Previous year
	€ million	€ million	€ million	€ million	€ million
Non-current assets from loans and receivables	0.0	11.6	0.0	11.6	0.0
Current assets from loans and receivables	0.0	226.1	0.0	226.1	171.4
Non-current liabilities from financial liabilities	140.1	9.7	0.0	149.8	685.5
Non-current liabilities from other financial liabilities	0.0	20.4	0.0	20.4	23.2
Current trade payables	0.0	89.6	0.0	89.6	73.4
Current liabilities from financial liabilities	4.5	0.0	0.0	4.5	116.4
Current liabilities from other financial liabilities	0.0	24.9	0.0	24.9	41.7

The levels of the Fair Value Hierarchy and their application to the assets and liabilities are described below:

- Level 1: Listed market prices for identical assets or liabilities on active markets
- Level 2: Information other than listed market prices, which is directly (e.g. prices) or indirectly (e.g. derived from prices) observable, and
- Level 3: Information for assets and liabilities, which is not based on observable market data.

The fair values of the assets and liabilities allocated to Level 2 are calculated on the basis of input factors directly derivable from the market, such as interest rates. They derive from the discounting of future payment streams with the corresponding input factors. Our own credit risk, derived from the bond listed on the market, is also considered here.

Of the other financial assets (non-current), € 0.0 million (31 December 2013: € 0.0 million) relates to equity investments, the market values of which cannot be calculated due to the lack of an active market. They are valued at cost.

Trade receivables, other financial assets, as well as cash and cash equivalents typically do not have residual terms. As a result, their book values correspond to the fair value as at the reporting date.

The financial liabilities include loans from financial institutions and a bond. The fair value of the loans owed to financial institutions and the fair value of non-current other liabilities are calculated from the discounted payment streams. A risk and term-adequate interest rate corresponding to RHÖN-KLINIKUM AG was applied for the discounting. The fair values of the liabilities are allocated to Level 2 of the Fair Value Hierarchy because of the input factors observable on the market. The time value of the bond is calculated by multiplying nominal value with the price on the last trading day of the reporting year and is therefore allocated to Level 1 of the Fair Value Hierarchy.

The book values on the reporting date of the accounts payable and other financial liabilities with short residual terms correspond to the fair values.

The fair value of the liabilities from finance leases has been calculated using the market interest curve as at the reporting date and corresponds to the current book value.

7.23.2 Net gains or losses by measurement categories

	From exchange profits	From subsequent valuation		From disposal	Net result	
		At fair value	Value adjustment		2014	2013
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and receivables	0.0	0.0	4.6	3.7	8.3	9.9
Derivative financial instruments (hedge accounting)	0.0	0.1	0.0	26.8	26.9	0.0
Financial liabilities recognised at amortised cost	0.0	0.0	0.0	34.8	34.8	0.0
Total	0.0	0.1	4.6	65.3	70.0	9.9

+ = Expenditure - = Income

The net result from the subsequent valuation of loans and receivables comprises income and costs from value adjustments on the trade receivables. The disposal includes the irrecoverably derecognised receivables, netted with income from payments from receivables written down in the past.

During the financial year, there were no costs or income from liabilities at amortised cost.

7.23.3 Financial liabilities (maturity analysis)

The following table shows the contractually agreed (undiscounted) interest and capital repayments of the original financial liabilities and of the derivative financial instruments, including the financial liabilities recognised as held for sale:

	Payment outflows		
	2015	2016-2021	>2021
	€ million	€ million	€ million
Financial liabilities	-6.1	-159.7	0.0
Trade payables	-89.6	0.0	0.0
Derivatives	0.0	0.0	0.0
Other financial liabilities	-24.4	-9.0	-11.1
Liabilities from finance leases	-0.6	-1.4	0.0
	-120.7	**-170.1**	**-11.1**

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

	Payment outflows		
	2014	2015-2020	>2020
	€ million	€ million	€ million
Financial liabilities	-140.5	-769.1	-14.5
Trade payables	-156.2	0.0	0.0
Derivatives	0.0	-25.1	-0.5
Other financial liabilities	-101.0	-9.0	-17.5
Liabilities from finance leases	-1.9	-7.4	-31.9
	-399.6	**-810.6**	**-64.4**

The balance includes all financial liabilities which were agreed on the balance sheet date and for which payments were already contractually agreed. Planned payments for future new liabilities have not been included in the calculation. Interest payments have been included under the agreements, which were valid as at the reporting date, in the future cash flow payments. Current liabilities and liabilities agreed as cancellable at any time have been included in the respective shortest period.

8 STATEMENT OF CASH FLOWS

The cash flow statement shows how the cash and cash equivalents of the RHÖN-KLINIKUM Group changed over the course of the reporting year as result of cash receipts and outgoings. The effects of acquisitions, disinvestments and other changes to the consolidation group have been eliminated. In compliance with IAS 7 (Cash flow statements), a distinction is drawn between payment streams from operative and investment activities and from financing. The liquidity recorded in the financing account includes cash in hand, cheques and bank balances. For the purposes of the cash flow statement, the short-term current account credits are deducted from the cash and cash equivalents. A transition is provided by the notes on cash and cash equivalents.

The success from the deconsolidation of subsidiaries of € 1.3 billion includes the companies transferred in 2014 to Fresenius / Helios and to third parties. The amount of € 1.3 billion relates to the transaction with Fresenius / Helios. From the transaction with Fresenius / Helios, the Group received € 3.0 billion, € 0.6 billion of which was used to repay financial debts, € 1.6 billion to buy back shares and € 0.1 billion to construct the particle therapy unit in Marburg.

The cash flow statement includes € 4.6 million (previous year: € 24.0 million) of outstanding construction invoices and profits from derivative financial instruments of € 0.1 million (previous year: € 0.0 million) not through profit and loss.

Payments to non-controlling interests totalled € 1.0 million (previous year: € 2.4 million). Other equity capital transactions of € 2.4 million (previous year: € 0.8 million) with non-controlling interests relate to the payment of the purchase price from the increase in shares in Altmühlklinik-Leasing-GmbH in the previous year.

The cash flow statement shows the change in cash and cash equivalents between two reporting dates. These cash and cash equivalents in the RHÖN-KLINIKUM Group exclusively involve income from continuing business activities as no businesses have been discontinued.

9 SHAREHOLDINGS

9.1 COMPANIES INCLUDED IN THE CONSOLIDATED ANNUAL REPORT

	Share of capital	Equity	Annual result
	%	€ ‘000	€ ‘000
Hospital companies			
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	451	79
Herz- und Gefäß-Klinik GmbH Bad Neustadt, Bad Neustadt a. d. Saale[1]	100.0	12,158	0
KLINIK "HAUS FRANKEN" GMBH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	4,443	-89
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	75,924	2,247
Neurologische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	8,002	2,576
Universitätsklinikum Giessen und Marburg GmbH, Giessen	95.0	69,038	-5,576
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	116,300	13,552

[1] *The company claims the exemption from the duty of disclosure according to Section 264 para. 3 HGB.*

	Share of capital	Equity	Annual result
	%	€ ‘000	€ ‘000
MVZ (medical care centre) companies			
MVZ Bad Neustadt/ Saale GmbH, Bad Neustadt a. d. Saale	100.0	19	-5
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	169	-3
MVZ UKGM GmbH, Marburg (vormals: MVZ Universitätsklinikum Marburg GmbH, Marburg)	95.0	16	-132
MVZ Zentralklinik GmbH, Bad Berka	87.5	262	91

	Share of capital	Equity	Annual result
	%	€ '000	€ '000
Research and education companies			
ESB – Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a. d. Saale	100.0	1,563	-120
Gemeinnützige Gesellschaft zur Förderung der klinischen Forschung auf dem Gebiet der Humanmedizin und zur Betreuung von Patienten an den Universitäten Giessen und Marburg mbH, Marburg	100.0	35	0

	Share of capital	Equity	Annual result
	%	€ '000	€ '000
Property companies			
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	26,405	35
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH Leipzig, Leipzig	100.0	370	52

	Share of capital	Equity	Annual result
	%	€ '000	€ '000
Service companies			
RHÖN-Cateringgesellschaft mbH, Bad Neustadt a. d. Saale	100.0	116	64
RHÖN-Reinigungsgesellschaft mbH, Bad Neustadt a. d. Saale	100.0	1,022	762
RK Reinigungsgesellschaft Nordost mbH, Bad Neustadt a. d. Saale	51.0	269	-6
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	103	2
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	83	-17

	Share of capital	Equity	Annual result
	%	€ '000	€ '000
Pool companies / other companies			
Energiezentrale Universitätsklinikum Giessen GmbH, Giessen	50.0	517	56
HEILBAD BAD NEUSTADT GMBH, Bad Neustadt a. d. Saale	100.0	1,471	10
Kinderhort Salzburger Leite gemeinnützige Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	79	7
Klinik Feuerberg GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	29	-5
Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung, Heidelberg	24.9	18,767	-1,258
Psychosomatische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	8	-5
PTZ GmbH, Marburg	100.0	1,563	-17,070
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a. d. Saale	100.0	170	-14
Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale	100.0	598	1

9.2 OTHER COMPANIES ACCORDING TO SECTION 313 PARA. 2 NO. 2 ET SEQ. HGB

	Share of capital	Equity	Annual result
	%	€ '000	€ '000
4QD – Qualitätskliniken.de GmbH, Berlin[1]	25.0	947	261
Bäderland Bayerische Rhön GmbH & Co. KG, Bad Kissingen[1]	0.1	6	-4
Gesellschaft zur Durchführung des Schulversuchs Generalistische Pflegeausbildung mit beruflichen Schwerpunkten in Bayern UG (haftungsbeschränkt), Röhrmoos[1]	30.0	1	0
HOSPIZ MITTELHESSEN gemeinnützige GmbH, Wetzlar[1]	15.9	380	94
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale[1]	25.0	309	321
Soemmerring GmbH privates Institut für Bewegungsstörungen und Verhaltensneurologie, Bad Nauheim[1]	31.7	23	0

[1] *Figures according to annual report as at 31 December 2013.*

10 OTHER DISCLOSURES

10.1 AVERAGE ANNUAL NUMBER OF EMPLOYEES

	2014	2013	Changes	
	Number[1]	Number[1]	Number[1]	%
Medical service	854	4,642	-3,788	-81.6
Nursing service	4,262	12,835	-8,573	- 66.8
Medical-technical service	2,328	5,869	-3,541	-60.3
Function service	1,485	4,481	-2,996	-66.9
Economic and supply service	1,763	5,201	-3,438	-66.1
Technical service	230	585	-355	-60.7
Administrative service	944	2,586	-1,642	-63.5
Other staff	246	545	-299	-54.9
	12,112	**36,744**	**-24,632**	**-67.0**

[1] *By head; without directors, managing directors, apprentices, interns and community service volunteers.*

10.2 OTHER FINANCIAL OBLIGATIONS

	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Purchase commitments	**8.7**	**30.6**
Operating lease agreements		
Due next year	0.5	6.1
Due in 2 to 5 years	0.4	7.2
Due after 5 years	0.0	1.7
Total operating lease agreements	**0.9**	**15.0**
Other		
Due next year	48.6	69.9
Due in 2 to 5 years	13.9	27.7
Due after to 5 years	1.2	1.2
Total other	**63.7**	**98.8**

Of the purchase commitments, € 0.6 million (previous year: € 1.5 million) relates to intangible assets and € 5.2 million (previous year: € 26.3 million) to property, plant and equipment.

The other financial obligations mainly result from loan agreements and service contracts (maintenance contracts, contracts concerning the purchase of goods, laundry contracts, etc.).

In addition, RHÖN-KLINIKUM AG as a network partner committed to investments of € 10.0 million over five years, beginning in 2015, in conjunction with the development and formation of a medical network. As at the reporting date there are no investment obligations from concluded company acquisition contracts.

Additionally, there are unlimited debt-discharging bank surety declarations for receivables from statutory health insurance associations and health insurance companies to MVZ subsidiaries from their contractual medical activities, and a contract fulfilment surety to an MVZ subsidiary for the amount of € 0.2 million as security for the prepayments from the statutory health insurance association.

10.3 LEASES WITHIN THE GROUP

Lease transactions are classified as financing leases or operating leases. Lease transactions, in which the Group as lessee bears all the significant opportunities and risks connected with ownership, are treated as finance leases. As at the reporting date 31 December 2014 this relates to Zentralklinik Bad Berka GmbH, Universitätsklinikum Giessen und Marburg GmbH and RHÖN-KLINIKUM AG. Accordingly, the Group has capitalised the leased objects at the cash value of the minimum lease payment of € 2.4 million (previous year: € 50.5 million) and subsequently depreciates the leased objects over the estimated service life or shorter contractual term. At the same time, a corresponding liability is accrued, which is amortised and rolled forward in the subsequent period according to the effective interest method. All other lease agreements, in which the Group acts as lessee, are treated as operating leases. In this case, the lease payments are recognised linearly as expenditure.

10.3.1 Obligations as lessee of operating leases

The Group leases medical devices and residential and office space, which must be qualified as cancellable operating lease relationships. The lease agreements typically have a term of up to five years. In these lease agreements, the

Group has a notice period of not more than twelve months to the end of the term. The future minimum lease payments due up to one year total € 0.5 million. The minimum lease payments for the period between one and five years total € 0.4 million, over five years € 0.0 million.

10.3.2 Obligations as lessee of finance leases

Copy and print systems, above all, are leased within the framework of finance leases. The principle in the Group is that business assets are always purchased.

Liabilities from finance leases – Minimum lease payments	2014	2013
	€ million	€ million
Due next year	0.6	1.8
Due in two to five years	1.3	7.3
Due after to 5 years	0.0	31.9
	1.9	**41.0**
Future financing costs from finance leases	**0.0**	**0.1**
Present value of liabilities from finance leases	**1.9**	**41.1**

Present value of liabilities from finance leases:	2014	2013
	€ million	€ million
Due next year	0.5	1.9
Due in two to five years	1.4	7.3
Due after to 5 years	0.0	31.9
	1.9	**41.1**

The decline in liabilities from finance leases is caused by the sale of hospitals, medical care centres and other affiliated holdings in the financial year 2014.

Some of the lease agreements include purchase or extension options, which can be executed after expiration of the minimum contractual term.

10.3.3 Investment property

Within the framework of cancellable operating lease relationships, the Group lets residential premises to employees, office and commercial space to third parties (e.g. cafeteria) and practices to doctors cooperating with the hospital and to laboratory partnerships.

The main operating leases, in terms of amount, result from letting properties to third parties.

The largest position, in absolute terms, is the lease of a property to a nursing home operator. Because of the conditions in IFRS 13.97, the fair value for the assets recognised according to IAS 40 is calculated. The fair value calculated in this way cannot be observed on an active market and cannot be derived from a market price listing either, it has to be allocated to Level 3 of the IFRS 13 Fair Value Hierarchy. The fair value is calculated according to the capitalised earnings method. The input factors used here are the corresponding components of the capitalised earnings method such as gross profit, return on land value and ground value. Based on the capitalised earnings calculations, no significant differences are seen between the fair value of these properties and their book values as shown below. For this reason, an external fair value opinion has not been obtained.

	Total
	€ million
Costs	
1 January 2014	**6.1**
Additions	0.0
Disposals	1.1
31 December 2014	**5.0**
Cumulative scheduled depreciation	
1 January 2014	**1.8**
Depreciation	0.2
Disposals	0.1
31 December 2014	**1.9**
Balance sheet value at 31 December 2014	**3.1**

	Total
	€ million
Costs	
1 January 2013	**6.3**
Additions	0.0
Disposals	0.2
31 December 2013	**6.1**
Cumulative scheduled depreciation	
1 January 2013	**1.6**
Depreciation	0.2
31 December 2013	**1.8**
Subtotal 31 December 2013	**4.3**
Assets classified as held for sale	1.1
Balance sheet value at 31 December 2013	**3.2**

The straight-line depreciations are applied over a useful life of 33 1/3 years. In 2014, rental income of € 0.4 million (previous year: € 0.4 million) was earned. The operating costs for the investment properties in the financial year total € 0.2 million (previous year: € 0.2 million). This comes entirely from properties that earn rental income.

The other areas let within the framework of operating leases are immaterial and connected sections of buildings, so a separate representation has been omitted.

The future minimum lease payments expected for up to one year total € 0.1 million. The minimum lease payments for the period between one and five years total € 0.0 million, over five years € 0.0 million.

10.4 RELATED PARTIES

Related parties are natural and juridical persons and companies, which can control the reporting company or one of its subsidiaries or which can directly or indirectly exercise a significant influence over the reporting company or its subsidiaries, as well as natural or juridical persons which the reporting company can control or have a significant influence over.

In individual cases, companies of the RHÖN-KLINIKUM Group maintain mutual business relationships with related parties. These include, in particular, the letting of buildings and services connected with telemedicine, teleradiology, nursing and the provision of personnel. These service and rental relationships are settled at market prices.

Accordingly, related parties are all companies, in which we hold a stake of between 20.0 % and 50.0 % and which are not included in the consolidated annual report on grounds of immateriality (with regard to the Group companies, please refer to the list of shareholdings in these Notes). Joint ventures are also deemed to be related parties. From a Group perspective, the following service volumes existed with related parties in the financial year 2014:

	Expenditure 2014	Income 2014	Receivables 31 Dec. 2014	Liabilities 31 Dec. 2014
	€ '000	€ '000	€ '000	€ '000
Imaging Service AG, Niederpöcking	93	46	-	-
miCura Pflegedienste München / Dachau GmbH, Dachau	141	-	-	-
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	-	402	30	-
4QD – Qualitätskliniken.de GmbH, Berlin	258	-	-	-
HOSPIZ MITTELHESSEN gGmbH, Wetzlar	12	-	-	-
	504	448	30	-

From a Group perspective, the following service volumes existed with at-equity consolidated companies in the financial year 2014:

	Expenditure 2014	Income 2014	Receivables 31 Dec. 2014	Liabilities 31 Dec. 2014
	€ '000	€ '000	€ '000	€ '000
Energiezentrale Universitätsklinikum Giessen GmbH, Giessen	1,071	29	281	89
Medizinisches Versorgungszentrum Nikomedicum Bad Sachsa GmbH, Bad Sachsa	-	1	-	-
Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung	-	182	11,752	-
	1,071	212	12,033	89

The receivables primarily include unsecured loans at standard market conditions. The liabilities result from delivery and service relationships.

The members of the management in key positions and the persons and spouses immediately related to them as defined in Section 1589 BGB are treated as related companies and persons. The members of the management in key positions include the Board of Management members of RHÖN-KLINIKUM AG and the members of the Supervisory Board.

Members of the Supervisory Board of RHÖN-KLINIKUM AG and their related companies and persons provided the following services at standard market conditions:

Related persons	Companies as defined in IAS	Type of service	€ '000 2014	€ '000 2013
			Expenditure	
Prof. Dr. Gerhard Ehninger	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	8	66
Prof. Dr. h. c. Ludwig Georg Braun	B. Braun Konzern (hauptsächlich B. Braun Melsungen AG und Aesculap AG)	Purchase of medical products	4,612	-

The costs are recognised in the consolidated income Statement under material costs. No write-downs were recorded in the financial year 2014.

Related persons	Companies as defined in IAS	Type of service	€ '000 2014	€ '000 2013
			Income	
Eugen Münch		Telephone costs	1	1
Prof. Dr. h. c. Ludwig Georg Braun	B. Braun Konzern (hauptsächlich B. Braun Melsungen AG und Aesculap AG)	Purchase of medical products	33	-

The income is recognised in the consolidated income Statement under other income.

As at the reporting date 31 December 2014, the following trade receivables and trade payables existed:

Related persons	€ '000 2014	€ '000 2013	€ '000 2014	€ '000 2013
	Liabilities		Receivables	
Prof. Dr. Gerhard Ehninger	0	2	0	0
Prof. Dr. h. c. Ludwig Georg Braun	198	-	-	-
Eugen Münch	-	-	0	0

The employee representatives employed by RHÖN-KLINIKUM AG or its subsidiaries in the Supervisory Board received the following remuneration last year as part of their employment relationship:

	Fixed	Results related	Total 2014	Total 2013
	€ '000	€ '000	€ '000	€ '000
Peter Berghöfer	124	35	159	119
Bettina Böttcher	4	0	4	22
Helmut Bühner	47	4	51	50
Klaus Hanschur (from 17 April 2014)	25	0	25	-
Stefan Härtel	38	1	39	34
Annett Müller (until 27 February 2014)	5	0	5	34
Werner Prange (until 27 February 2014)	8	0	8	39
Oliver Salomon (from 9 April 2014)	30	1	31	-
Prof. Dr. Jan Schmitt (until 30 April 2014)	45	0	45	130
Dr. Franz-Josef Schmitz (from 1 May 2014)	76	0	76	-
	326	41	367	428

The above costs are recognised in the Profit and Loss Statement under personnel costs.

10.5 TOTAL REMUNERATION OF THE SUPERVISORY BOARD, THE BOARD OF MANAGEMENT AND THE ADVISORY BOARD

	2014	2013
	€ '000	€ '000
Total remuneration of the Supervisory Board	2,586	1,950
Total remuneration of the current directors	11,128	2,301
Total remuneration of the former members of the Board of Management	0	462
Total remuneration of the advisory board	20	22

No loans have been granted to members of the Supervisory Board, the Board of Management and the Advisory Board. The members of the Supervisory Board together own a total of 29.3 % of the shares in the total share capital of RHÖN-KLINIKUM Aktiengesellschaft. The family of the chairman of the Supervisory Board, Mr Eugen Münch, holds 11.3 % of the shares in RHÖN-KLINIKUM Aktiengesellschaft. Of this, 6.3 % is owned by Eugen Münch and 5.0 % by Ingeborg Münch. Prof. Dr. hc. Ludwig Georg Braun indirectly holds 18.0 % of the share capital. The members of the Board of Management did not hold any shares in RHÖN-KLINIKUM Aktiengesellschaft as at 31 December 2014.

The RHÖN-KLINIKUM Aktiengesellschaft share transactions concluded by the members of the Supervisory Board and the Board of Management, including by their spouses and immediate relatives in 2014 were disclosed according to Section 15a Securities Trading Act (Wertpapierhandelsgesetz – WpHG). The following notifications of transactions according to 15a WpHG by members of the Supervisory Board or of the Board of Management (Directors' Dealings) were published in the reporting period for RHÖN-KLINIKUM Aktiengesellschaft:

Date of transaction	Forename and surname	Function / Status	Financial instrument and ISIN	Type and location of transaction	Volume	Rate / price	Transaction volume
02 June 2014	Eugen Münch[1]	Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Transfer off-market	1,380,000	0.00 €	0.00 €
26 August 2014	Prof. Dr. Gerhard Ehninger	Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale XETRA	10,571	23.7579501 €	251,145.29 €
30 September 2014	Jens-Peter Neumann	Board of Management member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale XETRA	6,666	24.00 €	159,984.00 €
16 October 2014	Ingeborg Münch[2]	Spouse of Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale off-market	3,313,010	25.18 €	83,421,591.80 €
16 October 2014	Eugen Münch[2]	Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale off-market	4,227,310	25.18 €	106,443,665.80 €
16 October 2014	Münch Foundation	Related juridical person, company orinstitution	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale off-market	657,140	25.18 €	16,546,785.20 €
22 October 2014	Hannelore Mündel[2]	Spouse of Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale off-market	22,850	25.18 €	575,363.00 €
22 October 2014	Wolfgang Mündel[2]	Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale off-market	20,940	25.18 €	527,269.20 €
05 November 2014	B. Braun Melsungen Aktiengesellschaft	Juridical person, company related to a person in a management position	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale off-market	4,146,960	23.10 €	95,794,776.00 €
05 November 2014	B. Braun Melsungen Aktiengesellschaft[3]	Juridical person, company related to a person in a management position	RHÖN-KLINIKUM Put options ISIN DE000A12UPR0	Sale off-market	8,708,616	1.39 €	12,137,546.46 €
07 November 2014	Hannelore Mündel	Spouse of Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale über XETRA	25,150	24.10 €	606,115.00 €
07 November 2014	Wolfgang Mündel	Supervisory Board member	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale über XETRA	23,060	24.10 €	555,746.00 €
07 November 2014	B. Braun Melsungen Aktiengesellschaft[2]	Juridical person, company related to a person in a management position	RHÖN-KLINIKUM Shares ISIN DE0007042301	Sale off-market	7,884,690	25.18 €	198,536,494.20 €
19 December 2014	B. Braun Melsungen Aktiengesellschaft	Juridical person, company related to a person in a management position	Call options on shares in RHÖN-KLINIKUM Aktiengesellschaft ISIN Basic instrument DE0007042301	Sale Eurex	10	23.17 €	231.70 €
19 December 2014	B. Braun Melsungen Aktiengesellschaft	Juridical person, company related to a person in a management position	Call options on shares in RHÖN-KLINIKUM Aktiengesellschaft ISIN Basic instrument DE0007042301	Purchase Eurex	10	185.00 €	1,850.00 €
19 December 2014	B. Braun Melsungen Aktiengesellschaft[4]	Juridical person, company related to a person in a management position	Put options on shares in RHÖN-KLINIKUM Aktiengesellschaft ISIN Basic instrument DE0007042301	Sale Eurex	10	3.00 €	30.00 €

[1] *The transfer was from Mr Münch for free, approved on 04 June 2014, charitable "Münch Foundation". 690,000 shares represent the core assets of the foundation, another 690,000 shares were contributed as tied reserves.*

[2] *Acceptance of the RHÖN-KLINIKUM AG share repurchase offer.*

[3] *Sale of put options at ratio of 21:10 to the sold shares.*

[4] *B. Braun Melsungen Aktiengesellschaft as writer of the put options.*

Total payments (excluding VAT) for members of the Supervisory Board are divided as follows:

Total payments	Basic amount	Attendance fee, fixed	Attendance fee, variable	Operating days, variable	Total 2014	Total 2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Eugen Münch	20	60	135	273	488	313
Joachim Lüddecke	20	56	64	0	140	140
Wolfgang Mündel	20	56	152	173	401	267
Peter Berghöfer	20	18	56	0	94	87
Bettina Böttcher	20	18	40	0	78	20
Prof. Dr. h. c. Ludwig Georg Braun (from 12 June 2014)	11	4	12	0	27	-
Sylvia Bühler	20	10	25	0	55	69
Helmut Bühner	20	18	40	0	78	55
Prof. Dr. Gerhard Ehninger	20	8	17	0	45	54
Stefan Härtel	20	28	64	0	112	98
Klaus Hanschur (from 17 April 2014)	14	14	42	0	70	-
Reinhard Hartl (from 19 December 2013)	20	18	64	0	102	1
Caspar von Hauenschild (until 12 September 2013)	0	0	0	0	0	74
Stephan Holzinger (from 3 July 2013)	20	48	94	23	185	32
Detlef Klimpe (until 12 June 2014)	9	12	58	0	79	114
Dr. Heinz Korte	20	22	104	0	146	108
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach (until 4 June 2013)	0	0	0	0	0	34
Michael Mendel	20	16	71	0	107	105
Dr. Rüdiger Merz (until 12 September 2013)	0	0	0	0	0	40
Dr. Brigitte Mohn	20	12	27	0	59	49
Annett Müller (until 27 February 2014)	3	0	0	0	3	55
Werner Prange (until 27 February 2014)	3	2	0	0	5	98
Oliver Salomon (from 9 April 2014)	15	12	38	0	65	-
Prof. Dr. Jan Schmitt (until 30 April 2014)	7	4	12	0	23	59
Dr. Franz-Josef Schmitz (from 1 May 2014)	13	8	17	0	38	-
Georg Schulze-Ziehaus	20	22	77	0	119	77
Dr. Katrin Vernau (from 20 December 2013)	20	14	33	0	67	1
	395	480	1,242	469	2,586	1,950

Total payments for the Board of Management are allotted in detail to:

Incumbent member of the Board of Management	Martin Menger (member of the Board of Management)					
	granted allowances				inflow	
	2014	2013	2014 (Min.)	2014 (Max.)	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	9	8	9	9	9	8
Total	**201**	**200**	**201**	**201**	**201**	**200**
One-year variable remuneration						
Profit sharing	258	258	258	708	258	258
Multi-year variable remuneration						
Virtual share options	2,875	0	0	5,200	779	0
Total payments	**3,334**	**458**	**459**	**6,109**	**1,238**	**458**
Pension expenditure[1]	56	45	56	56	56	45
Total remuneration	**3,390**	**503**	**515**	**6,165**	**1,294**	**503**

[1] *Pension expenditure includes service period expenditure pursuant to IAS 19.*

Incumbent member of the Board of Management	Jens-Peter Neumann (permanent representative of the Chairman of the Board of Management)					
	granted allowances				inflow	
	2014	2013	2014 (Min.)	2014 (Max.)	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic salary (fixed remuneration)	211	195	211	211	211	195
Fringe benefits	9	86	9	9	9	86
Total	**220**	**281**	**220**	**220**	**220**	**281**
One-year variable remuneration						
Profit sharing	689	538	689	1,589	689	538
Multi-year variable remuneration						
Virtual share options	2,875	0	0	5,200	779	0
Total payments	**3,784**	**819**	**909**	**7,009**	**1,688**	**819**
Pension expenditure[1]	83	23	83	83	83	23
Total remuneration	**3,867**	**842**	**992**	**7,092**	**1,771**	**842**

[1] *Pension expenditure includes service period expenditure pursuant to IAS 19.*

Incumbent member of the Board of Management	Dr. Dr. Martin Siebert (Chairman of the Board of Management)					
	granted allowances				inflow	
	2014	2013	2014 (Min.)	2014 (Max.)	2014	2013
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Basic salary (fixed remuneration)	384	384	384	384	384	384
Fringe benefits	10	13	10	10	10	13
Total	**394**	**397**	**394**	**394**	**394**	**397**
One-year variable remuneration						
Profit sharing	741	627	741	1,866	741	627
Multi-year variable remuneration						
Virtual share options	2,875	0	0	5,200	779	0
Total payments	**4,010**	**1,024**	**1,135**	**7,460**	**1,914**	**1,024**
Pension expenditure[1]	113	28	113	113	113	28
Total remuneration	**4,123**	**1,052**	**1,248**	**7,573**	**2,027**	**1,052**

[1] *Pension expenditure includes service period expenditure pursuant to IAS 19.*

RHÖN-KLINIKUM AG granted option rights in the form of virtual shares to all three members of the Board of Management in agreements concluded in May 2014. These were granted for 130,000 virtual shares in the company after achieving the specified conditions in the financial year 2014. The virtual shares are non-forfeitable. The commitments have a term to June 2019. The virtual shares are paid out at the average price of the last three months, whereby the payment per virtual share is limited to € 40. According to IFRS 2, this plan is treated as a cash-settled plan and therefore is reported as remuneration with cash equalisation. The provisions for the obligation from the virtual shares have been formed at the level of the expected cost and are represented in this chapter. The fair value of the virtual shares is calculated using the binomial model.

Upon termination of the employment relationship, the directors receive a retirement pension under specific conditions. For each full year (twelve full calendar months) of activity as member of the Board of Management, this totals 12.5 % of the annual remuneration owed on the date of the end of the employment contract, but not more than 1.5 times this final amount. The following provisions for pension payments have been formed for these payments, which have been promised to the members of the Board of Management after the end of their activity:

Retirement benefits	Provision as at 31 Dec. 2013	Change in retirement benefits	Provision as at 31 Dec. 2014	Nominal amount upon expiry of contract[2]
	€ '000	€ '000	€ '000	€ '000
Incumbent members of the Board of Management				
Martin Menger	164	80	244	353
Jens-Peter Neumann	95	153	248	450
Dr. Dr. Martin Siebert	138	184	322	984
	397	**417**	**814**	**1,787**
Member of the Board of Management who left in 2013				
Volker Feldkamp[1]	158	–158	0	0
	158	**–158**	**0**	**0**
Total	**555**	**259**	**814**	**1,787**

[1] *Until 9 August 2013.*
[2] *Eligibility after planned phase-out of the Board of Management contract based on remuneration.*

10.6 CORPORATE GOVERNANCE CODE DECLARATION

The corresponding declaration according to Section 161 AktG was issued by a joint decision of the Supervisory Board and Board of Management of RHÖN-KLINIKUM AG on 06 November 2014 to apply the Corporate Governance Code in the financial year 2014. This has been saved and published for the public on the RHÖN-KLINIKUM AG website.

10.7 DISCLOSURE OF THE FEES RECOGNISED AS EXPENSES (INCLUDING REIMBURSEMENT OF OUTLAYS AND EXCLUDING VAT) FOR THE STATUTORY AUDITORS

In the financial year 2014, fees for auditors of € 1.3 million (previous year: € 3.9 million) were incurred across the Group. The cause of the reduction in costs is the sale of companies in the financial year 2014. The fees, including expenses and without VAT are for the following services:

	2014	2013
	€ '000	€ '000
Fee for annual audit services	835	2,725
Fee for other confirmation services	180	368
Fee for tax consultancy services	299	525
Fee for other services	16	245
	1,330	**3,863**

€ 0.1 million (previous year: € 1.1 million) is for other auditors that did not audit the consolidated annual report. The reduction is due to the sale of companies in the financial year 2014. The fees comprise the following:

	2014	2013
	€ '000	€ '000
Fee for annual audit services	89	895
Fee for other confirmation services	0	30
Fee for tax consultancy services	17	165
Fee for other services	0	5
	106	1,095

10.8 EVENTS AFTER THE REPORTING DATE

In the current financial year 2015, it has been possible to reach an agreement with the German Pension Insurance organisation with regard to the amount of social security contributions. As a result of the investigations carried out in 2011 by the Main Customs Office in Schweinfurt into the cleaning companies in the RHÖN-KLINIKUM Group, social security contributions were recovered. The agreement which has been concluded, settles all possible additional claims. The provision formed for this is subject to the corresponding consumption as well as a reversal of approximately € 20 million in the first quarter of 2015. Since 31 December 2014, no significant events have occurred which give cause to expect a material effect on the assets, financial and earnings position for the RHÖN-KLINIKUM AG Group.

11 CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

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

EUGEN MÜNCH
Bad Neustadt a. d. Saale, Chair of the Supervisory Board
Other mandates:
- *Stiftungsrat Deutsche Stiftung Patientenschutz – member of the board of the German Foundation for Patient Protection (formerly: Deutsche Hospizstiftung – German Hospice Foundation)*
- *HCM SE, Munich (chair of the administrative board and managing director)*
- *Stiftung Münch, chair of the management board*

JOACHIM LÜDDECKE
Hanover, 1st deputy chair, regional department director ver.di, trade union secretary

WOLFGANG MÜNDEL
Kehl, 2nd deputy chair, auditor and tax consultant with own practice
Other mandates:
- *Jean d'Arcel Cosmétique GmbH & Co. KG, Kehl (chair of the advisory board)*
- *HCM SE, Munich (deputy chair of the administrative board)*

PETER BERGHÖFER
Münchhausen, finance director of Universitätsklinikum Giessen und Marburg GmbH, Giessen

BETTINA BÖTTCHER
Marburg, employee at Universitätsklinikum Giessen und Marburg GmbH, Giessen

PROFESSOR DR. H. C. LUDWIG GEORG BRAUN
Melsungen, businessman (from 12 June 2014)
Other supervisory board mandates:
- *Aesculap AG, Tuttlingen (chair of the supervisory board)*
- *Aesculap Management AG, Tuttlingen*
- *B. Braun Avitum AG, Melsungen (chair of the supervisory board)*
- *B. Braun Melsungen AG, Melsungen (chair of the supervisory board)*
- *Frankfurter Allgemeine Zeitung GmbH*
- *REVIUM Rückversicherung AG, Melsungen (chair of the supervisory board) (until 03 November 2014)*
- *Stihl AG, Waiblingen*
- *WIKUS-Sägenfabrik Wilhelm H. Kullmann GmbH & Co. KG*

Other mandates:
- *B. Braun Medical AG, Luzern, Switzerland (vice-president of the administrative board)*
- *HSBC Trinkhaus & Burkhardt AG, Düsseldorf (member of the administrative board)*
- *Landesbank Hessen-Thüringen Girozentrale, Frankfurt (member of the administrative board)*
- *Stihl Holding AG & Co. KG, Waiblingen (member of the advisory board)*

SYLVIA BÜHLER
Berlin, national department director ver.di, member of the ver.di national board

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

PROFESSOR DR. GERHARD EHNINGER
Dresden, Doctor
Other supervisory board mandate:
- *Universitätsklinikum Giessen und Marburg GmbH, Giessen*

STEFAN HÄRTEL
Müllrose, nurse, Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)
Other mandate:
- *Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (member of the advisory board)*

KLAUS HANSCHUR
Marburg, masseur and med. pool attendant (from 17 April 2014)
Other supervisory board mandate:
- *Marburger Spar- und Bauverein eG, Marburg*

REINHARD HARTL
Icking/Irschenhausen, auditor and tax consultant

STEPHAN HOLZINGER
Munich, managing director of Holzinger Associates GmbH
Other supervisory board mandate:
- *Universitätsklinikum Giessen und Marburg GmbH, Giessen*

Other mandate:
- *HCM SE, Munich (administrative board) (from 25 January 2014)*

DETLEF KLIMPE
Aachen, lawyer in partnership with Leinen und Derichs, Cologne, Berlin, Brussels (until 12 June 2014)
Other supervisory board mandates:
- *Universitätsklinikum Giessen und Marburg GmbH, Giessen (until 12 June 2014)*
- *Prodia Kolping Werkstatt für behinderte Menschen gGmbH, Aachen*

DR. HEINZ KORTE
Ammerland, notary public (rtd), lawyer
Other supervisory board mandates:
- *Universitätsklinikum Giessen und Marburg GmbH, Giessen*
- *Amper Kliniken AG, Dachau (until 28 February 2014)*

Other mandate:
- *HCM SE, Munich (administrative board)*

MICHAEL MENDEL
Vienna, businessman, director of Österreichische Volksbanken-AG
Other supervisory board mandates:
- *Altium AG, Munich*
- *HETA ASSET RESOLUTION AG, Klagenfurt*

DR. BRIGITTE MOHN
Gütersloh, member of the board of management of Bertelsmann Stiftung
Other supervisory board mandates:
- *Bertelsmann SE & Co. KGaA*
- *Bertelsmann Management SE*
- *PHINEO gAG, Berlin (chair of the supervisory board)*

Other mandates:
- *Member of Bertelsmann Verwaltungsgesellschaft mbH*
- *European Foundation Center, Brussels (Member Governing Council)*
- *Stiftung Michael Skopp, Bielefeld (member of board of trustees)*
- *Stiftung Deutsche Schlaganfall-Hilfe, Gütersloh (chair of the board)*
- *Stiftung Deutsche Schlaganfall-Hilfe, Gütersloh (chair of the board of trustees) (since 28 May 2014)*
- *Stiftung Dialog der Generationen, Düsseldorf (member of the board of trustees) (until 04 August 2014)*
- *Agentur Nordpol, Hamburg (member of the expedition board)*
- *Dachstiftung Diakonie, Kästorf (member of the board of trustees)*
- *Robert-Koch-Stiftung e. V., Berlin (member of the board of trustees)*

ANNETT MÜLLER
Dippoldiswalde, physiotherapist at Weisseritztal-Kliniken GmbH, Freital (until 27 February 2014)

WERNER PRANGE
Osterode, nurse at Kliniken Herzberg und Osterode GmbH, Herzberg (until 27 February 2014)

OLIVER SALOMON
Bad Berka, nurse (from 09 April 2014)

PROFESSOR DR. JAN SCHMITT
Marburg, senior consultant at Universitätsklinikum Giessen und Marburg GmbH, Giessen (until 30 April 2014)
Other supervisory board mandate:
- *Universitätsklinikum Giessen und Marburg GmbH, Giessen (until 30 April 2014)*

DR. FRANZ-JOSEF SCHMITZ
Cölbe, doctor (from 01 May 2014)

GEORG SCHULZE-ZIEHAUS
Frankfurt am Main, regional department director ver.di, Hessen district

DR. KATRIN VERNAU
Hamburg, head of Roland Berger School of Strategy and Economics, Hamburg
Other supervisory board mandate:
- *Duale Hochschule Baden-Württemberg, Stuttgart*

Other mandates:
- *BürgerStiftung Hamburg, Hamburg (member of the foundation board)*
- *University of Bonn, Bonn (member of the university board)*
- *Claussen-Simon-Stiftung, Hamburg (member of the foundation board)*

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

DR. DR. MARTIN SIEBERT (MED. JUR.)
business domicile in Bad Neustadt a. d. Saale, chair of the Board of Management
Supervisory board mandates:
- *Amper Kliniken AG, Dachau (until 28 February 2014)*
- *Klinikum Pforzheim GmbH (until 28 February 2014)*
- *Universitätsklinikum Giessen und Marburg GmbH, Giessen*

Other mandates:
- *Bundesverband Deutscher Privatkliniken e. V., Berlin (director)*
- *Willy Robert Pitzer Stiftung, Bad Nauheim (member of the advisory board)*

JENS-PETER NEUMANN
business domicile in Bad Neustadt a. d. Saale, permanent representaitive of the board chair, board division Finance, Accounting, Investor Relations and Controlling

MARTIN MENGER
business domicile in Marburg, board division Operative Business
Supervisory board mandates:
- *Klinikum Salzgitter GmbH, Salzgitter (chair) (until 28 February 2014)*
- *Klinikum Hildesheim GmbH, Hildesheim (chair) (until 28 February 2014)*
- *STIFTUNG DEUTSCHE KLINIK FÜR DIAGNOSTIK, Gesellschaft mit beschränkter Haftung, Wiesbaden (until 28 February 2014)*
- *HSK, Dr. Horst Schmidt Kliniken GmbH Klinikum der Landeshauptstadt Wiesbaden, Wiesbaden (until 18 June 2014)*

Other mandates:
- *Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (chair of the advisory board)*
- *Klinikum Gifhorn GmbH, Gifhorn (member of the advisory board) (until 28 February 2014)*
- *Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg (member of the advisory board) (until 28 February 2014)*
- *Wesermarsch-Klinik Nordenham GmbH, Nordenham (deputy chair of the advisory board (until 28 February 2014)*
- *Niedersächsische Krankenhausgesellschaft e. V., Hanover (member of the board of management)*
- *Niedersächsische Krankenhausgesellschaft e. V., Hanover (arbitrative member)*
- *Verband der Privatkliniken Niedersachsen und Bremen e. V. (managing director)*

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

PROFESSOR DR. MED. FREDERIK WENZ
Heidelberg (Chair)

DR. BORIS AUGURZKY
Essen

JOCHEN BOCKLET
Bad Neustadt a. d. Saale

SUSANNE HELM
Bad Neustadt a. d. Saale

PROFESSOR DR. RER. POL. GEORG MILBRADT
Dresden

HELMUT REUBELT
Dortmund

SEPP-RAINER SPEIDEL
Schriesheim

MICHAEL WENDL
Munich

Bad Neustadt a. d. Saale, 6 March 2015

The Board of Management

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

RESPONSIBILITY STATEMENT

we guarantee to the best of our knowledge that, according to the applicable principles of accounting for the consolidated financial report of RHÖN-KLINIKUM AG, the consolidated financial report provides an image of the asset, financial and income situation of the Group corresponding to the actual situation, and the business performance including the financial results and the situation of the company are represented in the consolidated management report such that an image is provided which corresponds to the actual situation, and the main opportunities and risks relating to the future development of the group are described.

Bad Neustadt a. d. Saale, 6 March 2015

The Board of Management

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

INDEPENDENT AUDITOR'S REPORT

ON RHÖN-KLINIKUM AKTIENGESELLSCHAFT, BAD NEUSTADT A. D. SAALE

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We audited the consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft and its subsidiaries – consisting of the consolidated balance sheet, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow and the notes for the financial year from 1 January to 31 December 2014.

Responsibility of the Board of Management for the consolidated financial statements

The Board of Management of RHÖN-KLINIKUM Aktiengesellschaft is responsible for the preparation of the consolidated financial statements. This responsibility includes preparing these consolidated financial statements in accordance with IFRS as adopted by the EU and the supplementary requirements of German law pursuant to clause 315a (1) of the German Commercial Code, to give a true and fair view of the asset, financial and income situation of the Group in accordance with these requirements. The Board of Management is also responsible for the internal controls that it deems necessary for the preparation of consolidated financial statements that are free from intentional or unintentional material misstatements.

Responsibility of the auditor

Our responsibility is to express an opinion on these consolidated financial statements on the basis of our audit. We conducted our audit of the consolidated financial statements in accordance with clause 317 of the German Commercial Code (HGB), the generally accepted audit principles defined by the German Institute of Chartered Auditors (IDW) and the International Standards on Auditing (ISA). This standard requires that we comply with the ethical requirements and plan and perform the audit so as to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts stated and other disclosures in the consolidated financial statements. The selection of audit procedures is at the due discretion of the auditor. This includes the assessment of the risk of material – intentional or unintentional – misstatements in the consolidated financial statements. When making those risk assessments, the auditor considers the internal control system that is relevant for preparation of the consolidated financial statements which give a true and fair view of the Group's financial situation. The aim of this is to plan and perform audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control system. An audit also includes evaluating the appropriateness of accounting methods used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Audit opinion

Pursuant to clause 322 (3) 1 of the German Commercial Code, we declare that our audit of the consolidated financial statements did not lead to any reservations.

In our opinion and based on the insights gained in the audit, the consolidated financial statements are in full conformity with IFRS, as applicable within the EU, and the supplementary law provisions applicable under clause 315a, section 1 of the German Commercial Code (HGB) and, in compliance with these provisions, give a true and fair view of the asset and financial situation of the Group as at 31 December 2014, as well as the income situation for the financial year ending on this closing date.

REPORT ON THE GROUP MANAGEMENT REPORT

We audited the accompanying Group management report of RHÖN-KLINIKUM Aktiengesellschaft for the financial year 1 January to 31 December 2014. The Board of Management of RHÖN-KLINIKUM Aktiengesellschaft is responsible for the preparation of the Group management report pursuant to the applicable German provisions of clause 315a (1) of the German Commercial Code (HGB). We conducted our audit in accordance with clause 317 (2) of the German Commercial Code (HGB) and with the generally accepted audit principles promulgated by the German Institute of Chartered Auditors (IDW) for the audit of Group management reports. These stipulate that the audit of the consolidated management report is planned and performed so as to obtain reasonable assurance about whether the consolidated management report is consistent with the consolidated financial statements and with the information obtained during the audit, that it provides a true and fair view of the Group's situation, and that it suitably presents the risks and opportunities relating to the Group's future development.

Pursuant to clause 322 (3) 1 of the German Commercial Code, we declare that our audit of the Group management current report did not lead to any reservations.

According to our assessment based on the knowledge acquired in the course of the audit of the consolidated financial statements and Group management report, the Group management report is consistent with the consolidated financial statements, it provides a true and fair view of the Group's situation, and it suitably presents the risks and opportunities relating to the Group's future development.

Frankfurt (Main), 6 March 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Anne Böcker	pp. Stefan Sigmann
Auditor	Auditor

BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET

ASSETS	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Intangible assets	2.5	2.6
Property, plant and equipment	33.6	43.5
Financial assets	684.6	1,006.9
Fixed assets	**720.7**	**1,053.0**
Inventories	3.7	3.3
Receivables and other assets	120.9	2,434.9
Securities, cash, and cash equivalents	663.0	3.7
Current assets	**787.6**	**2,441.9**
Prepaid expenses	**0.9**	**1.9**
Deferred tax assets	**4.7**	**3.5**
	1,513.9	**3,500.3**

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec. 2014	31 Dec. 2013
	€ million	€ million
Subscribed capital / Issued capital	183.7	345.5
Capital reserve	572.7	410.9
Retained earnings	0.1	0.1
Net distributable profit	330.6	1,704.5
Shareholders´equity	**1,087.1**	**2,461.0**
Contributions to finance fixed assets	**1.1**	**0.8**
Tax provisions	1.9	9.1
Other provisions	191.7	136.9
Provisions	**193.6**	**146.0**
Liabilities	**232.1**	**892.5**
	1,513.9	**3,500.3**

INCOME STATEMENT

	2014	2013
	€ million	€ million
Revenues	159.8	154.0
Change in services in progress	0.3	-0.8
Other operating income	18.5	24.7
Materials and consumables used	43.5	41.7
Employee benefits expense	92.2	83.4
Depreciation	12.0	5.9
Other operating expenses	66.0	44.5
Operating result	**-35.1**	**2.4**
Investment result	8.1	132.1
Gain / loss on disposal of financial assets	423.1	1,091.1
Financial result	-106.2	-16.4
Earnings from ordinary operations	**289.9**	**1,209.2**
Taxes	**-1.2**	**19.7**
Net profit for the year	**291.1**	**1,189.5**
Profit carried forward from previous year	1,669.9	0.0
Income from capital reduction	161.9	0.0
Allocations to capital reserve pursuant to Article 237(5) AktG (Companies Act)	161.9	0.0
Expenditure from simplified capital reduction through withdrawal of shares	1,630.4	0.0
Allocations to retained earnings	0.0	0.0
Withdrawals from retained earnings	0.0	515.0
Net distributable profit	**330.6**	**1,704.5**

The annual financial statements of RHÖN-KLINIKUM Aktiengesellschaft, 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 Aktiengesellschaft.

PROPOSED APPROPRIATION OF PROFIT

the annual financial statements prepared by the Board of Management, approved by the Supervisory Board and thus adopted as final for the year ending 31 December 2014 show an overall profit of € 330,617,717.52.
The Board of Management and the Supervisory Board propose to allocate

€ 58,766,288.00 of this profit to the payment of a dividend of € 0.80 per no-par value dividend share (DE0007042301)

and to carry the remaining profit amount of € 271,851,429.52 forward to the next financial year.

Bad Neustadt a. d. Saale, 16 April 2015

RHÖN-KLINIKUM Aktiengesellschaft

The Supervisory Board	The Board of Management


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Trust

In the past year more than 1.2 million patients have been treated in 5,227 beds throughout the Group. Their trust constitutes an accolade for the quality of our work – as well as an incentive to continually improve in future.



Zentralklinik Bad Berka

Zentralklinik Bad Berka is one of the most modern medical institutions in the Federal Republic. It is an academic teaching hospital and hospital with a nationwide service mission. Each year the team of doctors, nurses and medical assistants treats thousands of patients from all over Germany, Europe and several non-European countries.

Doctors, nurses and other medical professionals are available to treat and care for patients in a total of 20 clinics and specialist departments. With around 1,800 employees, Zentralklinik is one of the largest hospitals in Thüringen. In recent years the range of treatment at Zentralklinik has been considerably expanded. In particular, services are now provided to patients with thoracic, pulmonary and vascular diseases, tumours, neurological conditions, and diseases of the spinal column, joints and heart.

As part of RHÖN-KLINIKUM AG, Zentralklinik Bad Berka forms part of a large network in which specialists from all medical specialisations work closely together. The guiding principle, forming the basis for day-to-day activity in the clinic, is to make sure that the exact treatment needed by patients in their particular situation is available at all times. In order to achieve this, the clinic combines experience, modern equipment and a patient-oriented service with the vision of cutting-edge human medicine.

Zentralklinik Bad Berka GmbH
Robert-Koch-Allee 9
99437 Bad Berka
Tel.: +49 (0) 36458 5-0
Fax: +49 (0) 36458 4-2180
gf@zentralklinik.de

Beds

total	669
acute inpatient	669

Number of beds: as at 31 December 2014



Klinikum Frankfurt (Oder)

Klinikum Frankfurt (Oder) is a hospital with specialized medical services, 773 inpatient beds and 49 places in day clinics. Around 35,000 inpatients and more than 44,000 outpatients are treated each year from Frankfurt (Oder) and the surrounding area in 21 clinics, 6 institutions and psychiatric outpatient institutions and 3 day clinics.

The hospital fulfils a nationwide service mission and constitutes a major medical centre in the Federal State of Brandenburg. With committed and competent employees, modern medical equipment and several years' experience, the Clinic and its staff fight to ensure the best treatment for all patients every day.

Innovation and investment capability are additional key factors in ensuring the success of a cutting-edge service. Events at Klinikum Frankfurt (Oder) are therefore repeatedly accompanied by a large number of structural improvements. However, in addition to providing an outstanding medical service, the goal is to guarantee high-quality patient care through close cooperation of all professional groups at the hospital. As an academic teaching hospital for Charité-Universitätsmedizin Berlin and a training centre, we contribute to securing such high-level treatment in future too.

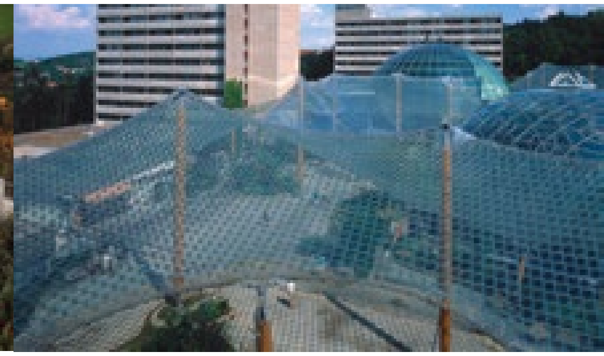
Klinikum Frankfurt (Oder) GmbH
Müllroser Chaussee 7
15236 Frankfurt (Oder)
Tel.: +49 (0) 335 548-0
Fax: +49 (0) 335 548-2003
gf@klinikumffo.de

Beds

total	822
acute inpatient	773
Day-care clinic / day-case treatment	49

Number of beds: as at 31 December 2014





Clinics at the Bad Neustadt a. d. Saale site

Various medical disciplines work closely together almost side-by-side at RHÖN-KLINIKUM Campus Bad Neustadt. Six clinics are directly linked at one location: the Cardiovascular Clinic, the Frankenklinik for the Rehabilitation of Cardiovascular Patients, the Clinic for Hand Surgery, the Neurological Clinic, the Psychosomatic Clinic and the Saaletalklinik with two additional addiction therapy facilities.

The campus is characterized by open cooperation between all institutions, which benefit every day from the skills and capacities of their neighbours. Proximity and cooperation in working together allow for a unique, interdisciplinary service. Moreover, on 1 January 2015, three specialist clinics at the campus were recognized as an academic teaching hospital.

The clinic at Bad Neustadt a. d. Saale will undergo extensive change by 2018. A comprehensive new building is planned, with the intention of setting new pioneering standards in patient service, medical equipment and hospital architecture. The majority of clinics are to be combined under one roof to enabletreatment priorities to be linked even more effectively.

Haus Saaletal GmbH
Salzburgweg 7
97616 Bad Neustadt a. d. Saale
Tel.: +49 (0) 9771 905-0
Fax: +49 (0) 9771 905-4610
stk@saaletalklinik-bad-neustadt.de

Beds

total	232
Rehab / other	232

Herz- und Gefäß-Klinik GmbH Bad Neustadt
Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
Tel.: +49 (0) 9771 66-0
Fax: +49 (0) 9771 65-981221
gf@herzchirurgie.de

Beds

total	339
acute inpatient	339

Klinik für Handchirurgie, Schulterchirurgie, Fuß- und Sprunggelenkchirurgie Bad Neustadt
Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
Tel.: +49 (0) 9771 66-0
Fax: +49 (0) 9771 65-981221
gf@handchirurgie.de

Beds

total	114
acute inpatient	70
Rehab / other	44

Klinik „Haus Franken" GmbH
Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
Tel.: +49 (0) 9771 67-04
Fax: +49 (0) 9771 67-3300
fk@frankenklinik-bad-neustadt.de

Beds

total	140
Rehab / other	140

Neurologische Klinik GmbH
Von-Guttenberg-Straße 10
97616 Bad Neustadt a. d. Saale
Tel.: +49 (0) 9771 908-0
Fax: +49 (0) 9771 991-464
gf@neurologie-bad-neustadt.de

Beds

total	284
acute inpatient	163
Rehab / other	121

Psychosomatische Klinik Bad Neustadt
Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
Tel.: +49 (0) 9771 67-01
Fax: +49 (0) 9771 65-989301
psk@psychosomatische-klinik-bad-neustadt.de

Beds

total	340
acute inpatient	218
Rehab / other	122

Number of beds: as at 31 December 2014


University Hospital Giessen and Marburg (UKGM)

University Hospital Giessen and Marburg (UKGM) offers medical services, modern diagnostics and comprehensive therapy at the highest international standard. As a full-service hospital, it covers the whole range of modern medicine – from ophthalmology, through trauma surgery to dentistry. With 80 clinics and institutions at the dual locations of Giessen and Marburg, it is Germany's third-largest university hospital.

The vision of UKGM is to offer cutting-edge, academic medicine of the highest quality. UKGM therefore targets the promotion of modern, innovative and independent medicine. The intention of UKGM is not only to remain at the forefront of medical development in comparison with other German university hospitals, but also to sustain its position in the international environment.

By merging the two locations and the resultant intensive cooperation, the basis for this has already been laid to a significant degree. As part of the nationwide clinic network of RHÖN-KLINIKUM AG, UKGM also promotes transfer of knowledge in local medicine. As a result, the clinic group has taken a major step towards achieving the business objective of offering affordable cutting-edge medicine to all.

Giessen site
Rudolf-Buchheim-Straße 8
35385 Giessen
Tel.: +49 (0) 641 985-60
Fax: +49 (0) 641 985-40109
kgf.gi@uk-gm.de

Beds

total	1.145
acute inpatient	1.101
Day-care clinic / day-case treatment	44

Marburg site
Baldingerstraße
35043 Marburg
Tel.: +49 (0) 6421 58-60
Fax: +49 (0) 6421 58-66002
gf@uk-gm.de

Beds

total	1.142
acute inpatient	1.102
Day-care clinic / day-case treatment	40

Number of beds: as at 31 December 2014

RHÖN-KLINIKUM AG

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