

ANNUAL REPORT 2015



RHÖN-KLINIKUM
AKTIENGESELLSCHAFT

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KEY FIGURES 2011–2015

	2011	2012	2013	2014	2015
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenues	2,629,148	2,864,909	3,013,835	1,510,519	1,108,189
Materials and consumables used	678,622	753,354	791,656	425,106	321,831
Employee benefits expense	1,562,100	1,740,358	1,840,407	963,937	695,716
Depreciation/amortisation and impairment	141,535	141,161	119,697	82,792	61,023
Consolidated profit according to IFRS	161,073	92,401	90,027	1,227,878	87,443
– Profit share of shareholders of RHÖN-KLINIKUM AG	156,114	90,116	86,648	1,225,711	85,381
– Profit share of non-controlling interests	4,959	2,285	3,379	2,167	2,062
EBT	186,464	114,166	117,693	1,248,466	90,288
EBIT	213,188	150,813	155,747	1,330,850	93,138
EBITDA	354,723	291,974	275,444	1,413,642	154,161
Operating cash flow	303,875	232,263	211,042	1,310,278	148,181
Property, plant and equipment as well as investment property	1,863,705	1,924,128	715,103*	666,259	671,394
Income tax assets	11,572	9,480	6,684*	4,576	2,383
Other non-current assets, other non-current financial assets	2,064	13,668	375*	11,942	50,422
Equity according to IFRS	1,598,658	1,606,866	1,666,687	1,248,924	1,108,713
Return on equity in %	10.4	5.8	5.5	84.2	7.4
Balance sheet total according to IFRS	3,175,265	3,184,501	3,098,189	1,804,311	1,634,488
Investments					
– in goodwill, in other intangible assets, as well as in property, plant and equipment and in investment property	270,853	273,511	118,808	54,366	69,426
– in other non-current assets, in other non-current financial assets	220	765	130	11,717	8,480
Earnings per ordinary share (in €)	1.13	0.65	0.63	9.36	1.19
Number of employees (headcount)	39,325	43,059	43,363	15,602	15,654
Number of cases (patients treated)	2,277,153	2,555,822	2,654,249	1,222,846	765,109
Beds and places	15,973	17,089	17,113	5,227	5,218

* Excluding assets held for sale.

FINANCIAL CALENDAR 2016

DATES FOR RHÖN-KLINIKUM SHAREHOLDERS AND FINANCIAL ANALYSTS

26 February 2016	Publication of preliminary results for financial year 2015, conference call for analysts
15 April 2016	Publication of 2015 annual financial report, press conference
6 May 2016	Publication of interim report for the quarter ending 31 March 2016, conference call for analysts
8 June 2016	Annual General Meeting (Jahrhunderthalle Frankfurt)
4 August 2016	Publication of half-year financial report as at 30 June 2016, conference call for analysts
4 November 2016	Publication of interim report for the quarter ending 30 September 2016, conference call for analysts

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 2015

	Jan.-Dec. 2015	Oct.-Dec. 2015	July-Sept. 2015	April-June 2015	Jan.- March 2015
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenues	1,108,189	276,217	276,617	279,265	276,090
Materials and consumables used	321,831	83,031	80,884	77,998	79,918
Employee benefits expense	695,716	169,011	175,291	176,479	174,935
Depreciation/amortisation and impairment	61,023	15,935	15,058	15,009	15,021
Consolidated profit according to IFRS	87,443	21,473	16,246	16,942	32,782
– Profit share of shareholders of RHÖN-KLINIKUM AG	85,381	20,950	15,850	16,417	32,164
– Profit share of non-controlling interests	2,062	523	396	525	618
Return on revenue (%)	7.9	7.8	5.9	6.1	11.9
EBT	90,288	20,359	17,330	18,441	34,158
EBIT	93,138	20,879	18,450	19,177	34,632
EBIT - ratio (%)	8.4	7.6	6.7	6.9	12.5
EBITDA	154,161	36,814	33,508	34,186	49,653
EBITDA ratio (%)	13.9	13.3	12.1	12.2	18.0
Operating cash flow	148,181	37,355	31,142	31,880	47,804
Property, plant and equipment as well as investment property	671,394	671,394	653,609	653,794	658,889
Income tax assets (non-current)	2,383	2,383	2,354	4,666	4,623
Equity according to IFRS	1,108,713	1,108,713	1,072,303	1,238,187	1,281,706
Return on equity in %	7.4	7.9	5.6	5.4	10.4
Balance sheet total according to IFRS	1,634,488	1,634,488	1,774,686	1,754,933	1,816,915
Investments					
– in goodwill, in other intangible assets, as well as in property, plant and equip- ment and in investment property	69,426	36,264	15,559	10,316	7,287
– in other non-current assets, in other non-current financial assets	8,480	3,538	2,072	1,486	1,384
Earnings per ordinary share (in €)	1.19	0.31	0.22	0.22	0.44
Number of employees (headcount)	15,654	15,654	15,588	15,482	15,488
Number of cases (patients treated)	765,109	195,131	196,951	181,297	191,730
Beds and places	5,218	5,218	5,214	5,215	5,235



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

LETTER TO SHAREHOLDERS

“By staking out a position in the premium medical care segment, we are creating the basis for helping our patients have access to unrestricted cutting-edge medical services also in future.”

Dear Shareholders,

Since having sold 43 facilities to Fresenius/Helios in 2014 we have been focusing, at five sites with a combined total capacity of some 5,300 beds, on cutting-edge medicine oriented towards maximum care with a direct link to universities and research facilities. The top 5 areas of focus of our treatment offering are cardiovascular medicine, neuromedicine, oncology, pulmonary diseases as well as orthopaedic and trauma surgery. For RHÖN-KLINIKUM AG, 2015 was the first full year in the Company's new streamlined format.

Our areas of medical focus reflect the typical clinical pictures commonly found within our population. It is by continuously investing in innovative diagnosis and treatment procedures together with a care approach with a human touch that we are meeting the challenges of healthcare policy and budgetary constraints. By staking out a position in the premium medical care segment, we are creating the basis for helping our patients have access to unrestricted cutting-edge medical services also in future. At the same time we are striving to continue our role as a key mover and driver of innovative concepts within the German healthcare industry.

COMPANY DEVELOPMENT AND CAMPUS CONCEPT

A large percentage of Germany's population lives in mostly rural regions outside the big population centres, and that is also where many – as a rule smaller – hospitals are based. Our corporate structure also reflects this. One of our key corporate tasks is therefore to ensure the successful medical and further economic development of complex care offerings within these framework conditions, which in particular includes networking of healthcare services hitherto differentiated by sector. With our campus approach, we are taking up this challenge: over the next few years we will further expand our offering with the aim of achieving generalised, full-service medical and nursing care in rural regions; we are thus also taking on the challenges presented by the growing requirements for healthcare delivery also reflecting the needs of the elderly.

The campus concept combines numerous differentiated care offerings and services of different partners. Particularly inpatient and outpatient services are structurally, spatially and logistically integrated with one another on the premises of a high-performance hospital. In this way we can offer, as a hospital in the inpatient sector for example, the full range of services wherever possible; at the same time we create the possibility for community-based practitioners to work closely together with the hospital in spatial, functional and personnel respects. The patient is thus provided with a uniform and comprehensive offering on the healthcare campus comprising medical care, social support and, in future, assisted living and nursing offerings meeting the needs of the elderly.

We are convinced that the campus approach will not merely make our own sites more attractive, but rather also expect that it will lend itself to other regions and thus have the potential of becoming a popular "export model". That is because the problems are similar; our approach will help to overcome them.

Against this backdrop, the completed takeover of the facility formerly called Kreisklinik Bad Neustadt at the turn of the year 2015/2016 also makes sense for us: the integration of this hospital in the newly arising RHÖN-KLINIKUM Campus Bad Neustadt is providing considerable additional medical and corporate impetus. In addition, the campus approach will create new, attractive jobs for doctors, nurses and many other professional groups.

We are also actively observing developments in the sector and stand ready, both financially and structurally, to manage further acquisitorial integration tasks provided these are suitable as a strategic fit with our portfolio.

Meanwhile, projected construction measures have been steadfastly pursued in 2015 undiminished. With the participation of Bavaria's Minister of Health Melanie Huml, the symbolic groundbreaking ceremony for the planned construction of the new campus in Bad Neustadt took place at the end of 2015. The *de facto* new construction for the Psychosomatic Clinic – for all intents and purposes an existing and hitherto unused building was completely gutted and refurbished – is nearing its scheduled completion and is slated to open its doors in the spring of 2016.

At the campus site of Frankfurt (Oder), we have also begun comprehensive construction measures to further develop the site; the measures are expected to run into the several tens of millions in terms of their projected total volume. For our University Hospital in Marburg, we also see huge development potential. That is why we are also sparing no efforts to ensure an adequate implementation of our campus approach. The plans are for a modern outpatient and diagnostics centre aimed at strengthening research and teaching particularly in the outpatient area, sustainably enhancing efficiency and investment strength, as well as proportionately enhancing university cutting-edge medical care within the university hospital's service offering.

INNOVATION AND NETWORK MEDICINE, EXPANSION OF BOARD OF MANAGEMENT

Since May 2014, corporate development at RHÖN-KLINIKUM AG has been closely escorted by the Medical Board. It has been entrusted the task of inspiring the medical strategy of our Company, implementing specific innovation projects and synchronising medical expertise with the Company's corporate objectives. Moreover, the Medical Board advises and assists the Board of Management and the managements of our hospitals in assessing medical innovations, new treatment procedures and the installation of complex medical equipment.

To further press ahead with the general strategic issues of treatment excellence, innovation and network medicine, the Supervisory Board has approved the expansion of the Board of Management. Since 1 January 2016, Prof. Dr. med. Bernd Griewing, chairman of the Medical Board and Medical Director of the Neurology Clinic in Bad Neustadt, has also been on the Board of Management as Chief Medical Officer (CMO). His main tasks include further promoting the Medical Board, the interests of quality, hygiene and patient safety as well as medical process management.

On this occasion, the format of the other organisational units within the Board of Management was reorganised and brought into line with the impending challenges.

Over the past financial year we moreover financed selected projects with a total volume of roughly 4 million euros that we considered appropriate for strengthening the areas of "research and innovation" and "treatment excellence and network medicine". This concerns a total of 61 individual projects.

Moreover, patient treatments were finally started – at the end of October 2015 – at the Marburg Ion Beam Therapy Centre (MIT). That will make a considerable contribution towards strengthening overall oncological treatment excellence at the Marburg site. On his summer visit, Federal Minister of Health Hermann Gröhe also came away with an excellent impression of the world's only facility of this kind.

Meanwhile, preparations have now been completed for commencing business activities of our new company RHÖN Innovations GmbH. The company has been entrusted with the task of participating in start-ups in the fast-growing e-health segment that develop selected medical and medical-technology applications. Through this investment company, we want to steadily expand our leading market position in medical technology. The specific investments are selected Group-internally in close consultation with the head physicians of our hospitals as well as through an investment committee which was established specifically for this purpose and comprises the specialised competences of medicine, IT and finance.

The focus in this regard will be on medical innovations reflecting the core business of RHÖN-KLINIKUM AG and on further developing outpatient-inpatient healthcare delivery in rural areas. Aspects of network medicine as well as the related IT structures will also play a decisive role. Ultimately, all these efforts are geared towards making a tangible improvement in medical service offerings and thus creating noticeable added benefits for our patients.

Apart from that, we also see state-of-the-art medical facilities and equipment as part of our innovation-oriented presence. It is not least for that reason that as the main theme of our Annual Report this year we are putting the focus on the technological dimension of cutting-edge medical care – technology that we employ not as an end in itself but always with the aim of promoting the well-being and convalescence of our patients.

MARKET AND SECTOR TRENDS

Over the past financial year as well, our Company operated under the already known and largely unchanged framework conditions. These are being shaped by strong regulatory influences of healthcare policy, which is why the dominant theme of debate in 2015 in this regard was the Hospital Structure Act (Krankenhausstrukturgesetz, KHSG). It was passed in November 2015 and entered into force on 1 January 2016.

Its key provisions include the replacement of discounts on surplus revenues in the medium term by a similarly structured fixed costs depression discount. Moreover, what is referred to as the care premium, which latterly had a total volume of 500 million euros, will be reflagged to a nursing premium from 2017; it is to be distributed to the hospitals as a function of the respective nursing personnel costs and help create reasonable and adequate staffing in the nursing area.

As of 2018, the quality of medical services is also to be taken into account to a greater extent in the assessment of performance-linked remuneration. At this point in time it is not possible to reliably gauge how this project will be implemented in practice and what impact it will have on individual facilities. In principle, however, RHÖN-KLINIKUM AG for many years has already been “in training”, and is therefore well prepared, when it comes to the relevant standards of quality and minimum volumes.

Moreover, experts take the view that Germany’s 2,000 hospitals still have considerable overcapacities. It is becoming increasingly clear that the aims of healthcare policy activities are geared towards a correction in capacities. It is therefore likely that, faced with persistently high economic and regulatory pressures, the legislature will push for necessary adjustments.

Despite all adversities and pressures, RHÖN-KLINIKUM AG nevertheless sees itself well positioned thanks to its corporate re-orientation; we are convinced that we will continue our stable and viable growth course in future. In the medium term, our efficient Company has the necessary adaptive and competitive capacity to take on the challenges ahead.

REVENUES AND EARNINGS ON TARGET

Over the past financial year, revenues and earnings witnessed a positive performance in line with targets. A total of 765,109 patients were treated in the facilities of our Group. Revenues stand at 1.11 billion euros, earnings before interest, taxes and depreciation/amortisation (EBITDA) total 154.2 million euros. As a result of our portfolio restructuring in connection with the Fresenius/Helios transaction, these performance and business figures from 2015 do not lend themselves to direct comparison with those of the previous years.

For the current financial year 2016, we expect revenues between 1.17 billion euros and 1.20 billion euros as well as earnings before interest, tax and depreciation/amortisation (EBITDA) of between 155 million euros and 165 million euros.

SHARE REPURCHASE AND CHANGED SHAREHOLDER STRUCTURE

In October 2015 we concluded our second Share Repurchase Programme. As at the reporting date, the public purchase offer had been accepted for a total of 6,519,390 RHÖN-KLINIKUM shares at a price of 25.54 euros per share. This translates into a share of roughly 9 per cent of the entire registered share capital in issue at the reporting date. The Programme had a volume of some 167 million euros.

Like the first share repurchase in 2014 with subsequent capital reduction, we see the performance of the second share repurchase as a success and a further token of the trust our investors put in the business policy pursued by our Company's management. For our shareholders, a participation in the high earnings of our Company was secured with only a moderate impact on the share price; at the same time, the capital reduction associated with the repurchases reflected the adjusted structure of RHÖN-KLINIKUM AG and created an adequate balance sheet basis for future development prospects.

In the wake of these measures, major stakeholders of our Company have re-affirmed their continuing interest in their investment: in addition to B. Braun Melsungen and the Münch family, Asklepios Kliniken also continues to hold a significant equity interest in RHÖN-KLINIKUM AG. We assess the commitment of our anchor shareholders as confirmation of our corporate strategy and are confident that the future performance of our Company will continue to be escorted constructively on the basis of objective cooperation.

IDENTITY AND COMMUNICATION

The transformation process of RHÖN-KLINIKUM AG is now well advanced, though of course still not finished. The renewed, joint identity of our Company will continue to undergo a gradual process of further development; the feeling of belonging and togetherness must be strengthened, synergies are waiting to be reaped and medical and nursing cooperation must be promoted beyond each individual facility.

In 2015 we escorted this process with numerous coordinated communication measures. Some of the notable projects that may be mentioned are the redesign of our Internet presence in content, technical and graphic aspects, as well as the introduction of a Group-wide employee magazine. In addition to that, we have also published the first progress report of RHÖN-KLINIKUM AG; this is a subject we will be dealing with in future as well. We are aware that sustainability and social responsibility are becoming an increasingly important factor for the acceptance and thus the success of our Company. In this area, we want to play an even more active role in helping to shape developments in future.

EMPLOYEES AND CORPORATE BODIES

On this occasion I would like to extend my sincere thanks to all dedicated employees of our Company. Our corporate bodies have also been unfailing in providing us with the necessary constructive support over the past year. The Board of Management express their thanks for this.

With the election of the new Supervisory Board at the last Annual General Meeting, our shareholders have confirmed their trust and committed themselves to continuity. The Supervisory Board for its part has given the Board of Management the mission of ensuring a stable, future-oriented organisation of its structures and the sustainable implementation of the impending objectives and tasks. We gladly accept this challenge: as one team, we are committed to ensuring that our Company will continue on a firm foundation to tackle the challenging tasks lying ahead.

It is in the same vein that RHÖN-KLINIKUM AG in future will remain committed equally to continuity and progress. Both premises are indispensable to our continued success in a challenging industry with a high level of social responsibility.

In future also, we will be pleased to see you continue with us on this journey.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'M. Siebert', with a stylized flourish at the end.

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

Bad Neustadt a. d. Saale, April 2016



THE RHÖN-KLINIKUM SHARE

The Company's dividend policy was the predominating factor in share price performance in financial year 2015. The Board of Management and the Supervisory Board propose a dividend of 0.80 euros per share with dividend entitlement.

THE STOCK MARKETS IN 2015

During the first half of the year, the trend on the international stock markets continued to be mainly influenced by the expansive monetary policy of the central banks. The expansive monetary policy with low interest rates and securities purchasing spurred the stock markets, at times driving them to new all-time highs. From the middle of April, confidence was dampened as the focus of debate shifted more to the debt crisis in Greece and the first interest rate hike in the US since the financial crisis. During the summer, an additional burdening factor

was the plunge in share prices in China and emerging doubts as to the strength of China's growth. The crisis of the automobile manufacturer Volkswagen, the unresolved refugee crisis and the plunge in oil prices further added to this uncertainty. Despite the turmoil on the financial markets, the economy in Europe remained robust. In Germany, the mood in the German economy and economic growth was bolstered by strong domestic demand and the healthy labour market. The ifo Business Climate Index improved from 106.8 in January 2015 to



109.1 in November, slipping only slightly in December 2015 to 108.6 with optimism for future business still remaining at a high level. In the US, the economy returned to growth and the jobless rate fell to 5 per cent. As a result, the US Federal Reserve (Fed) decided it was time to reverse interest rate policy and raised its key rate on 16 December 2015 for the first time in almost ten years.

Given the various external factors, the stock markets were very volatile. Overall, the DAX® posted an increase of roughly 9.6 per cent over the year, reaching a historic high of 12,375 on 10 April 2015. Following an interim low of 9,428 points in September, the DAX® stood at 10,743 points at year-end. The second-tier German index MDAX® rose in 2015 by roughly 22.7 per cent. The German indices thus outperformed the major European benchmark indices. For example, the DJ EURO STOXX® gained roughly 8.0 per cent and the DJ EURO STOXX 50® increased only by roughly 3.9 per cent. Defensive stocks from the healthcare industry also benefited disproportionately in this volatile stock market environment. The DJ EURO STOXX Healthcare® rose by 17.4 per cent over the year.

PRICE OF RHÖN-KLINIKUM SHARE INFLUENCED BY NOTIFICATION ON DIVIDEND POLICY AND DEMAND FOR DEFENSIVE STOCKS

The RHÖN-KLINIKUM share ended the first quarter almost unchanged at a closing price of 23.13 euros and the first half with a moderate gain of 3.7 per cent. For full-year 2015, the share of RHÖN-KLINIKUM AG gained roughly 19.3 per cent. The share price performance was positively influenced by the higher demand for defensive stocks associated with the increasing uncertainty on the financial markets, as well as by Company news on its dividend policy and by the 2015 Share Repurchase Programme.

In November 2015, RHÖN-KLINIKUM AG was notified that all avoidance actions lodged against resolutions of the Annual General Meeting of RHÖN-KLINIKUM AG on 12 June 2013 had been withdrawn and that the repeal of the 90 per cent clause, i.e. the requirement for a majority of more than 90 per cent of the registered share capital to be represented on adoption of a resolution, was expected to be recorded in the commercial register shortly. Recording in the commercial register took place in December 2015.

Overall, the price performance of the RHÖN-KLINIKUM share succeeded in bucking the aggregate economic trend and the stock market in general characterised by a high level of volatility. The share witnessed a significant outperformance versus the DAX® and DJ EURO STOXX 50®, and a moderate outperformance versus the DJ EURO STOXX Healthcare®. The RHÖN-KLINIKUM share ended the year with a closing price of 27.68 euros. Including the dividend payment, share price performance over the year stood at plus 22.8 per cent.



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



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

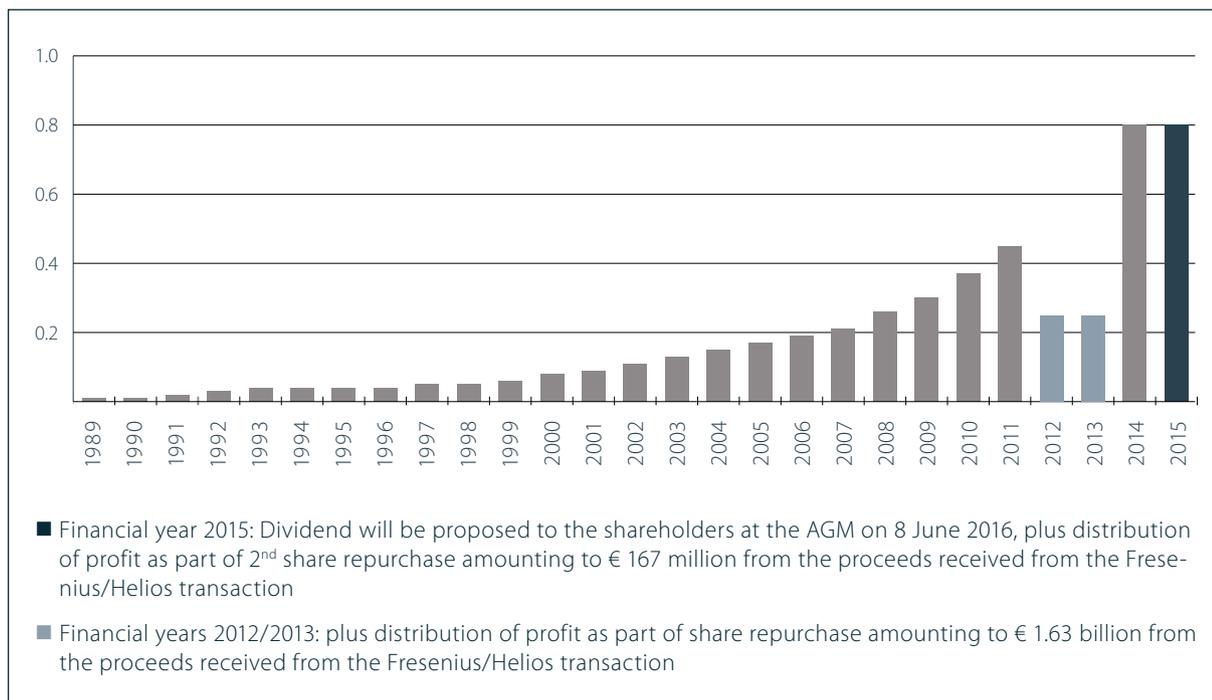


At year-end, the 66.96 million shares issued after the 2015 Share Repurchase had a market capitalisation of 1.9 billion euros (previous year: 1.7 billion euros, based on 73.48 million shares). The RHÖN-KLINIKUM share thus ranked 55th (previous year: 45th) in the MDAX® as at 31 December 2015. Daily average trading volume on the German stock exchanges including Xetra® trading stood at 218,578 shares in 2015.

FURTHER PRO RATA PAYOUT OF TRANSACTION PROCEEDS/DIVIDEND

At the end of the acceptance period for the public offer to purchase up to 7,108,824 treasury shares for payment of the offer price of 25.54 euros per RHÖN-KLINIKUM share, the Company's registered share capital totalled 183,704,650 euros and was divided into 73,481,860 non-par bearer shares. In total, the public purchase offer had been accepted for a total of 6,519,390 RHÖN-KLINIKUM shares by the end of the acceptance period on 8 October 2015. This corresponds to a percentage of roughly 9 per cent of the entire registered share capital in issue at the reporting date (calculated without deducting

RHÖN-KLINIKUM SHARE: DIVIDEND DEVELOPMENT



the 24,000 treasury shares). As at 15 October 2015, these were redeemed as a result of the shares purchased under the 2015 Share Repurchase. As a result of the second tranche of the share repurchase, roughly 167 million euros were disbursed to the shareholders and the Company's registered share capital was reduced to 167,406,175 euros, divided into 66,962,470 non-par bearer shares. Thanks to the successful 2015 Share Purchase, the Company further streamlined the balance sheet structure and took account of investors' requirements for an allocation of resources oriented on the cost of capital, whilst at the same time creating the ideal basis for the Company to steadfastly take advantage of its opportunities for organic and acquisition-driven growth on the German hospital market.

For financial year 2014, RHÖN-KLINIKUM AG distributed a dividend of 0.80 euros (previous year: 0.25 euros) per non-par share to its shareholders. In the coming years, the Company is striving to give its shareholders an extensive share in its future corporate success with distribution rates of well over 60 per cent of consolidated profit. The basis for this is that no viable value-enhancing growth opportunities present themselves, e.g. in the form of suitable acquisitions.

For financial year 2015, the Board of Management and the Supervisory Board propose to the Annual General Meeting the distribution of a dividend of 0.80 euros per non-par share with dividend entitlement.

INVESTOR RELATIONS ACTIVITIES

RHÖN-KLINIKUM AG is committed to transparent and fair communication. That is why the relations with our shareholders and bond investors enjoy high priority for us. As part of our financial market communication, we strive to convey a realistic picture of our Company. In this way we wish to enable market participants to properly assess and value our share and our bond. We make available to investors, analysts and all other interested market participants a platform with comprehensive and timely information about the RHÖN-KLINIKUM Group. We moreover maintain a direct, continuous and personal contact with our investors and analysts, for example as part of international investor conferences or on investor roadshows. The investor relations division reports directly to the Chief Financial Officer (CFO).

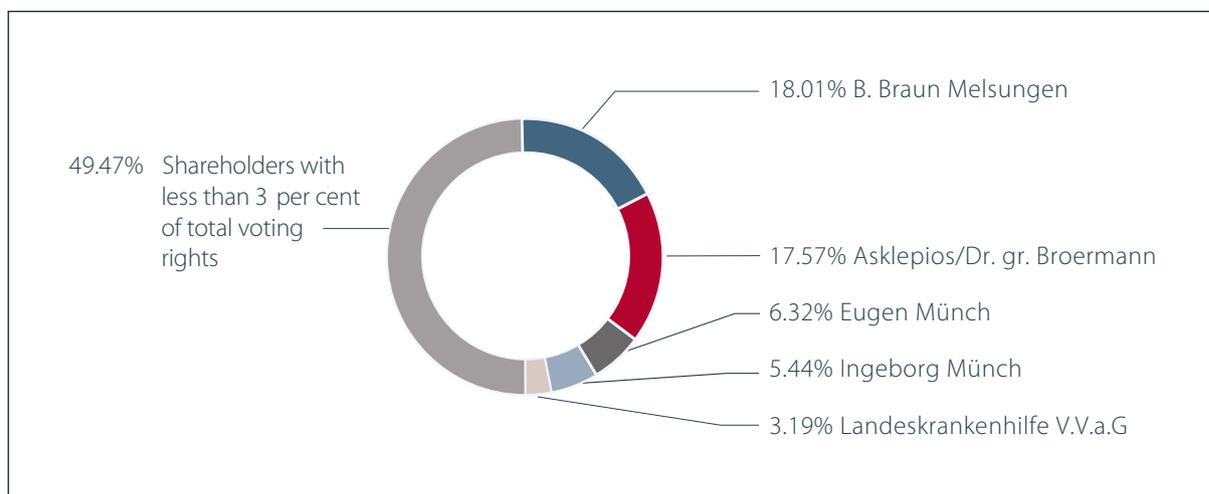
As part of our financial reporting, we report on our operating business performance each quarter. We provide investors, analysts and the media with current and share price-relevant information on our company in real time and directly, also promptly publishing the same as IR news items on our website. Further sources of information we provide our shareholders with are the regular annual events in our financial calendar, such as our annual results press conference in the spring and our Annual General Meeting in the middle of the year. The next Annual General Meeting will take place on 8 June 2016, at 10.00 a.m. (doors open from 9.00 a.m.) at the Jahrhunderthalle in Frankfurt (Main).

RHÖN-KLINIKUM SHARE

ISIN	DE0007042301	
Ticker symbol	RHK	
	from	until
	15 Oct. 2015	14 Oct. 2015
Share capital (€)	167,406,175	183,704,650
Number of shares	66,962,470	73,481,860
Share prices (€)	2015	2014
Year-end closing price	27.68	23.20
High	27.68	24.78
Low	22.02	21.62
Market capitalisation (€ m)	1,853.52	1,704.78

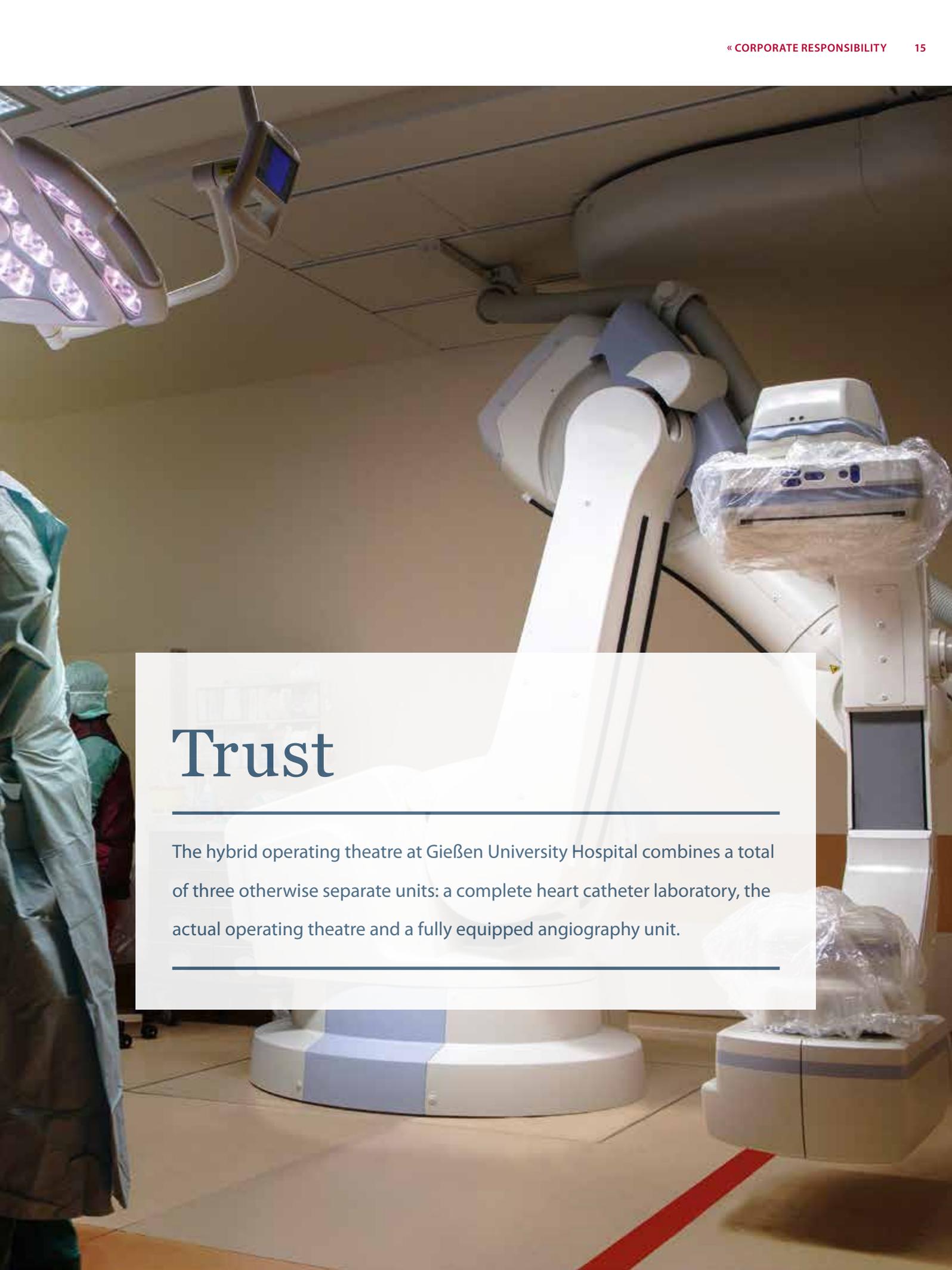
SHAREHOLDER STRUCTURE OF RHÖN-KLINIKUM AG

As at: 31 December 2015 (according to the most recent notifications of voting rights at that time)



You will find a financial calendar containing all important financial dates for 2016 on the front inside cover as well as on our website at en.rhoen-klinikum-ag.com in the "Investor Relations" section.





Trust

The hybrid operating theatre at Gießen University Hospital combines a total of three otherwise separate units: a complete heart catheter laboratory, the actual operating theatre and a fully equipped angiography unit.



Eugen Münch
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

for the financial year of RHÖN-KLINIKUM AG
from 1 January 2015 to 31 December 2015

Dear Shareholders,

Following the successful transaction with Fresenius SE & Co. KGaA and the resulting new scope for corporate development, RHÖN-KLINIKUM AG is undergoing a transformative process from being a downstream service provider for inpatient hospital services to a provider of cutting-edge medical care that not only anticipates but also actively shapes major changes in the healthcare system. First and foremost included in this is our comprehensive campus concept whose implementation is already in full swing at our Bad Neustadt site and slated to be rolled out in prototype form at other sites.

What will be at the heart of our further efforts and endeavours, for all the justified attention being given to further optimising the use of technology, logistics and medical skills, is not the call for more humanity being stressed by so many but an uncompromising orientation of processes and activities towards the wishes of critical and autonomous patients, the benefits to be gained for them, as well as the quality of services being demanded by them. The argument that just because you help others you should have more of a say in their affairs will become less and less valid, and the transformation will give rise to a fundamental re-orientation of the industry and the system as well as the willingness of all stakeholders in this transformative process to embrace change. The Management of our Company is therefore called upon to continuously scrutinise the care provided to our patients and to manage it even better in future to ensure it even more consistently reflects the needs and well-being of our patients.

Moreover, the Management and the Company's employees are taking an even closer look at the many different opportunities and challenges presented by the rapid pace in the digitalisation of the healthcare system. The new Supervisory Board elected in 2015 will continue to escort these transformation processes in its advisory and supervisory role, i.e. in accordance with its legal duties.

COOPERATION BETWEEN SUPERVISORY BOARD AND BOARD OF MANAGEMENT

During financial year 2015, the Supervisory Board examined on an ongoing basis and in detail the situation and development of the Company, performing the duties incumbent on it by law, the Articles of Association and the Terms of Reference: these include continuously monitoring management activity and regularly advising the Board of Management in connection with the directing of the Company. At the same time the Supervisory Board, in performing its duties, was at all times guided by the decisive principles of appropriateness, compliance with legal provisions, expediency and efficiency. Observance of these principles by the Board of Management was monitored by regularly reviewing the Company's general organisation and verifying the instruments used for internal risk control.

The Supervisory Board was fully and directly involved in all fundamental and important decisions taken by the Board of Management of RHÖN-KLINIKUM AG. The Board of Management complied with its information duties, keeping us informed on a timely basis both in written form and orally, with documents and records of relevance for decisions being provided to the Supervisory Board in good time prior to the respective deliberations and formal meetings. The Supervisory Board reviewed the reporting and the information submitted by the Board of Management regarding strategic and operative business performance, compliance issues as well as risks and risk management for plausibility and comprehensibility, discussed this with the Board of Management and also scrutinised the same whenever appropriate.

The areas of focus of deliberations with the corporate bodies and with the Board of Management were the further strategic development of the Group, issues, projects and measures aimed at re-orienting business activity towards the areas of cutting-edge medicine and university medicine as well as the activity of a full-service healthcare provider. Key issues dealt with in the corporate bodies also included advising on and participating in the distribution to our

shareholders of a second tranche of income from the sale of a hospital portfolio in the previous year to the Fresenius Group by way of capital reduction through redemption of shares by simplified procedure after purchase by the Company (share repurchase), the commissioning of the particle therapy centre at Marburg University Hospital, as well as the approval and launch of the comprehensive investments to realise the first campus model at the Bad Neustadt site.

The chairman of the Supervisory Board moreover engaged in an intensive and regular exchange of information and ideas with the chairman of the Board of Management – also between meetings held by the corporate bodies – and was kept thoroughly informed at all times about material developments. The Board of Management complied with its duties to inform. We thoroughly discussed the resolution proposals made by the Board of Management and, to the extent required by statute, the Articles of Association and the Terms of Reference, voted on the same after a thoroughgoing review in the Supervisory Board and in the respective competent Supervisory Board committees. In a few cases, we were advised and assisted by external experts and advisers in the interests of the shareholders. Where required in the case of particularly pressing and time-critical business matters, the Supervisory Board, or, as the case may be, the competent committee held meetings by means of conference calls and also adopted resolutions by voting in written form.

WORK OF THE SUPERVISORY BOARD IN COMMITTEES AND PLENARY SESSION

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

The committees act as bodies with power to pass resolutions within the scope prescribed by law, the Articles of Association – also in lieu of the Supervisory Board – and the Terms of Reference of the latter to the extent consistent with statute and previously defined by the Supervisory Board. The committees generally meet separately from plenary sessions. Meetings were also held as conference calls convened on short notice.

The **Investment, Strategy and Finance Committee** held four ordinary meetings during the year under review (attendance rate: 97 per cent).

The areas focused on in the strategic discussions held in the Committee essentially covered the implementation of the Bad Neustadt campus project, the development of a university campus model for the Marburg site and – as already in the two previous years – the further development and implementation of network medicine. This is all part of the business model for creating full-service generalised healthcare provision with national coverage, including supplementary insurance for members of Germany's statutory health insurance scheme, through a network with a broad, generalised presence. To closely escort network medicine developments, the Committee established a "Network Medicine" working group comprised of members of the Investment, Strategy and Finance Committee, the Board of Management and experts. In the course of the financial year, this project group held four meetings and, among other things, dealt with efforts to promote the network partnership "Wir für Gesundheit" (Eng.: We stand for health), its implementation in pilot regions, the fulfilment of quality criteria of the network hospitals, and the IT applications for network medicine. In the area of IT, the use and possibilities of computer-based anamnesis processes were addressed. As a result of organisational changes in the work of the Supervisory Board, the working group was dissolved with effect from 31 December 2015. In future, its tasks will be further developed and continued in joint meetings with the Medical Innovation and Quality Committee with a focus on project-related issues.

The Committee, both itself and on the basis of the work results of the "Network Medicine" working group, dealt with the creation of regional model projects for full-service outpatient and inpatient care in selected regions. The implementation of such campus projects (Bad Neustadt and Marburg) forms an integral part of the corporate strategy in the context of discussions on corporate planning up to 2020. Following an extensive presentation of planning and feasibility calculation within the corporate body and after an intense discussion weighing up the different aspects, the health campus at the Bad Neustadt site with an investment volume of roughly 180 million euros was approved by the Committee members as the first project of this kind. The acquisition as at 1 January 2016 of the hospital Kreisklinik Bad Neustadt, which is being integrated into this campus, was also approved.

At all meetings, the economic development of the subsidiary Universitätsklinikum Gießen und Marburg GmbH and the measures designed to achieve a profitability commensurate with its tasks was continuously the focus of the body's supervisory and advisory work. For the Marburg site, the Committee, at its meeting on 4 November 2015, approved the presented concept of a health campus with the establishment of a diagnosis and outpatient centre to support and strengthen university medicine, and adopted resolutions on the investments required for this. Another important investment was approved for the hospital at the Frankfurt (Oder) site with a new building for implementing rationalisation measures and expanding the portfolio.

The body had itself informed on an ongoing basis regarding the proposals and findings of the working group established at Universitätsklinikum Gießen und Marburg GmbH for further developing separate accounting and implementing provisions of the Cooperation Agreement in this regard so as to improve the situation of the inappropriate reimbursement of costs to the university hospitals by the Federal State of Hesse for research and teaching.

At each meeting the chairman of the Board of Management reported on current developments in the industry and on the business position of the Group, as well as on the development of investments and financing in a continuously updated investment and finance plan. Specific motions for approval of investment projects and financing measures were subsequently openly discussed, critically reviewed and adopted in the Committee based on detailed written resolution proposals of the Board of Management, including market studies and investment calculations. In a regular acquisition report, the Board of Management provided an overview of the national hospital market which served as the basis of discussion for planned and ongoing acquisition projects. The possible acquisition of Herz-Kreislauf-Zentrum Rotenburg in Fulda was approved. The Committee also gave its consent to the establishment and financing of an investment company for innovative investments in future technologies.

During the reporting year, the **Personnel Affairs Committee** held two meetings (attendance rate: 100 per cent) in the form of conference calls. The Committee dealt with the expansion of the Board of Management to include a chief medical officer (CMO) by establishing a Medical corporate division to centralise the Group's strategic medical orientation and the accompanying re-orientation of human resources management of the Group and of the subsidiary Universitätsklinikum Gießen und Marburg GmbH. Resolution proposals were made to the plenary session with regard to amendments to the Terms of Reference and the distribution-of-business plan, and on the appointment of Prof. Dr. Bernd Griewing as member of the Board of Management (CMO).

The guidelines on the remuneration of the members of the Board of Management were adapted to the Company's new size and economic situation through a revised management profit sharing scheme and recommended to the plenary session for adoption. The service contracts of the members of the Board of Management were amended in this regard.

The projects planned and started with the re-orientation of the business policy require continuity in the direction of the Company and resulted in changes to terms of appointment and the service contracts of members of the Board of Management. With regard to the resolutions required for this, recommendations were made by the Committee to the

plenary session. The recommendation to give the Management an investment option regarding a company yet to be established for investing in start-up businesses was made to the Supervisory Board following a thorough and critical discussion.

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

The **Audit Committee** of the Supervisory Board met five times in the year under review (attendance rate: 94 per cent). All meetings were attended by the Board of Management. Two meetings were attended by the statutory auditor. For selected agenda items, the heads of the Internal Auditing, Compliance as well as Accounting, Tax and Controlling departments were consulted by the Board of Management, and were available to the Committee for additional reports and questions.

This Committee notably was responsible for the review of and the preliminary deliberation on the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2014. Also reviewed and discussed were the stand-alone financial statements, the management reports and the respective audit reports of the Group subsidiaries which were subjected to critical review by the members of the Committee, as well as the proposal on the appropriation of the net distributable profit.

The Audit Committee assessed the independence of the auditor designated for auditing the annual financial statements for financial year 2015 and for the review of the half-year financial report, obtained the statement regarding the auditor's independence pursuant to Item 7.2.1 of the German Corporate Governance Code, recommended to the plenary 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 – issued the auditor with the audit mandate and concluded with him a reasonable remuneration agreement for the same. The statutory auditor moreover reported to the Committee on orders for services performed in addition to the auditing services rendered. The qualification of the statutory auditor was monitored by the Committee. A list of audit items was once again developed and defined for the audit in 2015.

Questions of fundamental importance relating to accounting, corporate planning, the capital base, the supervision of the accounting process, as well as the effectiveness of the internal controlling system, risk management system (including special business risks), and the internal audit system were discussed with the Board of Management and in some cases also with the statutory auditor. The interim reports were thoroughly discussed on a regular basis with the Board of Management prior to their publication, as well as the half-year financial report with the Board of Management and in the presence of the statutory auditor giving due regard to the review by the latter.

The Group controlling report on performance and finance controlling submitted quarterly, which forms part of our risk management system, was thoroughly discussed at every meeting with the Board of Management. Here, the development of service volumes and earnings of the Group and of the individual Group hospitals was also analysed, questioned and discussed with the Board of Management, also with regard to deviations from targets.

The body kept itself regularly informed about the activity of the Internal Auditing department by the responsible member of the Board of Management and by reports submitted by the head of Internal Auditing, and examined the auditing plan for 2015 as well as its update. The audit reports of the Internal Auditing department as well as the 2014 activity report were then submitted and discussed with the Board of Management. We kept ourselves informed by the Board of Management on the implementation of the recommendations by the Internal Auditing department through information on the results of follow-up reporting and inspection. We once again satisfied ourselves of the effectiveness of the Internal Auditing department.

After the Board of Management had resolved to avail itself of the authorisation granted by the 2014 Annual General Meeting to execute the 2015 Share Repurchase, the Audit Committee, based on the delegation by the Supervisory Board, in its stead gave its consent in two telephone meetings to the resolutions by the Board of Management on the capital reduction and redemption of the shares repurchased under the 2015 Share Repurchase and on the adapting the Articles of Association to the reduced registered share capital.

In updating the Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG) relating to the recommendations of the German Corporate Governance Code, the version of 5 May 2015 was reviewed as to its application and duly considered, with a corresponding resolution proposal being submitted to the Supervisory Board as a whole.

The **Committee for Compliance and Communication** may be approached in all compliance matters directly by all patients, employees, suppliers and other third parties, and devotes its efforts to advising on and monitoring the Group's compliance management as well as communication with the media and the capital markets. To ensure a close link to the Audit Committee, the chairman of the Committee for Compliance and Communication was assigned a seat on the Audit Committee.

During the reporting year, the Committee held three meetings (attendance rate: 92 per cent). The Board of Management attended all meetings and was accompanied in the deliberations by the Central Compliance and Internal Auditing departments as well as the heads of the Group divisions of Communications and Investor Relations.

The focus of interest of the deliberations and discussions with the Board of Management in 2015, apart from standard reporting on current compliance notifications, was on better networking of compliance officers at the sites, questions relating to the harmonisation and synchronisation of training content, and above all the design and gradual introduction of a subject- and target-group-relevant eLearning programme within the Group. In Group communication, the Committee escorted various Internet, intranet and marketing projects as well as communication regarding the commissioning of the particle therapy centre at the Marburg site. The perception amongst private and institutional investors, the current equity story of the Company and questions regarding its future prospect were the focus of discussions regarding capital market communication.

The **Medical Innovation and Quality Committee** provides the Board of Management with technical advice on developments and trends in medicine and monitors the situation and development of medical quality within the Company. During the financial year the Committee held one meeting (attendance rate: 100 per cent). The items of deliberation and discussion at the meeting were the outpatient and inpatient campus approach planned for the Bad Neustadt site including full-service healthcare delivery for the district, as well as considerations regarding the future orientation of the Marburg site through establishment of a health campus along the lines of the model in Bad Neustadt.

The **Nomination Committee** selects candidates from the shareholders' representatives to be members of the Supervisory Board and proposes them to the Supervisory Board for nomination. During the reporting year, the Committee held two meetings (attendance rate: 100 per cent) in the form of conference calls. The subject of the consultations was the preparation for the re-election of representatives of shareholders to the Supervisory Board at the Annual General Meeting on 10 June 2015. When making its proposals for candidates, the Committee, in addition to the qualification of the individual candidates, took into account the requirements of the German Corporate Governance Code and the Articles of Association as well as the criteria and objectives which the Supervisory Board has defined for its composition in a profile of requirements.

During the reporting year, a total of four ordinary meetings were held by the **plenary session** (attendance rate: 99 per cent) as well as the constituting meeting of the newly elected Supervisory Board following the Annual General Meeting. No member of the Supervisory Board attended fewer than half the meetings. The members of the Board of Management attended the meetings of the Supervisory Board except in the case of agenda items relating to internal matters of the Supervisory Board and matters pertaining to the Board of Management.

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

At the first meeting of the financial year on 26 February 2015, the Supervisory Board first of all closely examined the report of the chairman of the Board of Management on the current business position of the Group. Reports from the committees prompted a thorough discussion in the plenary session once again regarding the planned structural changes at the subsidiary Universitätsklinikum Gießen und Marburg GmbH (UKGM) at the Marburg site as well as the demand by the trade union ver.di for a health collective agreement at UKGM together with an employee survey. We received the report of the Board of Management on the preliminary 2014 annual financial statements and discussed the proposal of the Board of Management on appropriation of profit for financial year 2014. In this context, the possibility of a further distribution of net distributable profit taking account of the authorisation issued by the 2014 Annual General Meeting to the Board of Management for a further share repurchase in 2015 was discussed.

At the balance sheet meeting on 16 April 2015 also attended by the statutory auditors, the plenary session discussed the annual financial statements and management report of RHÖN-KLINIKUM AG as well as the consolidated financial statements and the Group management report for financial year 2014 together with the Board of Management and the statutory auditor PwC. The auditors reported on the essential findings and results of the audits and were available to the Supervisory Board for questions and additional information. The plenary session approved the annual financial statements. Also discussed at this meeting were the preparations for the Annual General Meeting on 10 June 2015, in particular the adoption of resolution recommendations of the Supervisory Board on the resolution proposals in the agenda items for the Annual General Meeting after a prior discussion of the agenda items. This also included the resolution of the shareholders' representatives on the approval of the list of candidates defined by the Nomination Committee for the election of the Supervisory Board at the Annual General Meeting. Approval resolutions were adopted for the Report of the Supervisory Board, the Corporate Governance Report and the Declaration on Corporate Governance pursuant to section 289 a of the German Commercial Code (Handelsgesetzbuch, HGB). By way of resolution, the Supervisory Board delegated to the Audit Committee, as a further task, the handling of all matters in connection with the 2015 Share Repurchase, in particular the consents to be granted to the further execution measures to be taken by the Board of Management in this regard.

At the constituting meeting of the Supervisory Board on 10 June 2015 immediately following the Annual General Meeting, the newly constituted Supervisory Board once again elected Mr. Eugen Münch as chairman of the Supervisory Board and Mr. Georg Schulze-Ziehaus as first deputy and Mr. Wolfgang Mündel once again as second deputy. At the same time, the committees were formed and filled and the chairmen of the committees elected. The Supervisory Board adopted a resolution of principle on the independence of its members and appointed two financial experts.

At the meeting on 9 July 2015, the discussions essentially focused on the items of key importance of the reports of the chairman of the Board of Management on investments and projects that will have a decisive impact on the Group's re-orientation over the next few years. These include the development of the Bad Neustadt and Marburg campus projects and the further development of the network partnership "Wir für Gesundheit". These developments enjoy expert support at the level of the Board of Management with a "Group Development" project group. The Supervisory Board was informed on the stage reached and will prospectively and closely watch the further steps taken in these projects.

At the Supervisory Board meeting on 5 November 2015, the plenary session, after prior deliberation in the Personnel Affairs Committee, approved the revised guidelines on the remuneration of the members of the Board of Management, resolved the expansion of the Board of Management to include a chief medical officer (CMO) and appointed Prof. Dr. Bernd Griewing as member of the Board of Management as of 1 January 2016 for the term of five years. At the same time, the body prepared the termination of the previous appointments of members of the Board of Management and their re-appointment in order to harmonise the terms as of 1 January 2016 for five years and the adjustment of the service contracts of the members of the Board of Management to the revised guidelines. Final adoption of the resolution then took place for the end of the financial year in written form. The Board of Management informed on the execution and result of the share repurchase and remitted a report on IT equipment and IT developments within the Group. On recommendation of the Personnel Affairs Committee, the body granted an approval in principle regarding the possibility of the Management to take a participating interest in an investment company yet to be founded for investing in innovative companies (start-ups). Further resolutions were adopted after prior discussion, including on the Declaration of Compliance pursuant to section 161 AktG, on defining the target and time limit for the proportion of women on the Board of Management in accordance with law for equal participation of men and women in management positions, and on approval of the Terms of Reference of the Board of Management as of 1 January 2016.

CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

During the past financial year, the Supervisory Board also examined the further development and implementation of the recommendations and suggestions as set out in the German Corporate Governance Code. The Declaration of Compliance issued on 6 November 2014 pursuant to section 161 of the Stock Corporation Act (AktG) was revised and, giving due regard to the revision of the Code on 5 May 2015, was replaced by an updated Declaration of Compliance issued on 5 November 2015 by the Board of Management and the Supervisory Board. The declarations were permanently made available to the shareholders on the Company's website. In accordance with Item 3.10 of the German Corporate Governance Code, the Board of Management and the Supervisory Board jointly report on corporate governance from page 29 of this Annual Report.

EXAMINATION AND APPROVAL OF THE 2015 FINANCIAL STATEMENTS

The Board of Management adopted the financial statements of the Company and the management report for the year ended 31 December 2015 in accordance with the provisions of the German Commercial Code (HGB), while the consolidated financial statements and Group management report for the year ended 31 December 2015 were adopted pursuant to section 315 a of the German Commercial Code (HGB) in accordance with the principles set out in the International Financial Reporting Standards (IFRS). The auditors, PricewaterhouseCoopers Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and Management's report as well as the consolidated financial statements and Management's consolidated report for the year ended 31 December 2015. The auditors of the accounts issued an unqualified auditor's report in each case.

The financial statements of the Company and management report, the consolidated financial statements and Group management report as well as the reports of the auditors on the result of their audit were received by all members of the Supervisory Board together with the Management's proposal for the appropriation of the net distributable profit for the year. These documents were examined by the Supervisory Board and thoroughly discussed by the Audit Committee and Supervisory Board with representatives of the auditors at the respective balance sheet meetings. As part of the audit, the Audit Committee and the Supervisory Board examined both the accounting findings and the procedures and processes relating to the accounting findings. As the standard of their review, they primarily applied the criterion of legality and verified whether the documents submitted comply with legislation in force and in particular with applicable accounting rules. Furthermore, in addition to their review of legality they also conducted an expediency review in terms of accounting, financial and business policy aspects. Based on the findings of the preliminary review by the Audit Committee, the Supervisory Board concurred with the findings of the auditors and, having conducted its own review, determined that it sees no grounds for objections.

The Supervisory Board approved the financial statements of the Company and the consolidated financial statements prepared by the Board of Management at the meeting on 14 April 2016 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final. The proposal of the Board of Management on the appropriation of net distributable profit was reviewed in particular with regard to the economic position, liquidity situation and in view of the funds required for restructuring the Company as well as giving due regard to the justified interests of the shareholders. The Supervisory Board approves the Board of Management's proposals for the appropriation of net distributable profit.

CHANGES AND COMPOSITION OF THE BOARD OF MANAGEMENT

This Annual Report presents the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management under the heading "Corporate bodies of the Company".

Prof. Dr. Bernd Griewing was appointed with effect from 1 January 2016 as member of the Board of Management for the term of five years. As chief medical officer (CMO), he assumes responsibility for the newly created corporate division Medical. The appointments of the other members of the Board of Management were in each case harmonised by termination of the previous appointment and re-appointment as of 1 January 2016 for a further term of five years in each case.

CHANGES WITHIN THE SUPERVISORY BOARD

In accordance with the requirements of the Co-Determination Act (MitBestG) and after the effective date of the amendment of the Articles of Association in section 10 (Size and composition of Supervisory Board) adopted by the 2014 Annual General Meeting, the Supervisory Board of RHÖN-KLINIKUM AG as of 10 June 2015 is comprised of 16 (previously 20) members. Eight Supervisory Board members were elected by the shareholders and eight Supervisory Board members by the employees.

In the period under review, the period of office of the previous Supervisory Board ended on conclusion of the Annual General Meeting on 10 June 2015. The Annual General Meeting elected as shareholders' representatives on an individual basis Dr. Brigitte Mohn, Christine Reißner and Dr. Katrin Vernau as well as Prof. Dr. h. c. Ludwig Georg Braun, Prof. Dr. Gerhard Ehniger, Stephan Holzinger, Eugen Münch and Wolfgang Mündel. Of the employee representatives, the following members were elected to the Supervisory Board: Bettina Böttcher, Meike Jäger and Evelin Schiebel as well as Peter Berghöfer, Björn Borgmann, Stefan Härtel, Klaus Hanschur and Georg Schulze-Ziehaus.

At the constituting meeting of the Supervisory Board on 10 June 2015, Mr. Eugen Münch was once again elected as chairman of the Supervisory Board, Mr. Georg Schulze-Ziehaus as first deputy and Mr. Wolfgang Mündel once again as second deputy. At this meeting, the Supervisory Board appointed Mr. Wolfgang Mündel and Dr. Katrin Vernau as financial experts pursuant to section 100 (5) of the AktG.

The personal details of the members of the Supervisory Board in 2015 are set out in the Notes to the consolidated financial statements. The section also provides information on the professional qualifications of the Supervisory Board members as well as their further mandates. The organisational structure of the Supervisory Board and the composition of the committees during the past financial year and at the present time are set out in overview provided further on in this Report. The Supervisory Board thanks all members leaving the Supervisory Board for their good work and dedication to the Company over the past years.

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

Bad Neustadt a. d. Saale, 14 April 2016

The Supervisory Board

Eugen Münch
Chairman

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

(period of 1 January – 10 June 2015)

CHAIR OF THE SUPERVISORY BOARD

Chairman Eugen Münch	1st deputy chairman Joachim Lüddecke	2nd deputy chairman Wolfgang Mündel
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COMPOSITION OF THE COMMITTEES

INVESTMENT, STRATEGY AND FINANCE COMMITTEE	MEDIATION COMMITTEE	COMMITTEE FOR COMPLIANCE AND COMMUNICATION
Eugen Münch* <i>Chairman</i>	Eugen Münch <i>Chairman</i>	Stephan Holzinger <i>Chairman</i>
Peter Berghöfer	Sylvia Bühler	Bettina Böttcher
Stefan Härtel*	Dr. Heinz Korte	Helmut Bühner
Klaus Hanschur	Joachim Lüddecke	Dr. Katrin Vernau
Dr. Heinz Korte		
Joachim Lüddecke*	AUDIT COMMITTEE	MEDICAL INNOVATION AND QUALITY COMMITTEE
Michael Mendel	Wolfgang Mündel <i>Chairman</i>	Eugen Münch <i>Chairman</i>
Wolfgang Mündel*	Reinhard Hartl	Prof. Dr. Gerhard Ehninger
PERSONNEL AFFAIRS COMMITTEE	Stephan Holzinger	Dr. Franz-Josef Schmitz
Eugen Münch <i>Chairman</i>	Dr. Heinz Korte	Georg Schulze-Ziehaus
Stefan Härtel	Michael Mendel	
Joachim Lüddecke	Oliver Salomon	NOMINATION COMMITTEE
Dr. Brigitte Mohn	Georg Schulze-Ziehaus	Eugen Münch <i>Chairman</i>
		Dr. Brigitte Mohn
		Wolfgang Mündel

* Simultaneously member of the "Network Medicine" working group.

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

(period of 10 June – 31 December 2015)

CHAIR OF THE SUPERVISORY BOARD

Chairman Eugen Münch	1st deputy chairman Georg Schulze-Ziehaus	2nd deputy chairman Wolfgang Mündel
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COMPOSITION OF THE COMMITTEES

INVESTMENT, STRATEGY AND FINANCE COMMITTEE

Eugen Münch*
Chairman
Björn Borgmann*
Prof. Dr. Ludwig Georg Braun
Stefan Härtel
Klaus Hanschur
Stephan Holzinger
Wolfgang Mündel*
Georg Schulze-Ziehaus*

PERSONNEL AFFAIRS COMMITTEE

Eugen Münch
Chairman
Stefan Härtel
Dr. Brigitte Mohn
Georg Schulze-Ziehaus

MEDIATION COMMITTEE

Eugen Münch
Chairman
Prof. Dr. Ludwig Georg Braun
Meike Jäger
Georg Schulze-Ziehaus

AUDIT COMMITTEE

Wolfgang Mündel
Chairman
Peter Berghöfer
Stephan Holzinger
Meike Jäger
Christine Reißner
Dr. Katrin Vernau

COMMITTEE FOR COMPLIANCE AND COMMUNICATION

Stephan Holzinger
Chairman
Bettina Böttcher
Evelin Schiebel
Dr. Katrin Vernau

MEDICAL INNOVATION AND QUALITY COMMITTEE

Eugen Münch
Chairman
Prof. Dr. Ludwig Georg Braun
Prof. Dr. Gerhard Ehninger
Klaus Hanschur
Evelin Schiebel

NOMINATION COMMITTEE

Eugen Münch
Chairman
Dr. Brigitte Mohn
Wolfgang Mündel

* Simultaneously member of the "Network Medicine" working group.



CORPORATE GOVERNANCE REPORT

Joint report on corporate governance by the Board of Management and Supervisory Board of RHÖN-KLINIKUM AG

CORPORATE GOVERNANCE AT RHÖN-KLINIKUM GROUP

For us, corporate governance means responsible corporate management and control oriented towards long-term value-added and enhanced Company value. The basis for the decision-making and control processes of the Supervisory Board and the Board of Management is good corporate governance. Coupled with a transparent as well as legally and ethically based corporate culture, corporate governance ensures that the trust patients, employees, shareholders and business partners place in us is preserved and strengthened. It is furthermore indispensable for sustained value enhancement in our operations.

In financial year 2015, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thoroughgoing regular examination of the German Corporate Governance Code. Its development, amendments as well as compliance at RHÖN-KLINIKUM AG and its subsidiaries were the subject of detailed consultations.

DECLARATION OF COMPLIANCE

The outcome of these deliberations was published on 5 November 2015: in accordance with Item 3.10 of the German Corporate Governance Code as amended on

5 May 2015, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (Aktengesetz, AktG) was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG, which is accessible on our website. Here, we depart from the Code's recommendations in a total of five disclosed exceptions. We observe most of the non-mandatory suggestions of the German Corporate Governance Code:

DECLARATION OF COMPLIANCE PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT

(As at: 5 November 2015)

"The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG declare that the recommendations issued by the 'Government Commission of the German Corporate Governance Code' as amended on 5 May 2015 and published by the Federal Ministry of Justice in the official section of the Federal Gazette on 12 June 2015 have been implemented, and will be implemented, with the following exceptions:

Code Item 4.2.2 (2) sentence 3

Relationship between remuneration of the Board of Management and that of senior management and staff overall

Although the Supervisory Board has taken account of the wage and salary structure within the Company when setting the remuneration of the Board of Management, the Supervisory Board has not expressly determined how the senior management and the relevant overall staff are to be differentiated. The relationship of the remuneration of the Board of Management to the remuneration of the senior management and the relevant overall staff is consequently not reflected, either, by application of such definitions in the case of the criteria specified in Code Item 4.2.2 (2) sentence 2.

In view of the new corporate 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.

Code Item 4.2.3 (3)

Pension commitments

Typical pension commitments do not exist at the Company. However, upon termination of the service contract or the decease of a member of the Board of Management the Company, subject to certain conditions, grants a "retirement benefit" explained in further detail in the Remuneration Report. It is paid as a one-time amount that is based on the number of completed years of service and additionally capped.

If the retirement benefits existing at the Company constitute provision benefits within the meaning of the recommendation pursuant to Code Item 4.2.3 (3), the "level of provision" in the view of the Supervisory Board results from the probable term of office of the respective member of the Board of Management and the formula defined in the retirement benefit. The annual as well as long-term expense for the Company is likewise derived from this.

Given the ambiguity of the recommendation pursuant to Code Item 4.2.3 (3) and the special structure of the retirement benefits existing at the Company, deviation from Code Item 4.2.3 (3) is nonetheless hereby declared as a precaution.

Code Item 5.4.1 (2), (3)

Stating specific objectives regarding the composition of the Supervisory Board

The Supervisory Board does not state any specific objectives regarding its composition, and does not define any limits, either, in respect of age or in terms of a standard length of service within the meaning of Code Item 5.4.1 (2) sentence 1. Consequently, it is not possible to comply with the recommendations based on this pursuant to Code Item 5.4.1 (3).

In the past the Supervisory Board, when nominating candidates for membership on the Supervisory Board, has been guided solely by the qualification of such candidates and by the law. The shareholders' representatives on the Supervisory Board are convinced that this practice has proven itself.

Code Item 5.4.6 (2) sentence 2

Results-based remuneration of Supervisory Board

In accordance with the recommendation in Code Item 5.4.6 (2) sentence 1 in the version of the Code valid until 15 June 2012, the members of the Supervisory Board, in

addition to a fixed basic remuneration (and fixed attendance fees), were granted a results-based remuneration up to and including financial year 2014. In this connection, the results-based remuneration was based on the consolidated profit of a financial year; in this regard, the Articles of Association thus did not provide for any explicit orientation on sustained corporate development within the meaning of Code Item 5.4.6 (2) sentence 2. Consequently, the recommendation was not complied with up to the end of financial year 2014.

However, the Supervisory Board proposed to the 2014 Annual General Meeting to abolish results-based remuneration components as of financial year 2015. The Annual General Meeting of 12 June 2014 complied with this proposal and adopted the resolution to amend the provisions on remuneration of the Supervisory Board in section 14 of the Articles of Association such that results-based remuneration components will no longer be granted to the Supervisory Board as of financial year 2015.

Code Item 7.1.2 sentence 4
Deadline for making available the Consolidated Financial Statement

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

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

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

MANAGEMENT AND CONTROL STRUCTURE

As prescribed in German stock corporation and corporate law, RHÖN-KLINIKUM AG has a dual management system, i.e. a strict separation exists at the personnel level between the Board of Management vested with powers

of direction and the Supervisory Board vested with supervisory powers. Simultaneous membership in both corporate bodies is not permissible.

To achieve the objective of sustainable value-added, the Board of Management and the Supervisory Board have committed themselves to cooperating through mutual trust in the best interests of the Company and on the basis of a balanced allocation of duties and responsibilities in accordance with the law, the Articles of Association and the Terms of Reference. During the reporting period, no conflicts of interests of members of the Board of Management and the Supervisory Board subject to disclosure to the Supervisory Board occurred.

Both for members of the Supervisory Board and for members of the Board of Management, RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) with an adequate coverage concept and in accordance with the deductibles recommended by Code Item



3.8 (2) and (3). In this connection, the insurance premium (including insurance tax) paid by the Company in financial year 2015 was € 158.0 thousand.

ANNUAL GENERAL MEETING AND SHAREHOLDER RELATIONS

Pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), RHÖN-KLINIKUM AG reports once per quarter, in accordance with the applicable International Financial Reporting Standards (IFRS) applying section 315 a of the German Commercial Code (Handelsgesetzbuch, HGB), to its shareholders and the interested public on the performance of business as well as the Group's net assets, financial position and results of operations. Approximately up to eight weeks from the end of the financial year, its preliminary business figures and forecasts for the current year are made known in accordance with the requirements. Important company notices are published immediately as soon as they arise. All reports and notices can be accessed on our Company's website.

Moreover, every year – normally within the first six months – an ordinary Annual General Meeting of the Company is held at which the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG report to their shareholders on business performance as well as the financial position and results of operations. In this way our shareholders are provided with the information they need for their decision-making in accordance with legislation in force.

It is stipulated that the shareholders of RHÖN-KLINIKUM AG avail themselves of their rights within the scope of the possibilities afforded to them by the Articles of Associa-

tion exclusively at the Annual General Meeting by exercising their voting rights. Shareholders are free to decide whether to exercise their voting rights themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. In the interests of securing the resolution procedure, we maintain at the present time the system whereby voting rights are exercised by attendance in person or by legitimised representation at the Annual General Meeting.

Pursuant to the legal provisions, the Annual General Meeting is responsible for electing the auditor for the annual and half-year financial statements of our Group as well as for the annual financial statements of RHÖN-KLINIKUM AG. The chairman of the Audit Committee appointed PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as statutory auditor for the audit of the half-year financial statements for 2015 as well as the annual financial statements as at 31 December 2015. Prior thereto, the Audit Committee thoroughly satisfied itself of the independence of the statutory auditor and assured itself that neither grounds for disqualification nor grounds for bias existed.

We entered into the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements with the statutory auditor, who shall inform the chairman of the Audit Committee immediately of any grounds for disqualification or bias occurring during the audit, unless such grounds are eliminated. Furthermore, the auditor shall report on all facts and events of importance for the tasks of the Supervisory Board arising during the performance of the audit. If any facts are identified during the performance of the audit of the annual financial statements which show the Statement of Compliance submitted by the Board of Management and the Supervisory Board pursuant to section 161 of the AktG is not correct, the auditor shall inform the Supervisory Board of this and/or record this in the audit report.

BOARD OF MANAGEMENT

In financial year 2015, the Board of Management of RHÖN-KLINIKUM AG was comprised of three members. The



chairman of the Board of Management is Dr. Dr. Martin Siebert. As of 1 January 2016, Prof. Dr. Bernd Griewing was appointed by the Supervisory Board to the Board of Management as chief medical officer (CMO). The reorganisation of the Board of Management resulting from this created the basis for the Company's sustained further development in the long term.

In accordance with the aims of an activity oriented on the long term, the terms of the service contracts of the Board of Management were harmonised. All members of the Board of Management have 5-year contracts each commencing as of 1 January 2016. The Terms of Reference were adjusted in line with this date. For further information on the composition of the Board of Management, please refer to the disclosures made in the Notes to the consolidated financial statements.

The Board of Management is responsible for directing the Company. Its business operations are carried out under joint responsibility in accordance with the Terms of Reference. Each member of the Board of Management has his own areas of responsibility as determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation.

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

Conflicts of interest are to be disclosed by the members of the Board of Management immediately. Moreover, the Supervisory Board must give its consent to any side activity of the members of the Board of Management. The consent of the Supervisory Board is also required for transactions between the members of the Board of Management or parties related to them on the one hand and RHÖN-KLINIKUM AG on the other. In financial year

2015, no conflicts of interests of members of the Board of Management of RHÖN-KLINIKUM AG arose. For the members of the Board of Management, a fixed age limit of 65 years is enshrined in the Articles of Association.

SUPERVISORY BOARD

The Supervisory Board is responsible for advising the Board of Management on directing the Company and for supervising its management activity. By their close and efficient cooperation, the Board of Management and the Supervisory Board pursue the common goal of achieving sustained value enhancement. The basis for this is provided by the Terms of Reference for the work between the Board of Management and the Supervisory Board.

In accordance with the requirements of the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG, in accordance with the principle of equal representation of shareholders and staff and pursuant to the Articles of Association, currently comprises an equal number of shareholder and employee representatives (16 in total). In 2015, four regular meetings and one constituting meeting took place. The Supervisory Board is chaired by Mr. Eugen Münch in a full-time capacity.

At the Annual General Meeting on 10 June 2015, a new Supervisory Board was elected as scheduled. In this connection, the number of members was adjusted from 20 persons to 16 persons in accordance with the Articles of Association. Mr. Eugen Münch was re-elected as chairman of the Supervisory Board. Mr. Georg Schulze-Ziehaus was elected to the office of deputy chairman. The previous first deputy chairman, Mr. Joachim Lüddecke, left the Supervisory Board on the same day.

The following persons also left the Supervisory Board: Ms. Sylvia Bühler, Mr. Helmut Bühner, Mr. Reinhard Hartl, Dr. Heinz Korte, Mr. Michael Mendel, Mr. Oliver Salomon and Dr. Franz-Josef Schmitz. The following persons were newly elected to the Supervisory Board: Mr. Björn Borgmann, Ms. Meike Jäger, Ms. Christine Reißner as well as Ms. Evelin Schiebel. The following persons were confirmed in office: Mr. Peter Berghöfer, Ms. Bettina Böttcher, Professor Dr. h. c. Ludwig Georg Braun, Professor Dr. Gerhard Ehninger, Mr. Klaus Hans-

chur, Mr. Stefan Härtel, Mr. Stephan Holzinger, Dr. Brigitte Mohn, Mr. Wolfgang Mündel as well as Dr. Katrin Vernau.

As a result, 37.5% of the Supervisory Board is comprised of women and 62.5% of men. The composition of our Supervisory Board is presented in the 2015 Annual Report in the annex to the Report of the Supervisory Board and in the Notes to the consolidated financial statements.

The election of the shareholders' representatives was based on a recommendation of the Nomination Committee of the Supervisory Board and was held in accordance with the recommendations of the German Corporate Governance Code on an individual basis. For the proposed candidates, due regard was given both to their qualification on the basis of a profile of professional requirements and to their independence with a view to avoiding conflicts of interests as well as in terms of their expected time commitment. The five-year term of office of the Supervisory Board ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2019. The Articles of Association provide for an age limit of 75 years for members.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2015 there were seven standing committees: the Mediation, Personnel Affairs, and Audit Committees, the Investment, Strategy and Financial Committee, as well as the Committee for Compliance and Communication as committees with power to adopt resolutions within the meaning of section 107 (3) AktG, and the Nomination Committee as well as the Medical Innovation and Quality Committee. At regular intervals, the respective committee chairmen report to the Supervisory Board on the work of the committees.

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

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. Its tasks include reviewing candidates for service as members on the Board of Management and making proposals to the Supervisory Board regarding appointments. It is also

responsible for negotiating, making preparations for entering into, amending and terminating service contracts of members of the Board of Management and other contracts. Furthermore, it evaluates the performance of the Board of Management, and at regular intervals conducts a review of whether the remuneration of the Board of Management is reasonable and customary as well as of the guidelines for the remuneration of members of the Board of Management. In this regard, it makes proposals to the full Supervisory Board for adoption of resolutions.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements. This is done by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports with the auditor. The Audit Committee is responsible for selecting and appointing the statutory auditor, including agreeing on the auditing fees, as well as for reviewing and monitoring the auditor's independence and quality as well as the services additionally provided by the auditor. Monitoring of financial reporting including the interim reports, the accounting process, the effectiveness of the internal controlling system, risk management system and the internal audit system likewise fall within the scope of duties of the Audit Committee, as does dealing with questions of fundamental importance relating to accounting and corporate governance. For all members elected to the Audit Committee, due regard is given to their independence and particular experience and knowledge with regard to the application of accounting rules and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, possesses the required knowledge of the Company and its market environment given his long-standing membership in the Supervisory Board of RHÖN-KLINIKUM AG. He meets the requirements pursuant to Item 5.3.2 of the German Corporate Governance Code for this challenging position thanks to his qualification as auditor and tax adviser. Mr. Mündel is the 2nd deputy chairman of the Supervisory Board and performs his duties on the Supervisory Board in a full-time capacity. The Audit Committee comprises two financial experts who satisfy the conditions of section 100 (5) of the AktG.

The **Investment, Strategy and Finance Committee** is responsible for advising the Board of Management regarding the strategy for the Company's further development. It furthermore adopts resolutions pursuant to section 107 (3) of the AktG on the approval of hospital takeovers, on other investments subject to approval and their financing. Reports to be remitted by the Board of Management to the Supervisory Board on the Company's investment and financial development as well as on fundamental strategic developments are reviewed and commented by this Committee.

The **Committee for Compliance and Communication** may be approached in all compliance matters directly by all patients, employees, suppliers and other third parties, and devotes its efforts to advising on and monitoring the Group's compliance management as well as communication with the media and the capital markets. To ensure close ties to the Audit Committee, the chairman of the Committee for Compliance and Communication is also represented on the Audit Committee. He has the right in certain cases to request a special audit.

The **Nomination Committee** selects candidates from the shareholders' representatives to be members of the Supervisory Board and proposes them to the Supervisory Board for nomination.

The **Medical Innovation and Quality Committee** works in an advisory capacity, particularly with regard to developments and trends in medicine. It also monitors the development of medical quality at the Company.

The Supervisory Board internally reviews the efficiency of its activity on an ongoing basis and at regular intervals commissions an efficiency audit by an external consultant. The latest external audit in 2013/2014 included questionnaires and discussions. Its results were in line with the Supervisory Board's expectations in terms of efficient performance of duties.

A detailed overview of the work of the individual committees and their composition in financial year 2015 is provided in the Report of the Supervisory Board of the 2015 Annual Report.

OTHER BODIES

The Advisory Board is constituted as a further body at RHÖN-KLINIKUM AG. The Board of Management can have recourse to its advice for any questions relating to future trends in the hospital and healthcare sector as well as medical development issues. For additional information on the Company's Advisory Board, please refer to the Notes to the consolidated financial statements.

TRANSPARENCY

Engaging in an active and open, i.e. transparent communication with our shareholders and treating them equally are things that are self-evident to us. We resort to suitable communication channels such as the Internet to provide information promptly and uniformly, and to ad hoc service providers for mandatory publications to be disseminated throughout Europe. Our financial calendar containing all important financial dates for analysts, investors, shareholder associations and media can be viewed on our website at en.rhoen-klinikum-ag.com under the section "Investor Relations". Information relating to our share and its price trend as well as inside information directly concerning us are also publicly accessible on our website. If we become aware of the fact that an individual reaches, exceeds or falls below the statutory thresholds of voting rights in the Company by means of a purchase, sale or in any other manner, we also publish this information on our website immediately.

We disclose on our website all notices on the acquisition and sale of shares of the Company or of financial instruments relating thereto pursuant to section 15 a of the WpHG



by members of the Board of Management and the Supervisory Board. Accordingly, as at 31 December 2015, the members of the Supervisory Board and the Board of Management as well as their related parties (according to IAS 24) together held 32.2% of the Company's registered share capital, of which 32.2% of the shares in issue were attributable to the Supervisory Board and its related parties, whereas members of the Board of Management and their related parties as at 31 December 2015 did not hold any interests in the registered share capital of RHÖN-KLINIKUM AG.

Dealings of RHÖN-KLINIKUM AG and its subsidiaries with related parties of as well as companies related to such parties are disclosed in the Notes to the consolidated financial statements. Contracts entered into with related parties were reviewed and approved by the Supervisory Board. In the view of the Board of Management and the Supervisory Board, such contracts have no impact on the independence of the member of the Supervisory Board.

RISK MANAGEMENT AND PERSONAL INTEGRITY

Our handling of risks and opportunities is also consistent with the principles of responsible corporate behaviour. Consequently, a risk management system with the aim of identifying risks early was established at the level of RHÖN-KLINIKUM AG and directly applied to hospitals and investments. The risk profile allows the Board of Management to respond early and adequately to changes in the Group's risk position and to exploit opportunities. The risk

management system is reviewed by our auditors as part of the annual audit of the financial statements.

For us, compliance means upholding personal integrity in corporate governance, and that is exactly how the Board of Management understands it as an essential management duty. The Board of Management is required to comply with law, statutory regulations and Group-internal guidelines, and to implement and enforce these requirements in their dealings with employees and business partners. For RHÖN-KLINIKUM AG and all other Group companies, a compliance guideline exists which is regularly amended and adjusted. Our compliance activities are focused on combating active and passive corruption. Thus, any contraventions in the area of corruption are not tolerated and strictly sanctioned. This applies to all executive and staff levels. Each and every employee is called upon to actively bring to light cases of corruption in their respective areas of responsibility. They can turn to a committee of the Supervisory Board in this regard which is bound by a duty of confidentiality.

REMUNERATION REPORT

In 2015 the remuneration of the Board of Management is made up of fixed and variable components. The remuneration of the Supervisory Board exclusively comprised fixed components. The payments of each member of the Supervisory Board and the Board of Management – broken down into their components – are set out in tabular form at the end of this Report.

In the Remuneration Report, the principles applied in determining the remuneration of the Board of Management of RHÖN-KLINIKUM AG are summarised. Moreover, the structure and amount of the income of the Board of Management are explained, the principles and amount of the remuneration of the Supervisory Board and of the Advisory Board are described and the shareholdings of the Board of Management and the Supervisory Board disclosed.



REMUNERATION OF THE BOARD OF MANAGEMENT

The remuneration scheme for the Board of Management was defined by the Supervisory Board in the guidelines on the remuneration of the members of the Board of Management of RHÖN-KLINIKUM AG (Remuneration Guidelines).

The aggregate remuneration of the members of the Board of Management is comprised of several remuneration components. Specifically, these are the base salary, the management profit sharing, fringe benefits (non-cash benefits), a long-term share price-based remuneration and a contingent retirement benefit.

Pursuant to the Act on the Appropriateness of Executive Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG) which entered into force on 5 August 2009, the plenary session is responsible for defining the individual remuneration of the Board of Management after preparation by the Personnel Affairs Committee.

ESSENTIAL PROVISIONS OF THE REMUNERATION SCHEME

As specified by the remuneration scheme, the total payments of the members of the Board of Management are 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, to such member's personal performance, as well as to the economic position and success of the Company. Moreover, the total payments are not to exceed the customary level of remuneration unless there are special grounds for doing so. If the Company's economic position deteriorates, the Supervisory Board will lower the total payments subject to the provisions of section 87 (2) of the AktG if continuation of such total payments would be unreasonable.

The members of the Board of Management receive a remuneration that is comprised of a non-results-based and a results-based component as well as short-term and long-term incentives. The non-results-based part is

comprised of the basic salary and fringe benefits, and the results-based component covers a management profit sharing component. Provisions for a minimum remuneration and for a cap on total remuneration have been put in place to compensate for unexpected earnings developments. Moreover, there is a long-term share-based remuneration (stock options) for some members of the Board of Management that is tied to a long-term development of the RHÖN-KLINIKUM AG share. The contingent retirement benefits are always based on the annual remuneration at the time when the service relationship is terminated. These benefits are thus influenced by the non-results-based and results-based components of the remuneration scheme.

The basic salary as a rule is € 192 thousand p.a. and is paid out as non-performance-linked remuneration in twelve equal monthly instalments. The chairman of the Board of Management is normally entitled to 1.5 times to twice said standard salary. The permanent representative of the chairman of the Board of Management in turn receives a 10% higher basic salary. The members of the Board of Management additionally receive fringe benefits in the form of non-cash benefits, such benefits essentially consisting in the value determined by the tax guidelines for use of a company car, the insurance premiums for accident insurance, moving expenses as well as the D&O insurance. Since use of a company car and the accident insurance premiums are remuneration components, each individual member of the Board of Management has to pay tax on these benefits. As a general rule, all members of the Board of Management are entitled to these in the same way, the amount of which varies depending on the member's personal situation.

The managing profit sharing element represents the results-based component of the remuneration. The multi-year assessment basis for its level is the development of the consolidated result over the past three financial years. The consolidated result after minority interests in accordance with the currently applicable IFRS is used as the reference value. In the event that the consolidated result has been influenced by extraordinary developments, the one-off impacts of such developments are not included.

For financial year 2015, the management profit sharing consists of a basic component and a performance-linked component. The former is defined by the Supervisory

Board as an absolute amount (basic amount) when calculated from the assessment basis for the duration of the service contract, and in each case is paid out in advance in twelve equal monthly instalments. At the beginning or upon an amendment of the service contract, the basic amount is approximately two thirds of the assessment basis. The rate of management profit sharing for the basic amount is the same for all members of the Board of Management and is defined by the Supervisory Board on recommendation by the Personnel Affairs Committee. If the assessment basis calculated for a financial year is less than the basic amount, such rate of management profit sharing is to be applied to the reduced basic amount. The advance payment on the basic management profit sharing not covered results in a recovery claim on the part of the Company. The performance component in each case results from the difference between the assessment basis calculated for the respective financial year less the basic amount. The rate of management profit sharing for such performance share is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee, giving due regard to the performance, duties and number of terms of office. Normally, the chairman of the Board of Management receives 1.5 times to twice the rate of management profit sharing. For members and in particular deputy members who have been appointed to the Board of Management for the first time, it is possible to agree on an appropriate reduction in the rates of management profit sharing. This option exists when justified by special grounds, also for the other members of the Board of Management.

For the financial year, the members of the Board of Management receive a guaranteed total annual remuneration (sum of base salary and management profit sharing) of at least € 450 thousand. The cap is set at € 900 thousand. The minimum remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to twice these amounts for his permanent representative and the chief financial officer (CFO).

In November 2015, the Supervisory Board adjusted the remuneration scheme to current conditions. The guidelines on the remuneration of the members of the Board of Management had to be adjusted based on the reduced size of the Group since 2014, the re-orientation of business

policy and the related future earnings expectations, as well as the re-organisation of the Board of Management.

As a general rule, these guidelines apply to all service contracts of members of the Board of Management that are entered into or amended as of such date. This was done for all incumbent members of the Board of Management as of 1 January 2016. The calculation of the management profit sharing was adjusted to the changed conditions of the Group. The changes essentially cover the management profit sharing scheme and the increase in the minimum remuneration levels and caps on total remuneration and specifically concern the following components:

As of financial year 2016, the assessment basis is comprised of the average of consolidated results of the last three financial years weighted by the factors of 3, 2 and 1. The consolidated results which are furthest in the past are weighted with the lowest factor. The consolidated result used as a basis is the consolidated result after minority interests in accordance with the currently applicable IFRS. For financial year 2014, which was affected by the restructuring of the Group and thus by extraordinary events and one-off effects, a facilitating value is applied as the calculation basis. In the event that the consolidated result has been influenced by extraordinary developments, the one-off impacts of such developments are eliminated. The rate of management profit sharing is defined by the Supervisory Board individually for each member of the Board of Management on recommendation by the Personnel Affairs Committee, giving due regard to the performance, duties and number of terms of office. Normally, the chairman of the Board of Management receives 1.5 times to twice the rate of management profit sharing. For members and in particular deputy members who have been appointed to the Board of Management for the first time, it is possible to agree on an appropriate reduction in the rates of management profit sharing. This option exists when justified by special grounds, also for the other members of the Board of Management.

As of financial year 2016, the members of the Board of Management receive a guaranteed total annual remuneration (sum of base salary and management profit sharing) of at least € 600 thousand. The cap is set at € 1,200 thousand. The guaranteed total remuneration for the year is paid out in advance in twelve equal monthly instalments. The minimum



remuneration and the cap can be fixed at up to 2.5 times these amounts for the chairman of the Board of Management and at up to twice these amounts for his permanent representative and the chief financial officer (CFO).

In 2014, members of the Board of Management holding office during that year were granted an incentive programme of virtual shares. This was a long-term share-based remuneration component. The aim was to support the Company's re-orientation in the long term. Each incumbent member of the Board of Management in 2014 had received vested virtual shares participating in all capital-adjustment measures and dividends. After five years (as calculated from 2014), the members of the Board of Management will be remunerated for the virtual shares remaining at that time at the then applicable market price.

If a service contract of a member of the Board of Management ends without this being attributable to good cause in the person of such member, or in the event of decease of the member of the Board of Management during such member's term of office, the member of the Board of Management receives (or, in the event of decease, that member's heirs receive) an old-age pension benefit in the form of a one-off payment. For each full year of work as member of the Board of Management, this benefit amounts to 0.125 times the annual payments (annual basic salary plus management profit sharing excluding virtual shares) for the calendar year in which such member leaves the Board of Management or deceases – not more than 1.5 times such latter payments, but at least 1.5 times the average remuneration during the contractual term for the

term of work for the Board of Management. The retirement benefit is due and payable six months after the close of the financial year in which the service contract ends or the member of the Board of Management has deceased. As a rule, no old-age pension benefit is granted if a member of the Board of Management terminates the service contract of his/her own accord before reaching the age of 60 for a reason not attributable to the Company, or does not renew the service contract despite having received an offer for a renewal.

If a member of the Board of Management having terminated his activity on the Board of Management without good cause is granted severance compensation, the amount of such benefit including the additional benefits may not exceed the value of two years' remuneration and may not provide remuneration for more than the remaining term of the service contract.

Currently, pension commitments, loans and similar benefits are not granted to the members of the Board of Management.

In financial year 2015, the incumbent members of the Board of Management received a total of € 4.5 million (previous year: € 11.1 million). Of this total, € 0.8 million (previous year: € 0.8 million) was accounted for by components that are not results-based and € 3.7 million (previous year: € 10.3 million) by variable components. The provision for claims to post-retirement benefits by the incumbent members of the Board of Management in accordance with IFRS amounted to € 1.4 million (previous

year: € 0.8 million) as at 31 December 2015. Members of the Board of Management no longer holding office or their surviving dependants received no remuneration (previous year: € 0.2 million).

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is governed by section 14 of the Articles of Association. As of financial year 2015, the members of the Supervisory Board no longer receive any remuneration components based on the results of the Company (results-based remuneration). However, the remuneration continues to be performance-linked, taking account of the amount of time worked, the duties and the functional responsibilities assumed by the members of the Supervisory Board. The components of the Supervisory Board remuneration are a fixed basic remuneration, a fixed attendance fee as well as a share in the annual fixed total remuneration.

The fixed basic remuneration is € 40 thousand for each full financial year. The chairman of the Supervisory Board receives three times, and the deputy chairmen of the Supervisory Board twice the amount of the fixed basic remuneration. A share of € 20 thousand of the fixed basic remuneration shall be conditional on attendance of the plenary meetings and the Annual General Meeting. For each non-attendance, this share is reduced by one fifth.

For their participation in person in a meeting of the Supervisory Board, of a committee and of an Annual General Meeting, each member of the Supervisory Board receives a fixed attendance fee of € 2 thousand. The chairman of the Supervisory Board and the deputy chairmen of the Supervisory Board shall receive double the amount of the fixed attendance fee. Chairmen of Supervisory Board committees with power to adopt resolutions on behalf of the Supervisory Board shall also receive twice the aforementioned amount unless they hold office as chairman of the Supervisory Board or deputy chairman of the Supervisory Board at the same time. If a Supervisory Board member chairs several committees with power to adopt resolutions, he shall receive double the amount only once. Supervisory Board members belonging to the Supervisory Board during only part of the financial year receive a pro rata remuneration.

Moreover, the members of the Supervisory Board receive overall a fixed total remuneration equal to € 800 thousand per year (up to Annual General Meeting on 10 June 2015 of € 1 million per year). This fixed total remuneration is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. These duly reflect, in addition to the responsibility assumed, in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year. Up to the Annual General Meeting on 10 June 2015, the fixed total remuneration was paid pro rata on the basis of € 1 million per year since the Supervisory Board at that time was still comprised of 20 members. It was only after the Annual General Meeting on 10 June 2015 that the number was reduced to 16 members and with it also the pro rata fixed total remuneration to € 800 thousand per year.

All expenditures which members of the Supervisory Board incur in the performance of their mandate as well as the VAT payable on the payments are reimbursed. The Company's chauffeur service and an office including a secretariat are made available to the chairman of the Supervisory Board. No loans are granted by the Company to the members the Supervisory Board. In financial year 2015, the remuneration of the active members of the Supervisory Board was € 2.2 million (previous year: € 2.6 million). The total amount in 2015 was completely accounted for by fixed remuneration components.

REMUNERATION OF THE ADVISORY BOARD

For each meeting attended in person, the members of the Advisory Board receive a fixed attendance fee of € 1.4 thousand. In addition, the members are reimbursed all expenses incurred to them in the performance of their mandate as well as the VAT payable on the payments.

The Company does not grant any loans to the members of the Advisory Board.

In financial year 2015, the total payments of the Advisory Board (excluding VAT) amounted to € 20 thousand (previous year: € 20 thousand).

REMUNERATION TABLES 2015

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

	2015	2014
	€ '000	€ '000
Remuneration of the Supervisory Board	2,215	2,586
Remuneration of the incumbent Board of Management	4,156	11,128
Remuneration of former members of the Board of Management	0	0
Remuneration of the Advisory Board	20	20

The total payments (excluding VAT) for members of the Supervisory Board are broken down below:

Total remuneration	Fixed basic remuneration	Fixed attendance fee	Fixed total remuneration	Total 2015	Total 2014
	€ '000	€ '000	€ '000	€ '000	€ '000
Eugen Münch	120	56	214	390	488
Joachim Lüddecke (until 10 June 2015)	35	24	16	75	140
Georg Schulze-Ziehaus	62	38	40	140	119
Wolfgang Mündel	80	56	177	313	401
Peter Berghöfer	40	18	33	91	94
Bettina Böttcher	40	16	20	76	78
Björn Borgmann (since 10 June 2015)	22	14	15	51	0
Prof. Dr. h. c. Ludwig Georg Braun (since 12 June 2014)	40	14	22	76	27
Sylvia Bühler (until 10 June 2015)	18	6	7	31	55
Helmut Bühner (until 10 June 2015)	18	10	12	40	78
Prof. Dr. Gerhard Ehninger	40	12	16	68	45
Stefan Härtel	40	22	30	92	112
Klaus Hanschur (since 17 April 2014)	40	18	30	88	70
Reinhard Hartl (until 10 June 2015)	18	12	23	53	102
Stephan Holzinger	40	52	73	165	185
Meike Jäger (since 10 June 2015)	22	10	17	49	0
Detlef Klimpe (until 12 June 2014)	0	0	0	0	79
Dr. Heinz Korte (until 10 June 2015)	18	12	31	61	146
Michael Mendel (until 10 June 2015)	14	6	18	38	107
Dr. Brigitte Mohn	40	10	14	64	59
Annett Müller (until 27 February 2014)	0	0	0	0	3
Werner Prange (until 27 February 2014)	0	0	0	0	5
Christine Reißner (since 10 June 2015)	22	10	17	49	0
Oliver Salomon (until 10 June 2015)	18	12	23	53	65
Evelin Schiebel (since 10 June 2015)	22	8	8	38	0
Prof. Dr. Jan Schmitt (until 30 April 2014)	0	0	0	0	23
Dr. Franz-Josef Schmitz (until 10 June 2015)	18	8	9	35	38
Dr. Katrin Vernau	40	16	23	79	67
	867	460	888	2,215	2,586

The total payments of the Board of Management break down as follows:

Incumbent members of the Board of Management	Martin Menger (member of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	10	9	10	10	10	9
Total	202	201	202	202	202	201
One-year variable remuneration						
Management profit sharing	308	258	258	708	308	258
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,005	3,334	460	2,875	814	1,238
Pension expense ¹	61	56	61	61	61	56
Total remuneration	1,066	3,390	521	2,936	875	1,294

¹Pension expenditure includes past service cost according to IAS 19.

Incumbent members of the Board of Management	Jens-Peter Neumann (permanent representative of the chairman of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	211	211	211	211	211	211
Fringe benefits	9	9	9	9	9	9
Total	220	220	220	220	220	220
One-year variable remuneration						
Management profit sharing	739	689	689	1,589	739	689
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,454	3,784	909	3,774	1,263	1,688
Pension expense ¹	115	83	115	115	115	83
Total remuneration	1,569	3,867	1,024	3,889	1,378	1,771

¹Pension expenditure includes past service cost according to IAS 19.

Incumbent members of the Board of Management	Dr. Dr. Martin Siebert (chairman of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	384	384	384	384	384	384
Fringe benefits	10	10	10	10	10	10
Total	394	394	394	394	394	394
One-year variable remuneration						
Management profit sharing	808	741	758	1,866	808	741
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,697	4,010	1,152	4,225	1,506	1,914
Pension expense ¹	144	113	144	144	144	113
Total remuneration	1,841	4,123	1,296	4,369	1,650	2,027

¹Pension expenditure includes past service cost according to IAS 19.

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

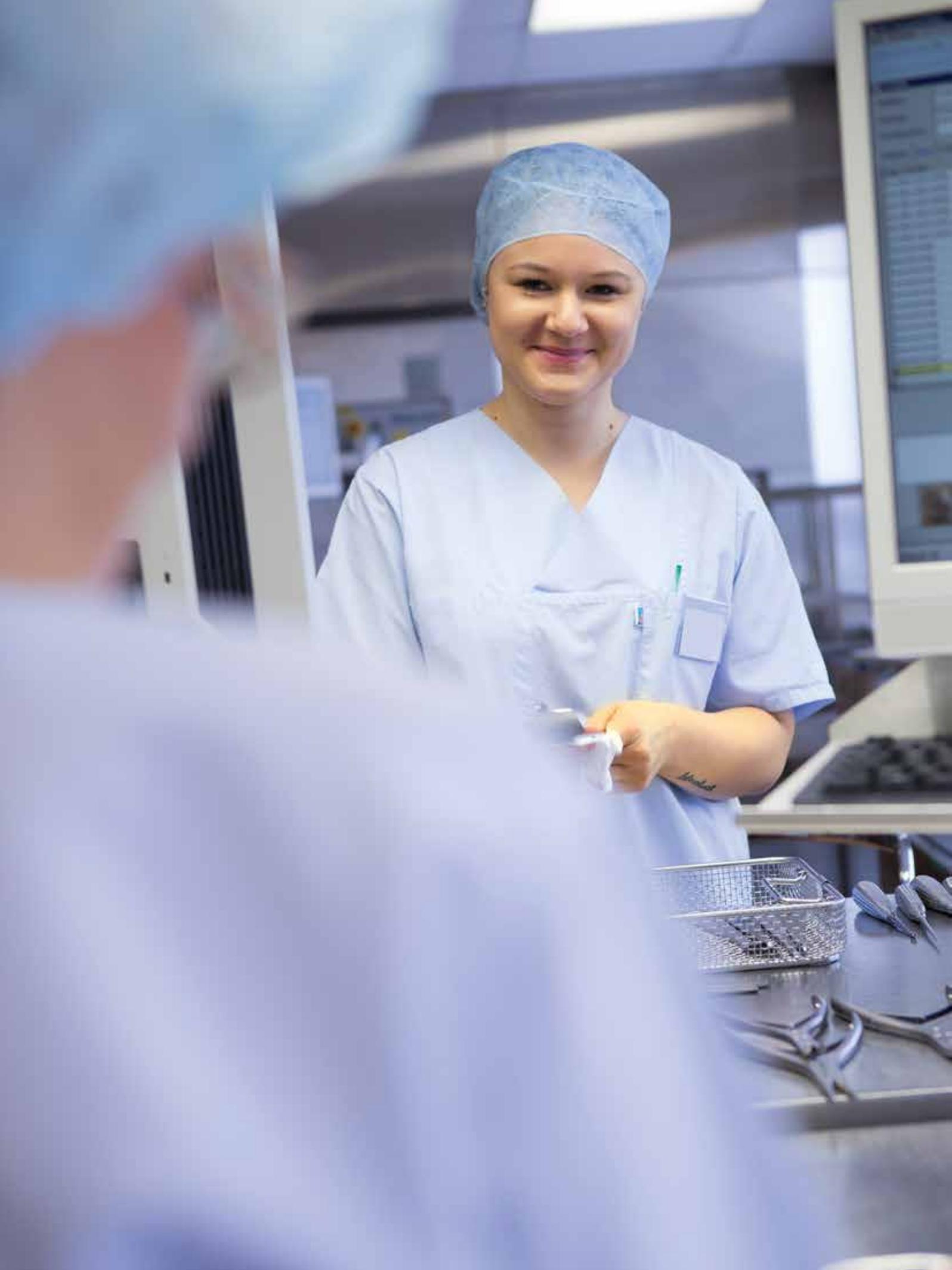
Retirement benefits	Provision as at 31 Dec. 2014	Change in retirement benefits	Provision as at 31 Dec. 2015	Nominal amount on contract expiry ¹
	€ '000	€ '000	€ '000	€ '000
Incumbent members of the Board of Management				
Martin Menger	244	278	522	1,042
Jens-Peter Neumann	248	103	351	919
Dr. Dr. Martin Siebert	322	177	499	1,294
Total	814	558	1,372	3,255

¹Claim according to ordinary expiry of service contract (31 December 2020) based on remuneration.

Bad Neustadt a. d. Saale, 14 April 2016

The Supervisory Board

The Board of Management



HIGHEST STANDARDS

Our goal is to manage RHÖN-KLINIKUM AG responsibly and sustainably. That is why in the areas of environment, quality and human resources our focus is on making sparing use of natural resources and protecting the environment, steadily promoting our quality management and medical excellence, as well as on promoting and retaining our staff.

ENVIRONMENT AND SUSTAINABILITY

For both ecological and economic reasons, RHÖN-KLINIKUM AG is continually improving its **environmental efficiency**. For already over 20 years, we have been pursuing efforts in generating our own energy with our **cogeneration plants** (CHPs). A particular advantage of our five plants is the heat they produce as a by-product, which is used for heating, supplying hot water and in some cases for cold generation. In 2015 we generated a total of 39.3 gigawatt hours from the combined heat and power of our CHPs and thus covered roughly 38.5 per cent of our electricity requirement.

Hospitals are energy-intensive facilities. The increasing use of information technology and large medical equipment units means that **electricity consumption** of hospitals will rise in future as well. Compared with the previous year, electricity consumption of RHÖN-KLINIKUM AG in 2015 rose by 0.6 per cent to 102.0 gigawatt hours. Heating consumption increased compared with the previous year by 2.5 per cent to 127.6 gigawatt hours.

CO₂ emissions are divided into various source sectors known as “scopes”. Scope 1 is understood to cover emissions arising from energy generated from our own units, e.g. boilers or CHPs. Scope 2 covers the emissions of energies procured externally, such as district heating and electricity to the extent not self-generated. In financial year 2015, Scope 1 emissions stood at 34,231 tonnes. Scope 2 emissions totalled 35,109 tonnes.

During the reporting period, **water consumption** of RHÖN-KLINIKUM AG was 706,257 cubic metres. This translates into a reduction by 4.9 per cent over the previous year. Waste water quantity was 671,120 cubic metres.

At our facilities, different types of **waste** are produced which accordingly have to be disposed of in different ways. Depending on their type, they are measured either by weight or volume. Of course, reducing and preventing waste is also one of our environmental management goals. Despite the use of disposable materials required by law in more and more areas, a slight downward trend in waste volume can be observed. For example, the volume of household rubbish-related A and B waste fell by 1.0 per cent at the Group in 2015.

Waste for disposal

Hospital/site	2015	Change vs. 2014
Bad Berka	548 t	-3.1%
Bad Neustadt	658 t	1.7%
Frankfurt (Oder)	411 t	1.9%
Gießen	1,560 t	-0.7%
Marburg	1,554 t	-2.5%
Total	4,731 t	-1.0%

PERSONNEL

Having qualified and dedicated employees is vital, particularly in labour-intensive businesses like our hospitals. The well-being of our patients is the focus of interest of the work performed by our nursing staff, medical-technical assistants (MTAs), therapists and doctors. All our employees follow the leading principle “Don’t do to others what you would not like done to yourself, and don’t leave off doing anything that you would like done to yourself.”

From medical care centres (MVZs) to the university hospitals, from the basic-care facilities to highly specialised facilities – the sheer range of our Group is unique in Germany. Our employees benefit from the knowledge and experience of our Group with all its medical specialties and direct link to cutting-edge university medical care. This **exchange of knowledge and experience** forms a key element of our human resources strategy. Through decentralised continued training and higher qualification measures, our employees can network over the Company’s various locations. We are also building on a close integration of medical care and management.

To give our patients the best possible care, we rely on highly qualified and motivated staff in the **medical area**. In addition to their training, we specifically promote their continued and higher qualification training. Each of our locations offers doctors the possibility of completing training as a specialist. Our doctors also have opportunities when it comes to obtaining supplementary qualifications or qualifications in specific areas of focus. With teamwork and state-of-the-art medical technology, we offer attractive working conditions.

To recruit qualified **young doctors**, we offer students of medicine the opportunity to complete their training or practical year at any of our locations. For some years already, doctors from abroad have been able to work in residency on the Bad Neustadt campus. With language courses, the scholarship guest residence and joint projects, doctors are helped to integrate into their new working and living environment.



The professional expertise and personal commitment of our employees in the **nursing and non-physician healthcare professions** are also decisive for the well-being of our patients and the success of RHÖN-KLINIKUM AG. To maintain our high level of nursing care, we specifically promote the specialisation, training and higher-qualification training of our nursing staff. Our Group-wide training offering covers nursing, physiotherapy, ergotherapy, logopaedics, dietician services as well as medical assistance professions in the areas of functional diagnosis (MTAF), laboratory (MTLA) and radiology (MTRA) as well as medical documentation (MDA). For foreign nursing staff also, we have been offering a special nursing integration programme since 2014. The initially one-year placement as nursing assistant is accompanied by an intensive language course and rounded off by a social framework programme.

We want to **retain** our **employees** for the long term. We achieve this objective with flexible **working time models**. We have entered into individual site-specific agreements to take account of our employees' personal priorities to a greater extent. For example, our employees work under trust-based, flexible or part-time working time schemes.

At most of our locations, employees can have their children looked after in an in-house kindergarten. Some hospitals have entered into cooperation schemes with local day-care centres. For **family friendly** corporate governance, we have adopted the Group-level works agreement "Career and Family".

Performance-oriented **remuneration** and various incentive schemes allowing our staff to take a stake in the Company's success also help make us an attractive employer. Compared with the collective agreement scheme seen in the public sector, the employees of our facilities enjoy financial advantages under tax and social insurance legislation (e.g. night-shift premiums exempt of tax and social insurance contributions). In the area of old-age pensions, we offer individual hospital pension funds and other advantages providing for an employer-financed share and to which employees may additionally make their own contributions.

Company **health promotion** measures are managed by each of our hospitals themselves. For example, the University Hospital Gießen and Marburg offers numerous courses and seminars on maintaining good health – from sports and advice, to helping people quit smoking.



QUALITY

In healthcare policy, the year 2015 was marked by the **quality offensive** launched by the Coalition Government. For the future, politicians' stated intention is to reward good quality in inpatient medical care and penalise poor quality. The newly created Institute for Quality and Efficiency in the Healthcare System (Institut für Qualitätssicherung und Transparenz im Gesundheitswesen) (IQTIG) is to develop binding quality indicators so that the services provided by German hospitals can be measured and represented. Components of the remuneration are then to be based on the quality delivered ("pay for performance"). Also, hospitals in future are to be licensed depending on the level of quality in the services they provide. Until the changes are implemented in 2017, or possibly also in 2018, hospitals will try to prepare for this new framework.

RHÖN-KLINIKUM AG has met this challenge through, among other things, its hospitals having joined the **Initiative Quality Medicine (IQ^M)**. Along with the Internet portal for quality information, **Qualitätskliniken.de**, whose founding shareholder is RHÖN-KLINIKUM AG, IQ^M represents the second major quality initiative by German hospitals. RHÖN-KLINIKUM AG is the first hospital group to actively participate in both initiatives. Both initiatives between them represent some 500 German hospitals and in the spring of 2015 joined together to establish the foundation **Stiftung Initiative Qualitätskliniken (SIQ!)**. SIQ! is currently an important driving force in the current debate on quality, and through its management is involved in the important conferences. Early in 2016, the annual conferences of Qualitätskliniken.de and IQ^M will be held for the first time as a joint quality forum. It is to provide a major impetus to core elements of the future development.

RHÖN-KLINIKUM AG, as a shareholder of Qualitätskliniken.de and of SIQ!, is permanently involved in the work in the bodies of these institutes and their decision-making processes, thus allowing it to take an appropriately proactive role in helping to shape developments in this important healthcare policy area in keeping with its own corporate standards.

Within the Group division of medical care, the **further development of quality management** has been an important focus of interest. In addition to preparing for and implementing membership in IQ^M, a further objective was to enhance coordinated cooperation with the quality management officer at the Group's hospitals and at Group level. For this purpose, semi-annual meetings were set up that were also attended by the heads of the respective medical controlling departments. This **inter-disciplinary cooperation** was especially important since quality indicators are increasingly being generated as routine data, meaning that the content of the coding is becoming increasingly important also in terms of quality aspects.

The quality results of the quality initiatives IQ^M and Qualitätskliniken.de as well as statutory quality assurance and the quality survey conducted by the health insurance fund AOK were the constant focus of interest of the

centralised quality management department of the Group division Medical and were communicated in aggregated form within the corporate bodies of RHÖN-KLINIKUM AG. For 2016, refined regular reporting on quality ("Quality Cockpit") is planned.

In consultation with the Medical Board, the Group division Medical also turned its focus to **further enhancing patient safety**. Supported by the innovation pool of RHÖN-KLINIKUM AG, a risk audit with the involvement of the risk consultancy firm Gesellschaft für Risikoberatung from Detmold was carried out at Marburg University Hospital based on three exemplary clinics (Abdominal-Surgery, Gynaecology and Cardiology). The significant scope for further improving patient safety revealed by this was implemented in the form of action plans. Based on the insights gained, a plan for a roll-out within UKGM and the other hospitals of the Group was prepared and implemented. A revision and further improvement of the Group-wide Critical Incident Reporting System (CIRS) was also agreed.

HYGIENE

Under the effective management of the hospital hygienists at RHÖN-KLINIKUM AG (Dr. Margret Seewald, Prof. Dr. Thomas Eikmann and Prof. Dr. Reinier Mutters) and the coordination of the Medical Group division, the **human resources concept in the area of hospital hygiene** for the Group's hospitals was established and adopted in the Medical Board. Furthermore, the relevant subject areas of hospital hygiene (surface disinfection, preparation of medical devices, screening, outbreak management and antibiotics stewardship) were discussed and coordinated. For 2016, the adoption of a Group-wide standard for these areas is being sought.

MEDICAL CONTROLLING

The area of medical controlling is the economic counterpart to quality management. Medical controllers are internal advisers to the medical and administrative areas. In operative medical controlling, there are coding specialists who identify and document services performed for

each individual patient, while others have the task of checking the documentation. In this way they create the basis of **correct accounting of services** and a **sound information basis** for budget negotiations with payers.

Over the past years, the hospitals have been supported in these efforts by the establishment of **MDK reporting** (MDK = Medical Review Board of the Statutory Health Insurance Funds). With the aid of this analysis tool, the areas of focus for controlling as well as the causes of controlling losses can be determined so as to develop measures to improve process and documentation quality.

For 2015, the contractual parties face a major challenge with the Agreement on Review Procedures of the MDK. It is basically assumed that this will speed up the review procedures, but that on the other hand will be accompanied by a considerable impairment of post- and re-codings in the review procedure and a rise in the number of social court proceedings with some payers.

Another field of medical controlling is **documenting and recording highly complex nursing services** (nursing complex procedure score, PKMS) in patient care, which was further improved and consolidated in 2015. The accounting-relevant requirements for nursing documentation were fulfilled without time-consuming multiple recording of data in the hospitals. Identifying patients requiring highly complex nursing and improving the documentation of the nursing services provided is an objective pursued by all our hospitals. For that purpose, the experts from the hospitals regularly engage in a mutual exchange in Group-internal workshops.

In addition, the switch to the system of flat-rate remuneration for psychiatric and psychosomatic facilities (PEPP) at psychiatric and psychosomatic acute hospitals will have an impact on the respective hospital's results of operations. The **switch to PEPP** is mandatory as of 2017, but is budget-neutral until 2019. Currently, the hospitals are bringing their internal processes in line with these new challenges. We estimate that the effects on the results of operations will be minor in the short term. The medium-term assessment will depend on how the PEPP system develops.

SPECIAL SERVICES AND COMMITMENTS

At the five sites of RHÖN-KLINIKUM AG, intermediate and maximum care has met high treatment standards for many years. In addition to the customary treatment offerings for maximum-care hospitals, we provide special therapy and diagnosis procedures at some of the sites:

UNIVERSITÄTSKLINIKUM MARBURG

Marburg Ion Beam Therapy Centre opened

After a period of intensive planning and construction, the Marburg Ion Beam Therapy Centre (MIT) successfully started up operation for patients in October 2015. At initially two treatment places, this highly innovative particle therapy is being used for patient care, clinical trials and research work. Particularly patients for whom tumour growth cannot be halted using conventional radiotherapies can benefit from the new facility.

Ebola vaccine successfully tested

The Marburg virologists have achieved a tremendous success in the development and testing of an Ebola vaccine. The efficacy of the vaccine, which to a decisive extent was developed in Marburg, was successfully tested in a clinical trial in 2015. The Marburg virologists had helped launch the trial in view of the Ebola epidemic in three West African countries. An interim result published in the medical journal *The Lancet* confirms the successful use of the vaccine on 4,000 people.

Highest quality for Marburg stem cell transplantation unit confirmed

After many years of preliminary work, the stem cell transplantation unit at the Carreras Leukemia Centre Marburg obtained the certificate of the European testing organisation JACIE (Joint Accreditation Committee-ISCT Europe & EBMT). The unit is thus certified to the highest quality in the transplantation of stem cells. Extraordinarily high quality criteria defined by the testing organisation as internationally valid standards have to be met for the test procedure. The Carreras Leukemia Centre is part of the Anneliese Pohl Cancer Centre – Comprehensive Cancer Centre (CCC) – which also brings together nine other specialist cancer centres under its roof: the Regio Breast Centre, the Gynaecology Cancer Centre, the Prostate

Cancer Centre, the European Excellence Centre for Neuroendocrinal Tumours, the Centre for Interdisciplinary Outpatient Chemotherapy, the Skin Cancer Centre, the Gastrointestinal Centre, the Head-and-Neck Tumour Centre as well as the Centre for Psychooncology.

Linear accelerator put into service

After a construction period of nine months, a new, state-of-the-art radiation unit was put into service in October at the Clinic for Radiation Therapy and Radiation Oncology Marburg: the linear accelerator. Thanks to precision beam focusing, it enables pinpoint irradiation of the tumour and thus even more effective therapy with lower levels of stress for patients.

Cardiac Arrest Centre – quick help in cases of cardiocirculatory arrest

To optimise care for patients with sudden cardiocirculatory arrest, the Cardiac Arrest Centre has the necessary level of integration with all necessary personnel and specialist disciplines. This ensures that patients concerned are provided with the effective care they need as quickly as possible without delay. The interdisciplinary centre is operated under the management of the Emergency Medicine and Cardiology departments.

Robot therapy with Da Vinci operation system

The Da Vinci operation system makes it possible to operate patients with maximum precision under optimum conditions, even in areas difficult to access. The main element of the Da Vinci system is the operating console. With it, the surgeon can view the operating field using a three-dimensional viewing window and in this way recognise details previously virtually impossible to see. This is possible thanks to a high-resolution camera. With two articulated control elements, the operator can then operate the microscopically small instruments within the body of the patient. The system refines the hand movements of the surgeon through a control console, making even the smallest movements with extraordinary precision possible. At UKGM in Marburg, four facilities are already resorting to this state-of-the-art technology: the Clinic for Urology and Paediatric Urology, the Otorhinolaryngology Clinic, the Clinic for Gynaecology as well as the Clinic for Visceral, Thoracic and Vascular Surgery.



With the Da Vinci operation system, the operator can control the arms and instruments of the robot with millimetre precision using his hands.

Medical Detective Work at Centre for Undetected and Rare Diseases

Established in 2013, the Centre for Unrecognised and Rare Diseases (ZusE) at UKGM in Marburg is sought out by patients from throughout Germany. In 2015 alone, Prof. Dr. Jürgen Schäfer and his team recorded over 4,000 inquiries. In 2015, FOCUS Magazin devoted a title report to the medical detective work done in Marburg.

New asthma drug successfully tested by Marburg researchers

A completely new asthma drug developed by Marburg researchers has been tested in a phase IIa clinical trial and the results published in the New England Journal of Medicine. It is an innovative antisense molecule (DNAzyme) that targets a key molecule of allergic asthma. This is an important contribution towards developing individualised treatments of chronic inflammations.

UNIVERSITÄTSKLINIKUM GIESSEN

Tradition of international studies of children with cancer diseases continued

With the new head of the Paediatric Haematology and Oncology department, Prof. Dr. Dieter Körholz, the successful tradition of international, innovative studies on the treatment of children with cancer diseases is continued. Led by Prof. Dr. Körholz, a pan-European study for children and youth suffering from Hodgkin's lymphoma (lymph node cancer) was launched last October. Furthermore, he is coordinating the world's largest study group on this disease, involving some 250 clinics. The studies form the basis of treatment for these young patients who thus benefit immediately from findings on improved therapies.

Intercultural opening at UKGM

In June, the model project, unique in Germany, was launched in Gießen: an “intercultural medical outpatient service” for the special needs of patients with a migrant background. The aim is to achieve intercultural opening by providing reasonable medical care while at the same time giving due regard to special cultural aspects. The model project is funded by the Hessian Ministry of Social Affairs and Integration.

High-performance CT inaugurated

As one of the first facilities in Germany, the Radiology Clinic at UKGM in Gießen now has a new computer tomography (CT) unit. Path-breaking innovations in detector and X-ray technology make this the first unit of its kind in the world. Compared with conventional units, both the irradiation dosis and the amount of contrast agent used in examinations can be reduced here by well over half. The time needed for an examination is also considerably shortened, which means that even small children who otherwise would have to be sedated can be examined without sedation using this unit. Since the high resolution also allows for even the smallest vessels to be displayed, it is now possible, for example in cardiology, to display the coronary arteries in selected patients without the operative use of a cardiac catheter.

Largest range of minimal-invasive prenatal treatment options

Internationally, the German Centre of Foetal Surgery and Minimal-Invasive Therapy (DZFT) offers the largest range of minimal-invasive prenatal treatment options. Particular areas of focus are minimal-invasive prenatal treatment of open spine, diaphragmatic hernia, megacystis, twin-to-twin transfusion syndrome as well as heart malformations.

Supraregional trauma centre with attached rescue helicopter

Led by the Clinic and Polyclinic for Trauma, Hand and Reconstructive Surgery at the Gießen site, the supra-regionally certified Trauma Centre at the Gießen site treats patients from throughout Central Hesse in the two most state-of-the-art trauma rooms in Germany. As part of this, the intensive care transport helicopter “Christoph Gießen” has its base in the university town in the form of an air rescue centre along with an additional landing pad on the hospital’s roof. The anaesthesiology and trauma

surgery team comes from both UKGM sites. The helicopter is intended for primary and secondary operations. Here, cutting-edge university medical care and rescue services work hand in hand. The trauma surgery unit is the only one in Germany having its own rescue operations vehicle. It moreover has a centre to deal with the highest severity of injuries with a large outpatient centre for occupational health and safety cases, and a hand surgery department with full higher-qualification accreditation.

Large services offering for men with fertility disorders

All male fertility disorders can be diagnosed and treated in Gießen. This also includes microsurgical removal of sperm from the testicles and epididymis with subsequent cryopreservation. In artificial insemination, the sperm can then be brought together with the female egg. In this area there is close cooperation with the fertility centre of the gynaecology department in Marburg. In the area of research, there is an international graduates college funded by the DFG (German Research Foundation) with the University in Melbourne on the subject of male fertility disorders.

Germany's only Bladder Cancer Centre opened

Since May 2015, the urology department has had a Bladder Cancer Centre, the only one in Germany. It provides patients with end-to-end services, from earliest possible detection of the disease, endoscopic and organ-preserving operation to optimum follow-on care. For endoscopic diagnosis, the new technology of narrow band imaging is available to the Centre, allowing for malignant variations to be detected as early as possible.

Opening of the first atrial fibrillation unit in Hesse

Since June 2015 there has been a new atrial fibrillation unit in the cardiology department in Gießen. In this unit with a total of four beds, patients receive acute and initial treatment. The unit ensures continuous monitoring of vital signs (blood pressure, heart frequency and ECG), making it possible to detect critical situations right away. Furthermore, medical-cardiological staff are on hand around the clock, and there is also a 24-hour on-call service.

New palliative ward opened

In Gießen, the first patients will move into a new palliative ward in October. It offers 16 single rooms with a spare bed for relatives, a living room, patient kitchen and a quiet room. Here, patients whose disease is no longer curable are given the level of care and attention allowing them to preserve the highest possible measure of quality of life and self-sufficiency. The aim is to stabilise the patients as much as possible so that they can return to their domestic environment.

ZENTRALKLINIK BAD BERKA

State-of-the-art equipment for Centre for Diagnostic and Interventional Radiology

In addition to the state-of-the-art PET/CT (positron-emission-tomography/computer tomography), Zentralklinik now has a 3 tesla MRT (magnet resonance tomograph) with highly focused ultrasound. On the one hand, this allows for diagnostic examinations to a high level of quality. On the other, it is possible to offer new cancer treatments which are currently being further developed together with the manufacturer. To make the Centre fully viable for the future, a new CT was also purchased. As a result, a high-quality team with state-of-the-art medical technology is available as a service provider of imaging diagnosis services for all the hospital's specialty disciplines.

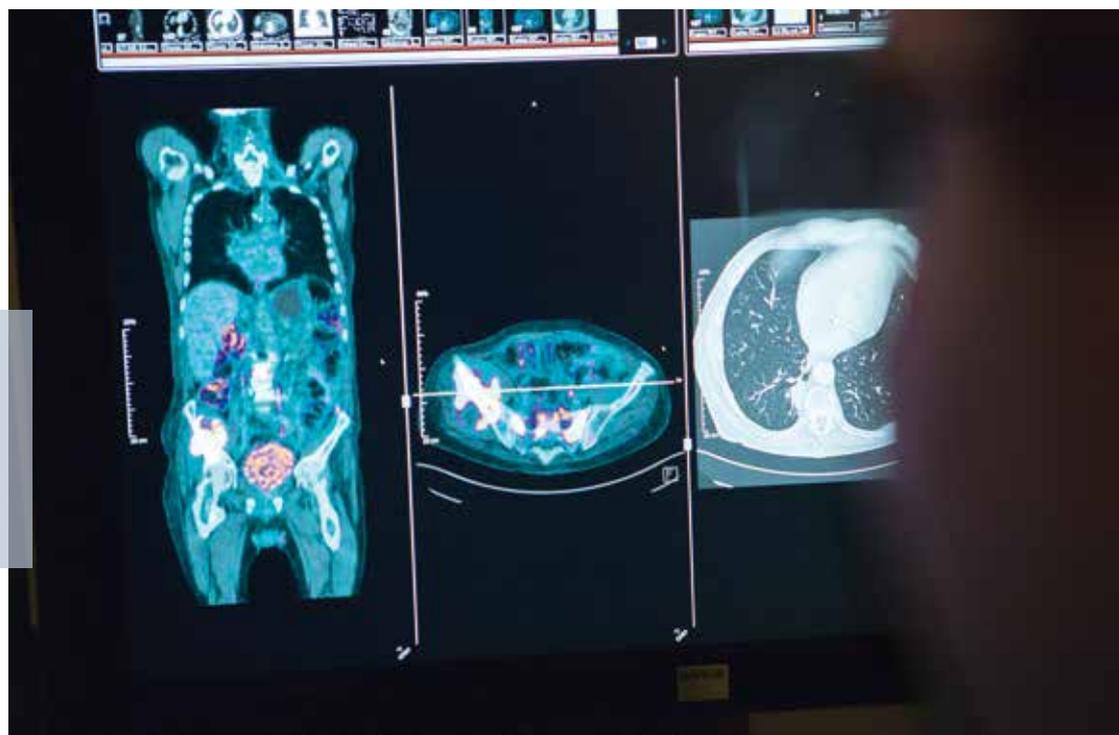
Centre for Paraplegia further expanded

In the move of the neuro-urology sub-unit, an additional urodynamic measuring station was put into service. That enables the broadening of the offering for diagnosis and treatment of bladder, intestinal and sexual disorders in patients with spinal cord injuries. Apart from Zentralklinik Bad Berka, there are practically no alternative treatment centres in Germany.

New radiopharmacy set for completion in summer of 2016

In future it will be possible to produce numerous radiopharmaceuticals observing all relevant regulations of radiation protection and hygiene. This in turn gives the Centre for Neuroendocrinal Tumours and the Clinic for Molecular Radiotherapy the possibility of treating patients with special tracers, particularly in the case of tumour diseases, individually, and to further expand its leading position beyond Thuringia.

The Centre for Diagnostic and Interventional Radiology in Bad Berka is equipped with state-of-the-art medical technology.



KLINIKUM FRANKFURT (ODER)

Patient- and user-friendly magnetic resonance tomography at highest standard

In 2015, a new 3 tesla MRT was installed. This is a model of the latest generation. With the manufacturing company, a research cooperation scheme has been established.

Under this framework, efforts on the one hand will be focused on developing and improving rapid MR angiography sequences and on the other on developing and optimising sequences for minimal-invasive interventions in the MRT. In addition to research, the ultra-modern MRT will be used above all for neuroradiological diagnosis. For that, all modern technologies, including MR spectroscopy, are available.

CAMPUS BAD NEUSTADT

Three specialised clinics become teaching hospitals of Marburg University

Since 1 January 2015, three specialised hospitals at RHÖN-KLINIKUM Campus Bad Neustadt have joined the ranks of teaching hospitals. The Clinics for Neurology, Psychosomatics and Cardiosurgery have been recognised as Academic Teaching Hospitals of Philipps-University Marburg. The first medical student completing her year of practical training was received by the Neurological Clinic of Bad Neustadt in September 2015.

HERZ- UND GEFÄSS-KLINIK

888th implantation of aortic valve carried out

The catheter-based therapy of variations in the aortic and mitral valve has been a special focus in the interdisciplinary Cardiology and Cardiosurgery Working Group since 2009. All therapy decisions continue to be made as a consensus decision using the team approach pursuant to the FJC decision (FJC = Federal Joint Committee). In 2015, the 888th catheter-based implantation of an aortic valve was performed without complications. Moreover, the first patient (now 80 years old) having received a transfemoral aortic valve in 2009 recently underwent a routine outpatient check-up and was congratulated on her continued well-being. The catheter-based therapy of the

mitral valve was steadily continued, with the specialty area of cardiology counting 1,100 catheter-based valve operations at the end of 2015, ranking it amongst the major centres in Germany since 2009.

High-end technology for faster and higher-precision diagnoses

In close cooperation with the specialty area of cardiology, the speciality area of radiology led by head physician Prof. Dr. Rainer Schmitt put into service a state-of-the-art computer tomograph. This new, more advanced cross-section imaging diagnosis tool gives the specialty areas of radiology and cardiology new possibilities for diagnosing cardiovascular diseases. Particularly the relevant reduction in radiation exposure of patients and the improvement in imaging quality in difficult framework conditions (cardiac arrhythmias) are proving especially valuable in the daily routine of cardiovascular disciplines.

Herz- und Gefäß-Klinik brings healthcare to industry

As part of the European Heart Failure Awareness Day (HFA-Day), the specialty area of cardiology participated with extensive training measures that took place in businesses from the region. In this context, a comprehensive continued training programme for employees of larger companies was carried out to explain to them the warning signs of heart failure as well as primary and secondary preventative measures. The response to the events was resounding, with several companies integrating their own continued training sessions within their production process. These continued training sessions were specifically aimed at employees hitherto not affected by the disease as well as the general population from the region. With the training measures, Herz- und Gefäß-Klinik, which is a member of the Competence Network Heart Failure (CNHF), made a contribution to the German paper submitted to the "National Heart Failure Societies Summit". The paper, which was coordinated by the CNHF together with the Comprehensive Heart Failure Centre (CHFC), won out over 11 other papers and was extolled for its high media presence.

NEUROLOGICAL CLINIC

Cross-sector regional care steadily pursued

In May 2015, a two-year project was launched at Neurological Clinic Bad Neustadt as part of the funding and innovation pool of RHÖN-KLINIKUM AG to improve the care given to stroke patients from the region. The objective is to support patients and their relatives during inpatient and post-inpatient care with individual information and a personal contact (stroke manager). The stroke manager works on a cross-sector basis and provides individual information tailored to the specific needs of the patient in the form of a stroke information folder, informs the patient on relevant subjects, supports discharge from inpatient care and builds up a stable post-acute network. The support is provided efficiently through a care and case management system. Similarly, a stroke pass, a stroke unit brochure and additional information materials help make the patients affected as familiar as possible with the disease. Thanks to regular phone calls and personal meetings between the stroke manager and the patient, the patient is kept informed of events, contacts and new developments (self-help groups, hospital events) of importance to the patient.

Basis established for telemedical care network for refugees

Together with the cooperation partner Zentrum für Telemedizin e. V., a basis was created for a telemedical network for providing care to refugees. This is being done in response to rising refugee numbers. For telemedical care, doctors with a migrant background are to be used since they can serve as experts in both the medical and linguistic fields. With the telemedical network, medical care can be better structured and networked, and the commitment of doctors with a migrant background can be actively managed. The project provides for solutions for initial registration facilities, collective living quarters, hospitals and for refugees directly.

High level of care once again confirmed

The stroke unit of the Bad Neustadt Neurology Clinic was successfully recertified as a supraregional stroke unit. The German Stroke Society (DSG), the German Stroke Help Foundation (SDSH) and LGA InterCert GmbH have thus once again confirmed the consistently high quality of the care offering for stroke patients at the Neurology Clinic. On the RHÖN-KLINIKUM Campus Bad Neustadt, there has



In the stroke unit of the Neurological Clinic at the RHÖN-KLINIKUM Bad Neustadt campus, stroke patients are cared for by specially trained staff from all specialist disciplines.

been a close cooperation between the Radiology, Cardiology, Vascular Surgery, Anaesthesia and Neurology Clinics for many years. The area of further rehabilitation/follow-on rehabilitation was likewise successfully recertified at the beginning of 2015 and certified for the first time to Q-Reha (previously certification to IQMP-Reha from 2009 to 2014). Recertification to DIN EN ISO 9001 was also successfully obtained in comprehensive certification by TÜV Rheinland/LGA existing since 2009.

PSYCHOSOMATIC CLINIC

Treatment offering further expanded

The Psychosomatic Clinic is further expanding its interdisciplinary areas of focus of geriatric psychosomatics, psychocardiology and trauma therapy. Treatment concepts for somatopsychic disorders, eating disorders, psychic problems of young men and couples therapy are being further developed.

PRIZES AND AWARDS

Universitätsklinikum Marburg



- Based on the FOCUS list of hospitals: "One of Germany's Best Hospitals"
- Based on the FOCUS list of hospitals: "Top National Hospital in 2016" in the fields of: Alzheimer's, anxiety disorders, breast cancer, depression, cardiology, multiple sclerosis, Parkinson's, prostate cancer, high-risk births, radiation therapy, compulsive disorders
- Marburg heart simulator "SimHeart": awarded the "Comenius-EduMedia Seal"
- Working group made up of Atieh Emami-Namini, Dr. Susanne Lücker, Ingrid Heidmann (department for Paediatric Dentistry Gießen), Prof. Dr. Roland Frankenberg (department for Restorative Dentistry Marburg), Prof. Dr. Norbert Krämer (department for Paediatric Dentistry Gießen): Best of the Year Award (Jahresbestpreis) of the oral prophylaxis and paediatric dentistry journal "Oralprophylaxe und Kinderzahnheilkunde" for their scientific work on fissure sealings
- PD Dr. Cornelia Brendel: distinguished by Anneliese Pohl Foundation
- Dr. Vera E. Hartmann: Best of the Year Awards (Jahresbestpreise) for tooth preservation from the German Tooth Preservation Society (DGZ), 2nd prize for Best Short Scientific Presentation
- Prof. Dr. Ralf Kinscherf: elected chairman of German Atherosclerosis Society (DGAF)

- Alexandra König: Best of the Year Awards (Jahresbestpreise) for tooth preservation of the German Tooth Preservation Society (DGZ), 3rd prize for Best Poster Presentation
- PD Dr. Magis Mandapathil: awarded "Anton von Tröltsch Prize" for her publication "Generation and Function of p53-specific Adaptive Regulatory T cells" and award from Anneliese Pohl Foundation
- Prof. Dr. med. Dr. phil. Helmut Remschmidt: conferred honorary doctorate by University of Würzburg
- Prof. Dr. Harald Renz: elected as Fellow of the American Academy of Allergy, Asthma and Immunology (AAAAI) and elected vice-president of the German Society for Clinical Chemistry and Laboratory Medicine (DGKL)
- Prof. Dr. Jochen A. Werner: elected president of the German Society of Oto-Rhino-Laryngology, Head and Neck Surgery (DGHNOKHC)

Universitätsklinikum Gießen



- Prof. Dr. Ardeschir Ghofrani: awarded Deutscher Zukunftspreis 2015 for the development of a pulmonary hypertension drug
- Prof. Dr. Thomas Kohl: conferred honorary professorship of Istanbul Bilim University in Turkey for the introduction of minimal-invasive operating technique for unborn children with spina bifida

Zentralklinik Bad Berka



- Based on the FOCUS list of hospitals: “One of Germany’s Best Hospitals”
- Based on the FOCUS list of hospitals: the Clinic for Thoracic and Vascular Surgery as well as the department for Internal Oncology and Hematology two of “Germany’s Best Hospitals” in the area of lung cancer
- According to the Thüringer Allgemeine hospital test, “Best Hospital of Thuringia” in the 501-1,000 bed category
- Clinic for Cardiology: Certification as centre for interventional cardiology and as training centre for interventional cardiology by German Cardiac Society (DGK)
- Prof. Dr. med. Bernward Lauer: recognised as recommended doctor in FOCUS list of physicians
- PD Dr. med. Heinrich Böhm: recognised as recommended doctor in FOCUS list of physicians
- Prof. Dr. med. Richard P. Baum: awarded Glorinet Prize of the Network for Neuro-Endocrine Tumours (NeT) in recognition of outstanding achievements in the field of neuro-endocrine neoplasias, as well as honorary membership in Cuban Society of Oncology, Radiotherapy and Nuclear Medicine
- Harshad R. Kulkarni: Third-Best Presentation at the 3rd Theranostics World Congress, Best Presentation at the 11th ICRT of the World Association of Radiopharmaceutical and Molecular Therapy, nominated for the

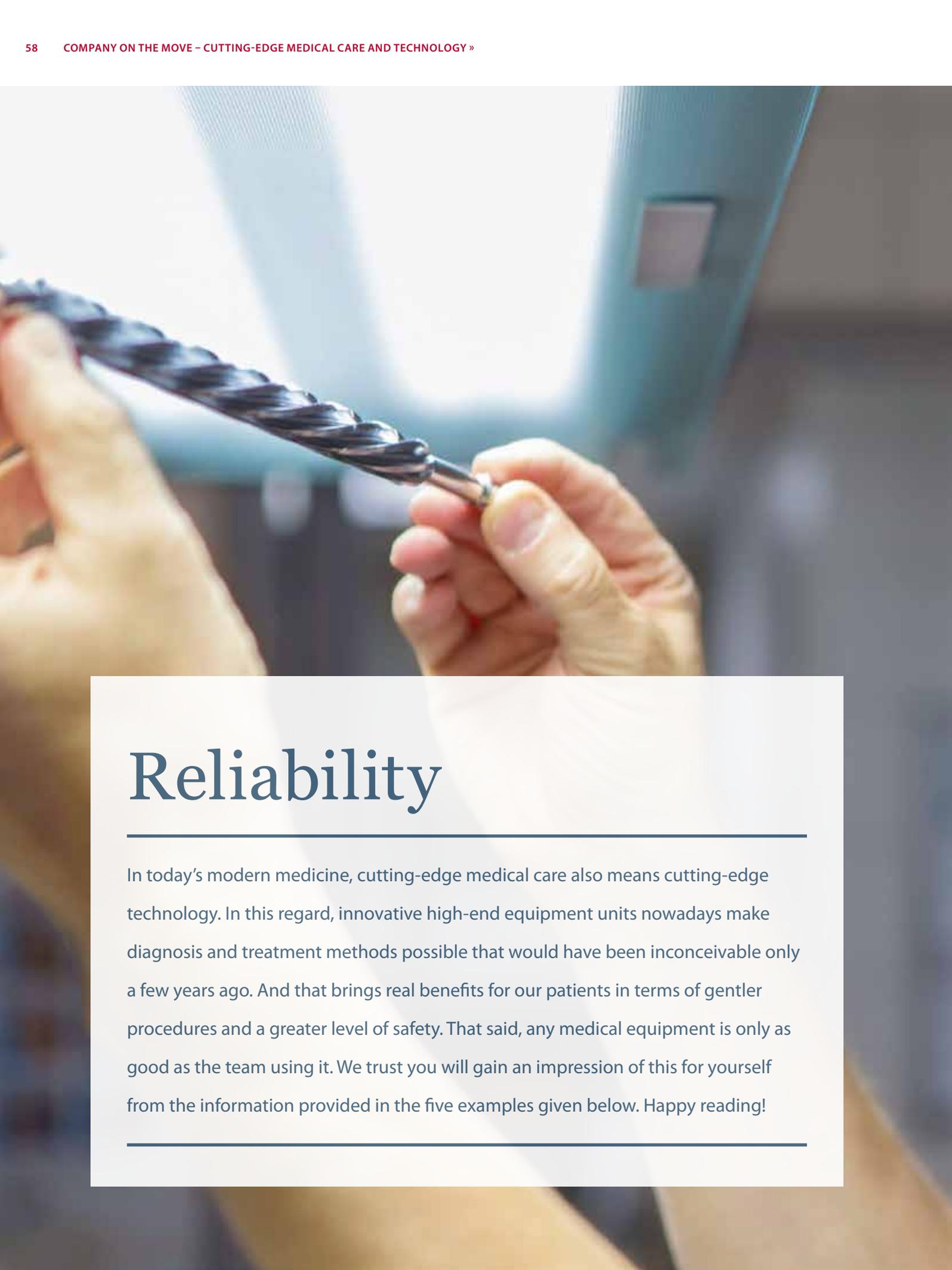
“Image of the Year 2015 Award” of the “Annual Meeting of the Society of Nuclear Medicine and Molecular Imaging” as well as nominated for the “Marie Curie Award 2015” of the European Association of Nuclear Medicine and Molecular Imaging

- Dr. Elisabeth Sens: awarded Amélie-Mummendey Prize of the Department of Psychology at Friedrich-Schiller University in Jena in recognition of her outstanding dissertation

Herz- und Gefäß-Klinik Bad Neustadt



- Based on the FOCUS list of hospitals: “One of Germany’s Best Hospitals” in the area of cardiac surgery
- Prof. Dr. med. Thomas Deneke: elected vice-chairman of the Working Group of Arrhythmias of the German Cardiac Society (DGK)
- Prof. Dr. med. Anno Diegeler: recognised as recommended doctor in FOCUS list of physicians
- Prof. Dr. med. Sebastian Kerber: recognised as recommended doctor in FOCUS list of physicians and convoked to IQ^M Peer Review Expert Committee



Reliability

In today's modern medicine, cutting-edge medical care also means cutting-edge technology. In this regard, innovative high-end equipment units nowadays make diagnosis and treatment methods possible that would have been inconceivable only a few years ago. And that brings real benefits for our patients in terms of gentler procedures and a greater level of safety. That said, any medical equipment is only as good as the team using it. We trust you will gain an impression of this for yourself from the information provided in the five examples given below. Happy reading!

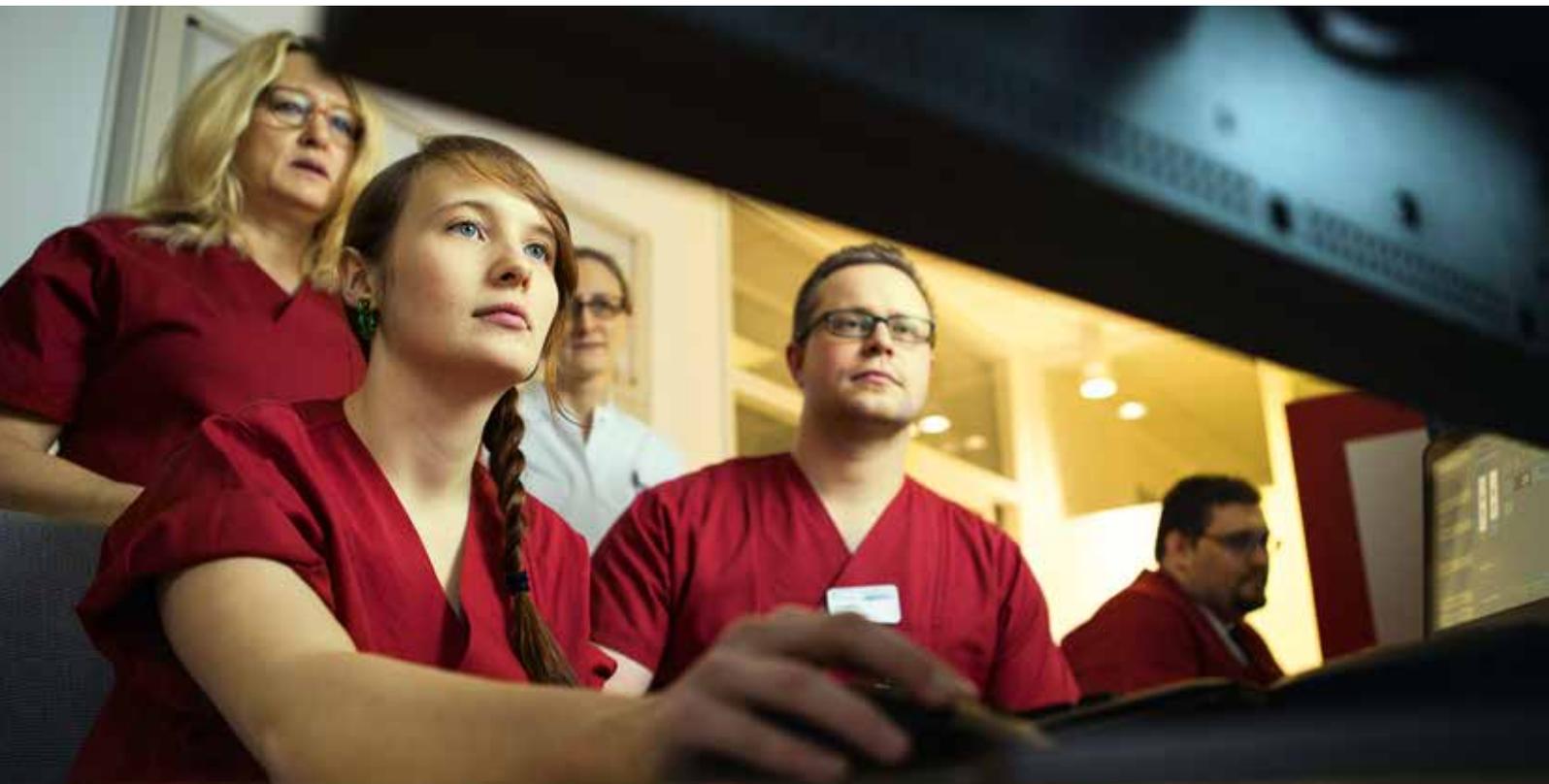


“Thanks to our ultra-modern Revolution CT, we can perform examinations of best imaging quality even on patients who e.g. have trouble breathing or an irregular pulse – and that with extraordinary speed using a small quantity of contrast agent and a low radiation dosis.”

Birgit Pfaff, head MTRA





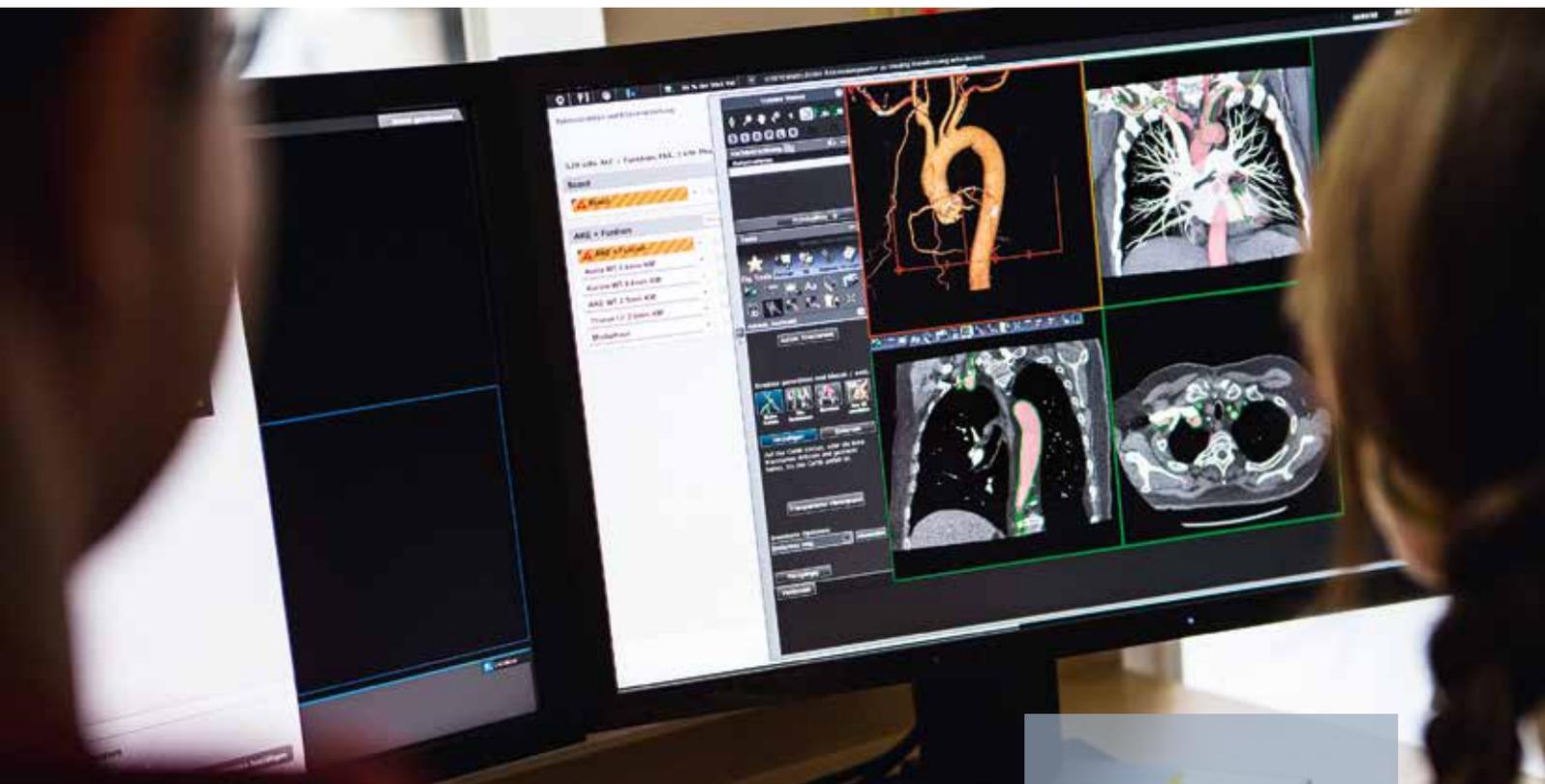


A first in Germany: At the RHÖN-KLINIKUM campus in Bad Neustadt, the latest high-end computer tomograph is being used

The cardiovascular hospital Herz- und Gefäß-Klinik at the RHÖN-KLINIKUM Bad Neustadt campus is once again taking a leading role in technical and clinical radiology throughout Germany: it is the first hospital in Germany, and the fourth in Europe, to use the ultra-modern “Revolution” computer tomograph, offering numerous benefits for radiologists, patients and doctors.

Here, the CT combines all leading technological concepts of computer tomography in a single device. Its comprehensive technical features enable it to represent even complex anatomical structures, such as the beating heart, in a single examination procedure. That enhances the diagnostic quality of the imaging and is also comfortable for patients as it dispenses with the need for multiple examinations and allows for treatment-relevant diagnoses to be made earlier. It is also possible to examine patients with extraordinary speed using a small amount of contrast agent and a low radiation dosis.

When examining the coronary arteries, for example, the radiation exposure for the patient is only 0.14 seconds. By way of comparison, until recently 8 to 12 seconds were still needed for this with the last generation of units, and with the advent of heart CT technology in 2001 the devices still needed 60 seconds. The heart, the thoracic aorta and the lungs can now be fully portrayed to the smallest detail in 2 seconds. Beyond heart diagnosis, the “Revolution” scanner will also be used for patients with vascular diseases of the legs, the carotid artery and the abdominal cavity. Further areas of use are joint diseases of the shoulders, hand and foot.



We are setting new standards in patient care

On the RHÖN-KLINIKUM Bad Neustadt campus, many different specialist medical disciplines work in close proximity to one another: the cardiovascular hospital Herz- und Gefäß-Klinik (HGK), the Frankenklinik for Rehabilitation of Cardiovascular Patients, the Hand Surgery Clinic, the Neurology Clinic, the Psychosomatic Clinic, and Saaletalklinik with its two additional addiction therapy facilities. Moreover, RHÖN Kreisklinik, as a modern hospital for basic and standard care, ensures medical care delivery in the District of Rhön-Grabfeld and surrounding regions. It has been part of RHÖN-KLINIKUM AG since 2016.

Our campus is characterised by the openly practised cooperation between all facilities which every day benefit time and again from the expertise and capacities of their neighbours. Close proximity and cooperation allow for unique interdisciplinary care. Moreover, three specialist clinics on the campus enjoy recognition as an academic teaching hospital.

By 2018, the Bad Neustadt hospital site will undergo sweeping changes. An extensive new building laying claim to new path breaking standards in patient care, medical equipment and hospital architecture will be constructed. In this new setting, most of the clinics will come under one roof so as to enable even greater integration of the specific treatment fields.

Campus Bad Neustadt

Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
www.campus-nes.de

Herz- und Gefäß-Klinik
Beds: 339 (as at: 31 Dec. 2015)

Klinik für Handchirurgie, Schulterchirurgie, Fuß- und Sprunggelenkchirurgie
Beds: 114 (as at: 31 Dec. 2015)

Frankenklinik
Beds: 140 (as at: 31 Dec. 2015)

Saaletalklinik mit Klinik Neumühle und Adaption Maria Stern
Beds: 232 (as at: 31 Dec. 2015)

Neurologische Klinik
Beds: 284 (as at: 31 Dec. 2015)

Psychosomatische Klinik
Beds: 340 (as at: 31 Dec. 2015)

RHÖN Kreisklinik
Beds: 233 (as at: 01 Jan. 2016,
225 acute inpatient, 8 palliative)

The phone numbers and e-mail addresses of the individual hospitals are provided at the end of this Annual Report.

“In centralised supply of sterile items, we ensure that our operation teams and our patients can rely on the best possible quality of the prepared instruments at all times.”

André Chemii, head of Centralised Sterile Items Supply department







Ever vigilant in the service of patient safety: The Centralised Sterile Items Supply department at Klinikum Frankfurt (Oder)

There are many facets of cutting-edge medicine, and many of these are unknown: healthcare delivery to the highest standards also happens in places where it is not immediately noticeable. One example is the Centralised Sterile Items Supply department at our Klinikum Frankfurt (Oder).

It is here where all instruments are prepared before they are put to use in the OR, regardless of whether or not they are used in an operation. Their preparation in the Central Sterile Items Supply department is performed in accordance with clearly defined standard processes which meet extensive documentation requirements and which are binding on all hospitals in Germany. The special aspect to be noted here is that even if state-of-the-art technology is used in receiving, cleansing, disinfecting, maintaining and controlling as well as in the final sterilisation of the OR instruments, it is precisely in the cleansing preparation stage that extensive manual work and scrutinising visual checks make the decisive difference in terms of added cleanliness and thus, ultimately, the safety of our patients.

Visual inspection and manual cleansing preparation are followed by the main machine cleansing cycle on various baskets and wash racks with subsequent thermal disinfection at 93 degrees Celsius. After the cleansing and disinfection process, all items are checked for cleanliness and function, and any defective instruments are discarded and replaced immediately, with articulations and seals being treated with oil. Any remaining germs are killed off completely in the final sterilisation process.

After sterilisation, the treated materials are subjected to one final critical check in which it is made sure, among other things, that packages are intact and containers are sealed. It is only when all requirements have been met that the team of the Centralised Sterilisation Items Supply department releases the instruments for their next use.



We give our patients the certainty of being in the right place with us

Klinikum Frankfurt (Oder) is among the most modern medical facilities in the Ostbrandenburg region and has specialised in the treatment of various highly complex diseases. We offer a wide array of examinations and treatments on the basis of state-of-the-art and high-performance medical equipment. Our patients benefit every day from the close integration of our numerous clinics and the pooled expertise from all specialist disciplines.

Our team is comprised of dedicated doctors, nurses and specialist medical staff with excellent qualifications. We offer a high medical and nursing standard, extensive experience, a pleasant atmosphere and personalised attention. For us, these are what forms the basis of our successful work and decisively contributes to the healing process.

The quality of treatment and care was reviewed and evaluated by independent certification and accreditation companies. As an academic teaching hospital of Charité-Universitätsmedizin Berlin and a training centre, we are helping to secure the high level of treatment also in future.

Klinikum Frankfurt (Oder)

Müllroser Chaussee 7
15236 Frankfurt (Oder)

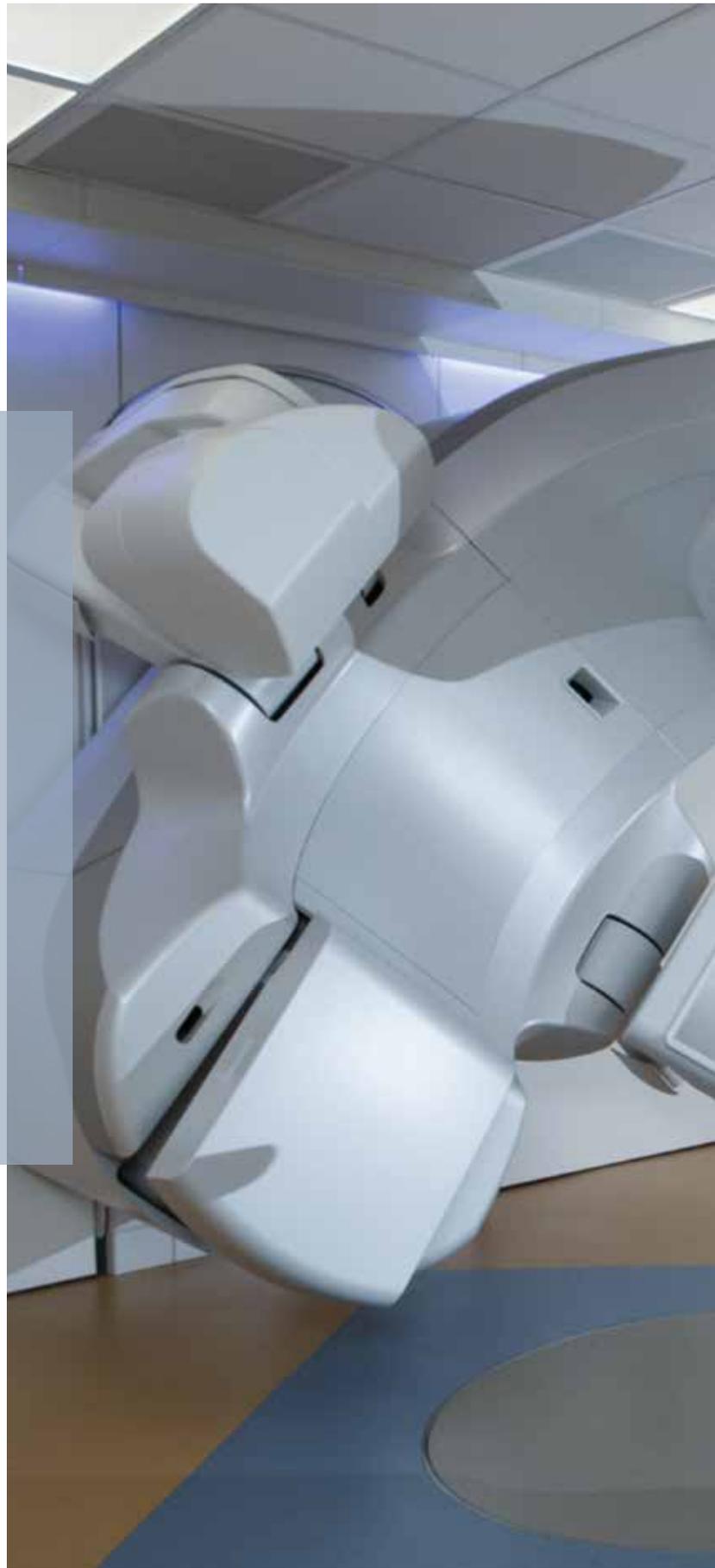
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gf@klinikumffo.de
www.klinikumffo.de

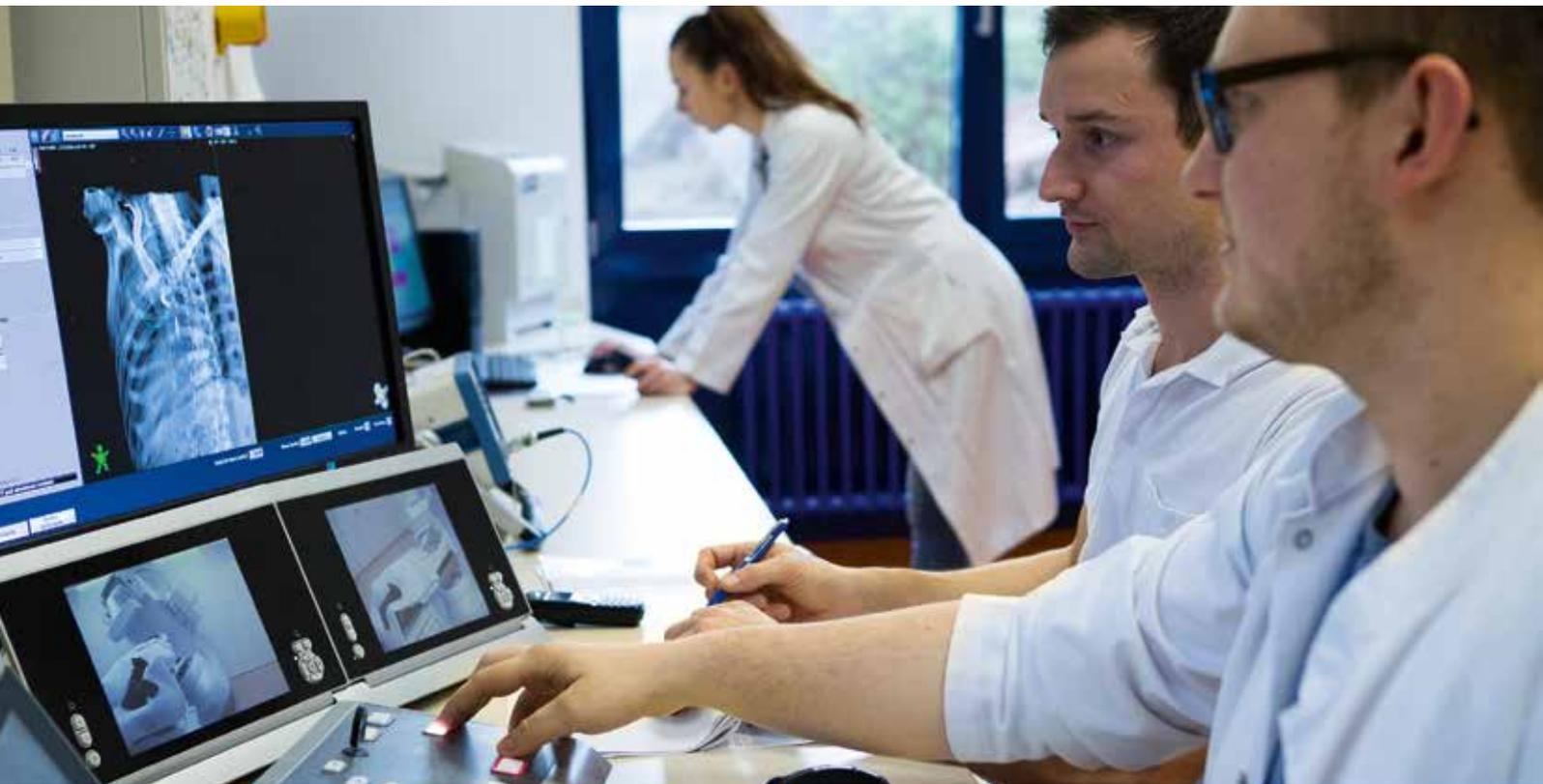
Beds: 830
(as at: 31 Dec. 2015)

“Providing the best possible treatment for tumour patients is our main concern. With our new high-performance linear accelerator, we can provide our patients with treatment that is more precise, faster, efficient and thus significantly more gentle.”

Ronja Schiller, medical physics expert in training







More effective and gentle radiotherapy for cancer patients at Marburg University Hospital

After a construction time of only nine months, a new, state-of-the-art radiation unit was put into service at the Clinic for Radiation Therapy and Radiation Oncology at Marburg University Hospital in October 2015. Thanks to its more precise beam focusing, this facility, referred to as a linear accelerator, enables pinpoint irradiation of the tumour and thus faster and more effective therapy with lower levels of stress for patients. The linear accelerator is particularly suited for treating tumours of the brain, lung and liver using high single doses.

Radiotherapy is a key element of successfully treating cancer patients. With the new linear accelerator, UKGM Marburg has the most state-of-the-art technology currently available in the field of radiotherapy. It opens the door for patients to optimised treatment possibilities

with much higher tolerance levels: thanks to special technical procedures, the new unit makes it possible, so to speak, to trace out nearly any required anatomical shape with a radiation dose distribution and thus do a better job of sparing the healthy organs around the tumour.

With integrated X-ray imaging, the device moreover for the first time offers doctors the possibility of observing the tumour during irradiation and to adjust the irradiation in the case of tumour movements.



Our claim: Cutting-edge university medicine of the highest quality

As part of Universitätsklinikum Gießen und Marburg (UKGM), Marburg University Hospital offers medical care, modern diagnostics and comprehensive treatment to the highest international standards.

With its 80 clinics and institutions at both sites, UKGM is Germany's third-largest university hospital. The staff, numbering some 9,700, each year provide around the clock care for over 450,000 patients.

In Marburg, 1,146 approved beds are available. Of these, 1,102 are in the acute inpatient area, with 44 beds being used for day-clinical and semi-inpatient care.

Marburg focuses on both research and the treatment of cancer patients, neurology, diagnosis of hitherto unknown or rare diseases, and training emergency doctors for the whole of Hesse.

Universitätsklinikum Marburg

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Beds: 1,146
(as at: 31 Dec. 2015)

“With the radiopharmaceuticals produced in our new facility, we can help a great number of patients at Zentralklinik Bad Berka as well as far beyond the borders of Thuringia. Our drugs are used above all in diagnosis, but also in the treatment of specific tumour types.”

Birgitta Bauer, provisional head of Radiopharmacy







New radiopharmacy at Zentralklinik Bad Berka produces drugs for tumour treatment

With the new building for the Radiopharmacy department, the latest centre for manufacturing radiopharmaceutical drugs in Germany has been established in Bad Berka after a construction time of roughly one year. The two-storey building with a size of roughly 1,300 square metres houses a circular accelerator (cyclotron) for the production of short-lived radionuclides which can be processed under clean-room conditions into radiotherapeutically effective drugs internally for supplying the Centre for Molecular Imaging (PET/CT) as well as distribution throughout Germany. Moreover, radioactive therapeutics are also manufactured for the treatment of specific tumour types for the Clinic for Molecular Therapy at Zentralklinik Bad Berka.

The new building had become necessary because the old radiopharmaceutical facility, in operation since 1998, was not capable of producing the necessary quantities of drugs, and because extensive necessary changes to the clean room area could not be implemented. During the planning stage there was intensive cooperation with the competent authorities such as the Thuringian Administration Office as well as the Thuringian Office of Food Safety and Consumer Protection. The aim here was to harmonise

the requirements of radiation protection and drugs law. Ultimately, the Radiopharmacy at Zentralklinik Bad Berka is subject to the same requirements as any other industrial pharmaceutical company.

The cyclotron features ideal shielding from the outside world with a dual-shell wall structure made from concrete and earth together providing for a thickness of over four metres, i.e. the radiation level is no higher than the level naturally occurring in the environment. The staff employed in the Centre for Radiopharmacy are likewise protected by special measures during the production of radioactive pharmaceuticals, e.g. by lead shielding of up to ten centimetres thick.



We offer cutting-edge medical care to international standards – in one of the country’s most beautiful hospitals

Zentralklinik Bad Berka is a state-of-the-art hospital with a supraregional care mandate and an academic teaching hospital. In 20 specialist clinics and institutes as well as an interdisciplinary diagnostics department with highly qualified doctors and trained nursing staff, we provide care to patients from throughout Thuringia, other federal states and abroad. Overall, Zentralklinik Bad Berka – which in 2015 was distinguished by the newspaper “Thüringer Allgemeine” as “Best Large Hospital” in the Federal State of Thuringia – has 648 approved beds, and with a staff of some 1,800 is also the largest employer in the Bad Berka region.

Our facility offers cutting-edge medical care at an international level. At the same time, being close to patients and their wishes is at the forefront of our work. Individual care and attention is just as important for us as providing the best possible treatment, which is made possible by interdisciplinary cooperation amongst the various clinics.

Within its major fields of medical work, Zentralklinik Bad Berka has developed particularly strong areas of focus in all specialist departments and established certified centres. For example, in 2015 the certification as a competence centre for thoracic surgery and the recognition as an endoprosthetics centre of maximum care were newly added to the existing certified centres. This establishment of focus areas is being steadily enhanced on an ongoing basis so as to expand the hospital’s standing as a medical centre of excellence of supraregional importance in future as well.

Zentralklinik Bad Berka

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Beds: 648
(as at: 31 Dec. 2015)

“Our ultra-modern hybrid OR provides us with the ideal basis for treating our patients in a single operating theatre with teams from different disciplines with new and, above all, more gentle procedures.”

Andrea Hetche-Donges, MTRA







Ultra-modern hybrid OR at Gießen University Hospital enables more gentle treatment procedures

The hybrid operating theatre at Gießen University Hospital combines a total of three otherwise separate units: a complete heart catheter laboratory, the actual operating theatre and a fully equipped angiography unit. In one of the most state-of-the-art facilities in Germany, all heart surgery and vascular surgery procedures can be performed, with the possibility of minimal-invasive operations ensuring the utmost level of safety. With this comprehensive range of uses, the facility is ideally suited for complex and difficult operations performed by interdisciplinary doctors and teams of assistants.

The heart of the hybrid OR is a fully equipped angiography unit (X-ray unit for displaying vessels) which delivers three-dimensional, high-definition images of the entire abdominal cavity and thorax while the operation is under way. In addition to these X-ray images and the live camera view of the respective operation area, further information is continuously available at a glance on additional monitors displaying the echocardiogram and circulator parameters.

The path breaking technology is arranged in what is referred to as a C-arm system comprising a flexible arm that can move around the patient. The doctor can make X-ray images of the patient from all angles. Moreover, the OR table can be pivoted and tilted as needed without affecting the imaging quality.

In the hybrid OR, new and above all more gentle treatment procedures can be used – and that with a lower level of X-ray exposure for patients, the treating doctors and assistance teams. Heart valve operations are just one example of this. With the innovative procedures for treating aorta and mitral valve defects, patients previously considered inoperable due to previous diseases or their poor general state of health can also be treated in this way. A further focus is on treating damage to the aorta. At the Hessian Aorta Centre, more than 240 procedures are performed each year. Whether treating aorta tears in emergencies or using multi-piece, complex stents: in the modern facility these operations can also be performed on a minimal-invasive basis – without the need to open the thorax associated with conventional procedures.



We combine research and teaching with practice – that means state-of-the-art diagnosis and treatment at an international level

As part of Universitätsklinikum Gießen und Marburg (UKGM), Gießen University Hospital offers medical care, modern diagnostics and comprehensive treatment to the highest international standards.

With its 80 clinics and institutions at both sites, UKGM is Germany's third-largest university hospital. The staff, numbering some 9,700, each year provide around-the-clock care for over 450,000 patients.

In Gießen, 1,145 approved beds are available. Of these, 1,101 are in the acute inpatient area, with 44 beds being used for day-clinical and semi-inpatient care.

The areas of focus in Gießen are research and treatment of heart diseases, children's heart diseases, lung diseases, as well as research and care in the area of infections.

**Universitätsklinikum
Gießen**

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Beds: 1,145
(as at: 31 Dec. 2015)





Innovation

The cardiovascular hospital Herz- und Gefäß-Klinik at the RHÖN-KLINIKUM Bad Neustadt campus is once again assuming a leading role in technical and clinical radiology: it is the first hospital in Germany to use the ultra-modern “Revolution” CT that combines all leading technology concepts of computer tomography in a single device.

- In financial year 2015 we treated 765,109 patients in our hospitals and medical care centres, generating revenues of € 1,108.2 million, EBITDA of € 154.2 million as well as a resulting consolidated profit of € 87.4 million.
- Projected construction measures were launched on schedule in financial year 2015 with the groundbreaking ceremony for the construction of the new campus in Bad Neustadt. The basis for the campus concept has thus been created.
- The fourth quarter witnessed the execution of the second tranche in our Share Repurchase Programme, and with it the redemption of 6.5 million shares. As a result, the registered capital of RHÖN-KLINIKUM AG was reduced in total by roughly € 16.3 million to € 167.4 million by way of simplified redemption pursuant to section 237 (3) no. 2, (4) and (5) of the German Stock Corporation Act (Aktiengesetz, AktG).
- After the contracts and agreements relating to the operation of the particle therapy centre at the Marburg University Hospital site had been signed in 2014, patient treatments were begun there at the end of October 2015.

1 BASIC CHARACTERISTICS OF THE RHÖN-KLINIKUM GROUP

1.1 OVERVIEW

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

	2015	2014	Change
	€ m	€ m	
Revenues	1,108.2	1,510.5	-26.6%
EBITDA	154.2	1,413.6	-89.1%
EBIT	93.1	1,330.9	-93.0%
EBT	90.3	1,248.5	-92.8%
Operating cash flow	148.2	1,310.3	-88.7%
Consolidated profit	87.4	1,227.9	-92.9%
Balance sheet total	1,634.5	1,804.3	-9.4%
Investments	87.0	78.5	10.8%
Equity	1,108.7	1,248.9	-11.2%
Net liquidity	356.1	536.1	-33.6%

As a result of our portfolio restructuring in the wake of the Fresenius/Helios transaction, our business and performance figures lend themselves to only limited comparison with the previous year.

Compared with the previous year we recorded, as a result of the sale of hospitals, medical care centres and other affiliated interests to Fresenius/Helios (for the most part included in 2014 annual financial statements on the basis of two months of business activity) – accompanied by income of € 1,347.3 million realised in the previous year –, a decline in EBITDA by € 1,259.4 million to € 154.2 million (previous year: € 1,413.6 million), a decline in EBIT by € 1,237.8 million to € 93.1 million (previous year: € 1,330.9 million) and a decline in consolidated profit by € 1,140.5 million to € 87.4 million (previous year: € 1,227.9 million).

As at 31 December 2015, our consolidated financial statement included ten hospitals with 5,218 beds/places at a total of five sites. A total of 765,109 (previous year: 1,222,846) patients were treated at our hospitals in financial year 2015. 37.4% of this decline by 457,737 patients was essentially attributable to the sale of subsidiaries. As at the balance sheet date, the Group employed 15,654 persons (31 December 2014: 15,602), with the share of women continuing to be roughly 75%.

Compared with the same period last year, operating cash flow, calculated from consolidated profit plus depreciation/amortisation and net of/plus other non-operating items (balance of profits and losses from disposals of assets, expenditure from the market valuation of derivatives), declined by € 1,162.1 million to € 148.2 million (previous year: € 1,310.3 million) chiefly as a result of the sale of subsidiaries in 2014. Total investments stood at € 87.0 million (previous year: € 78.5 million).

As at 31 December 2015, equity stands at € 1,108.7 million (31 December 2014: € 1,248.9 million). Compared with the balance sheet date of 31 December 2014, the decline in equity by € 140.2 million results from the adopted share repurchase and accompanying capital reduction (€ 167.0 million), from dividends paid to shareholders and non-controlling interests (€ 60.4 million), as well as from the recognition of losses from the revaluation of defined benefit pension plans (€ 0.2 million), which compares with consolidated profit of financial year 2015 amounting to € 87.4 million. The equity capital ratio declined compared with the last reporting date from 69.2% to 67.8%. This is in particular attributable to the cash used in the share repurchase and the related capital reduction in financial year 2015. As at 31 December 2015, net financial debt – including liabilities under finance leases – was € 0.0 million (31 December 2014: € 0.0 million). As at 31 December 2015, we report net liquidity of € 356.1 million (31 December 2014: € 536.1 million).

1.2 FUTURE OF THE GROUP

Since having sold 43 hospitals, medical care centres and other affiliated interests in financial year 2014, we have been focusing at our five sites on cutting-edge medicine oriented towards maximum care with a direct link to universities and research facilities. Our facilities are characterised by closely integrated healthcare delivery, research

and teaching as well as a high level of medical and nursing quality.

Following the sale of subsidiaries to Fresenius/Helios, RHÖN-KLINIKUM AG is undergoing a transformative process into a provider of cutting-edge medical care that not only anticipates but actively shapes changes in the healthcare system. First and foremost included in this is our campus concept already being implemented in full swing at our Bad Neustadt site and in future slated to be rolled out in prototype form at other sites. Over the next few years we will further expand our offering with the aim of achieving full-service medical and nursing care in rural regions and are taking on the challenges presented by the growing requirements for healthcare delivery also reflecting the needs of the elderly.

To further press ahead with the general strategic issues of treatment excellence, innovation and network medicine, the Supervisory Board in financial year 2015 approved the expansion of the Board of Management. Since 1 January 2016, Prof. Dr. Bernd Griewing, spokesman of the Medical Board, has also been on the Board of Management as chief medical officer (CMO). His main tasks include further promoting the Medical Board, the interests of hygiene and patient safety as well as medical process management.

A strong concentration on cutting-edge medical services is coupled with the stated claim and reality of diagnosing and treating patients on the basis of the latest, scientifically founded therapy procedures with state-of-the-art medical technology. Since 2014, corporate development at RHÖN-KLINIKUM AG has been closely escorted by the Medical Board. It has been entrusted the task of inspiring the medical strategy of the Company, implementing specific innovation projects and synchronising medical expertise with the Company's corporate objectives. Moreover, the Medical Board advises and assists the Board of Management and the managements of our hospitals in assessing medical innovations, new treatment procedures and the installation of complex medical equipment.

The realisation of the Particle Therapy Centre at Marburg University Hospital represents a beacon of innovative cutting-edge medicine. With this technology it is possible to direct protons and carbon ions using high-energy acceleration with pinpoint accuracy against certain types

of tumours and to achieve irradiation of disease foci (which hitherto were inoperable and in some cases untreatable by radiotherapy) with practically no side effects. The Marburg Ion Beam Therapy Centre began treating its first patients at the end of October 2015.

Moreover, the projected construction measures were continued in financial year 2015. Preparations for starting the business activities of our new company RHÖN Innovations GmbH have since also been completed. The company has been given the task of participating in start-ups in the fast-growing e-health segment that develop selected medical and medical-technology applications. With this investment company, we would like to steadily expand our leading position on the market in the area of medical technology, further improve our medical service offerings, and thus create noticeable added benefits for our patients.

Furthermore, the implementation of the contemplated network group involving the network partners Helios and Asklepios has made significant further headway. In the medium term, the network is to be expanded into an operator-open, national network of qualified providers offering insured patients outpatient and inpatient healthcare services under an employer-financed supplementary insurance scheme. The network partnership is expected to give noticeable impetus to the economic development of RHÖN-KLINIKUM AG. Our self-perception continues to be characterised by the maxim of offering our patients high-quality medical care.

Corporate model

Underlying all our activity is the well-being of our patients who entrust themselves to our staff at our hospitals and facilities and who are always the focus of our efforts. RHÖN-KLINIKUM AG has therefore committed itself to achieving responsible and sustainable corporate governance. To be able to provide a medical offering oriented on maximum medical care, it is necessary to generate funds for investments. High medical quality on the one hand and the efficiency of our facilities on the other in our view are simply two sides of the same coin. Without an economically satisfactory business result we cannot ensure the best possible treatment for our patients.

As a rule, it is also only economic success that creates the basis for secure jobs and employment as well as the necessary investment in building and equipment infrastructure. For that reason, providing for a sustainable offering of high-quality healthcare delivery is something that cannot be confined to medical aspects alone. For viable and innovative healthcare delivery, it is imperative to take account of the economic framework conditions and the focus on efficiency in treatment processes. We are convinced that meeting high quality standards and achieving economic success – above all over time and with a view to sustainable performance – are two things that are mutually dependent and go hand in hand.

The areas of compliance, corporate governance, management of risks and opportunities as well as quality management are governed by this corporate model and are thus the key tools by which we steadily increase the value of RHÖN-KLINIKUM AG on a sustainable basis and strengthen the trust of our investors.

Corporate social responsibility

Sustainable value enhancement and long-term commitment are the key elements of our corporate activities – both as a healthcare provider and as an employer and exchange-listed company.

In addition to continuous growth and economic progress, ecological and social responsibility are also key when it comes to creating sustainable value. For us, successful healthcare delivery depends in particular on healthy environmental and living conditions. We thus attach all the more value to maintaining a fair and balanced relationship with our employees. The key issues arising from our corporate and sustainable development are therefore to further the well-being of the Company, protect and take responsibility for the environment as well as promote and retain our employees.

Society

For us, exercising due care and diligence for the health of society means assuming social responsibility. The highest good of each individual is that person's health. It has a decisive influence on quality of life. We are therefore committed to ensuring affordable medical care by which we reach broad sections of the population. To make sure that

we will continue to be able to do so in future, we are helping to ensure that the German healthcare system remains socially balanced and efficient.

To further improve healthcare delivery for our patients whilst at the same time raising the productivity of our hospitals, we attach great importance to having rational and efficient structures at our sites. Just as important as efficiency is innovation. It is what drives RHÖN-KLINIKUM AG forward. Our advances are to benefit as many people as possible, and our patients are to share directly in the successes of modern medical research. That is why we promote cutting-edge medical services with external research and development partners and find innovative solutions for the well-being of our patients. To this end, we rely on a mutual exchange between the individual competence centres at our hospitals.

Environment

Conserving the environment is of tremendous importance to RHÖN-KLINIKUM AG. With our entrepreneurial activity comes the obligation to make sparing use of natural resources and to protect the environment. Good environmental conditions are the basic condition for human well-being and health. With our commitment to the environment we thus contribute to the well-being not only of our patients but also of our employees and partners.

Energy and environmental management, whose key tasks are efficiency and sparing use of resources, is also reasonable in terms of economic aspects. One focus of particular importance to us is sustainable energy management. We continually invest in innovative processes with a view to both generating energy and reducing energy consumption. By reducing the cost of energy consumption, we also fulfil our mission of economically responsible corporate governance. When we manage our resources sparingly, we have all the more resources available for ensuring affordable, high-quality medical care for as many people as possible.

You can find more detailed information and key figures regarding our commitment to the environment and sustainability in our Annual Report under the section "Highest Standards".

Employees

The success of RHÖN-KLINIKUM AG is built on the commitment and expertise of our employees. That is why we attach great importance to the continuing further development of our organisation as well as to professional, forward-looking skills management. In addition to professional qualifications, though, what is also important to us is the individual development and motivation of the people employed with us.

Given continuing advances in medical and nursing care and the ever changing framework conditions, we see it as our obligation as a Company to continually open up new opportunities for further development, and that goes for experienced employees too. That means, that in addition to our employees' professional qualifications, their personal development in terms of their career and private endeavours are also important to us. This is supported by individual career promotion, internal training and continued training offerings as well as a wide range of continued high-qualification training offerings.

A central element component of our human resources strategy is knowledge transfer between our individual hospitals. That is why we organise our higher-qualification and continued training as decentralised offerings, in this way enabling our employees to network more quickly with their colleagues at other sites. When it comes to this key area of knowledge exchange, we are also committed to closely integrated medical care and management.

We encourage a balance between professional and private life in which we put the main emphasis on a compatibility of career and family. As an attractive employer, we want to retain our employees for the long term. That is why we offer our employees family-friendly working conditions with individual provisions.

In our efforts to promote young talent, we are keen on making early contact with university graduates and young specialists who are still in the professional orientation phase.

1.3 OBJECTIVES AND STRATEGIES

Currently, we are concentrating at five sites on maximum-care cutting-edge medicine with a direct link to

universities and research facilities. For the current financial year 2016, we expect revenues between € 1.17 billion and € 1.20 billion as well as earnings before interest, tax and depreciation/amortisation (EBITDA) of between € 155 million and € 165 million. This includes the first-time consolidation of Kreisklinik Bad Neustadt as of the start of the year. Moreover, one-off effects on the earnings side could have an impact during the current financial year. These positive and negative extraordinary effects are in each case in low to medium double-digit million euro range; they will take effect over the full financial year of 2016 and to some extent will compensate each other. We will continue to be one of the largest hospital operators in Germany in future as well.

With a strong focus on cutting-edge medical services, RHÖN-KLINIKUM AG is following a path being taken in other industries. By staking out a position in the premium medical care segment, we are creating the basis for helping our patients have access to unrestricted cutting-edge medical services also in future.

A large percentage of Germany's population lives in mostly rural regions outside big population centres, and that is also where many – as a rule smaller – hospitals are based. One of our key corporate tasks is therefore to ensure the successful medical and economic further development of complex care offerings within these framework conditions. With our campus approach, we are addressing the requirement for networking healthcare service hitherto differentiated by sector. Over the next few years we will further expand our offering with the aim of achieving generalised, full-service medical and nursing care in rural regions and are taking on the challenges presented by the growing requirements for healthcare delivery also reflecting the needs of the elderly. Particularly inpatient and outpatient services are structurally, spatially and logistically integrated with one another on the premises of a high-performance hospital. Against this background, the takeover e.g. of the former Kreisklinik Bad Neustadt on 1 January 2016 also makes sense. The integration of this hospital into the RHÖN-KLINIKUM Bad Neustadt campus being newly created is providing considerable additional medical and corporate impetus.

The projected construction measures were implemented in 2015 with the groundbreaking ceremony for the

planned construction of the new campus in Bad Neustadt. The de facto new construction of the Psychosomatic Clinic in Bad Neustadt is nearing its scheduled completion. At the campus site of Frankfurt (Oder), the further development of the site was also continued. For our University Hospital in Marburg, we also see huge development potential. We are also sparing no efforts to ensure an adequate implementation of our campus approach. The plans are for a modern outpatient and diagnostics centre aimed at strengthening research and teaching particularly in the outpatient area, sustainably enhancing efficiency and investment strength, as well as proportionately enhancing university cutting-edge medical care within the university hospital's service offering.

In keeping with provision of the best possible nursing and care, our objective is to diagnose and treat our patients on the basis of the latest, scientifically founded therapy procedures with state-of-the-art medical technology.

It is also with this in mind that we established our Medical Board in 2014. It has been entrusted the task of inspiring the medical strategy of the RHÖN-KLINIKUM AG, implementing specific innovation projects and synchronising medical expertise with the Company's corporate objectives. Moreover, the Medical Board advises and assists the Board of Management and the managements of the hospitals in assessing medical innovations, new treatment procedures and the installation of complex medical equipment.

One example of innovation is the realisation of our Particle Therapy Centre together with Heidelberg University Hospital at the Marburg site. With this technology it is possible to direct protons and carbon ions using high-energy acceleration with pinpoint accuracy against certain types of tumours and to achieve irradiation of disease foci (which hitherto were inoperable and in some cases untreatable by radiotherapy) with practically no side effects. The Marburg Ion Beam Therapy Centre began treating its first patients at the end of October 2015. Moreover, preparations for the launch of RHÖN Innovations GmbH have since been concluded. The company has been given the task of participating in start-ups in the fast-growing e-health segment that develop selected medical and medical-technology applications. Through this investment company, we want to steadily further

expand our leading market position in medical technology. Ultimately, all these efforts are geared towards making a tangible improvement in medical service offerings and thus creating added benefits for patients.

Our strategic re-orientation also includes the concept of network medicine. The network has structured itself under the name "Wir für Gesundheit" (Eng.: We stand for health), and expansion of distribution is moving ahead apace. In the medium term, the network is to be expanded into an operator-open, national network of qualified providers offering insured patients outpatient and inpatient healthcare services under an employer-financed supplementary insurance scheme.

To further press ahead with the general strategic issues of treatment excellence, innovation and network medicine, the Supervisory Board has approved the expansion of the Board of Management. Since 1 January 2016, Prof. Dr. Bernd Griewing, chairman of the Medical Board, has also been on the Board of Management as chief medical officer (CMO). The main tasks include further promoting the Medical Board, the interests of quality, hygiene and patient safety as well as medical process management.

The well-being of the patient – which is the ethical basis of our activity and at the same time of our economic success – will continue to be our standard also in future. All patients coming to us can be assured that they will receive the best treatment at all times.

1.4 CONTROL SYSTEM

For our Company, we have developed a target system which we believe allows us to consistently outperform the market and our competitors. The target system defines key figures of relevance for control, such as revenues and EBITDA, as well as key figures for growth in service volumes and consolidated profit.

In our view, profitable growth in our service volumes, number of cases or our valuation ratios as well as our revenues is an important factor when it comes to increasing our enterprise value.

Valuation ratios are key figures used to account for medical services at hospitals. For each group of patient cases (diagnosis related groups, DRGs), the valuation ratio is

obtained in combination with the case-mix index (variable indicating average case severity). The valuation ratio is thus a measure of how severe a medical case is. If the valuation ratio is multiplied by the base rate, the amount that a payer (health insurance fund) has to pay to a hospital for a treatment case is obtained. For us, this performance indicator is important for showing both case numbers and for assessing quality.

We calculate our growth in revenues as the rate of growth of the revenues stated in our consolidated financial statements. For the purposes of measuring and controlling, revenues as a general rule are adjusted for consolidation effects so as to determine organic growth.

EBITDA describes our operative performance efficiency before depreciation/amortisation and represents an important control-relevant financial performance indicator. Our objective is to achieve EBITDA margins throughout the financial year which are amongst the most attractive in the hospital market in keeping with the orientation of the individual facilities. These margins are defined as the quotient of EBITDA and revenues.

Moreover, consolidated profit after tax is used to measure and control earnings strength at the Group level. This figure has the biggest influence on earnings per share (EpS) used for capital market communication.

The aim of the Management with regard to the handling of equity and debt is to adopt a strict policy of matching maturities (horizontal balance sheet structure) of the source and use of funds. Non-current assets should be funded on a long-term basis. The items of equity and non-current liabilities shown in the balance sheet are included under the source of long-term funds. This key ratio is to be at least 100%. Although given the personnel cost ratio of more than 50% the Group is frequently attributed to the services sector, our business model has a long-term focus and is initially investment-driven. In this regard we seek to ensure that at least 35% of capital expenditure is sustainably backed by equity.

With regard to debt capital, which may be used in principle, we focus on the following management ratios for minimising risks: the aim is to limit the ratio between net financial debt (which equals financial liabilities less cash and cash equivalents) and EBITDA to a maximum 3.5-fold

multiple and the ratio of EBITDA to net finance result to a minimum 5.0-fold multiple.

In the liquidity management of our operating activities, we analyse the turnover factors of operating net current assets. Moreover, we have defined minimum requirements that generally have to be considered before making an acquisition. In particular, acquisitions must have the potential of making a positive contribution to enterprise value within at least three years from integration, and of generating a positive cash return of 15% within three to five years from our investment and modernisation measures.

1.5 QUALITY

In healthcare policy, the year 2015 was marked by the quality offensive launched by the Government Coalition. For the future, politicians' stated intention is to reward good quality in inpatient medical care and penalise poor quality. The newly created Institute for Quality and Efficiency in the Healthcare System (Institut für Qualitätssicherung und Transparenz im Gesundheitswesen) (IQTIG) is to develop binding quality indicators so that the services provided by German hospitals can be measured and represented. Components of the remuneration are then to be based on the quality delivered (pay-for-performance). Also, hospitals in future are to be licensed depending on the level of quality in the services they provide. Until the changes are implemented 2017, or possibly also in 2018, hospitals will try to prepare for this new framework.

RHÖN-KLINIKUM AG has met this challenge through, among other things, its hospitals having joined the Initiative Quality Medicine (IQ^M). Along with the Internet portal for quality information, Qualitätskliniken.de, whose founding shareholder is RHÖN-KLINIKUM AG, IQ^M represents the second major quality initiative by German hospitals. RHÖN-KLINIKUM AG is the first hospital group to actively participate in both initiatives. Both initiatives between them represent some 500 German hospitals and in the spring of 2015 joined together to establish the foundation Stiftung Initiative Qualitätskliniken (SIQ!). SIQ! is currently an important driving force in the current debate on quality, and through its management is involved in the important conferences. Early in 2016, the annual conferences of Qualitätskliniken.de and IQ^M will be

held for the first time as a joint quality forum. It is to provide a major impetus to core elements of the future development.

RHÖN-KLINIKUM AG, as a shareholder of Qualitätskliniken.de and of SIQ!, is permanently involved in the work in the bodies of these institutes and their decision-making processes, thus allowing it to take an appropriately proactive role in helping to shape developments in this important healthcare policy area in keeping with its own corporate standards.

Within the Group division Medical, the further development of quality management has been an important focus of interest. In addition to preparing for and implementing membership in IQ^M, a further objective was to enhance coordinated cooperation with the quality management officer at the Group's hospitals and at Group level. For this purpose, semi-annual meetings were set up that were also attended by the heads of the respective medical controlling departments. This interdisciplinary cooperation was especially important since quality indicators are increasingly being generated as routine data, meaning that the content of the coding is becoming increasingly important also in terms of quality aspects.

The quality results of the quality initiatives IQ^M and Qualitätskliniken.de as well as statutory quality assurance and the quality survey conducted by the health insurance fund AOK were the constant focus of interest of the centralised quality management department of the Group division Medical Care and were communicated in aggregated form within the corporate bodies of RHÖN-KLINIKUM AG. For 2016, refined regular reporting on quality (Quality Cockpit) is planned.

In consultation with the Medical Board, the Group division Medical also turned its focus to further enhancing patient safety. Supported by the innovation pool of RHÖN-KLINIKUM AG, a risk audit with the involvement of the risk consultancy firm Gesellschaft für Risikoberatung from Detmold was carried out at Marburg University Hospital based on three exemplary clinics (Abdominal-Surgery, Gynaecology and Cardiology). The significant scope for further improving patient safety revealed by this was implemented in the form of action plans. Based on the insights gained, a plan for a roll-out within UKGM and the other hospitals of the Group was prepared and

implemented. A revision and further improvement of the Group-wide Critical Incident Reporting System (CIRS) was also agreed.

Under the effective management of the hospital hygienists of RHÖN-KLINIKUM AG and the coordination of the Group division Medical, the human resources concept in the area of hospital hygiene for the Group's hospitals was established and adopted in the Medical Board. Furthermore, the relevant subject areas of hospital hygiene (surface disinfection, preparation of medical devices, screening, outbreak management and antibiotics stewardship) were discussed and coordinated. For 2016, the adoption of a Group-wide standard for these areas is being sought.

The area of medical controlling is the economic counterpart to quality management. Medical controllers are internal advisers to the medical and administrative areas. In operative medical controlling, there are coding specialists who identify and document services performed for each individual patient, while others have the task of checking the documentation. In this way they create the basis of correct accounting of services and a sound information basis for budget negotiations with payers.

To support the hospitals, a reporting system has been developed over the past years by which areas of focus of the MDK (MDK = Medical Review Board of the Statutory Health Insurance Funds) for controlling as well as the causes of controlling losses can be identified so as to develop measures to improve process and documentation quality.

For 2015, the contractual parties face a major challenge with the Agreement on Review Procedures of the MDK. It basically continues to be assumed that this will speed up the review procedures, but that on the other hand will be accompanied by a considerable impairment of post- and re-codings in the review procedure and a rise in the number of social court proceedings with some payers.

Another field of medical controlling is documenting and recording highly complex nursing services (nursing complex procedure score, PKMS) in patient care, which was further improved and consolidated in 2015. The accounting-relevant requirements for nursing documentation were fulfilled without time-consuming multiple recording

of data in the hospitals. Identifying patients requiring highly complex nursing and improving the documentation of the nursing services provided is an objective pursued by all our hospitals. For that purpose, the experts from the hospitals regularly engage in a mutual exchange in Group-internal workshops.

In addition, the switch to the system of flat-rate remuneration for psychiatric and psychosomatic facilities (PEPP) at psychiatric and psychosomatic acute hospitals will have an impact on the respective hospital's results of operations. The switch to PEPP is mandatory as of 2017, but is budget-neutral until 2019. Currently, the hospitals are bringing their internal processes in line with these new challenges. We estimate that the effects on the results of operations will be minor in the short term. The medium-term assessment will depend on how the PEPP system develops.

1.6 MEDICAL RESEARCH AND ITS TRANSFER INTO PRACTICE

Our hospitals participate in an ongoing transfer of knowledge from research to practice to ensure that scientific findings are put into medical practice at hospitals faster, better and more effectively. That is because demand for advances in medicine is growing in line with demographic changes. As society continues to grey, the number of people suffering from widespread diseases such as cancer, diabetes, cardiovascular, infectious, pulmonary and neurodegenerative conditions is also growing.

By significantly increasing its research budget in 2015, RHÖN-KLINIKUM AG achieved a targeted expansion of its competitive position in the area of treatment innovations and cutting-edge medical care. That means that projects dealing primarily with the subjects of "research and innovation" as well as "treatment excellence and network medicine" will also be funded over the coming years. The research and innovation programme covers projects spanning all of the Group's five sites.

At our hospitals we offer cutting-edge medicine oriented towards maximum care with a direct tie-in to research. For that, use of state-of-the-art medical technology based on an efficiently turning current research findings into clinical practice is indispensable, as is providing effective care for our patients. From these research expenditures

we expect to be able to generate prospectively further competitive advantages and thus reap considerable benefits in terms of revenues and growth.

At the five sites of RHÖN-KLINIKUM AG, intermediate and maximum care has met high treatment standards for many years. In addition to the customary treatment offerings for maximum-care hospitals, we provide special therapy and diagnosis procedures at some of the sites of which we present a small selection below:

- After a period of intensive planning and construction, the Marburg Ion Beam Therapy Centre (MIT) successfully started up operation for patients in October 2015. At initially two treatment places, this highly innovative particle therapy is being used for patient care, clinical trials and research work. Particularly patients for whom tumour growth cannot be halted using conventional radiotherapies can benefit from the new facility.
- The Marburg virologists have achieved a tremendous success in the development and testing of an Ebola vaccine. The efficacy of the vaccine, which to a decisive extent was developed in Marburg, was successfully tested in a clinical trial in 2015. The Marburg virologists had helped launch the trial in view of the Ebola epidemic in three West African countries.
- Established in 2013, the Centre for Unrecognised and Rare Diseases (ZusE) at the university hospital in Marburg is sought out by patients from throughout Germany. In 2015 alone, Prof. Dr. Jürgen Schäfer and his team recorded over 4,000 inquiries. In 2015, FOCUS Magazin devoted a title report to the medical detective work done in Marburg.
- In June, the model project, unique in Germany, was launched in Gießen: an "intercultural medical outpatient service" for the special needs of patients with a migrant background. The aim is to achieve intercultural opening by providing reasonable medical care while at the same time giving due regard to special cultural aspects.
- Led by the Clinic and Polyclinic for Trauma, Hand and Reconstructive Surgery at the Gießen site, the supra-regionally certified Trauma Centre at the Gießen site treats patients from throughout Central Hesse in the

two most state-of-the-art trauma rooms in Germany. As part of this, the intensive care transport helicopter “Christoph Gießen” has its base in the university town in the form of an air rescue centre along with an additional landing pad on the hospital’s roof.

- In Gießen, the first patients will move into a new palliative ward in October. It offers 16 single rooms with a spare bed for relatives, a living room, patient kitchen and a quiet room. Here, patients whose disease is no longer curable are given the level of care and attention allowing them to preserve the highest possible measure of quality of life and self-sufficiency. The aim is to stabilise the patients as much as possible so that they can return to their domestic environment.
- In addition to the state-of-the-art PET/CT (positron-emission-tomography/computer tomography), Zentralklinik in Bad Berka now has a 3 tesla MRT (magnet resonance tomograph) with highly focused ultrasound. On the one hand, this allows for diagnostic examinations to a high level of quality. On the other, it is possible to offer new cancer treatments which are currently being further developed together with the manufacturer.
- Since 1 January 2015, three specialised hospitals at RHÖN-KLINIKUM Campus Bad Neustadt have joined the ranks of teaching hospitals. The Clinics for Neurology, Psychosomatics and Cardiosurgery have been recognised as Academic Teaching Hospitals of Philipps-University Marburg. The first medical student completing her year of practical training was received by the Neurological Clinic of Bad Neustadt in September 2015.
- In close cooperation with the specialty area of cardiology at the campus in Bad Neustadt, the speciality area of radiology put into service a state-of-the-art computer tomograph. This new, more advanced cross-section imaging diagnosis tool gives the specialty areas of radiology and cardiology new possibilities for diagnosing cardiovascular diseases. Particularly the improvement in imaging quality in difficult framework conditions (cardiac arrhythmias) is proving especially valuable in the daily routine of cardiovascular disciplines.

- In May 2015, a two-year project was launched at Neurological Clinic Bad Neustadt to improve the care given to stroke patients from the region. The objective is to support patients and their relatives during inpatient and post-inpatient care with individual information and a personal contact (stroke manager). Thanks to regular phone calls and personal meetings between the stroke manager and the patient, the patient is kept informed of events, contacts and new developments (self-help groups, hospital events) of importance to the patient.

These research projects are only some of innumerable other studies and research projects. The measures and activities help us to get modern medical research to our patients quickly so that we can treat and heal them even more effectively. Further specific examples of medical research and development at RHÖN-KLINIKUM Group are 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 for the entire RHÖN-KLINIKUM Group, both in patient care and in the administration and management areas. This is the guiding principle of our entire activity. It is obligatory at each and every phase of our decision-making processes. As we see it, both the statutory provisions and our own even more stringent ethical standards and requirements must be met at all times. These provisions exist in the form of Group works council agreements, guidelines and recommendations so that everyone is enabled to pursue our corporate objectives in accordance with our values.

To put this chosen maxim into practice in our day-to-day activities, we have created numerous interdepartmental instruments and possibilities in all areas. In human resources, 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. Quality management is what breathes the necessary life into our corporate principle. The Internal Auditing Department reviews activities and

transactions also in terms of their legality. The central compliance organisation supports all departments and sites in implementing our entrepreneurial principles, our internal rules and the statutory requirements.

Our compliance management is not a static system. That is why we conduct a regular review based on internal and external events of how effective and up-to-date our system is, continuously adjusting our rules to the latest insights. The aim is to prevent future compliance breaches by identifying and averting risks in a timely fashion. To achieve this, potential compliance incidents are examined, critical work processes audited, and workflows ensuring legally compliant work activity created; employees are also informed of rules to be complied with. Moreover, with the publication "Aktuelle Entwicklungen der Stabsstelle Compliance" (Engl.: Current developments of the central compliance organisation), a non-periodic bulletin was created to inform the Management about current compliance risks. During the financial year, at least two compliance training courses were held at each site; also in future, the central compliance organisation will focus significantly on training employees. At RHÖN-KLINIKUM AG, information policy enjoys very high priority, whether as part of internal higher-qualification measures or work on corporate bodies, e.g. representing the employees and apprentices.

Above and beyond the basic compliance requirements provided for by law, the Group of RHÖN-KLINIKUM AG also has a compliance management system at each site in which everyone is integrated, from the Management to the individual employee. The Rules of Procedure for Compliance are binding Group-wide and apply to each and every employee. They entrust various areas of all hierarchies with various compliance duties and tasks. These are primarily concerned with providing internal advice and information, but also with implementing prevention and protective measures. Within the scope of their compliance-related duties, the corporate bodies of the individual subsidiaries are assisted by the compliance officers on site as well as by the Group-wide central compliance organisation. Given the high importance of compliance for RHÖN-KLINIKUM AG, the central compliance organisation is under the direct responsibility of the chairman of the Board of Management. Furthermore, a separate Supervisory Board Committee for Compliance and Communication responsible for supervising the compliance

management system meets on a quarterly basis. To ensure smooth coordination between risk management, the Internal Auditing Department and compliance, a Compliance Committee also meets on a regular basis.

1.8 CORPORATE GOVERNANCE

Issued share capital

Following our share repurchase programme completed during the past financial year, the subscribed capital of RHÖN-KLINIKUM AG stated in the consolidated financial statements is completely made up of 66,962,470 ordinary voting bearer shares (non-par shares) each having a nominal share in the registered share capital of € 2.50. Restrictions on voting rights or the transfer of shares – even if these may result from agreements of shareholders – do not exist or are not known to us. None of our shares is issued with special rights that confer on its holder special powers of control. Employees who hold shares exercise their voting right freely. Shareholders may exercise their voting rights themselves at the Annual General Meeting or through proxies appointed for this purpose. In our Notes we have disclosed in detail the direct and indirect interests in capital pursuant to section 21 et seq. of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG).

Consolidated financial statements, communication with shareholders and analysts

The consolidated financial statements are drawn up in accordance with the provisions of International Financial Reporting Standards (IFRS) applicable within the European Union and applying section 315a of the German Commercial Code (Handelsgesetzbuch, HGB), and audited in accordance with both national and international auditing standards. The half-year financial statements are subjected on a voluntary basis to a review by a statutory auditor in accordance with the same aforementioned principles. When issuing auditor mandates, due care is taken to ensure the requisite independence of the auditors appointed. The audit mandate for the annual financial statements and for the half-year financial statements of the Group as well as for the Group's ultimate parent company is issued by the chairman of the Audit Committee after due examination pursuant to the resolutions adopted at the Annual General Meeting.

We publish our consolidated financial statements in April of the new financial year. The Annual General Meeting normally takes place within the first six months of the following financial year. We announce our forecasts for the respective financial years in accordance with the requirements. Numerous analyst meetings and investor contact meetings are held. We report on business performance four times a year at analyst conference calls. With our financial calendar published in the Annual Report and in the Internet on our homepage, we inform our shareholders, shareholder associations, analysts and the media of all other recurring key dates.

Corporate bodies

The Board of Management and the Supervisory Board are constituted according to legislation governing German stock corporations. Under this regime the Board of Management directs the Company; the Supervisory Board advises the Board of Management and supervises its management activity. Members of the Supervisory Board and the Board of Management are appointed and dismissed in accordance with the provisions of stock corporation law (Supervisory Board: section 101 et seq. of the AktG; Board of Management: section 84 of the AktG) and the German Co-Determination Act (Mitbestimmungsgesetz, MitbestG).

In line with the principle of equal representation of shareholders and staff pursuant to the German MitbestG, the Supervisory Board of RHÖN-KLINIKUM AG comprises an equal number of employee and shareholder representatives (currently 16) and held four ordinary meetings in 2015 as well as one constituent meeting (2014: four ordinary meetings). At the annual general meeting on 10 June 2015, a new Supervisory Board was elected as scheduled. In this connection, the number of members was adjusted from 20 persons to 16 persons in accordance with the articles of association. Members are appointed for a period of five years. The age limit is 75 years. The Supervisory Board regularly takes its decisions in plenary sessions, or in the competent specialised committees with the power to adopt resolutions; only in isolated cases are decisions made by circulation.

The Supervisory Board constituted a total of seven committees. The Mediation Committee, the Personnel Affairs Committee, the Audit Committee, the Investment, Strat-

egy and Finance Committee and the Committee for Compliance and Communication exist as committees with the power to adopt resolutions. Committees having powers to advise, supervise and make proposals are the Nomination Committee for the election by the Annual General Meeting of Supervisory Board members from the shareholders' representatives on the Supervisory Board and the Medical Innovation and Quality Committee to further develop and secure medical quality.

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

In financial year 2015, the Board of Management of RHÖN-KLINIKUM AG was headed by one chairman and in his absence by the chairman's permanent representative. With regard to the composition of the Board of Management, please refer to the Notes to the consolidated financial statements. The Board of Management directs the Company and manages its business under joint responsibility subject to the Terms of Reference. The areas of responsibility of the individual members of the Board of Management are determined by operative and/or functional competencies. The chairman of the Board of Management is responsible for corporate policy and the Group's fundamental strategic orientation. An age limit of 65 years has been adopted for the Board of Management.

Remuneration of corporate bodies

The remuneration of the members of the Supervisory Board and the Board of Management is defined in the Company's Articles of Association and by resolutions adopted by the Supervisory Board after being prepared by the Personnel Affairs Committee. For the Board of Management, the remuneration for financial year 2015 consists of fixed and variable components, and for the Supervisory Board only of non-results-based remuneration components. The remuneration of the Supervisory Board is performance-linked and related to the amount of time worked, the duties and functional responsibilities assumed by the members of the Supervisory Board. The variable remuneration components of financial year 2015 for the Board of Management are based on assessment criteria derived from consolidated profit. Moreover, members of the Board of Management receive non-cash benefits (e.g. company car, insurance) and a contingent

retirement benefit of up to 1.5 annual salaries. The remuneration for the members of the Board of Management includes both short-term and long-term incentive effects. During financial year 2014, the active members of the Board of Management during that financial year were granted a long-term share-based remuneration (stock options) which is tied to a long-term development of the RHÖN-KLINIKUM AG share. If a member of the Board of Management receives severance compensation because that member's work for the Board of Management has been terminated without good cause, the amount of such benefit including the additional benefits may not exceed the value of two years' remuneration and may not provide remuneration for more than the remaining term of the service contract. The remuneration schemes provided for the Board of Management and the Supervisory Board define the amount and structure of the respective incomes.

During the financial year, the members of the Board of Management are guaranteed a total annual remuneration (sum of base salary and management profit sharing) of at least € 450 thousand. The cap for annual remuneration as a rule is set at € 900 thousand, but can be fixed at 2.5 times this amount for the chairman of the Board of Management and 2 times this amount for his permanent representative and the chief financial officer (CFO).

In financial year 2015, the total remuneration (excluding benefit expense) of the members of the Board of Management holding office in financial year 2015 amounted to € 4.2 million (€ 11.1 million in previous year). Of this total, € 0.8 million (previous year: € 0.8 million) was accounted for by components that are not results-based and € 3.4 million (previous year: € 10.3 million) was accounted for by variable components. The provision for claims to retirement benefits by the members of the Board of Management amounts to € 1.4 million (previous year: € 0.8 million). In financial year 2015, members of the Board of Management (or their surviving dependants) received no remuneration.

The remuneration of the active members of the Supervisory Board amounted to € 2.2 million (previous year: € 2.6 million). The total amount in 2015 was completely accounted for by fixed remuneration components.

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

Shareholdings of members of corporate bodies

As at 31 December 2015, the members of the Supervisory Board and the Board of Management and their related parties together held, pursuant to section 15a of the WpHG, roughly 32% of the Company's registered share capital, of which the Supervisory Board and its related parties account for roughly 32% of the shares in issue. The members of the Board of Management and their related parties do not hold any interests in the registered share capital.

We continue to disclose all transactions of members of the Board of Management and the Supervisory Board which are subject to notification pursuant to section 15a of the WpHG.

Contracts containing a change-of-control clause

The company purchase agreements of the hospitals acquired by us as well as various contracts relating to financial instruments contain provisions according to which, subject to the condition of a change of control as a result of a takeover bid, e.g. a re-transfer of the company shares, the bond and loan creditors may demand immediate repayment. Beyond that there are no agreements from which the Board of Management or employees may establish claims to compensation in the event of a company takeover.

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

Declaration on Corporate Governance

The Declaration on Corporate Governance (section 289a German Commercial Code (Handelsgesetzbuch, HGB)), in addition to the Declaration of Compliance of the Board of Management and the Supervisory Board pursuant to section 161 of the AktG, also contains information on corporate governance practices. The work approach of

the Board of Management and the Supervisory Board as well as the established committees are also described. Moreover, the Declaration on Corporate Governance contains disclosures on whether the Company has complied with the minimum proportions of men and women in the composition of the Supervisory Board, and if not, disclosures on the reasons for this.

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

Declaration of Compliance with the German Corporate Governance Code

By corporate governance we understand responsible corporate governance and control oriented towards creating long-term value and enhancing the Company's value. Good corporate governance is the basis of the decision-making and control processes of the Supervisory Board and the Board of Management. Together with a transparent as well as legally and ethically based corporate culture, corporate governance is the prerequisite for preserving and strengthening the trust that patients, employees, shareholders and business partners place in us, and for securing and enhancing the added value of our enterprises on a sustainable basis.

In financial year 2015, the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG conducted a thorough regular examination and detailed discussion of the German Corporate Governance Code, its development and its amendments as well as its compliance at RHÖN-KLINIKUM AG and its subsidiaries. As a result of these deliberations, a jointly issued and updated Declaration of Compliance pursuant to section 161 of the AktG was submitted by the Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG on 5 November 2015 in accordance with Item 3.10 of the German Corporate Governance Code as amended on 5 May 2015, which is published on our website. According to this, the German Corporate Governance Code is complied with fully with the exception of:

- Item 4.2.2 (Relationship between remuneration of the board of management and that of senior management and staff overall)

- Item 4.2.3 (Pension commitments)
- Item 5.4.1 (Stating specific objectives regarding the composition of the supervisory board)
- Item 5.4.6 (Results-based remuneration of supervisory board); as of 2015, results-based remuneration of the supervisory board is no longer granted
- Item 7.1.2 (Deadline for making available the consolidated financial statements)

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

2 ECONOMIC REPORT

2.1 MACROECONOMIC CONDITIONS

In 2015, the economy witnessed steady and sound growth. According to initial figures from the Federal Statistical Office, real gross domestic product grew by 1.7% and in 2015 thus exceeded average economic growth of the last ten years (1.3%). The German economy thus continues its significant growth from 2014 (1.6%) after recording a 0.3% increase in 2013. On a European comparison, Germany is "middle of the pack" in economic growth in 2015.

The rise is mainly attributable to high private consumption as well as government spending. Private consumer spending grew by 1.9%, with government spending rising even by 2.8%. In the case of consumers, the rise is explained by rising employment as well as low interest rates and lower energy prices. The year 2015 saw the workforce rise to more than 43 million for the first time. Exports grew 5.4%, compared with imports that posted a gain of 5.7%. The resulting net exports made a relatively small contribution to gross domestic product. In terms of economic output, there was a considerable increase both in the manufacturing sector (excluding construction) and in nearly all service areas.

Forecasts for 2016 are mixed. Some experts consider gross domestic product in 2015 as modest given the favourable economic environment. For that reason, they are expecting economic growth to only just exceed 1% for 2016. Risks are seen particularly in international crises such as in

the Middle East, and in the cooling of the Chinese economy. Optimists, by contrast, expect growth of over 2%. Cheap oil and low interest rates are seen as important drivers for this.

2.2 SECTOR-SPECIFIC CONDITIONS

In 2014, there were 1,980 (2013: 1,996) hospitals in Germany with a capacity of roughly 500,700 (2013: approx. 500,700) inpatient beds, according to the Federal Statistical Office. The share of public hospitals has seen a steep decline from 46.0% to 29.7% since the uniform national hospital statistic was introduced in 1991. At 35.2%, the share of other non-profit hospitals remained nearly unchanged in 2014. With a share of 35.1%, every third facility was under private ownership in 2014. The distribution of beds was nearly unchanged compared with 2013. Almost every second bed (48%) was in a public hospital. Private hospitals had 18.2% of beds, or about one sixth.

According to the 2015 Hospital Rating Report, the probability of insolvency of hospitals in Germany deteriorated for the fourth time in a row in 2013. Every sixth hospital faced the threat of insolvency. At the same time, there was a slight improvement in the earnings and investment situation. Almost every third hospital was loss-making (30% of hospitals reported a loss for the year in 2013 at the respective group level; in 2012 the figure was 33%) and nearly every second hospital is unable to make sufficient investments (full investment capacity in 2013: 56%, 2012: 48%). Nonetheless, there are only few market exits. What is striking is that the situation of the federal states in Eastern Germany continues to be better than in the West of Germany. Thus, probability of insolvency of Western German public hospitals stood at 35.9%. By contrast, the probability with public hospitals in Eastern Germany was only 1.7%.

As a result of demographic change, demand for hospital services recorded a further rise in 2015. However, this rising demand is not being fully reflected in remuneration since under the well-known statutory provisions price discounts have to be accepted for surplus service volumes demanded and rendered – irrespective of whether or not these were agreed. Growing demand compares with the declining number of contribution payers under the solidarity system. This is putting huge cost pressures on the healthcare system, particularly in the hospitals sec-

tor. In this context, it is more and more uncommon for hospitals to be adequately remunerated for the higher hospital service volumes.

Demographic changes are translating into an increasing shortage of hospital staff which are also becoming more expensive. The shortage in skilled staff is thus set to become further exacerbated over the next years. A shortage is expected particularly in the healthcare sector, since it is there that the rising demand for skilled employees compares with further rising demand stemming from the greying of society.

On 1 January 2016, the Hospital Structure Act (Krankenhausstrukturgesetz, KHSG) adopted at the end of 2015 entered into force. It is aimed at making the funding of hospitals to a material extent conditional on their quality. With the KHSG, decisive provisions of hospital financing are implemented. The key changes in the financing system will enter into force as of 1 January 2017. In addition to other amendments, it will, for example, replace the discounts on surplus revenues in the medium term by a similarly structured fixed costs degression discount. Particularly the budget agreements for 2016 will be impacted by the immediate effects of the new provisions.

2.3 BUSINESS PERFORMANCE

2.3.1 Overall statement on economic position

Due to the sale of subsidiaries in financial year 2014, accompanied by a result recognised in the previous year from the sale amounting to € 1,347.3 million, we recorded a decline in EBITDA by € 1,259.4 million, a decline in EBIT by € 1,237.8 million and a decline in consolidated profit by € 1,140.5 million. As a result of the portfolio restructuring in the wake of the Fresenius/Helios transaction, our business and performance figures lend themselves to only limited comparison with the previous year. Our key figures developed positively and in line with expectations over the individual quarters of financial year 2015.

With regard to the trend in prices, the hospital sector is characterised by its regulated remuneration system. The gap between surplus service volumes of hospitals and rising costs due to continuously high material and personnel costs coupled with the simultaneous cap on remuneration on the performance side is further widening.

We continue to concentrate at five sites on maximum-care cutting-edge medicine with a direct link to universities and research facilities. By staking out a position in the premium medical care segment, we are creating the basis for helping our patients have access to unrestricted cutting-edge medical services also in future. At the same time we are striving to continue our role as a key mover and driver of innovative concepts within the German healthcare industry.

2.3.2 Trend in service volumes

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

	Hospitals	Beds
As at 1 January 2015	10	5,227
Change in capacities	-	-9
As at 31 December 2015	10	5,218

As at 31 December 2015, our consolidated financial statement included ten hospitals with 5,218 beds/places at a total of five sites in four federal states. Since 31 December 2014, we witnessed only a moderate net change in the number of approved beds/places (nine) at our acute inpatient capacities in line with the requirement budgets in the individual federal states.

Of the change in capacities compared with 31 December 2014, -21 beds/places or -0.4% is accounted for by our inpatient capacities and +12 beds/places or +9.0% by our semi-inpatient and day-clinical capacities:

	Approved beds/ places		Change	
	2015	2014	Absolute	%
Inpatient capacities				
Acute hospitals	4,432	4,435	-3	-0.1
Rehabilitation hospitals and other inpatient facilities	641	659	-18	-2.7
	5,073	5,094	-21	-0.4
Semi-inpatient and day-clinical capacities	145	133	12	9.0
Total	5,218	5,227	-9	-0.2

In financial year 2015 we expanded our outpatient capacities by 7.00 specialist practices. As at 31 December 2015, we operate seven medical care centres with a total of 36.75 specialist practices:

	Medical care centres	Specialist practices
As at 1 January 2015*	7	29.75
Extensions		
Various sites	-	7.00
As at 31 December 2015	7	36.75

* including MVZ Bad Neustadt.

Patient numbers at our hospitals and medical care centres developed as follows:

January to December	2015	2014	Change	
			Absolute	%
Inpatient and semi-inpatient treatments				
Acute hospitals	203,548	330,771	-127,223	-38.5
Rehabilitation hospitals and other facilities	5,812	6,798	-986	-14.5
	209,360	337,569	-128,209	-38.0
Outpatient attendances				
at our acute hospitals	445,509	583,015	-137,506	-23.6
at our medical care centres	110,240	302,262	-192,022	-63.5
Total	765,109	1,222,846	-457,737	-37.4

A total of 765,109 (previous year: 1,222,846) patients were treated at our hospitals and medical care centres in financial year 2015. 37.4% of this decline by 457,737 patients compared with the previous year results from the sale of subsidiaries in financial year 2014. Of this decline, patients treated on an inpatient and semi-inpatient basis account for roughly 28.0% and outpatient treatments account for 72.0%.

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

January to December	2015	2014
Per-case revenue		
inpatient (€)	4,887	4,140
outpatient (€)	153	128

2.3.3 Results of operations

For computational reasons rounding differences of \pm one unit (€, %, etc.) may occur in the tables below. If data are provided below on individual companies, these are values before consolidation.

Since having sold a large portion of our hospitals to Fresenius/Helios and having re-oriented our portfolio and strategy in financial year 2014, we have been focusing at our five sites on cutting-edge medicine oriented towards maximum care with a direct link to universities and research facilities.

As a result of demographic change, demand for hospital services recorded a further rise in financial year 2015. However, this rising demand is not being fully reflected in remuneration since under the well-known statutory provisions price discounts have to be accepted for surplus service volumes demanded and rendered, irrespective of whether or not these were agreed. In this context, growing demand compared with the declining number of contribution payers under the solidarity system. Also in financial year 2015, this led to huge cost pressures. The ever widening gap between revenues and costs seen within the hospital sector for some years continues to have an impact on the operating side. We as the RHÖN-KLINIKUM Group, however, are used to developing and implementing effective strategies to meet the ongoing regulatory and market challenges within the healthcare system.

Consolidated performance figures developed as shown below:

January to December	2015	2014	Change	
	€ m	€ m	€ m	%
Income				
Revenues	1,108.2	1,510.5	-402.3	-26.6
Other income	179.8	157.7	22.1	14.0
Total	1,288.0	1,668.2	-380.2	-22.8
Expenditure				
Materials and consumables used	321.8	425.1	-103.3	-24.3
Employee benefits expense	695.7	963.9	-268.2	-27.8
Other expenditure	116.3	212.9	-96.6	-45.4
Total	1,133.8	1,601.9	-468.1	-29.2
Result from deconsolidation of subsidiaries	-	1,347.3	-1,347.3	-100.0
EBITDA	154.2	1,413.6	-1,259.4	-89.1
Depreciation/ amortisation and impairment	61.1	82.7	-21.6	-26.1
EBIT	93.1	1,330.9	-1,237.8	-93.0
Finance result	2.8	82.4	-79.6	-96.6
EBT	90.3	1,248.5	-1,158.2	-92.8
Income taxes	2.9	20.6	-17.7	-85.9
Consolidated profit	87.4	1,227.9	-1,140.5	-92.9

Due to the sale of subsidiaries for the most part at the end of February 2014, we recorded at our acute and rehabilitation facilities as well as medical care centres versus financial year 2014, with

- a decline in income (revenues, other income) by € 380.2 million or 22.8% to € 1,288.0 million, and
- a decline in expenditure (materials and consumables expense, employee benefits expense, other expenditure) by € 468.1 million or 29.2% to € 1,133.8 million,

a decline in EBITDA by € 1,259.4 million to € 154.2 million, a decline in EBIT by € 1,237.8 million to € 93.1 million, and a decline in consolidated profit by € 1,140.5 million to € 87.4 million.

	2015	2014
	%	%
EBITDA margin	13.9	93.6
EBIT margin	8.4	88.1
EBT margin	8.1	82.7
Return on revenues	7.9	81.3
Return on equity (after tax)	7.4	84.2

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

	2015	2014
	%	%
Materials ratio	29.0	28.1
Personnel ratio	62.8	63.8
Other cost ratio	10.5	14.1
Depreciation and amortisation ratio	5.5	5.5
Finance result ratio	0.3	5.4
Effective tax ratio	0.2	1.4

Compared with the previous year, the cost of materials declined by € 103.3 million or 24.3% to € 321.8 million (previous year: € 425.1 million), essentially due to the sale of subsidiaries concluded in the previous year. The materials ratio rose from 28.1% to 29.0% as a result of use of articles entailing higher material costs at our facilities of cutting-edge medicine.

The employee benefits expense and other expenditures declined compared with the previous year likewise essentially as a result of the sale of subsidiaries. Whilst employee benefits expenses declined by € 268.2 million or 27.8%, we record in other expenditures a decline by € 96.6 million or 45.4%. The personnel ratio declined from 63.8% to 62.8% and the other expense ratio from 14.1% to 10.5%. Statutory social security contributions and old-age pension expenses as a percentage of the wage bill amounted to 17.6% (previous year: 19.3%). Statutory social security contributions and retirement expenses include refunds of the federal and state pension scheme (VBL) for previous years.

From the sale of hospitals, medical care centres and other affiliated interests, a result of € 1,347.3 million was realised in financial year 2014.

The depreciation and impairment item declined compared with the same period of the previous year by € 21.6 million or 26.1% to € 61.1 million. The decline is essentially attributable in the amount of € 16.2 million to the full impairment on the building of PTZ GmbH in the second quarter of 2014. This impairment related to the realisation of the particle therapy facility at the university hospital in Marburg and to contractual terms and conditions for the purchase and operation of the facility.

The net finance result improved by € 79.6 million or 96.6% compared with the same period last year. The decline in negative net finance result stems essentially from the redemption of financial liabilities and the accompanying breakage (prepayment) costs recognised in the previous year. Moreover, the finance result of the previous year recognised one-off mark-up amounts from the capital reduction and from a long-term loan to Marburger Ionenstrahl-Therapie Betriebsgesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung with expenditure-increasing effect.

At an unchanged rate of taxation, the income tax expense item declined by € 17.7 million to € 2.9 million (previous year: € 20.6 million) compared with same period of the previous year as a result of the sale of subsidiaries.

Consolidated profit fell by € 1,140.5 million to € 87.4 million (previous year: € 1,227.9 million). As a result of the transaction, non-controlling interests in profit declined compared with the same period last year by € 0.2 million to € 2.0 million.

RHÖN-KLINIKUM AG can look back on a successful financial year 2015 – the first full financial year under the newly structured portfolio. We met the forecast stated in the Group Management Report for the year 2015 in the range between € 1.08 billion and € 1.12 billion with our actual figure of € 1.11 billion. We also met the forecast for EBITDA made in the 2014 Group Management Report for financial year 2015 of between € 145 million and € 155 million with the actual figure of € 154.2 million.

The interest of RHÖN-KLINIKUM AG shareholders in profit for financial year 2015 declined to € 85.4 million (previous year: € 1,225.7 million) compared with the previous year, primarily due to the income recognised in financial year 2014 from the sale of subsidiaries. This translates into earn-

ings per share of € 1.19 (previous year: € 9.36) in accordance with IAS 33.

The total comprehensive income (sum of net consolidated profit and other earnings) for financial year 2015 stands at € 87.3 million (previous year: € 1,248.5 million). Whereas in the previous year, positive changes in financial instruments of € 20.9 million (after tax) were recognised directly at equity, no changes in financial instruments had to be recognised directly at equity in financial year 2015 as these were reversed due to the redemption of the respective underlying transaction in financial year 2014. Moreover, losses from the revaluation of defined benefit pension plans amounting to € 0.2 million after tax (previous year: € 0.3 million after tax) likewise had to be recognised directly at equity.

2.3.4 Net assets and financial position

	31 Dec. 2015		31 Dec. 2014	
	€ m	%	€ m	%
ASSETS				
Non-current assets	893.2	54.6	846.5	46.9
Current assets	741.3	45.4	957.8	53.1
	1,634.5	100.0	1,804.3	100.0
EQUITY AND LIABILITIES				
Equity	1,108.7	67.8	1,248.9	69.2
Long-term loan capital	36.5	2.2	178.2	9.9
Short-term loan capital	489.3	30.0	377.2	20.9
	1,634.5	100.0	1,804.3	100.0

The balance sheet total declined compared with the previous year by € 169.8 million or 9.4% to € 1,634.5 million (previous year: € 1,804.3 million). This decline stems essentially from the capital reduction in connection with the repurchase of shares in financial year 2015.

The equity capital ratio declined compared with the last reporting date from 69.2% to 67.8%. This is in particular attributable to the decline in the balance sheet total due to the cash used in the share repurchase and the related capital reduction in 2015. Equity now stands at € 1,108.7 million (previous year: € 1,248.9 million). Compared with the balance sheet date of 31 December 2014, the

decline in equity by € 140.2 million results from the adopted share repurchase and accompanying capital reduction (€ 167.0 million), from dividends paid to shareholders and non-controlling interests (€ 60.4 million), as well as from the recognition of losses from the revaluation of defined benefit pension plans (€ 0.2 million), which compares with consolidated profit of financial year 2015 amounting to € 87.4 million.

128.2% (previous year: 168.6%) of non-current assets is nominally covered by equity and non-current liabilities at fully matching maturities. The decline results from the capital reduction in 2015.

As at 31 December 2015, net financial debt – including liabilities under finance leases – stood at € 0.0 million (31 December 2014: € 0.0 million). As at 31 December 2015, we report net liquidity of € 356.1 million (31 December 2014: € 536.1 million). Net liquidity is calculated as follows:

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Current cash	143.3	695.4
Current fixed term deposits	345.0	-
Non-current fixed term deposits	30.0	-
Cash, fixed term deposits	518.3	695.4
Current financial liabilities	147.6	4.5
Non-current financial liabilities	10.0	152.9
Finance lease liabilities	4.6	1.9
Financial liabilities	162.2	159.3
Net liquidity	356.1	536.1

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

January to December	2015	2014
	€ m	€ m
Cash generated from (+) /cash used in (-) operating activities	70.2	49.2
Cash generated from (+)/cash used in (-) investing activities	-394.7	2,865.1
Cash generated from (+) /cash used in (-) financing activities	-227.5	-2,335.8
Change in cash and cash equivalents	-552.0	578.5
Cash and cash equivalents as at 1 January	695.3	116.8
Cash and cash equivalents as at 31 December	143.3	695.3

In financial year 2015, cash generated from operating activities amounted to € 70.2 million (previous year: € 49.2 million). The rise results in particular from the sale of subsidiaries in the previous year which negatively influenced cash generated from operating activities.

Cash generated from investing activities in the previous year is marked by the proceeds from the sale of subsidiaries to Fresenius/Helios and by cash used in establishing the particle therapy facility in Marburg. In financial year 2015, as a result of low interest rates, fixed deposit investments of € 375.0 million were made for the first time.

In financial year 2014, in connection with the sale of subsidiaries, financial liabilities of € 0.6 billion were redeemed, the redemption payments for financial liabilities amounting to € 0.1 billion were made and the repurchase of shares adopted at the Annual General Meeting amounting to € 1.6 billion was carried out. In 2015 a further share repurchase amounting to € 0.2 billion was made.

The finance management department of RHÖN-KLINIKUM Group is essentially centrally organised and encompasses the functions of raising capital, capital investment, Group-internal liquidity management as well as settlement. The processes implemented give due regard to the fundamental principles of checks performed by a second person, segregation of functions as well as transparency. We have established the finance management department as a service provider within our business model.

Our finance management has to deal with the competing goals of securing liquidity, minimising risk, and ensuring profitability and flexibility.

In this regard, top priority is given to securing liquidity with the objective of fixing terms at matching maturities and in line with the Company's planning and project horizon. To secure the Company's liquidity, internal cash flows are available. Cash is invested on extremely conservative terms.

Compared with the same period last year, operating cash flow, calculated from consolidated profit plus depreciation/amortisation and net of/plus other non-operating items (balance of profits and losses from disposals of assets, expenditure from the market valuation of derivatives), declined by € 1,162.1 million to € 148.2 million (previous year: € 1,310.3 million) chiefly as a result of the sale of subsidiaries.

As at the balance sheet date, we have cash investments available in the short term as well as available credit lines together amounting to roughly € 517.1 million.

2.3.5 Investments

Aggregate investments of € 87.0 million (previous year: € 78.5 million) in financial year 2015 are shown in the following table:

	Use of grants	Use of own funds	Total
	€ m	€ m	€ m
Current investments	17.6	68.0	85.6
Takeovers	0.0	1.4	1.4
Total	17.6	69.4	87.0

During financial year 2015, we invested a total of € 87.0 million (previous year: € 78.5 million) in intangible assets, in property, plant and equipment as well as in investment property. Of this total, € 17.6 million (previous year: € 24.2 million) relates to capital expenditure funded under the Hospital Financing Act (KHG), with the grants being reflected as a deduction from acquisition cost.

In the consolidated financial statements we report net investments of € 69.4 million (previous year: € 54.3 million). Current capital expenditure accounted for € 68.0 million (previous year: € 53.9 million) and assets and specialist practices acquired on takeovers for € 1.4 million (previous year: € 0.4 million) of total net investments during the year under review.

An analysis of current investments financed from company funds by site in financial year 2015 is given below:

	€ m
Bad Neustadt a. d. Saale	31.3
Gießen, Marburg	25.2
Bad Berka	9.3
Frankfurt (Oder)	2.2
Total	68.0

As at the balance sheet date, we do not have any investment obligations under company acquisition agreements entered into.

2.3.6 Employees

On 31 December 2015, the Group employed 15,654 persons (31 December 2014: 15,602):

	Number
As at 31 December 2014	15,602
Change in employees at hospital companies	-56
Change in employees at medical care centre companies	65
Change in employees at service companies	43
As at 31 December 2015	15,654

Doctors accounted for 15.8% (previous year: 15.5%) of the total headcount on the reporting date, while nursing and medical-technical staff accounted for 55.6% (previous year: 55.5%). On average over the year, we recorded a decline of 28.2% in full-time staff. As in the previous year, the share of women remains at around 75%.

3 REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

By purchase agreement dated 31 July 2015, RHÖN-Kreisklinik Bad Neustadt GmbH, in an asset deal, acquired

Kreisklinik Bad Neustadt with effect from 1 January 2016 subject to conditions precedent. Kreisklinik Bad Neustadt a. d. Saale is a basic and standard care hospital with a total of 225 beds and eight palliative places as well as a school for nurses. The Kreisklinik facility has the medical specialties of surgery, internal medicine, gynaecology and obstetrics, oto-rhino-laryngology (ENT) as well as haemodialysis, and employs some 420 full-time staff. The acquisition was already reported on in our 2015 interim reports. The conditions precedent have since been met, with the result that the Kreisklinik facility will be included in the consolidated financial statements as of 1 January 2016.

To further press ahead with the general strategic issues of treatment excellence, innovation and network medicine, the Supervisory Board in financial year 2015 approved the expansion of the Board of Management. Since 1 January 2016, Prof. Dr. Bernd Griewing, chairman of the Medical Board, has also been on the Board of Management as chief medical officer (CMO). His main tasks include further promoting the Medical Board, the interests of hygiene and patient safety as well as medical process management. In this connection, the distribution of duties within the Board of Management was reorganised.

4 FORECAST REPORT

4.1 STRATEGIC OBJECTIVES

Our high level of investments provides the basis for sustainable, efficient, and thus also affordable hospital cutting-edge medical care. We are and continue to be among the major hospital operators in Germany in which the high level of investments is financed from the surpluses generated by our hospitals. Over the coming years we will further expand our offering with the aim of achieving generalised, full-service medical and nursing care in rural regions.

With our campus approach, inpatient and outpatient services are structurally, spatially and logistically integrated with one another on the premises of a high-performance hospital. During the past financial year, we started construction work at our campus sites of Bad Neustadt and Frankfurt (Oder). At the other site we are sparing no efforts to ensure an adequate implementation of our campus approach. For example, the Marburg site has a modern outpatient and diagnostics centre aimed at

strengthening research and teaching particularly in the outpatient area, sustainably enhancing efficiency and investment strength, as well as enhancing university cutting-edge medical care within the university hospital's service offering. By staking out a position in the premium medical care segment, we are creating the basis for helping our patients have access to unrestricted cutting-edge medical services also in future. Underlying all our activity is the well-being of our patients who entrust themselves to our staff at our hospitals and facilities and who are always the focus of our efforts.

Our financial efficiency is a pre-condition for our Company's ability to grow in future organically through medical innovations as well as through acquisitions whenever opportunities for this arise. In future also, sound organic and acquisition-based growth will be the main driver of the Group's development. Within the bounds set by legislation within the German healthcare system, organic growth is possible only to a limited extent. When acquiring facilities we continue to follow our dual strategy of "competence and reliability" as well as "quality before quantity".

Within our Group we will continue to consistently promote the exchange of knowledge between our facilities and sites. All our hospitals are to have access as quickly as possible to the latest scientific findings implemented in diagnosis and treatment procedures.

4.2 ECONOMIC AND LEGAL ENVIRONMENT

Forecasts for economic performance in Germany have been mixed for 2016. Experts expect the economy to grow at a rate of just over 1%. Risks are seen particularly in international crises and the cooling of the Chinese economy. Optimists, by contrast, expect growth of over 2%. As the main drivers in this regard, they cite cheap oil prices, low interest rates and the weak euro making German exports cheaper.

Our expectation, also in view of demographic changes, is for rising demand for hospital services in the current year 2016 and in the coming years. Growing demand compares with the declining number of contribution payers under the solidarity system. This will continue to put huge cost pressures on the healthcare system, particularly in the hospitals sector.

This rising demand for hospital services is not being fully reflected in remuneration since under the well-known statutory provisions price discounts have to be accepted for surplus service volumes demanded and rendered – irrespective of whether or not these have been agreed. During financial year 2016, hospitals still have to accept the 25% "discount on surplus service volumes" for the surplus services agreed with the health insurance funds. For surplus service volumes not agreed, the statutory provisions provide additionally for discounts of 65%. Based on price increases at the upper end of the original assumptions of 2.0% to 3.0% for personnel expenses and a capped price increase rate included in the state base rates, earnings will have to cope with further charges that will have to be offset accordingly.

On 1 January 2016, the KHSG adopted at the end of 2015 entered into force. It is aimed at making the funding of hospitals to a material extent conditional on their quality. With the KHSG, decisive provisions of hospital financing are implemented. The fundamental changes in the financing system will enter into force as of 1 January 2017. In addition to other amendments, it will, for example, replace the discounts on surplus revenues in the medium term by a similarly structured fixed costs degression discount. Moreover, the existing care premium will be replaced at the end of 2017 by a nursing premium. As of 2018, the quality of medical services is also to be taken into account to a greater extent in the assessment of performance-linked remuneration. At this point in time it is not possible to gauge what impact this project will have on individual facilities.

Irrespective of the wage gap in the personnel area, the recruitment of top-qualified physician and nursing staff will be one of the challenges to be met in future given the shortage in specialised staff and demographic trends. We are confronting not only this task, but also the desire increasingly expressed by employees to be given the opportunity of achieving a better balance between professional and family life, with specific measures targeted at improving our attractiveness as an employer in healthcare.

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

As a result, the trend of selection amongst service providers will continue and intensify. In our view, only those hospitals that are able to continually expand their service portfolio while at the same time improving the quality of clinical processes for patients can look ahead to a sustainable and independent existence on the market. We review and optimise our processes and strategies on a continuous basis.

Building on that, we will make a Group-wide response to the challenges of healthcare policy. Despite all adversities and pressures, RHÖN-KLINIKUM AG nevertheless sees itself well positioned thanks to the advanced stage of its re-orientation. We are convinced that we will continue our stable and viable growth course in future, and see ourselves in a very good position also for the coming years.

4.3 FORECAST

In financial year 2016, we see the RHÖN-KLINIKUM Group with roughly 5,400 beds in eleven hospitals at five sites in four federal states. We will achieve our forecast with some 16,000 employees. That makes us one of the largest hospital operators in Germany.

For 2016, we expect revenues of between € 1.17 billion and € 1.20 billion as well as earnings before interest, tax and depreciation/amortisation (EBITDA) of between € 155 million and € 165 million. This includes the first-time consolidation of Kreisklinik Bad Neustadt as of the start of the year. Moreover, one-off effects on the earnings side could have an impact during the current financial year. These positive and negative extraordinary effects are in each case in the low to medium double-digit million euro range; they will take effect over the full financial year of 2016 and to some extent will compensate each other.

Our outlook is of course subject to any regulatory measures impacting our remuneration structure in the coming year.

5 OPPORTUNITIES AND RISK REPORT

Wholeheartedly embracing risk and opportunity management is decisive for value-oriented and sustainable corporate governance. Within the Group of RHÖN-KLINIKUM AG, we see managing risks and opportunities and controlling them effectively as a primary task firmly enshrined in our management culture. The objectives of our value-

oriented corporate strategy are to protect the Company's resources from risks of substantial losses and to identify new opportunities whilst safeguarding the interests of our shareholders and other capital market participants.

Our entrepreneurial activities at all times directly involve various risks and opportunities. The challenge for us is to manage these in a reasonable manner – since it is only companies that recognise their material risks in time and take steps to systematically counter the same that are also able at the same time to identify the opportunities arising and to exploit them in an entrepreneurially responsible manner. As a healthcare services provider, we moreover operate in an extremely complex risk environment. Factors such as the regulatory and legislative environment, mounting cost, competitive and consolidation pressures within the sector or the rising demands of patients not only open up opportunities but also involve risks. As a provider of healthcare services, we always regard the risk posed to the life and health of our patients as the greatest risk, since in the medical and nursing area even the smallest mistakes can have devastating consequences. That is why we give top priority to measures designed to prevent these risks. That also means continuously weighing up opportunities against the potential risks, since particularly our patients rely on us to adequately manage opportunities as risks.

5.1 RISK REPORT

5.1.1 Risk management system

The Board of Management of RHÖN-KLINIKUM AG has implemented a Group-wide risk management system pursuing the objective of detecting imminent risks early on and of specifically countering them in a systematic process. Our risk management system fully meets the statutory requirements for early detection of risks posing a threat to the Company's existence and exceeds the requirements of section 91 (2) AktG. The risk management function implemented at company headquarters has the task of further developing the risk management system continuously along the lines of best practice while adjusting it to new insights and requirements as necessary. At the same time the risk management function also allows for reporting of opportunities. Our risk management system is based on a Group risk guideline as well as further explanatory documents. The Group risk guideline

describes both the principles of risk management and the requirements for the risk management process that is uniformly binding on the Group as a whole and the corresponding duties and responsibilities. The actual risk management process is documented through a separate software solution. By regularly reviewing, evaluating and adjusting our risk management system to constantly changing framework conditions, we secure its acceptance within the Company. The Internal Auditing department is entrusted by the Board of Management with the process-dependent review of matters on an event-driven basis. In this connection, it also monitors the operability and correct application of the corresponding requirements in sub-divisions or companies of RHÖN-KLINIKUM AG.

Principles of our risk management

- Everyone is responsible

Every employee has a personal duty to actively prevent harm or damage to our patients, our business partners and the Company.

- Not all risks can be prevented, but every risk can be managed

Risks cannot always be prevented, but can be managed through early identification. Means of risk management are risk prevention, risk reduction, risk transfer and risk acceptance. Risks are systematically assessed and documented so as to ensure efficient risk management and enable conclusions to be drawn for the overall risk position. In this context, risks posed to life and health of our patients have always been regarded by us as a high risk, as well as our greatest risk.

- Risk management – we want to get better and better

Preventatively defined procedures, clearly defined structures and a sense of responsibility of each individual form the basis of our risk management. To optimise processes on a regular basis and to monitor compliance with the requirements, each company within the Group must review and assess its risks on an ongoing basis, adjusting to changing conditions. As before, any acute risks that might pose a risk to the Company's existence must be reported directly and as quickly as possible to the chairman of the Board of Management.

Our risk management process

With our risk management function we identify, assess and manage risks potentially jeopardising the realisation of the Company's targets and opportunities. It covers all planned activities and organisational provisions within the Company aimed at managing relevant risks. This is intended to make risks controllable. At the same time, our risk management function relates not only to financial risks but also all manner of risks within the Company.

We understand risk management as an ongoing process that is divided into the phases of risk identification, risk analysis and assessment, risk control and management, risk monitoring and risk communication.

Risk identification involves the systematic and structured documentation of the relevant risks of RHÖN-KLINIKUM AG and its subsidiaries. In this connection the relevant risks are identified – a task for which the responsibilities are defined in advance – and documented in the risk management system. The risk categories are presented in a risk atlas, and it is on that basis that the risks are examined. It has to be noted that the categories in the risk atlas are defined centrally, whereas risk identification is decentralised. The latter is an ongoing task given constantly changing circumstances and requirements. That is why with us identifying risks and recognising opportunities are integrated into our standard business procedures, since it is only when we are aware of risks and opportunities that we can manage and control them.

Relevant risks are analysed and evaluated by those responsible for this. In the case of risk analysis and evaluation, their probability of occurrence and potential monetary impact (amount of damage) are derived with an explanation being given on the evaluation assumptions (gross valuation).

Risk control and management includes the task of analysing by what measures risks can be controlled. For this, suitable measures for each identified risk are to be recorded with the expected effect of the measures.

Means of risk management and control are risk prevention, risk reduction, risk transfer and risk acceptance. The primary objective of risk management is to minimise, and where possible, prevent risks, whilst always keeping in

mind the opportunities associated with the risks. From the effects expected from the measures it is possible to determine how effective the measures are and the need for further measures. In this regard, the measures contemplated are to be weighed up in terms of cost-benefit aspects and selected in such a way that the expected probability of occurrence and/or amount of damage are brought to within the Company's own limits of risk tolerance.

Within the scope of risk monitoring, implementation of measures introduced and their impact are reviewed. The results of the risk management process are made available at the defined dates. By timely and open risk communication both internally and externally, we create trust and the basis for self-criticism and an ongoing learning process.

5.1.2 Risk assessment

By risks we understand events and potential developments within and outside RHÖN-KLINIKUM AG that might adversely impact the achievement of the Company's stated objectives, future performance of tasks as well as the quality and reputation of RHÖN-KLINIKUM AG and its subsidiaries.

Not all risks are to be weighted equally. To ensure efficient risk management, a systematic assessment of the risks identified is performed. Within the context of risk evaluation, the probability of occurrence and potential monetary impact of the risk are determined, also giving due regard to already existing and planned measures. Using a risk matrix, probability of default and impact of risks are classified to the three levels: low, medium and high. Risks whose probability of occurrence and impact are high are classified as posing a threat to the Company's existence. We classify a medium probability of occurrence as being greater than 30%, and a high probability of occurrence as greater than 70%. Generally, all risks are to be reported, irrespective of their risk amount.

Impact	Probability of occurrence		
	low	medium	high
high			
medium			
low	28	5	

Throughout the Group, 33 relevant risks were identified, of which 28 are classified as having a low probability of occurrence and five with a medium probability of occurrence. The total risk expectation value is roughly € 4 million. This amount compares with developments in service volumes and cost-cutting potential, which means that these risks can be treated as neutral in terms of results and have no material impact on planning. In this respect, RHÖN-KLINIKUM AG, like any other company, is exposed to uncertainty factors from various risk sources. The following risk fields were categorised and have an influence on general business performance as well as the development of our net assets, financial position and results of operations:

General environment and industry risks

As a healthcare service provider, our Company operated under the already known and largely unchanged framework conditions over the past financial year as well. These are marked by strong influences from healthcare policy regulations. At the end of 2015, the KHSg was adopted which entered into force on 1 January 2016. With the KHSg, decisive provisions of hospital financing are implemented. It is aimed at making the funding of hospitals to a material extent conditional on their quality. Among other things, it will replace the discounts on surplus revenues in the medium term by a similarly structured fixed costs degression discount and change the so-called care premium into a nursing premium as of 2017. The fundamental changes in the financing system will enter into force as of 1 January 2017. Particularly the budget agreements for 2016 are affected by the immediate effects of the new provisions.

Moreover, two other developments continue to influence our sector decisively. Demand for medical services, in particular also cutting-edge medical services, continues to rise. By contrast, remuneration of the services provided is not being adequately adjusted. With the new provisions of the KHSg regarding the relevant standards for quality and minimum volumes together with our concentration on high-quality and relatively adequately remunerated medical care services, we see ourselves well prepared for the future.

Future company transactions generally give rise to legal risks – particularly in terms of antitrust law. Decisions of the German Cartel Office thus also have an effect on a

group operating in the healthcare sector. The risks resulting from that are monitored and evaluated by us as required. Risks that might arise from existing company purchase agreements are regularly monitored and evaluated.

Our subsidiaries are subject to the tax risks customary in the industry.

We are affected only indirectly by developments in the German economy since healthcare spending is influenced by contribution volumes of the insured and thus by the job market situation. We are for the most part unaffected by foreign economic factors given our exclusive focus on the German healthcare market.

General environment and industry risks relating to us are classified as very low.

Risks to service volumes

In Germany, hospitals approved under state hospital planning enjoy de facto state regulated protection in their respective catchment area. Traditional market and revenue risks exist only where site closures are ordered or a hospital's quality is assessed by referring physicians or by patients as significantly worse than for neighbouring hospitals. In the latter case, that results in large numbers of patients switching to other hospitals.

Fluctuations in service volumes at our facilities, shifts in service volumes from the inpatient to outpatient sector, but also to nearby facilities of other companies, as well as pricing regulation may result in losses in revenues and cost increases, and consequently to a decrease in earnings. Through regular period-based and inter-operation comparisons with regard to service volumes, revenues and earnings as well as selected business ratios and other indicators, it is possible for us to identify adverse developments early. Where it is appropriate and necessary, we can take corrective action and manage a reasonably low risk potential.

Operating risks

Advances in medicine and the call for a holistic approach to diagnosing and treating patients (instead of diagnosis and treatment being limited to certain aspects) are requir-

ing increasingly strong interdisciplinary processes characterised by a division of labour. In this regard, cooperation is needed not only at the hospital but also between outpatient and inpatient care. Whenever these processes are disrupted, this carries risks for both patients and the hospital. We attach utmost importance to minimising such risks by ensuring the quality of treatment with qualified and trained staff through guideline-oriented procedures in safe and hygienic hospital buildings. Permanent monitoring of all procedures and processes involved in the treatment of patients as well as the consistent orientation of all efforts to the needs of our patients create a high level of treatment quality and limit existing operating risks.

In addition to the typical clinical risk fields in the area of patient safety (hygiene, nursing and medical care), risks are also seen, as in the previous years, in the use of medical equipment, IT development and fire prevention. These risks continue to be assessed as low, particularly given the existing measures in place. For risks that cannot be fully averted, the Group has adequate insurance coverage which is regularly reviewed and updated.

Procurement risks

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

Hospitals normally have personnel cost ratios of between 50% and 70%. This results in a considerable dependence on wage developments. Moreover, the success of facilities within the healthcare sector is ensured only when sufficiently qualified staff can be recruited to the required extent at any time in order to achieve the stated growth targets. In this context, regional differences at the individual facilities have to be recognised which we address by individual measures.

For this reason, recruiting and retaining qualified staff at our Company is of key importance to us. Thanks to the establishment and expansion of structured recruiting and qualification concepts for doctors, nursing and healthcare professions as well as for our executive talent, however, we see opportunities to efficiently counteract the current shortage of personnel and classify personnel risks as relatively low.

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

Financial risks

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

As at 31 December 2015, the Group had financial liabilities totalling € 157.6 million. We currently see no financing and liquidity risks.

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

Overall assessment

In our risk evaluation for financial year 2015, no risks jeopardising our corporate existence were reported to us. The principles of the statutorily prescribed system of early identification of risks jeopardising corporate existence were continued in the reporting year as in the previous years.

As an overall assessment based on our analysis of the risk position within the Group and at its subsidiaries for financial year 2015, we have concluded that there are no risks that could endanger the existence of the subsidiaries or the Group of RHÖN-KLINIKUM AG, and do not see any matters having an adverse effect on corporate development. The risks of the individual companies as well as the Group-wide overall risk position continue to be rated as low.

5.2 REPORT ON OPPORTUNITIES

Similar to the concept of risks, we understand opportunities as events and potential developments within and outside RHÖN-KLINIKUM AG that might favourably impact the achievement of the Company's stated objectives,

future performance of tasks as well as the quality and reputation of RHÖN-KLINIKUM AG. The risk management function also allows the reporting of opportunities.

To take advantage of opportunities, it is sometimes necessary to deliberately accept potential risks. Taking just one example: any medical intervention will expose patients to a risk, but at the same time also holds out the prospect or opportunity of recovery and/or cure.

We continue to be steadfast in our efforts at monitoring and optimising our processes and strategies. In financial year 2015 we continued our activities to optimise our sites by reviewing their service portfolios and identifying performance potential.

With a total volume of research budget of roughly € 4 million in 2016, we want to further expand our competitive position in the area of treatment innovations and cutting-edge medical care. Projects dealing primarily with research and innovation as well as treatment excellence and network medicine are being funded.

Supported by the innovation pool of RHÖN-KLINIKUM AG, risk audits were carried out at individual hospitals in 2015. The significant scope for further improving patient safety revealed by this was implemented Group-wide in the form of action plans.

At the last Annual General Meeting, our Supervisory Board was newly elected for another five-year term; from January 2016 we will be working together in an extended Board of Management. We are thus well prepared to continue our success in future as well.

A key contribution to this will come from the concept of network medicine "Wir für Gesundheit". The focus in this regard will be on medical innovations reflecting the core business of RHÖN-KLINIKUM AG and on further developing outpatient-inpatient healthcare delivery in rural areas. Ultimately, all these efforts are geared towards making a tangible improvement in medical service offerings and thus creating noticeable added benefits for our patients.

With our campus concept, we will further expand our offering over the coming years with the aim of achieving generalised, full-service medical and nursing care in rural regions. We thus also take on the growing requirements

for healthcare delivery which also reflects the needs of the elderly as a challenge, but also as an opportunity.

In terms of an overall assessment, we see our Group in very good shape with revenues of roughly € 1.1 billion that we are targeting with roughly 16,000 employees in eleven hospitals at five sites. In future, too, we will continue to be amongst the major hospital operators in Germany as an efficient, homogenous Group consistently oriented towards cutting-edge and specialty medical care.

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

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

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

The Group's accounting process is organised in such a way that for each of the subsidiaries on each reporting date – i.e. monthly, quarterly and annually – a financial statement according to the HGB is prepared in the Group's own data centres based on a uniform Group-wide accounting guideline and a uniform Group-wide accounting programme. From these financial statements, a consolidated financial statement is derived for each quarter in

accordance with International Financial Reporting Standards (IFRS). The data for the financial statements of the subsidiaries are aggregated to form one consolidated financial statement using certified consolidation software after capital consolidation and a consolidation of expenses and earnings, receivables and liabilities as well as an elimination of any intercompany profits. IFRS-relevant revaluations and/or reclassifications are performed at the Group level according to uniform accounting and valuation methods.

After the end of the respective reporting date, the financial statements are reported promptly to the Group accounting department and then prepared and published. The financial statements are analysed, subjected to a plausibility test and evaluated together with the controlling department and in certain cases also with the Internal auditing department.

Both for the preparation of the separate financial statements according to HGB and for the preparation of the consolidated financial statements according to the valid IFRS, comprehensive accounting requirements and guidelines whose compliance is stringently monitored are observed to ensure uniform accounting. Responsibilities for the preparation of the annual financial statements are clearly defined both for the individual companies and within the Group. The controls applied in this context, which depending on the specific case may be preventive or downstream, manual or automated, give due regard to the principles of segregation of functions.

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

Bad Neustadt a. d. Saale, 19 February 2016

The Board of Management

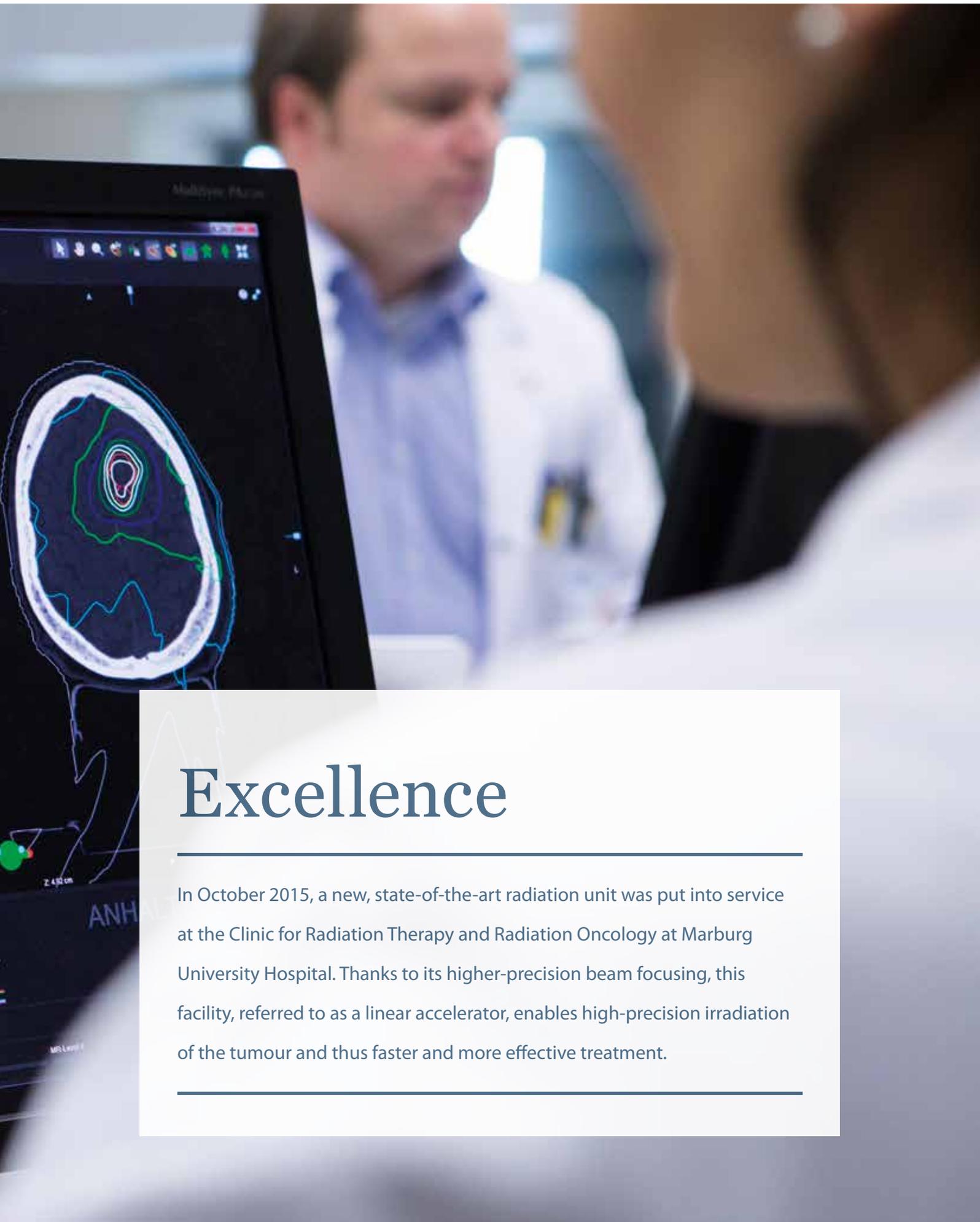
Prof. Dr. Bernd Griewing

Martin Menger

Jens-Peter Neumann

Dr. Dr. Martin Siebert





Excellence

In October 2015, a new, state-of-the-art radiation unit was put into service at the Clinic for Radiation Therapy and Radiation Oncology at Marburg University Hospital. Thanks to its higher-precision beam focusing, this facility, referred to as a linear accelerator, enables high-precision irradiation of the tumour and thus faster and more effective treatment.

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2015

ASSETS	Notes	31 Dec. 2015	31 Dec. 2014
		€ '000	€ '000
Non-current assets			
Goodwill and other intangible assets	7.1	166,478	163,736
Property, plant and equipment	7.2	668,481	663,205
Investment property	10.3.3	2,913	3,054
Income tax assets	7.3	2,383	4,576
Deferred tax assets	7.4	2,484	0
Other financial assets	7.6	50,096	11,675
Other assets	7.7	326	267
		893,161	846,513
Current assets			
Inventories	7.8	23,080	21,830
Trade receivables	7.9	175,655	169,681
Other financial assets	7.10	372,844	56,385
Other assets	7.11	21,051	8,905
Current income tax assets	7.12	5,377	5,607
Cash and cash equivalents	7.13	143,320	695,390
		741,327	957,798
		1,634,488	1,804,311

EQUITY AND LIABILITIES	Notes	31 Dec. 2015	31 Dec. 2014
		€ '000	€ '000
Equity			
Issued share capital	7.14	167,406	183,705
Capital reserve		574,168	557,869
Other reserves		346,466	487,045
Treasury shares		-76	-76
Equity attributable to shareholders of RHÖN-KLINIKUM AG		1,087,964	1,228,543
Non-controlling interests in equity		20,749	20,381
		1,108,713	1,248,924
Non-current liabilities			
Financial liabilities	7.15	10,000	152,881
Deferred tax liabilities	7.4	0	770
Provisions for post-employment benefits	7.16	1,372	814
Other financial liabilities	7.19	18,262	17,310
Other liabilities	7.20	6,815	6,406
		36,449	178,181
Current liabilities			
Financial liabilities	7.15	147,630	4,540
Trade payables	7.18	95,301	89,598
Current income tax liabilities	7.21	1,263	2,325
Other provisions	7.17	143,040	176,620
Other financial liabilities	7.19	21,921	24,926
Other liabilities	7.20	80,171	79,197
		489,326	377,206
		1,634,488	1,804,311

CONSOLIDATED INCOME STATEMENT

1 JANUARY TO 31 DECEMBER 2015

	Notes	2015	2014
		€ '000	€ '000
Revenues	6.1	1,108,189	1,510,519
Other income	6.2	179,781	157,757
		1,287,970	1,668,276
Materials and consumables used	6.3	321,831	425,106
Employee benefits expense	6.4	695,716	963,937
Depreciation/amortisation and impairment	6.5	61,023	82,792
Other expenses	6.6	116,262	212,880
		1,194,832	1,684,715
Result from deconsolidation of subsidiaries		-	1,347,289
Operating result		93,138	1,330,850
Finance income	6.8	4,059	6,386
Finance expenses	6.8	6,909	88,770
Finance result (net)	6.8	-2,850	-82,384
Earnings before taxes		90,288	1,248,466
Income taxes	6.9	2,845	20,588
Consolidated profit		87,443	1,227,878
of which			
non-controlling interests	6.10	2,062	2,167
shareholders of RHÖN-KLINIKUM AG		85,381	1,225,711
Earnings per share in €			
Undiluted	6.11	1.19	9.36
Diluted	6.11	1.19	9.36

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY TO 31 DECEMBER 2015

	2015	2014
	€ '000	€ '000
Consolidated profit	87,443	1,227,878
of which		
non-controlling interests	2,062	2,167
shareholders of RHÖN-KLINIKUM AG	85,381	1,225,711
Change in fair value of derivatives used for hedging purposes	0	24,786
Income taxes	0	-3,922
Other comprehensive income (cash flow hedges), subsequently reclassified to income statement if certain conditions are met	0	20,864
Revaluation of defined benefit pension plans	-219	-332
Income taxes	35	52
Other comprehensive income (revaluation of pension plans) not subsequently reclassified to income statement	-184	-280
Other comprehensive income *	-184	20,584
of which		
non-controlling interests	0	0
shareholders of RHÖN-KLINIKUM AG	-184	20,584
Total comprehensive income	87,259	1,248,462
of which		
non-controlling interests	2,062	2,167
shareholders of RHÖN-KLINIKUM AG	85,197	1,246,295

* 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. 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 consoli- dated companies	-	-	-	-	-	-	-2,516	-2,516
As at 31 Dec. 2014	183,705	557,869	487,045	-	-76	1,228,543	20,381	1,248,924
As at 31 Dec. 2014/ 1 Jan. 2015	183,705	557,869	487,045	-	-76	1,228,543	20,381	1,248,924
Equity transactions with owners								
Share repurchase and capital reduction	-16,299	16,299	-167,010	-	-	-167,010	-	-167,010
Dividend payments	-	-	-58,766	-	-	-58,766	-1,694	-60,460
Total comprehensive income	-	-	85,197	-	-	85,197	2,062	87,259
Other changes								
Changes in consoli- dated companies	-	-	-	-	-	-	-	-
As at 31 Dec. 2015	167,406	574,168	346,466	-	-76	1,087,964	20,749	1,108,713

¹Including other comprehensive income (OCI).

STATEMENT OF CASH FLOWS

	Notes	2015	2014
		€ m	€ m
Earnings before taxes		90.3	1,248.5
Result from deconsolidation of subsidiaries		-	-1,347.3
		90.3	-98.8
Finance result (net)	6.8	2.9	82.2
Depreciation/amortisation and impairment and gains/losses on disposal of assets	6.5	52.4	82.3
Non-cash developments of derivative financial instruments	7.22	-	0.1
		145.6	65.8
Change in net current assets			
Change in inventories	7.8	-1.3	0.3
Change in trade receivables	7.9	-6.0	-10.0
Change in other financial assets and other assets	7.10 seq.	-20.6	-24.7
Change in trade payables	7.18	-2.1	12.3
Change in other net liabilities/Other non-cash transactions	7.19 seq.	-0.8	52.7
Change in provisions	7.16 seq.	-33.2	-5.2
Income taxes paid	6.9	-4.7	-12.8
Interest paid		-6.7	-29.2
Cash generated from operating activities		70.2	49.2
Investments in property, plant and equipment and in intangible assets	7.1/7.2	-76.4	-93.9
Government grants received to finance investments in property, plant and equipment and in intangible assets		17.6	20.4
Fixed term deposits	7.6/7.10	-375.0	-
Loans to associated companies	7.6	-10.1	-14.7
Payments for the acquisition of associated companies	4	-	-43.0
Acquisition of subsidiaries, net of cash acquired	4	-6.9	-0.4
Sale of subsidiaries, net of cash disposed	4	49.5	2,984.0
Sale proceeds from disposal of assets		0.8	6.3
Interest received		5.8	6.4
Cash used in/Cash generated from investing activities		-394.7	2,865.1
Repayment of financial liabilities	7.15	-	-603.9
Acceleration fee of financial liabilities	7.15	-	-61.6
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.14	-58.8	-34.6
Payments for share repurchase	7.14	-167.0	-1,632.3
Payments to non-controlling interests in equity	7.14	-1.7	-3.4
Cash used in financing activities		-227.5	-2,335.8
Change in cash and cash equivalents	7.13	-552.0	578.5
Cash and cash equivalents at 1 January		695.3	116.8
Cash and cash equivalents at 31 December	7.13	143.3	695.3

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1 GENERAL INFORMATION

RHÖN-KLINIKUM AG and its subsidiaries build, acquire and operate hospitals of all categories, primarily in the acute care sector. Since the sale of subsidiaries concluded in financial year 2014, we concentrate at five sites on maximum-care cutting-edge medicine with a direct link to universities and research facilities. At some sites and for selected medical disciplines, rehabilitation services are also offered to complement existing acute inpatient offerings. Moreover, outpatient structures in the form of medical care centres are also being expanded. We provide our services exclusively in Germany.

The Company is a stock corporation established under German law and has been listed on the stock market (MDAX®) since 1989. The registered office of the Company is in Bad Neustadt a. d. Saale, Salzburger Leite 1, Germany.

2 ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the basis of uniform accounting policies which have been consistently applied. The functional currency of the Group is the euro, which is also the currency used for preparing the financial statements. The figures shown in the Notes to the consolidated financial statements are generally shown in millions of euros (€ m). The nature of expense method has been used for presenting the income statement. For computational reasons, rounding differences of ± one unit (€,%, etc.) may occur in the tables.

2.1 PRINCIPLES APPLIED TO THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2015 have been prepared applying section 315a of the German Commercial Code (Handelsgesetzbuch – HGB) in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as well as the related Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC), which are the subject of mandatory adoption in accordance with the European Parliament and Council Directive number 1606/2002 concerning the application of international accounting standards in the European Union in financial year 2015. No early adoption of new Standards is planned at this time.

a) New accounting rules from financial year 2015

As far as can be seen at present, the following newly published or revised Standards and Interpretations which were already adopted by the European Union have no impact or are of no practical relevance/have no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG as of financial year 2015 as well as subsequent years:

Standard/Interpretation			Mandatory adoption date	Endorsement ¹⁾	Impact
New	IFRIC 21	Contributions	1 Jan. 2015	Yes	No material impact
Amendments	Annual improvements to IFRS: 2010-2012 cycle	Collective Standard for amendments to various IFRS	1 Feb. 2015	Yes	No practical relevance/ No material impact
Amendments	Annual improvements to IFRS: 2011-2013 cycle	Collective Standard for amendments to various IFRS	1 Jan. 2015	Yes	No practical relevance/ No material impact

¹⁾ Adoption of IFRS Standards and/or Interpretations by the European Union.

IFRIC 21 “Levies”

The newly defined provisions relate to the accounting of liabilities to pay public levies that do not constitute levies within the meaning of IAS 12 “Income Taxes”. Application of the Interpretation may result in a liability to pay levies being recognised on the balance sheet at a different time than previously was the case, particularly when the liability to pay arises only if certain circumstances exist at a certain time. The Interpretation is subject to mandatory application for EU companies for the first time for financial years commencing on or after 17 June 2014. The Standard has no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

Annual improvement to IFRS: 2010-2012 Cycle

As part of its process for making minor improvements to Standards and Interpretations (Annual Improvements Process), the IASB has published a further amendment Standard which is applicable for the first time for financial years commencing on or after 1 January 2015. This concerns the following Standards:

■ IFRS 2 “Share-based Payment”

The amendment includes a clarification of vesting conditions by incorporating separate definitions for “performance conditions” and “service conditions” in the Standard. The amendment applies prospectively for share-based payments whose grant date is on or after 1 July 2014. The amendment of this Standard is of no practical relevance for RHÖN-KLINIKUM AG.

■ IFRS 3 “Business Combinations”

Following the amendment of this Standard, the wording of IFRS 3.40 was amended such that reference is made only to contingent consideration incurring in a business combination and satisfying the definition of a financial instrument, and moreover the reference to “other applicable IFRS” is deleted. Furthermore, the provision of IFRS 3.58 relating to the subsequent measurement of consideration was ambiguous since it prescribes a measurement at fair value for consideration that is not classified as equity, but then at the same time refers to IFRS 9 or IAS 39, IAS 37 or other IFRS in which fair value is not necessarily the subsequent measurement basis. The amendment of this Standard now requires subsequent measurement at fair value for all consideration not classified as equity, with all resulting effects being recognised in profit and loss. The amendment is to be applied prospectively to all business combinations for which the acquisition date is on or after 1 July 2014. The amendment of this Standard has no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

■ IFRS 8 “Operating Segments”

The amendment of this Standard contains clarifications. The amendment requires that the judgments made by management when operating segments have been aggregated to reportable segments in identifying the reportable segments must be disclosed and that a reconciliation of the total reportable segments assets to the entities assets is only required to be disclosed if disclosures on segments assets are part of the financial information regularly reported to the chief operating decision maker. Since RHÖN-KLINIKUM AG only has one reportable segment, the amendment of this Standard is of no practical relevance.

■ IFRS 13 “Fair Value Measurement”

The amendment clarifies that the IASB, by the amendments to IFRS 9 and IAS 39 resulting from IFRS 13, did not intend to remove the possibility of measuring short-term receivables and payables without discounting where the effect of discounting is immaterial. The clarification has no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

■ IAS 16 “Property, Plant and Equipment”, IAS 38 “Intangible Assets”

The amendment clarifies the computation of accumulated depreciation at the time of measurement when the revaluation method according to IAS 16.35 or IAS 38.80 is used. The clarification has no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

■ IAS 24 “Related Party Disclosures”

The amendment of this Standard extends the definition of “related parties” to include entities which either themselves or through one of their group entities provide key management services for the reporting entity which is not otherwise a related party within the meaning of IAS 24 (referred to as “management entities”). According to a newly inserted paragraph 18 A, the amendment requires separate disclosure of amounts recognised at the reporting entity as an expense for services provided by the management entity. By contrast, it is not necessary for the reporting entity to make disclosures pursuant to IAS 24.17 for compensation paid by the management entity to its employees performing management duties at the reporting entity. The amendment of the Standard is of no practical relevance for the consolidated financial statements of RHÖN-KLINIKUM AG.

Annual improvements to IFRS: 2011-2013 Cycle

As part of its process for making minor improvements to Standards and Interpretations (Annual Improvements Process), the IASB has published a further amendment Standard which is applicable for the first time for financial years commencing on or after 1 January 2015. This concerns the following Standards:

■ IFRS 1 “First-time Adoption of International Financial Reporting Standards”

As result of a change to the Basis for Conclusions, the meaning of effective date in connection with IFRS 1 is clarified. An entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. RHÖN-KLINIKUM AG is not affected by the amendment of this Standard.

■ IFRS 3 “Business Combinations”

The amendment of this Standard re-defines the existing exception for joint ventures to the scope of IFRS 3. It is clarified that the exception applies to all joint arrangements within the meaning of IFRS 11 and that the exception refers only to the financial statements of the joint venture or joint arrangement itself and not to accounting for the parties to the joint arrangement. The amendment of the Standard has no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

■ IFRS 13 "Fair Value Measurement"

IFRS 13 permits entities controlling a group of financial assets and financial liabilities on the basis of their net market or default risk to calculate the fair value of such group in accordance with how market participants would measure the net risk position on the valuation date (referred to as "portfolio exception"). By the amendment to this Standard it is clarified that the exception for measuring fair value applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32. The amendment takes place prospectively as of commencement of the financial year in which IFRS was applied for the first time. The amendment of the Standard has no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

■ IAS 40 "Investment Property"

The amended Standard clarifies that the scope of application of IAS 40 and that of IFRS 3 are independent of each other and by no means mutually exclude each other. Consequently, every purchase of investment property must be examined on the basis of the criteria of IFRS 3 to determine whether it is the purchase of a single asset, a group of assets or a business within the scope of application of IFRS 3. Moreover, the criteria of IAS 40.7 et seq. must be applied to establish whether the property in question is investment property or property used by the owner himself. The amendment takes place in principle prospectively for all purchases made as of commencement of the first period in which the amendment is applied for the first time, which means that no adjustment of figures from previous years is needed. The amendments of the Standard have no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

b) New accounting rules from financial year 2016 and for subsequent financial years

The following Standards and Interpretations newly published by the IASB – to the extent adopted by the European Union – are applicable as of financial year 2016/for subsequent years and have no impact/no material impact on/are of no practical relevance for the consolidated financial statements of RHÖN-KLINIKUM AG or are subject to a review by the Management:

Standard/Interpretation			Mandatory adoption date	Endorsement ¹⁾	Impact
Amendments	IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 Jan. 2016	Yes	No material impact
Amendments	IAS 19	Defined Benefit Plans: Employee Contributions	1 Feb. 2015	Yes	No material impact
Amendments	IAS 16, 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan. 2016	Yes	No material impact
Amendments	IAS 16, 41	Bearer Plants	1 Jan. 2016	Yes	No practical relevance
Amendments	Annual improvements to IFRS: 2012-2014 cycle	Collective Standard for amendments to various IFRS	1 Jan. 2016	Yes	No practical relevance
Amendments	IAS 1	Disclosure Initiative	1 Jan. 2016	Yes	Subject to a review by the Management
Amendments	IAS 27	Application of Equity Method in Separate Financial Statements	1 Jan. 2016	Yes	No impact
Amendments	IFRS 10, IAS 28	Consolidated Financial Statements, Investments in Associates and Joint Ventures	1 Jan. 2016	No	No material impact
Amendments	IFRS 10, 12, IAS 28	Investment Entities: Applying the Consolidation Exception	1 Jan. 2016	No	No impact
Amendments	IAS 28, IFRS 10	Sale or Contribution of Assets between Investor and its Associate or Joint Venture	Not yet announced	No	No material impact
New	IFRS 14	Regulatory Deferral Accounts	1 Jan. 2016	No	No impact
New	IFRS 15	Revenue from Contracts with Customers	1 Jan. 2018	No	Subject to a review by the Management
New	IFRS 9	Financial instruments	1 Jan. 2018	No	Subject to a review by the Management

¹⁾ Adoption of IFRS Standards and/or Interpretations by the European Union.

The Standards and Interpretations already adopted by the European Union are explained below:

Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”

In May 2014 the IASB published amendments to IFRS 11. These amendments clarify that acquisitions and additional acquisitions of interests in joint operations constituting a business as defined in IFRS 3 “Business Combinations” are required to be accounted in accordance with the principles on business combinations accounting in IFRS 3 and other applicable IFRS with the exception of those principles that conflict with the provisions of IFRS 11. The result of this is that, in the amount of the acquired interest in a joint operation, as a general rule:

- the acquired identifiable assets and liabilities are measured at fair value at the transaction date, it being further clarified that, where additional acquisitions of interests are made subject to joint control being maintained, the hitherto held interests are not re-measured,
- any goodwill and any deferred taxes arising from the first-time recognition of assets and liabilities are to be recognised,
- the cash generating unit to which goodwill has been allocated must be subjected to an impairment test as defined in IAS 36 "Impairment of Assets" at least once a year and where indications of impairment exist,
- transaction costs are to be recognised as an expenditure, and
- the disclosures required in IFRS 3 and other Standards in connection with business combinations are to be made.

The amendments do not apply if the reporting entity and the parties involved in it are under the common control of the same ultimate controlling entity.

The revised provisions apply prospectively to acquisitions of interests taking place in reporting periods as of the date of initial application. The revised provisions of IFRS 11 are to be applied to financial years commencing on or after 1 January 2016. RHÖN-KLINIKUM AG does not expect these provisions to have any material impact on the Group's net assets, financial position and results of operations.

Amendments to IAS 19 "Employee Benefits – Employee Contributions"

In November 2013 the IASB published an adjustment to IAS 19 R (2011). The revised provisions deal with the question of how contributions to defined benefit plans made by employees and third parties are to be recognised by companies. In this regard, the contributions must satisfy certain characteristics. In addition to the requirement for the contributions to be set out in the formal terms of the plan, they have to be linked to service and be independent of the number of years of service. Contribution payments independent of the number of years of service are those, for example, which are a certain percentage of the employee's salary, for which a fixed amount is defined during the entire service, or which depend on the employee's age. If these conditions are satisfied, the company has the possibility of recognising the contributions as a reduction of service costs in the period in which the work is performed. The revised provisions of IAS 19 are to be applied to financial years commencing on or after 1 February 2015. Early adoption is permitted. The amendments of the Standard have no material impact on the consolidated financial statements of RHÖN-KLINIKUM AG.

Amendment to IAS 16, 38 "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". The aim of these amendment is to clarify which methods of depreciation are appropriate in respect of property, plant and equipment and of intangible assets. In principle, the depreciation of property, plant and equipment must be performed in such a way as to reflect the expected consumption of the asset's future economic benefits. In this regard, the IASB has now clarified that a depreciation of property, plant and equipment based on revenue from the goods produced by them does not reflect this approach and is thus not appropriate. As a rule, this clarification is also incorporated in IAS 38 for the amortisation of intangible assets of limited useful life. In this respect, however, the IASB additionally introduces a rebuttable presumption according to which a revenue-based amortisation of intangible assets of limited useful life is permissible if the "value" of the asset can be directly expressed as a measure of the revenue generated or it can be demonstrated that the revenue generated and the consumption of economic benefits of the intangible asset are highly correlated. For both property, plant and equipment and for intangible assets it is

further clarified that a decline in selling prices of the goods and services produced by them is indicative of their rate of consumption.

The amendments to IAS 16 and IAS 38 are to be applied to financial years commencing on or after 1 January 2016. RHÖN-KLINIKUM AG does not expect these provisions to have any material impact on the Group's net assets, financial position and results of operations.

Amendments to IAS 16 and IAS 41 "Bearer Plants"

In June 2014, the IASB published amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" for accounting of what are referred to as bearer plants.

The published amendments clarify that such plants, up to the time of their production maturity – similar to self-constructed property, plant and equipment – are to be accounted for at acquisition or production cost and thereafter, in accordance with the provisions of IAS 16, either using the acquisition-cost or revaluation model. In future, accounting in accordance with the provisions of IAS 41 is no longer permitted.

The revised provisions of IAS 16 and IAS 41 are to be applied to financial years commencing on or after 1 January 2016. The amendments to these Standards are of no relevance for RHÖN-KLINIKUM AG.

Annual improvement to IFRS: 2012-2014 Cycle

On 25 September 2015, the IASB published the annual improvements to IFRS (2012-2014 Cycle) to be applied for the first time for financial years commencing on or after 1 January 2016. This concerns the following Standards:

- IFRS 5 "Non-current assets held for sale and discontinued operations"

The amendment clarifies that a direct reclassification from "held for sale" to "held for distribution to owners" does not result in an end to the related classification, presentation and measurement provisions of IFRS 5. The amendment is of no practical relevance for the Group of RHÖN-KLINIKUM AG.

- IFRS 7 "Financial Instruments: Disclosures"

The IASB has now clarified that servicing agreements (collection, dunning, etc.), in which the disposing entity still retains an interest in the risks or rewards from the performance of the receivables sold, establish a continuing involvement as defined in IFRS 7. The clarification of this Standard is of no practical relevance for the Group of RHÖN-KLINIKUM AG.

- IAS 19 "Employee Benefits"

The discount rate applied to defined benefit pension commitments is to be determined on the basis of yields generated on the market for high quality corporate bonds at the reporting date. In countries where there is no liquid market, the market yields on government bonds applicable at the reporting date are to be used instead. By the publication made, the IASB clarifies that the assessment of whether there is a deep market for high quality corporate bonds is to be made at "currency zone level", meaning, for example, that in the eurozone corporate bonds from the entire eurozone are to be included. The clarification of this Standard is of no practical relevance for the Group of RHÖN-KLINIKUM AG.

■ IAS 34 “Interim Financial Reporting”

The Standard requires entities to make certain disclosures in notes to the interim report unless already made elsewhere in the interim report. The IASB now clarifies that information provided “elsewhere in the interim report” may be information found either elsewhere in the interim report itself or in other documents to which cross-reference is made in the interim report. However, the prerequisite for this is that the other documents are accessible to the addressees of the interim report on the same terms and at the same time as the interim report itself. The clarification of this Standard is of no practical relevance for the Group of RHÖN-KLINIKUM AG.

Amendments to IAS 1 “Disclosure Initiative”

By the amendment Standard published on 18 December 2014, the first proposals for amending IAS 1 “Presentation of Financial Statements” capable of being implemented in the short term are implemented. The amendments relate to the materiality and the summary of items, subtotals in the balance sheet and statement of comprehensive income, the structure of the notes, disclosures on accounting methods as well as the equity method. The amendments to IAS 1 are to be applied to financial years commencing on or after 1 January 2016. Early adoption is permitted. RHÖN-KLINIKUM AG is currently reviewing the precise impact.

Amendments to IAS 27 “Adoption of the Equity Method in Separate Financial Statements”

On 12 August 2014, the IASB published amendments to IAS 27. As a result of the amendments, investments in subsidiaries, joint ventures and associated companies in future may be accounted for in separate financial statements also using the equity method. The amendments to IAS 27 are to be applied to financial years commencing on or after 1 January 2016. RHÖN-KLINIKUM AG does not expect these amendments to have any impact on the Group’s net assets, financial position and results of operations.

Preparing consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made. Moreover, the application of Group-wide accounting policies means that management has to exercise reasonable judgment. Areas that call for a greater degree of judgment to be exercised or that are characterised by a higher degree of complexity, or areas for which assumptions and estimates are of decisive importance for the consolidated financial statements, are set out and explained. The preparation of the consolidated financial statements was based on historical cost, qualified by the financial assets and financial liabilities recognised at fair value through profit or loss.

The consolidated financial statements will be approved for publication by the Supervisory Board on 14 April 2016.

2.2 CONSOLIDATION

The annual financial statements of the companies included in the consolidated annual report have been prepared in accordance with uniform accounting and valuation principles in relation to the same date as the consolidated financial statements.

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) which the Group has the possibility of controlling pursuant to IFRS 10. When assessing whether control exist, it is examined whether the parent has power over the subsidiary, obtains positive or negative variable returns and from it can influence the amount of such returns through exercising its power. The Group examines whether control is exercised also when the parent company holds less than 50.0% of the voting rights but has the possibility of controlling the relevant activities of the subsidiary based on de facto control. De facto control exists for example in the case of voting right agreements or high minority rights.

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

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

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

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

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

2.2.2 Transactions with non-controlling interests

Transactions with non-controlling interests are treated like transactions with equity investors. Any difference arising on acquisition of a non-controlling interest between the consideration paid and the relevant share in the carrying amount of the subsidiary's net assets is recognised in equity. Profits and losses arising on disposal of non-controlling interests are likewise recognised in equity. This applies only to the extent the disposal does not give rise to any loss of control.

2.2.3 Associated companies and joint ventures

Associated companies are those companies over which the Group has a substantial influence, but without having control because the voting interest is between 20% and 50%. Investments in associated companies and jointly controlled entities (joint ventures) are accounted for using the equity method and initially recognised at cost. The Group's interest in associated companies and jointly controlled entities includes the goodwill arising on acquisition (less accumulated impairment losses).

The Group's interest in the profits and losses of associated companies or joint ventures is recognised in the income statement as of the date of acquisition and the cumulative changes are offset against the carrying amount of the investment. If the Group's share in the loss of an associated company or joint venture is equal to or greater than the Group's share in this company including other unsecured receivables, no further losses are recognised unless the

Group has entered into an obligation for the associated company or jointly controlled entity or has made payments for it.

Unrealised intercompany profits or losses from transactions between Group companies and associated companies or jointly controlled entities are eliminated on a pro rata basis if the underlying circumstances are material.

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

The financial statements of investments accounted for using the equity method are prepared using uniform accounting principles within the Group. Associated companies whose individual or overall impact on the net assets and results of operations is not material and/or in which we cannot exert any material influence over financial and business policy decisions are not accounted for using the equity method but are included in the consolidated financial statements at the lower of cost or fair value.

2.2.4 Sale of subsidiaries

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

Assets and liabilities relating to entities intended for sale will be reported pursuant to IFRS 5 as a separate item in the balance sheet and the results of discontinued operations as a separate item in the statement of comprehensive income. Assets classified as assets held for sale will be measured at the lower of carrying amount and fair value and the depreciation of these assets will be discontinued.

2.3 SEGMENT REPORTING

Segment reporting is performed in accordance with IFRS 8 on the basis of the management approach, i.e. from the perspective of management. External reporting is based on internally applied control and reporting variables as well as reporting structures that are available to and used by the decision-makers.

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

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

- The segment's revenue is 10% or more of the combined (internal and external) revenues of all segments,

- the segment profit or loss is 10% or more of the greater of the combined reported profit or loss of all segments, or
- the segment's assets are 10% or more of the combined assets of all segments.

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

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

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

2.4 GOODWILL AND OTHER INTANGIBLE ASSETS

2.4.1 Goodwill

Goodwill is the excess of the cost of the company acquisition over the Group's interest in the fair value of the net assets of the acquired company at the acquisition date. Goodwill arising on acquisitions is allocated to intangible assets. Goodwill is subjected at least to an annual impairment test and measured at its historical cost less any impairment losses. A review is also performed when there are events or circumstances indicating that the value might be impaired. Impairment losses are not reversed. Profits and losses arising on the sale of a company include the carrying amount of the goodwill allocated to the company sold.

For the purpose of the impairment test, goodwill is allocated to cash generating units. At RHÖN-KLINIKUM AG these correspond as a rule to the individual hospitals unless the related goodwill of co-operating units is monitored at a higher level.

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

2.4.2 Computer software

Purchased computer software licences are recognised at cost plus the cost of bringing them to their working condition. These costs are amortised over the estimated useful life (three to seven years, straight-line method), and are shown under "depreciation/amortisation and impairment" in the income statement.

Costs relating to the development of websites or maintenance of computer software are expensed as incurred if the conditions for capitalisation are not satisfied.

2.4.3 Other intangible assets

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

2.4.4 Research and development expenses

Research costs are recognised as current expenditure in accordance with IAS 38. Development costs are capitalised if all the criteria of IAS 38 are satisfied. There are no development costs that meet the criteria for capitalisation.

2.4.5 Government grants

Government grants are recognised at fair value if it can be assumed with reasonable assurance that the grant will be received and that the Group has satisfied the necessary conditions for this. Government grants for investments are deducted from cost to arrive at the carrying amount for the assets to which they relate. They are distributed as a reduction in expenses over the expected useful life of the related assets using the straight-line method. Such grants are received within the framework of investment finance legislation for hospitals. Grants not yet used for their intended purpose are recognised under “Other financial liabilities” at the balance sheet date.

2.5 PROPERTY, PLANT AND EQUIPMENT

Land and buildings are reported under “Property, plant and equipment” and mainly comprise hospital buildings. In the same way as the other items of property, plant and equipment, they are measured at cost less any depreciation. Cost includes the expenditure directly attributable to the acquisition or construction of an asset as well as any overheads attributable to construction. Subsequent costs are recognised as part of the cost of the asset or – where applicable – as a separate asset only if it is probable that future economic benefits associated with the asset will accrue to the Group and if the cost of the asset can be measured reliably. All other repair and maintenance work is recognised as expenditure in the income statement in the financial year in which it is incurred.

Property, plant and equipment are tested for impairment if events or changed circumstances suggest that an impairment may have occurred. In such a case, the impairment test is performed pursuant to IAS 36 according to the principles explained for intangible assets. Where an impairment is to be made, the remaining useful life of the asset may be adjusted accordingly. If the reasons for a previously recognised impairment have ceased to exist, such impairment losses are reversed, in which case such reversal may not exceed the carrying amount that would have resulted if no impairment had been recognised in the previous periods.

Land is not depreciated. All other assets are depreciated using the straight-line method, with costs being depreciated over the expected useful lives of the assets so as to write down the value of the assets to their residual carrying amount as follows:

Buildings	33 ¹ / ₃ years
Machinery and equipment	5 to 15 years
Other plant and equipment	3 to 12 years

The net book values and useful economic lives are reviewed at each balance sheet date and adjusted where applicable. Gains and losses on the disposal of assets are measured as the difference between the disposal proceeds and the carrying amount and recognised through profit or loss.

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

The Group assesses on every balance sheet date whether there are any indications that an asset might be impaired. If such indications exist or if an annual impairment test has to be performed in relation to an asset, the Group estimates the recoverable amount. If it is not possible for independent inflows to be allocated to the individual asset, the Group estimates the recoverable amount for the cash generating unit to which the asset belongs. The recoverable amount is the higher of the fair value of the asset less costs to sell it and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In order to calculate the value-in-use, the estimated future cash flows are discounted to their present value using a discount rate before taxes which reflects the current market expectation with regard to the interest effect and the specific risks of the asset. Impairments are shown in the income statement under the item Depreciation/amortisation.

On every balance sheet date, a test is performed to establish whether there are any indications that an impairment recognised in previous reporting periods no longer exists or might have diminished. If such an indication exists, the recoverable amount is estimated. An impairment previously recognised has to be reversed if there has been a change in the estimates used for determining the recoverable amount since the last impairment was recognised. If this is the case, the carrying amount of the asset has to be increased to the recoverable amount of the asset. However, this must not exceed the carrying amount which would have resulted after the recognition of depreciation/amortisation if no impairment had been recognised in previous years. Any such reversal of a prior impairment has to be recognised immediately in the profit or loss for the period. After a prior impairment has been reversed, the amount of depreciation/amortisation in future reporting periods has to be adjusted in order to systematically distribute the revised carrying amount of the asset, less any residual value, over the remaining useful life of the asset.

2.7 FINANCIAL ASSETS

Financial assets in principle comprise receivables, other financial assets, equity instruments, derivative financial instruments with positive fair values, and cash.

These financial assets are principally divided into the following categories:

- Financial assets measured at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets

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

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

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

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

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

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

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

2.7.1 Assets at fair value through profit or loss

This category is divided into two sub-categories: financial assets which either have been classified as "held-for-trading" (including derivatives) from the outset, and financial assets which have been classified as "measured at fair value through profit or loss" as a result of using the fair-value option if the appropriate criteria are satisfied. A financial asset is assigned to this category if it was acquired principally for the purpose of selling it in the near term, or has been designated as such by management. Derivatives are also included in this category provided they are not classified as hedges. The category "held-for-trading" financial instruments under IAS 39 is also applicable for certain hedging instruments which may be used for interest rate hedging in the RHÖN-KLINIKUM Group in principle in accordance with management criteria, but for which hedge accounting is not applied under IAS 39.

For this, derivative financial instruments such as interest rate swaps and options are used in principle. Assets in this category are shown as current assets if they mature within the next twelve months.

2.7.2 Loans and receivables, held-to-maturity investments

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are deemed to be current assets provided their maturity does not exceed twelve months from the balance sheet date. Assets whose maturity exceeds twelve months after the balance sheet date are recognised as non-current assets. Trade receivables and other financial assets are assigned to this category. As at the balance sheet date there were no held-to-maturity investments.

2.7.3 Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that are either explicitly assigned to this category or could not be assigned to any of the other categories described. They are assigned to non-current assets provided that the Management does not have the intention of selling them within twelve months from the balance sheet date. If the market value cannot be reliably measured, financial assets available for sale are measured at cost.

2.8 INVESTMENT PROPERTY

Investment properties comprise land and buildings which are held for the purpose of generating rental income or for achieving capital gains, and which are not used for the company's own provision of services, for administrative purposes or for revenues within the scope of ordinary operations. Investment properties are measured at cost less cumulative depreciation.

If RHÖN-KLINIKUM AG or its subsidiary retains beneficial ownership in leased assets as lessor (operating lease), these assets are identified as such and reported separately in the balance sheet. Leased assets are recognised at cost and depreciated in accordance with the accounting principles for property, plant and equipment. Lease income is recognised on a straight-line basis over the term of the lease.

2.9 INVENTORIES

Inventories within the Group of RHÖN-KLINIKUM AG are materials and supplies. These are measured at the lower of cost (including transaction costs) and net realisable value. Cost of inventories is determined by the weighted-average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to sell.

2.10 TRADE RECEIVABLES

Trade receivables are initially recognised at fair value plus any transaction costs and subsequently measured at amortised cost less impairments. An impairment of trade receivables is recognised when there are objective indications that the receivable amounts owed are not fully recoverable. The amount of the impairment is recognised on the corresponding allowance account in profit or loss under the item "Other expenses". Major financial difficulties at a debtor and an increased probability of a debtor becoming insolvent may be indications of an impairment of trade receivables. The amount of any impairment is determined on the basis of the difference between the current carrying amount of a receivable and the expected cash flows which are expected from the receivable.

2.11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term, highly liquid financial assets with original maturities of up to three months. Utilised bank overdrafts are shown on the balance sheet as liabilities to banks under the item "Current financial liabilities".

2.12 EQUITY AND HEDGE ACCOUNTING

2.12.1 Equity

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

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

2.12.2 Hedge accounting

Up to redemption of the respective underlying transaction in the second quarter of financial year 2014, the Group used derivative financial instruments to hedge interest rate risks arising from financial transactions and applied the rules on hedging in accordance with IAS 39 (Hedge Accounting). This reduced the volatility of the income statement. As at the previous year's balance sheet date, no interest hedges exist at the balance sheet date of 31 December 2015. In the previous year, derivative financial instruments measured at fair value in profit or loss resulted in expenditures of € 0.1 million up to the write-back of the interest-rate hedging instruments.

2.13 FINANCIAL LIABILITIES

Financial liabilities in principle comprise financial debt (including the negative fair values of derivative financial instruments), trade payables as well as other financial liabilities. The original financial liabilities are measured at amortised cost and the derivative financial instruments at fair value. For current liabilities this means that they are recognised at their repayment or settlement amount.

Financial liabilities as well as financial debt are initially recognised at fair value (less transaction costs). In subsequent periods they are measured at amortised cost; any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognised over the term of the loan in the income statement in the finance result using the effective interest method. Loan liabilities are classified as current liabilities unless the Group has the unconditional right to postpone settlement of the liability to at least twelve months from the balance sheet date.

2.14 CURRENT AND DEFERRED TAXES

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

Deferred tax is recognised using the liability method for all temporary differences between the tax basis of assets and liabilities and the respective IFRS consolidated carrying amounts. If, however, in a transaction which is not a business combination, deferred tax arises from the initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax is recognised. Deferred taxes are measured subject to the tax rates (and tax laws) that apply or have been substantively enacted on the balance sheet date and that are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. Deferred taxes have been calculated using a corporate income tax rate of 15.0% (plus the 5.5% solidarity surcharge on corporate income tax).

Deferred tax assets are recognised to the extent it is probable that they will result in a tax benefit when offset against taxable profits.

Deferred tax liabilities in connection with temporary differences arising from equity interests in subsidiaries are always recognised unless the point in time of the reversal of the temporary differences can be controlled by the Group and a reversal of the temporary differences is not probable in the foreseeable future.

2.15 EMPLOYEE BENEFITS

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

Various pension plans exist within the Group. These plans are financed by payments to insurance companies or pension funds or by recognising provisions (direct commitments) whose amount is based on actuarial calculations. The Group has both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (insurance company or pension fund). The possibility of claims being asserted against the Group for payment of additional contributions exists only within the scope of subsidiary liability. Since RHÖN-KLINIKUM AG regards the risk of default of an insurance company or pension fund as extremely low, such commitments are accounted for as defined contribution plans.

For defined contribution plans the Group pays contributions to state or private pension insurance plans based on statutory or contractual obligations. The Group has no further payment obligations other than the payment of the contributions. The contributions are recognised in personnel expenses when due.

A defined benefit plan is a pension plan that does not fall under the definition of a defined contribution plan. It typically stipulates the amount of pension benefits that an employee will receive on retirement which is usually dependent on one or several factors such as age, length of service and salary.

The provision stated in the balance sheet for defined benefit plans is equal to the present value of the defined benefit obligation (DBO) at the balance sheet date. The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the expected future cash outflows with the interest rate of high quality corporate bonds issued in the currency in which the benefits are paid and whose terms are consistent with those of the pension obligation.

Actuarial gains and losses resulting from changes in actuarial assumptions and/or from discrepancies between earlier actuarial assumptions and the actual development are recognised directly at equity in the period in which they occur giving due regard to deferred tax. In this way the balance sheet – after deduction of any existing plan assets – shows the full scope of the obligations avoiding fluctuations in expenses that may arise in particular in the case of changes in the calculation parameters. The actuarial gains and losses recognised in the respective reporting period are shown separately as “revaluations of defined benefit pension plans” in the statement of comprehensive income.

Pursuant to IAS 19, past service cost, i.e. all changes in benefits diminishing the defined benefit obligation, are fully recognised in the income statement at the time of the plan modification.

Multi-employer plans

On the basis of collective agreements, the Group pays contributions to the Federal and State Pension Scheme (VBL) and other public service pension schemes (Supplementary Insurance Scheme for Municipalities, ZVK) for a certain number of employees. The supplementary pension schemes are public-law corporations or institutions. The contributions are paid on a pay-as-you-go (PAYGO) basis. This financing structure carries the risk of rising contributions through the levy of reform imposts that may be charged unilaterally or disproportionately to employers.

The present plans are multi-employer plans (IAS 19.8) since the participating companies share both the risk of the capital investment and the actuarial risk. In principle, the VBL/ZVK benefit plan is to be classified as a defined benefit plan (IAS 19.38), but the information needed for an objectively correct representation of the Group's share of the future payment is not available due to the existing PAYGO financing regime. Because of such PAYGO financing approach in which the levy rate is calculated for a certain coverage layer on the basis of the aggregate insurance portfolio and not on the basis of the individual risk of insureds, the benefit plan pursuant to IAS 19.34 is to be recognised as a defined contribution plan. Since no agreements within the meaning of IAS 19.37 exist, there is no recognition of a corresponding asset or liability. Any superordinated guarantee obligations of public-law entities take precedence over the recognition of any liability item in the balance sheet.

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

In addition to the levy, the VBL also levies reform imposts from the participating employers with compulsory insureds in the separately organised and managed settlement class Abrechnungsverband West. The flat-rate monies cover the additional financing requirement necessary until the comprehensive healthcare system is switched over to the points model. The share in the reform impost that the individual employers have to pay depends on which residual liabilities and insured remunerations they cover. Up to 2015, the reform impost amounted to roughly 2% of the remunerations on average. As at 2016, a reform impost of 0.14% is planned.

In the settlement class Abrechnungsverband West, the VBL finances its benefits through a PAYGO approach taking the form of a modified defined period-based funded approach (Abschnittsdeckungsverfahren). The current defined period covers 2016 to 2022. The levy rate is assessed in such a way that the contribution to be paid for the duration of the defined period together with the other income expected and the available assets suffices to settle the expenditures during the defined period and the period of six months thereafter. Since 1 January 2002, the levy rate has been 7.86% of the remuneration subject to supplementary pension payments, of which employers pay a share of 6.45% and employees a share of 1.41%. Since 1 July 2015, an additional employee contribution of 0.2% has applied. This additional employee contribution will rise on 1 July in each of the next two years by 0.1%.

Since 1 January 2004, funding in the settlement class Abrechnungsverband Ost has been undergoing a gradual switch from the PAYGO approach to a funded system. Besides a levy of 1% of the remuneration subject to supplementary pension payments, additional contributions are being charged for this under the funded system of which employers and employees each bear half. From 1 January 2010, all employers charge, in addition to the levy, a uniform contribution to the funded system equal to 4% of the remuneration subject to supplementary pension payments (employer share of 2%, employee share of 2%). In addition to the employee contribution of 2%, an additional employee contribution of 0.75% was introduced as of 1 July 2015. This additional employee contribution will rise on 1 July in each of the next two years by 0.75%.

Given the absence of sufficient information, it is not possible to make any statement on the level of participation in the pension schemes based on the contributions paid by RHÖN-KLINIKUM AG compared with the aggregate payments to the Federal and State Pension Scheme (VBL) and other public service pension schemes (Supplementary Insurance Scheme for Municipalities, ZVK).

In the event of a VBL participation being terminated, the legal consequences arising therefrom are defined in section 23 of the VBL Rules. Termination of a VBL participation also triggers the end of the mandatory insurance schemes. Since the VBL also continues to settle the pension claims and entitlements arising up to the end of the participation, the withdrawing party, as compensation, is required to pay an equivalent value which does not include those components financed under the funded scheme. This equivalent value comprises the full funding of existing entitlements and coverage of administrative expenses as well as future benefit claims. The supplementary pension insurance scheme ZKV also stipulates a similar provision. Since in the case of withdrawal from PAYGO financing the risks of the other participants of the system also have to be compensated pro rata, a plausible actuarial calculation can be made only by the pension fund itself.

Membership in VBL/ZVK exists only due to the acquisition of hospitals from public ownership. After conclusion of the transaction with Fresenius/Helios, only the hospitals in Gießen and Marburg had membership in the VBL in financial year 2015.

2.15.2 Termination benefits

Termination benefits are provided if an employee is made redundant before the normal retirement date or accepts voluntary redundancy in return for severance compensation. The Group recognises severance compensation payments if it is demonstrably committed to terminating the employment of current employees subject to a detailed formal plan which cannot be rescinded or is demonstrably committed to paying severance compensation if employees accept voluntary redundancy. Termination benefits which fall due more than twelve months after the balance sheet date are discounted to their present value.

2.15.3 Management profit sharing and employee profit sharing

Management profit sharing and employee profit sharing are recognised as liabilities using a measurement method based on the consolidated result or the results of consolidated subsidiaries. The Group recognises a liability in the cases in which a contractual obligation exists or a constructive obligation arises from a past practice.

2.15.4 Share-based payment

Share-based payment is recognised in accordance with IFRS 2. In financial year 2014, warrants in the form of virtual shares were issued. These are accounted for as payment with cash settlement. The provision for the liability resulting from the virtual shares is formed in the amount of the expected expenditure. The fair value of the virtual shares is calculated using a binomial model.

2.16 PROVISIONS

Provisions for restructuring and legal obligations are recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and the value of the outflow of resources can be reliably determined. Restructuring provisions essentially include the costs of early termination of employment contracts with employees. In particular, no provisions are recognised for future operating losses.

Where there are a number of similar obligations, the probability of an outflow of resources being required for settlement is assessed based on an aggregate view of such similar obligations. A provision is also recognised if the probability of outflow for any one of such obligations is deemed to be small.

Provisions are measured as the present value of the payments expected to be required to settle the obligation. The discounting process uses a pre-tax interest rate which reflects the current market expectations with regard to the present value of the funds and the risk potential of the obligation. Increases in the value of provisions based on interest effects reflecting the passage of time are recognised as interest expense in the income statement.

2.17 REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received for the provision of services and for the sale of products. Revenue from intra-group goods and services is eliminated by way of consolidation. Revenue is recognised as follows:

2.17.1 In-patient and out-patient hospital services

Hospital services are recognised in the financial year in which the services are performed by reference to the stage of completion as a proportion of the total services to be performed. Charges agreed with the payers are essentially invoiced at fixed rates irrespective of the duration of stay. In certain segments daily hospital and nursing rates are invoiced.

Hospital services are limited in terms of their volume as part of an agreed budget. As a result, service volumes exceeding the budget and service volumes falling short of the budget are to be mutually offset under statutory provisions.

2.17.2 Interest income

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

2.17.3 Income from distribution and dividends

Dividend income is recognised when the right to receive payment is established.

2.18 LEASING

Leasing transactions within the meaning of IAS 17 can result from rental and lease arrangements, and are classified either as a finance lease or an operating lease.

Leasing transactions in which the Group, in its capacity as the lessee, bears all the major risks and rewards associated with ownership are normally treated as finance leases, i.e. as if the assets had actually been acquired. The assets are capitalised and depreciated over their normal useful lives or term of the lease agreement; the future lease payments are recognised as liabilities at their present value.

Leasing transactions are classified as operating leases if substantially all the risks and rewards incidental to ownership remain with the lessor. Payments made in connection with an operating lease are recognised in the income statement on a straight-line basis over the term of the lease.

2.19 COSTS OF BORROWING

If borrowing takes place, the costs of borrowing are deducted from the corresponding items and are distributed using the effective-interest method. Moreover, the interest is then recognised as current expense. Costs of borrowing incurred in connection with the acquisition/construction of qualifying assets are capitalised during the entire production process until commissioning. Other costs of borrowing are recognised as an expense.

2.20 DIVIDEND PAYMENTS

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

2.21 FINANCIAL RISK MANAGEMENT

2.21.1 Financial risk factors

The assets, liabilities and planned transactions of RHÖN-KLINIKUM AG are exposed in particular to the following risks:

- Credit risk
- Liquidity risk
- Interest rate risk

The aim of financial risk management is to limit the above risks through ongoing operating activities as well as the use of derivative and non-derivative (e.g. fixed-interest loans) financial instruments. As a general rule, derivative financial instruments may be entered into for hedging purposes, i.e. they are not used for trading or speculative purposes.

As a rule, financing instruments for limiting the counterparty risk are taken out only with leading financial institutions.

Financial risk management is conducted by the Treasury department under the supervision of the CFO in line with the guidelines adopted by the Board of Management and the Supervisory Board. Risks are identified and measured by the Board of Management working together with the operative units of the Group. The CFO defines both the principles for interdivisional risk management and the guidelines for certain areas such as the management of interest rate and credit risks, the use of derivative and non-derivative financial instruments as well as the investment of liquidity surpluses.

2.21.2 Credit risk

The Group provides over 90% of its services for members of the statutory social insurance scheme, and the remainder to persons who pay medical invoices themselves and who have taken out private health insurance. There are no significant concentrations with respect to individual payers. The cost of hospital services is normally settled by payers within the legally prescribed period. With regard to the default risks in financial year 2015, please refer to our comments under Note 7.9 et seq. "Trade receivables, other financial assets and other assets". The maximum risk of default is equal to the aggregate amount of the financial assets (less impairments) recognised on the balance sheet. Counterparty risks from entering into financial transactions are minimised by adherence to rules and limits.

2.21.3 Liquidity risk

Careful liquidity management includes holding a sufficient reserve of cash, having the possibility of obtaining finance for an adequate amount under agreed credit lines, and being able to raise liquidity from market issuances. Given the dynamic nature of the market environment in which the Group operates, the objective of RHÖN-KLINIKUM AG is to maintain the necessary flexibility in finance matters by having sufficient credit lines available and access to the capital markets at all times. A minimum strategic liquidity of cash and free, immediately available credit lines is held in order to ensure the Group's ability to act at all times. A liquidity report is prepared daily for monitoring liquidity risk. Short- to medium-term liquidity planning calculations are also carried out.

2.21.4 Interest rate risk

Interest rate risk results from uncertainty about future developments in the level of interest rates and affects all interest-bearing items as well as interest derivatives. RHÖN-KLINIKUM AG is therefore always exposed to interest rate risks.

In financial year 2014, RHÖN-KLINIKUM AG redeemed all non-current financial liabilities to banks with the exception of one bilateral bullet bank loan. As at the balance sheet date, there was still a fixed interest rate bullet loan in the amount of € 10.0 million maturing in 2017 and a fixed interest rate bond remaining on the market with a nominal amount of € 143.2 million and maturing in 2016. As at the balance sheet date, 21.1% of cash at banks was invested at a fixed interest rate with a term of under three months, and 78.9% at a variable interest rate subject 30 days' termination notice or callable daily.

As at the balance sheet date, there were exclusively fixed interest rate liabilities as well as cash with banks with a term of up to 24 months. All derivative financial instruments were terminated in financial year 2014. As already in the previous year, no monitoring of interest rate risks was performed in financial year 2015 by means of sensitivity analyses given the reduced risk.

2.21.5 Management of equity and debt

The aim of the Management with regard to the handling of equity and debt is to adopt a strict policy of matching maturities (horizontal balance sheet structure) of source and use of funds. Non-current assets should be funded on a long-term basis. The items of equity and non-current liabilities shown in the balance sheet are included under the source of long-term funds. This ratio should be at least 100%, and amounted to 128.2% in the year under review (previous year: 168.6%). The decline stems from the capital reduction associated with the repurchase of shares and from the long-term fixed deposit investment in financial year 2015. Long-term appropriation of funds relates to financial assets and property, plant and equipment. Although given the personnel cost ratio of more than 50% the Group of RHÖN-KLINIKUM AG is frequently attributed to the services sector, our business model has a long-term focus and is initially investment-driven. It is to be ensured that at least 35.0% of capital expenditure is sustainably backed by equity. As at 31 December 2015, this ratio at the Group level was 67.8% (previous year: 69.2%).

Group growth is also managed by way of appropriate equity measures through resolutions on the appropriation of profits for the consolidated companies. With regard to retaining parts of the net income, the Management focuses on an equity ratio of 25%.

If debt capital is used, the Management focuses on the following management ratios for minimising risks. The aim is to limit the ratio between net financial debt (= financial liabilities less cash and cash equivalents) and EBITDA to a maximum 3.5-fold multiple.

From a risk viewpoint, an assessment of the presented debt capital ratios (covenants) is obsolete as a result of the redemption of financial assets in 2014.

3 CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION

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

The Group makes assessments and assumptions about the future. The estimates derived from these of course only rarely reflect actual future circumstances. These uncertainties in particular concern the following:

- The planning parameters taken as a basis of the impairment test for goodwill,
- assumptions made in determining pension obligations,
- assumptions and probabilities for determining provision requirements, and
- assumptions relating to the credit risk of trade receivables.

The estimates and assumptions that entail a significant risk of a substantial adjustment in carrying amounts of assets and liabilities during the next financial year are discussed in the following.

3.1 ESTIMATED IMPAIRMENT OF GOODWILL

To determine goodwill at fair value less costs to sell, the operating cash flows of the individual hospitals were discounted at the weighted average cost of capital (WACC) after tax of 5.32% (previous year: 5.48%). The values in use do not exceed fair value less cost of sale. Based on this calculation, no impairment requirement was ascertained. Key assumptions having a substantial influence on fair value less costs to sell are WACC and the average EBIT margin. See our Note under 7.1 for average growth in revenues and average EBIT margin. For the cash generating units, the recoverable amount is equal to the carrying amount as of an assumed cost of capital rate of 8.4% (previous year: 7.6%).

3.2 REVENUE RECOGNITION

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

In order to create planning and revenue certainty, these regulations normally provide for prospective fee agreements. In practice, however, these negotiations take place only in the course of the financial year or even thereafter, creating uncertainties as to the service volume for which consideration is received at the balance sheet date. These are reflected in the balance sheet through objective estimates of receivables or liabilities. Past experience has shown that the inaccuracies relating to the estimates represent well under 1% of the Group's revenues.

The Group generates over 90% of its revenue from the statutory health insurance funds. As a general rule, the various budgets for the individual hospitals are defined together with the statutory health insurance funds at the beginning of each year. Diagnosis related groups (DRGs) are measured nationally on a uniform basis through the DRG catalogue. The measurement ratios are reviewed and adjusted each year by Institut für das Entgeltsystem im Krankenhaus GmbH (InEK).

If the actual volumes exceed or fall short of the agreed total budget, only the additional variable costs are paid or saved variable costs deducted, using fixed rates. Approved fee agreements existed at all hospitals at the time the consolidated balance sheet was prepared; this meant that any compensation payments for excess revenues or shortfalls could be calculated precisely.

3.3 INCOME TAXES

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

For determining the actual value of deferred tax assets, it is essential to assess the probability of the reversal of the valuation differences and the extent to which it is possible to use the tax loss carry-forwards that led to the recognition of deferred tax assets. This depends on the generation of future taxable profits during the periods in which tax valuation differences are reversed and tax loss carry-forwards can be utilised. Uncertainties exist with regard to the interpretation of complex tax regulations and the amount and timing of future taxable income that result in changes in the tax income or expense in future periods. The Group recognises adequate provisions for the possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience from past tax audits and differing interpretations of substantive tax law by the taxable entity and the competent tax authorities on specific issues.

4 COMPANY ACQUISITIONS

Consolidated companies

The ultimate parent company is RHÖN-KLINIKUM Aktiengesellschaft with its registered office in Bad Neustadt a. d. Saale. The consolidated companies are as follows:

	31 Dec. 2014	Additions	Disposals	31 Dec. 2015
Fully consolidated subsidiaries	27	-	-	27
Companies consolidated using the equity method	2	-	-	2
Other companies	6	1	-	7
Consolidated companies	35	1	-	36

The addition results from the investment in the company "Wir für Gesundheit GmbH" in which we hold in interest together with Helios Kliniken GmbH and Asklepios Kliniken GmbH. Of the two companies included using the equity method, one company is a joint venture. The other companies are recognised in the consolidated financial statements at the lower of cost or fair value.

Acquisition of hospitals

By purchase agreement dated 31 July 2015, RHÖN-Kreisklinik Bad Neustadt GmbH, in an asset deal, acquired Kreisklinik Bad Neustadt with effect from 1 January 2016 subject to conditions precedent. Kreisklinik Bad Neustadt a. d. Saale is a basic and standard care hospital with a total of 225 beds and 8 palliative places as well as a school for nurses. The Kreisklinik facility has the medical specialties of surgery, internal medicine, gynaecology and obstetrics, oto-rhino-laryngology (ENT) as well as haemodialysis and employs some 420 full-time staff. The acquisition serves to broaden the regional care structures at the Bad Neustadt a. d. Saale site. The conditions precedent have been met, with the result that the Kreisklinik facility will be included in the consolidated financial statements as of 1 January 2016. Under the campus approach of the hospitals at the Bad Neustadt a. d. Saale site, the acquired hospital will be integrated into the

campus area following completion of the new construction measure in 2019. Costs relating to the acquisition in the amount of € 0.4 million were recognised in the income statement of 2015 under other operating expenses.

Purchase price allocation is performed on the basis of the values of the 2015 annual financial statements. The preliminary purchase price allocation has the following impact on the Group's net assets in 2016:

Kreisklinik Bad Neustadt a. d. Saale	€ m
Acquired assets and liabilities	
Intangible assets	0.1
Property, plant and equipment	0.8
Trade receivables	3.0
Cash and cash equivalents	2.0
Other assets	0.6
Trade payables	-0.9
Other liabilities	-3.0
Net assets acquired	2.6
Goodwill	4.3
Cost as defined by IFRS 3	6.9
– Acquired cash and cash equivalents	-2.0
Cash outflow on transaction at date of first-time consolidation	4.9
Downpayment already made in 2015	5.5
Purchase price yet to be paid in 2016	1.4

If the acquisition of the Kreisklinik Bad Neustadt had already taken place with effect from 1 January 2015, consolidated revenues of financial year 2015 would have amounted to € 1,141.8 million and consolidated profit would have been € 88.2 million. The disclosures are made in accordance with IFRS 3.59 et seq. The goodwill arising by reason of the first-time acquisition reflects the expectations that the Group, with the acquisition of Kreisklinik at the Bad Neustadt a. d. Saale site, can implement full-service inpatient care delivery rurally. As a basic and standard care hospital, Kreisklinik complements the offering of specialty facilities already found at the Bad Neustadt a. d. Saale site. With an offering at the level of cutting-edge medical care, we want to have a stronger presence on the market and in that way address patients across districts. With the plans to bring together all facilities on the healthcare campus currently under construction, we also expect to achieve cost savings on the back of synergy effects. The further expansion of outpatient structures within the vicinity of the hospitals and their close integration into inpatient structures will enhance the attractiveness of the Bad Neustadt a. d. Saale site for patients from the district and beyond.

The fair value of trade receivables is made up of an amount of € 3.1 million less specific valuation allowances of € 0.1 million. The goodwill recognised is likely to be tax-deductible.

Acquisition of doctor's practices

In financial year 2015 a total of seven doctor's practices were acquired whose conditions of validity as per agreement were satisfied during the reporting period of 2015. Consolidation in the Group also took place in financial year 2015. No costs were incurred from the acquisition of the doctor's practices. The revenues and annual results generated since their inclusion in the consolidated statements are of minor importance for the Group of RHÖN-KLINIKUM AG. The final purchase price allocation has the following impact on the Group's net assets in 2015:

	Fair value post acquisition
	€ m
Purchase of doctor's practices, January to December 2015	
Acquired assets and liabilities	
Property, plant and equipment	0.2
Net assets acquired	0.2
+ goodwill	1.2
Cost	1.4
– purchase price payments outstanding	0.0
– acquired cash and cash equivalents	0.0
Cash outflow on transaction	1.4

Goodwill amounting to € 1.2 million essentially includes synergy effects expected from the expansion of medical care centres. The goodwill values recognised are likely to be tax-deductible.

5 SEGMENT REPORTING

The Group's hospitals are operated in the legal form of independent subsidiaries which carry on their business activities in their respective regional markets in line with the guidelines and specifications of the parent company. For further information, please refer to section 6.1, Revenues. There are no dependent hospital operations or branches within RHÖN-KLINIKUM Group.

According to IFRS 8 "Operating Segments", segment information is to be presented in accordance with the internal reporting to the chief operating decision maker (management approach).

The chief operating decision maker of RHÖN-KLINIKUM AG is the Board of Management as a whole which makes the strategic decisions for the Group and which is reported to based on the figures of the individual hospitals and subsidiaries. Accordingly, RHÖN-KLINIKUM AG with its acute hospitals and other facilities continues to have only one reportable segment since the other units such as rehabilitation facilities, medical care centres and service companies, whether on a stand-alone basis or in the aggregate, do not exceed the quantitative thresholds of IFRS 8.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 REVENUES

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

	2015	2014
	€ m	€ m
Business areas		
Acute hospitals	1,070.7	1,452.4
Medical care centres	8.9	26.6
Rehabilitation hospitals	28.6	31.5
	1,108.2	1,510.5
Regions		
Bavaria	216.2	269.0
Saxony	0.3	65.9
Thuringia	169.8	211.2
Brandenburg	130.5	125.5
Baden-Wuerttemberg	-	21.8
Hesse	591.4	675.0
Lower Saxony	-	92.3
North Rhine-Westphalia	-	22.4
Mecklenburg-West Pomerania	-	5.0
Saxony-Anhalt	-	22.4
	1,108.2	1,510.5

According to IAS 18, revenues constitute revenues generated from the provision of services and in financial year 2015 declined by € 402.3 million or 26.6% to € 1,108.2 million, significantly influenced by the sale of subsidiaries primarily at the end of February 2014. Of this figure, the acute and rehabilitation hospitals accounted for € 1,099.3 million (previous year: € 1,483.9 million) and the medical care centres accounted for € 8.9 million (previous year: € 26.6 million).

6.2 OTHER INCOME

Other operating income comprises:

	2015	2014
	€ m	€ m
Income from services rendered	120.8	131.9
Income from grants and other allowances	10.8	13.1
Income from adjustment of receivables	0.4	1.2
Income from indemnification payments/Other reimbursements	1.8	1.2
Other	46.0	10.4
	179.8	157.8

Income from services rendered includes income from ancillary and incidental activities amounting to € 114.6 million (previous year: € 122.6 million) as well as income from rental and lease agreements amounting to € 6.2 million (previous year: € 9.3 million). The decline stems from the sale of hospitals to primarily at the end of February 2014.

The Group received grants and other allowances as compensation for certain purpose-tied expenditures in connection with publicly financed measures (e.g. costs of personnel and materials for research and teaching, benefits under German legislation governing semi-retirement schemes, and for other subsidised measures). The decline stems from the sale of hospitals to primarily at the end of February 2014.

The investigations conducted by the Main Customs Office of Schweinfurt in 2011 relating to the cleaning companies resulted in social insurance contributions being levied by way of post-clearance recovery. In the first quarter of 2015, an agreement was reached with the German pension insurance agency (Deutsche Rentenversicherung) on the amount of social insurance contributions. Under the agreement reached, all possible subsequent claims are settled. In this connection, the provision formed for this in the first quarter of 2015 in the amount of € 19.7 million (previous year: € 0.0 million) was reversed and the amount stated under the remaining other income item. Furthermore, provisions were formed for potential legal and fiscal guarantee risks in connection with the sale of hospitals to Fresenius/Helios in the amount of roughly € 11.0 million (previous year: € 0.0 million). The sale of a real estate company in the previous year and the final agreement reached on the sale price in financial year 2015 resulted in income of € 8.3 million (previous year: € 0.0 million). Moreover, the remaining other income amounts include an amount of € 2.3 million (previous year: € 4.2 million) in reimbursements by the payers for reviews of cases by the Medical Review Board (MDK) of the health insurance funds concluded without objections, as well as an amount of € 3.8 million (previous year: € 4.3 million) in funds to compensate for expenses in connection with the performance of studies.

6.3 MATERIALS AND CONSUMABLES USED

	2015	2014
	€ m	€ m
Cost of raw materials, consumables and supplies	294.6	367.0
Cost of purchased services	27.2	58.1
	321.8	425.1

Compared with the previous year, materials and consumables decreased by € 103.3 million (or 24.3%) to € 321.8 million as a result of the transaction. As a result of use of articles entailing higher material costs at our facilities of cutting-edge medicine, the materials ratio rose from 28.1% in the previous year to 29.0%.

6.4 EMPLOYEE BENEFITS EXPENSE

	2015	2014
	€ m	€ m
Wages and salaries	591.7	807.7
Social insurance contributions	48.3	65.7
Expenditure for post-employment benefits		
Defined contribution plans	55.4	90.2
Defined benefit plans	0.3	0.3
	695.7	963.9

The decline in the employee benefits expense by € 268.2 million or 27.8% to € 695.7 million stems from the sale of hospitals primarily at the end of February 2014.

Expenses for defined contribution plans concern payments to the federal and state pension scheme (VBL) and to the supplementary pension schemes (ZVK). The defined benefit plans relate to the benefit commitments of Group companies, and comprise commitments for retirement pensions, invalidity pensions and pensions for surviving dependants as well as severance payments for members of the Board of Management after termination of the employment relationship.

Employee benefits expenses include a figure of € 0.0 million (previous year: € 2.3 million) for severance payments.

Moreover, expenditure for post-employment benefits includes refunds for previous years.

6.5 DEPRECIATION/AMORTISATION AND IMPAIRMENT

This item includes amortisation and impairment of intangible assets and depreciation of property, plant and equipment and investment property. Compared with the same period last year, the depreciation/amortisation item declined by € 21.8 million (or 26.3%) to € 61.0 million. The decline is essentially attributable in the amount of € 16.2 million to the full impairment on the building of PTZ GmbH in the second quarter of 2014. This impairment relates to the realisation of the particle therapy facility at the university hospital in Marburg.

6.6 OTHER EXPENSES

Other expenses break down as shown in the following table:

	2015	2014
	€ m	€ m
Maintenance	43.3	58.4
Charges, subscriptions and consulting fees	24.2	36.7
Administrative and IT costs	7.6	12.2
Impairment on receivables	7.9	9.6
Insurance	7.9	11.3
Rents and leaseholds	4.7	10.1
Travelling, entertaining and representation expenses	1.6	2.8
Other personnel and continuing training costs	4.5	6.4
Losses on disposal of non-current assets	0.2	0.4
Secondary taxes	0.5	0.7
Other	13.9	64.3
	116.3	212.9

Compared with the same period last year, the other expenses item witnessed a decline by € 96.6 million or 45.4% to € 116.3 million. This reflects the effects from the sale of hospitals primarily at the end of February 2014.

The decline in remaining other expenses is essentially the result of one-off expenses recognised in the previous year in connection with commissioning the particle therapy centre in Marburg.

6.7 RESEARCH COSTS

Research activities relate primarily to process optimisations in the area of inpatient hospital care and not to making marketable products. The research results are therefore generally produced as a result of or in objective connection with the activities of healthcare provision. For this reason, differentiating and measuring these in isolation is possible only to a very limited extent. Depending on the volume of costs to be attributed to research activities, annual research expenditure is roughly estimated to be within a range of 0.5% to 2.0% of revenues. They are primarily accounted for by personnel expenses and other operating expenses. As part of the takeover of the two university and scientific sites Gießen and Marburg, we committed ourselves to provide funding to the two medical faculties in an amount of at least € 2.0 million p.a.

6.8 FINANCE RESULT – NET

The finance result is shown as follows:

	2015	2014
	€ m	€ m
Finance income		
Bank balances	2.6	5.7
Other interest income	1.5	0.7
	4.1	6.4
Finance expenses		
Bond	5.8	9.9
Liabilities to banks	0.5	4.7
Other interest expenses	0.6	74.2
	6.9	88.8
	-2.8	-82.4

Compared with financial year 2014, the negative finance result improved by € 79.6 million to € 2.8 million. The decline stems essentially from the redemption of financial liabilities and the accompanying breakage (prepayment) costs recognised in the previous year. Moreover, the finance result of the previous year recognised one-off mark-up amounts from the capital reduction and from a long-term loan to Marburger Ionenstrahl-Therapie Betriebsgesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung with expenditure-increasing effect.

Other interest income, which essentially concerns interest income from tax assets, also includes profit shares at companies consolidated using the equity method in the amount of € 49 thousand (previous year: € 28 thousand).

In accordance with IAS 17 (Leases), assets from finance leases are reported under property, plant and equipment, and the interest component of € 115 thousand (previous year: € 110 thousand) included in the leasing instalments is shown under other interest expenses.

The negative net interest income under IFRS 7 for financial assets and liabilities which are not included in the category “financial assets and liabilities shown at fair value in profit and loss” amounted to € 3.3 million in financial year 2015 (previous year: € 83.0 million), and comprises income of € 3.4 million (previous year: € 5.9 million) and expenses of € 6.7 million (previous year: € 88.9 million). The redemption of liabilities in the previous year and the accompanying breakage (prepayment) costs resulted in a corresponding decline in expenses compared with financial year 2014. The lower income results from the cash outflow in connection with the share repurchase in the previous year.

6.9 INCOME TAXES

Income taxes consist of the corporate income tax including the solidarity surcharge, and to a lesser extent of trade tax. This item also includes deferred taxes resulting from differences between the IFRS and tax balance sheets as well as from consolidation adjustments and expected realisable tax loss carry-forwards which, as a rule, have no expiry date.

Income tax comprises the following:

	2015		2014	
	€ m		€ m	
Current income tax	6.1		17.9	
Deferred taxes	-3.3		2.7	
	2.8		20.6	

At an unchanged rate of taxation, the income tax expense item declined by € 17.8 million to € 2.8 million (previous year: € 20.6 million) compared with same period of the previous year as a result of the sale of subsidiaries. The income tax burden stands at 3.1% (previous year: 1.6%).

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

	2015		2014	
	€ m	%	€ m	%
Earnings before taxes	90.3	100.0	1,248.5	100.0
Nominal tax expense (tax rate 15.0%, previous year 15.0%)	13.5	15.0	187.3	15.0
Solidarity surcharge (tax rate 5.5%)	0.7	0.8	10.3	0.8
Recognition of previous loss carry-forwards not recognised/Derecognition of loss carry-forward recognised/of loss carry-forwards not applied	-2.2	-2.4	7.5	0.6
Additional expense from dividend payment	0.1	0.1	0.1	0.0
Trade tax	0.4	0.4	0.1	0.0
Increase in tax liability due to non-deductible charges	0.2	0.2	0.2	0.0
Taxes, previous years	-0.1	-0.1	0.1	0.0
Effects from disposal of companies/Other	-9.9	-11.0	-185.0	-14.8
Effective income tax expense	2.8	3.1	20.6	1.6

Effects from the sale of subsidiaries/other are essentially attributable to effects in connection with the transaction with Fresenius/Helios. Further details of how deferred tax has been allocated to assets and liabilities are given in the Notes to the consolidated balance sheet.

6.10 PROFIT TO NON-CONTROLLING INTERESTS

This is the share of profit attributable to minority shareholders.

6.11 EARNINGS PER SHARE

Earnings per share in accordance with IAS 33 is calculated using the share of consolidated profit attributable to the shareholders of RHÖN-KLINIKUM AG and the weighted average number of shares in issue during the year.

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

	No. of shares on 01 Jan. 2015	No. of shares on 31 Dec. 2015
Non-par shares	73,481,860	66,962,470
Treasury shares	-24,000	-24,000
	73,457,860	66,938,470

The reduction in interests results from the repurchase of 6,519,390 non-par shares adopted at the Annual General Meeting. For further details, please refer to the disclosures on equity (Note 7.14).

Earnings per share are calculated as follows:

	Ordinary shares
Share in consolidated profit (€ '000)	85,381
(previous year)	(1,225,711)
Weighted average number of shares outstanding, in thousands	72,047
(previous year)	(130,935)
Earnings per share in €	1.19
(previous year)	(9.36)

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

7 NOTES TO THE CONSOLIDATED BALANCE SHEET

7.1 GOODWILL AND OTHER INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
	€ m	€ m	€ m
Cost			
1 January 2015	156.0	31.4	187.4
Additions due to changes in consolidated companies	1.2	0.0	1.2
Additions	0.0	3.7	3.7
Disposals	0.0	1.5	1.5
Transfers	0.0	0.1	0.1
31 December 2015	157.2	33.7	190.9
Cumulative depreciation and impairment			
1 January 2015	0.0	23.7	23.7
Depreciation	0.0	2.1	2.1
Disposals	0.0	1.4	1.4
31 December 2015	0.0	24.4	24.4
Balance sheet value as at 31 December 2015	157.2	9.3	166.5

	Goodwill	Other intangible assets	Total
	€ m	€ m	€ m
Cost			
1 January 2014	413.8	62.1	475.9
companies	0.3	0.0	0.3
Additions	0.0	4.3	4.3
Disposals	258.1	35.2	293.3
Transfers	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 as at 31 December 2014	156.0	7.7	163.7

The item "Other intangible assets" primarily includes software. There are no restrictions on title and/or other rights related to the assets.

Goodwill is subjected to an annual impairment test for its respective cash generating unit (each hospital, unless the related goodwill of co-operating units is monitored at a higher level). This impairment test is performed on 1 October of each year. The carrying amount of the cash generating unit is compared with the recoverable amount for the unit which was determined at the fair value less costs to sell of the unit. The fair value is calculated on the basis of a discounted

cash flow method (DCF method). A corresponding present value is calculated on the basis of a detailed ten-year plan and subsequent recognition of a perpetual annuity. A growth discount of -0.5% (previous year: -0.5%) has been used for calculating the present value of the perpetual annuity. This forms an integral part of the company's planning and is accordingly based on the management's actual expectations for the respective unit as well as on the statutory framework in the healthcare system. We believe that it is only with this longer detailed view that the measures already planned at the time of the company acquisition (e.g. demolition and rebuilding, modernisation measures) can be correctly recognised. At the end of each year, a review is carried out to establish whether the economic situation continues to support the results of the impairment test in the same way as before. This was the case on 31 December 2015.

Goodwill of the acquired companies was tested for impairment as at 31 December 2015 based on data from the companies' current planning. This did not reveal any indications that the goodwill had changed negatively between the contract date and the balance sheet date.

The weighted cost of capital of a potential investor from the healthcare sector is used as the discount rate at the time of measurement, taking into account the tax shield arising from theoretical debt financing. This discount rate was defined at 5.32% for 2015 (previous year: 5.48%). Significant goodwill relates to the following cash generating units:

Company	31 Dec. 15	31 Dec. 14
	€ m	€ m
Universitätsklinikum Gießen und Marburg GmbH	137.5	137.5
Zentralklinik Bad Berka GmbH	13.8	13.8
Other goodwill of less than € 5.0 million	5.9	4.7
Balance sheet value	157.2	156.0

For the calculation of fair value, less cost of sale, of the business generating units, cash flows were forecast on the basis of past experience, current operating results and best-possible estimates of future management performance as well as market assumptions. The values in use could not be taken as a basis because these are exceeded by fair values less cost of sale. The calculated fair value for the business generating units was attributed to level 3 of the hierarchy levels of fair values. Fair value less cost of sale is primarily defined by the terminal value (present value or perpetual annuity) which is particularly sensitive to changes in assumptions on the long-term growth rate of revenues and on the discount rate. Whereas the discount rate was defined uniformly for all business generating units, the growth rate is defined individually per entity. The discount rate reflects the current market assessment of the entities' specific risks. The growth rates take account of external macro-economic data and sector-specific trends. For planning purposes, the companies accounting for the main portion of goodwill are assumed to have a homogenous structure.

The table below shows the important assumption of growth rates for revenues which were used in the impairment test of the business generating units to which material goodwill was attributed to determine fair value less cost of sale:

	2015		2014	
	Long-term growth rate	WACC	Long-term growth rate	WACC
Universitätsklinikum Gießen und Marburg GmbH	3.00%	5.32%	3.00%	5.48%
Zentralklinik Bad Berka GmbH	3.00%	5.32%	3.00%	5.48%

The values of revenues in the ten-year planning period of the groups of cash generating units to which material goodwill was attributed are based on average organic growth rates of between 2.5% and 3.0%.

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

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

As a result of the sensitivity analysis it was determined that a decline in EBIT by 10% does not result in any impairment requirement (previous year: no impairment requirement). An increase in WACC by 0.5% likewise does not give rise to an impairment requirement (previous year: no impairment requirement).

7.2 PROPERTY, PLANT AND EQUIPMENT

	Land and build- ings	Technical plant and equipment	Operational and office equipment	Plant under construction	Total
	€ m	€ m	€ m	€ m	€ m
Cost					
1 January 2015	887.9	42.7	264.6	21.2	1,216.4
Additions due to changes in consolidated companies	0.0	0.0	0.2	0.0	0.2
Additions	4.9	0.5	19.7	39.2	64.3
Disposals	0.0	0.0	13.7	0.1	13.8
Transfers	1.0	0.2	2.0	-3.3	-0.1
31 December 2015	893.8	43.4	272.8	57.0	1,267.0
Cumulative depreciation and impairment					
1 January 2015	335.4	23.6	194.2	0.0	553.2
Depreciation	32.6	3.0	23.2	0.0	58.8
Impairment	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	13.5	0.0	13.5
31 December 2015	368.0	26.6	203.9	0.0	598.5
Balance sheet value as at 31 December 2015	525.8	16.8	68.9	57.0	668.5

	Land and buildings	Technical plant and equipment	Operational and office equipment	Plant under construction	Total
	€ m	€ m	€ m	€ m	€ m
Cost					
1 January 2014	2,152.5	96.1	604.3	90.7	2,943.6
Additions due to changes in consolidated companies	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
Transfers	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
Impairment	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 as at 31 December 2014	552.5	19.1	70.4	21.2	663.2

During the financial year, no costs of borrowing (previous year: € 0.3 million) were incurred that were related to financing the acquisition/production of qualifying assets and were recognised in additions to property, plant and equipment. During the previous year, an average interest rate of 4.4% was used, which reflects the Group's general costs of borrowing from banks.

Similar to the previous year, the Group has no registered charges on real property as collateral for bank loans.

Public grants related to assets are deducted from the cost of the asset for which they are given, reducing the depreciation over the period. The deducted amortised amount of assistance granted under the Hospital Financing Act (Krankenhausfinanzierungsgesetz, KHG) and which was invested in line with the applicable conditions totals € 198.6 million (previous year: € 213.2 million). To secure conditionally repayable single grants under the KHG (e.g. for the construction of new hospitals or major extensions) totalling € 2.9 million (previous year: € 3.1 million), the Group holds registered charges on real property in the amount of € 4.1 million (previous year: € 4.1 million). There are no reasons to assume that these grants will have to be repaid.

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

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Cost of assets capitalised under finance leases	2.4	50.5
Changes in consolidated companies	0.0	-50.5
Additions	3.5	2.4
Accumulated amortisation and impairment	1.3	0.5
Net carrying amount	4.6	1.9

7.3 INCOME TAX ASSETS

Corporate income tax netting credits shown under this item comprise claims in accordance with section 37 Corporate Income Tax Act (Körperschaftsteuergesetz, KStG) which will be paid out in equal annual instalments during the period between 2016 and 2017. They are shown at their present value of € 2.4 million (previous year: € 4.6 million), and are measured on the basis of a historical interest rate of 4.0% which is commensurate with the term.

7.4 DEFERRED TAX ASSETS

Deferred tax assets and liabilities are netted if there is an enforceable right to offset current tax assets against current tax liabilities and if the deferred taxes exist against the same tax authority. The following amounts were netted:

	31 Dec. 2015		31 Dec. 2014	
	Assets	Liabilities	Assets	Liabilities
	€ m	€ m	€ m	€ m
Tax loss carry-forwards	6.6	0.0	5.5	0.0
Property, plant and equipment/Intangible assets	0.0	8.8	0.0	10.5
Interest bearing liabilities	0.0	0.0	0.0	0.0
Valuation differences at subsidiaries	0.0	0.8	0.0	0.8
Other assets and liabilities	6.6	1.1	6.1	1.1
Total	13.2	10.7	11.6	12.4
Balance sheet value	2.5			-0.8

Deferred tax assets for tax loss carry-forwards are recognised in the amount of the associated tax benefits that can probably be realised as a result of future taxable profits. Tax loss carry-forwards in connection with previous hospital acquisitions are included in the tax base for recognising deferred tax assets if they are sufficiently determinable for tax purposes. In a tax-detrimental sale of shares in companies, any existing deferred tax is transferred to loss carry-forwards. Deferred tax assets from tax loss carry-forwards are recognised on the basis of tax planning calculations for a period of five years. The tax base used for deferred taxes is € 41.2 million (previous year: € 34.9 million). On the balance sheet date, tax losses carried forward which have so far not been utilised amounted to € 63.4 million (previous year: € 91.6 million); no deferred tax assets were recognised in relation to € 22.2 million (previous year: € 56.7 million) of this figure. In Germany, tax loss carry-forwards can be used in full to reduce the current taxable profit by up to € 1.0 million for an indefinite period. However, above this amount, only 60.0% of the remaining taxable profit can be offset against tax loss carry-forwards.

Deferred taxes from property, plant and equipment result from the difference between their useful lives defined in tax law and the economic depreciation periods in accordance with IFRS. In addition, accelerated tax depreciation and write-downs were corrected in IFRS.

Deferred tax liabilities for non-distributed profits of subsidiaries totalling € 105.4 million (previous year: € 105.4 million), which lead to non-tax-deductible expenses of 5.0% of the total dividend for the parent company, were included in the consolidated financial statements.

Changes in deferred taxes are shown as follows:

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Deferred tax liabilities/assets at beginning of year	-0.8	1.6
Recognition directly in equity of deferred taxes in connection with financial derivatives recognised in equity	0.0	-3.9
Recognition directly in equity of deferred taxes in connection with revaluation of defined benefit pension plans recognised in equity	0.0	0.1
Income/expense from current netting in the income statement	3.3	1.4
Deferred tax assets/liabilities at end of year	2.5	-0.8

7.5 INTERESTS IN OTHER ENTITIES

Information on changes in consolidated companies and the composition of RHÖN-KLINIKUM AG are presented in section 4 (Company acquisitions) and in section 9 (Shareholdings).

7.5.1 Investments accounted for using the equity method

Investments accounted for using the equity method relate to one immaterial associate as well as a joint venture. Interests in companies accounted for using the equity method at € 0.3 million (previous year: € 0.3 million) are reported under other assets (non-current) on the grounds of materiality. The conditions applicable for using the equity method for recognising both interests have been satisfied. The Group holds the following proportionate interests in assets, liabilities, income and expenditures:

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Balance sheet of investments accounted for using the equity method		
Non-current assets	8.4	8.4
Current assets	1.3	0.7
Non-current liabilities to shareholders	6.4	4.1
Current liabilities	0.3	0.1
Equity	3.0	4.9
Carrying value of investments accounted for using the equity method	0.3	0.3

	2015	2014
	€ m	€ m
Income statement according to equity method accounted investments		
Revenues	0.5	0.5
Result for the year	-2.0	-0.3

7.5.2 Associated companies

The object of enterprise of the single immaterial associated company, operating under the corporate name Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung, is the production of operational readiness for patient operation of the particle therapy facility at the Marburg site. In addition to RHÖN-KLINIKUM AG with an interest of 24.9%, the University Hospital of Heidelberg holds an interest of 75.1%. At the end of the financial year, the carrying value of the investment in this associated company was € 0.0 million (previous year: € 0.0 million).

The table below sets out the aggregated financial information for the immaterial associate.

	2015	2014
	€ m	€ m
Interest in:		
Gain/loss from continued activities	-2.0	-0.3

In financial year 2015, losses totalling € 2.0 million (previous year: € 0.3 million) relating to interests in associated companies were not recognised because no loss assumption obligation exists. The share in other comprehensive income (OCI) is € 0.0 million.

7.5.3 Joint ventures

The object of enterprise of the joint venture operating under the name Energiezentrale Universitätsklinikum Gießen GmbH is to carry on, together with Stadtwerke Gießen, the supply of energy to the University Hospital of Gießen. In addition to RHÖN-KLINIKUM AG with an interest of 50%, Stadtwerke Gießen AG holds an interest of 50%. At the end of the financial year, the carrying value of the immaterial joint venture was € 0.3 million (previous year: € 0.3 million). The table below sets out the aggregated financial information for the immaterial joint venture.

	2015	2014
	€ m	€ m
Interest in:		
Gain/loss from continued activities	0.0	0.0

The share in other comprehensive income (OCI) is € 0.0 million.

7.6 OTHER FINANCIAL ASSETS (NON-CURRENT)

Other financial assets (non-current) are attributable to fixed deposit investments having a residual term of > 1 year (€ 30.0 million; previous year: € 0.0 million), loans granted (€ 20.1 million; previous year: € 11.7 million), as well as investments recognised under this item (€ 0.0 million; previous year: € 0.0 million). Investments relate to companies in which we hold an interest of between 20.0% and 50.0%. These are not consolidated. In general, they are shown at cost.

7.7 OTHER ASSETS (NON-CURRENT)

Under other assets (non-current) amounting to € 0.3 million (previous year: € 0.3 million), an amount of € 0.3 million (previous year: € 0.3 million) of interests in companies accounted for using the equity method are reported.

7.8 INVENTORIES

Raw materials, consumables and supplies of € 23.1 million (previous year: € 21.8 million) mainly consist of medical supplies. Impairment losses of € 2.3 million (previous year: € 2.2 million) were made. All inventories are owned by RHÖN-KLINIKUM AG and the companies affiliated with RHÖN-KLINIKUM AG. There are no assignments or pledges of inventories.

7.9 TRADE RECEIVABLES

	31 Dec. 2015	31 Dec. 2014
	< 1 year	< 1 year
	€ m	€ m
Trade receivables (gross)	194.6	182.7
Impairments on accounts receivable	-18.9	-13.0
Trade receivables (net)	175.7	169.7

Allowances recognised on trade receivables (net) totalling € 175.7 million (previous year: € 169.7 million) duly reflect identifiable single risks from impairments, which are recorded on a separate allowance account; the allowances are determined based on the probability of a default. Additions to allowances are shown under other operating expenses in the income statement, and reversals of impairments are shown under other operating income. The development of impairments on the trade receivable is shown in the table below.

	2015	2014
	€ m	€ m
Impairment as at 1 January	13.0	8.4
Assets held for sale	-	-
Impairments during reporting period	-1.8	-1.4
Reversal of impairment/utilisation	7.7	6.0
Impairment as at 31 December	18.9	13.0

There are no concentrations of credit risks in relation to trade receivables because virtually all amounts are receivables from public payers. In principle, it is possible for an individual public payer to become insolvent, but given the joint and several liability of the payers the risk of default is assessed as low.

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

The maturity structure of the trade receivables is shown in the following.

	Carrying amount (gross)	Of which neither impaired nor due on reporting date	Of which not impaired on the reporting date and due within the following periods			Of which impaired
			0-30 days	31-90 days	91-180 days	
			€ m	€ m	€ m	
31 Dec. 2015	€ m	€ m	€ m	€ m	€ m	€ m
Trade receivables	194.6	143.5	10.9	6.4	12.1	21.7
31 Dec. 2014						
Trade receivables	182.7	141.5	8.7	6.7	10.3	15.5

With regard to the trade receivables in the amount of € 143.5 million (previous year: € 141.5 million) which are neither impaired nor overdue, there are no indications as at the reporting date that the debtors will not meet their payment obligations.

The Group uses aged debtor lists and past experience as the basis for estimating the percentage of irrecoverable trade receivables as at the balance sheet date in relation to the period of time overdue. In addition, the Group recognises specific valuation allowances if, as a result of particular circumstances, it is not likely that trade receivables will be recoverable.

Allowances relating to trade receivables amounted to € 18.9 million in the financial year (previous year: € 13.0 million).

Trade receivables were derecognised in the income statement in the amount of € 1.8 million in financial year 2015 (previous year: € 1.4 million). Settlement mechanisms in accordance with the Hospital Remuneration Act (KHEntgG) partially compensated for these defaults. Inflows of € 0.0 million (previous year: € 0.2 million) were recognised in the income statement in relation to previously derecognised trade receivables.

7.10 OTHER FINANCIAL ASSETS (CURRENT)

	31 Dec. 2015	31 Dec. 2014
	< 1 year	< 1 year
	€ m	€ m
Time deposit < 1 year	345.0	0.0
Receivables under hospital financing law	13.8	5.7
Remaining other financial assets	14.0	50.7
	372.8	56.4

Owing to the low interest rate environment for overnight and short-term deposits, fixed deposit investments with a remaining term of < 1 year were made in the amount of € 345.0 million (previous year: € 0.0 million).

Receivables under the Hospital Financing Act (KHG) mainly relate to compensation claims for services rendered under federal hospital compensation legislation (Hospital Remuneration Act (Krankenhausentgeltgesetz, KHEntgG)) and the Federal Hospital Nursing Rate Ordinance (Bundespfllegesatzverordnung, BPfIV). Receivables under hospital financing legislation include no impairments.

The remaining other financial assets essentially concern € 5.5 million (previous year: € 0.0 million) in advance payments on the purchase price in connection with the acquisition of Kreisklinik Bad Neustadt, € 3.6 million (previous year: € 4.7 million) in receivables from services rendered which are not primarily related to treatments at hospitals as well as € 1.2 million (previous year € 1.3 million) in receivables due from employees in particular from invoices as part of the right of head physicians to issue invoices. Also included are trade receivables in the amount of € 0.6 million (previous year: € 0.6 million). The remaining other financial assets (current) include impairments amounting to € 1.2 million (previous year: € 1.1 million). In the previous year, € 55.6 million in residual purchase price receivables from the sale of subsidiaries, on which an impairment of € 14.4 million was made, were reported under the remaining other financial assets. No reversals of impairment losses were made.

Within the Group, settlement receivables due from and settlement liabilities to the payers under fee/budget agreements of the current year and the previous years are stated on a netted basis. A similar approach is taken towards claims under government grants for investments and grants not yet used for their intended purpose. On a gross basis, the statement is as follows:

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Receivables according to the KHG/KHEntgG (gross)	19.6	12.5
Liabilities according to the KHG/KHEntgG (gross)	-5.8	-6.8
Balance sheet value	13.8	5.7

The statement on a gross basis on the liabilities side is provided in the Notes under section 7.19 "Other financial liabilities".

7.11 OTHER ASSETS (CURRENT)

Of other current assets in the amount of € 21.1 million (previous year: € 8.9 million), essentially € 12.7 million (previous year: € 0.0 million) is attributable to refunds of pay-as-you-go-financed retirement benefits of VBL, € 4.3 million (previous year: € 4.3 million) to prepaid expenses, mainly insurance expenses, as well as € 3.7 million (previous year: € 4.0 million) to reimbursement claims against insurers under liability claims.

7.12 CURRENT INCOME TAX ASSETS

Current income tax assets essentially include claims against tax authorities for reimbursement of corporate income tax.

7.13 CASH AND CASH EQUIVALENTS

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Cash with banks and cash on hand	103.3	38.4
Short-term bank deposits	40.0	657.0
	143.3	695.4

The decline compared with the previous year, owing to the low interest rate environment for overnight and short-term deposits, was attributable to fixed deposit investments with a remaining term of < 1 year (> 3 months) and > 1 year and thus stated under the item "Other financial assets (current)" and "Other financial assets (non-current)", respectively. As

at the balance sheet date, the effective interest rate for bank balances with a remaining term of < 3 months was 0.24% (previous year: 0.15%). The average remaining term of these deposits was 69 days (previous year: payable on demand).

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

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Cash and cash equivalents	143.3	695.4
Bank overdrafts	-	0.0
Cash position	143.3	695.4

7.14 EQUITY

The registered share capital of RHÖN-KLINIKUM AG was reduced in financial year 2015 by redemption of 6,519,390 (previous year: 64,750,140) fully paid-up treasury shares with a nominal share in the Company's registered share capital of € 2.50 per share by a total amount of € 16,298,475 (previous year: € 161,875,350) to € 167,406,175 (previous year: € 183,704,650) by way of simplified redemption pursuant to section 237 (3) no. 2, (4) and (5) of the AktG and is divided into 66,962,470 (previous year: 73,481,860) non-par bearer shares with a nominal share in the registered share capital of € 2.50 per share.

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

	Number	Arithmetic share in registered share capital €
Ordinary shares as at 1 Jan. 2015	73,481,860	183,704,650
Changes in 2015	-6,519,390	-16,298,475
Ordinary shares as at 31 Dec. 2015	66,962,470	167,406,175

The premium from the capital increase in the amount of € 396.0 million as well as the amount of € 16.3 million (previous year: € 161.9 million) attributable to the shares redeemed in financial year 2015 are reported in the capital reserve.

Other reserves at the balance sheet date amounting to € 346.5 million (previous year: € 487.0 million) comprise earnings generated in prior years of companies included in the consolidated annual report amounting (to the extent not paid out to shareholders) in the amount of € 346.5 million (previous year: € 487.0 million) as well as effects of consolidation adjustments. In connection with the capital increase, expenses of € 0.5 million (previous year: € 1.9 million) were incurred which were recognised in equity.

The total result (sum of consolidated profit and other earnings) for financial year 2015 stands at € 87.3 million (previous year: € 1,248.5 million). In the previous year, income was generated from the write-back of financial instruments (resulting from the redemption of the respective underlying transaction) in the amount of € 20.9 million (after tax), and losses from the revaluation of defined benefit pension plans amounting to € 0.3 million (after tax) were incurred. In 2015, € 0.2 million (after tax) from the revaluation of defined benefit pension plans was recognised directly at equity.

Treasury shares are valued at € 0.1 million (previous year: € 0.1 million) and deducted from equity. The level of treasury shares developed as follows during the financial year:

	Number
Treasury shares as at 1 January 2015	24,000
Changes in 2015	-
Treasury shares as at 31 December 2015	24,000

In accordance with the provisions of the German Stock Corporation Act (Aktiengesetz, AktG), the amount of dividends distributable to shareholders is based on the net distributable profit shown in the annual financial statements of RHÖN-KLINIKUM AG which are prepared in accordance with the German Commercial Code (HGB). During the last Annual General Meeting, the shareholders approved the proposal of the Board of Management so that an actual dividend payment of 80 cents (previous year: 25 cents) was made in financial year 2015.

Non-controlling interests in equity of € 20.7 million (previous year: € 20.4 million) relate to interests held by non-Group third parties in the following consolidated subsidiaries:

	Minority interests	
	31 Dec. 2015	31 Dec. 2014
	%	%
Hospital companies		
Universitätsklinikum Gießen und Marburg GmbH, Gießen	5.0	5.0
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
Medical care centre companies		
MVZ UKGM GmbH, Marburg	5.0	5.0
MVZ Zentralklinik GmbH, Bad Berka	12.5	12.5
Service companies		
RK Reinigungsgesellschaft Nordost mbH, Bad Neustadt a. d. Saale	49.0	49.0
RK-Reinigungsgesellschaft Süd mbH i.L., Bad Neustadt a. d. Saale (formerly: RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale)	49.0	49.0

7.15 FINANCIAL LIABILITIES

	31 Dec. 2015		31 Dec. 2014	
	Remaining term > 1 year	Remaining term < 1 year	Remaining term > 1 year	Remaining term < 1 year
	€ m	€ m	€ m	€ m
Non-current financial liabilities, bond	0.0	147.6	142.9	4.5
Liabilities to banks	10.0	0.0	10.0	0.0
Total non-current financial liabilities	10.0	147.6	152.9	4.5
Current financial liabilities				
Liabilities to banks	0.0	0.0	0.0	0.0
Total current financial liabilities	0.0	0.0	0.0	0.0
Total financial liabilities	10.0	147.6	152.9	4.5

In financial year 2014, RHÖN-KLINIKUM AG redeemed all non-current financial liabilities to banks with the exception of one bullet bank loan. As at the balance sheet date, there was thus still a fixed interest rate bullet loan in the amount of € 10.0 million maturing in 2017. Moreover, a bond exists that was placed on the market in financial year 2010 in a volume of € 400.0 million. In 2014, a bond repurchase programme and an additional bond repurchase was carried out. As at the balance sheet date, a nominal amount of € 143.2 million remains on the market.

The institution rating of RHÖN-KLINIKUM AG by the rating agency Moody's with the credit opinion Baa3 (negative outlook) of 3 December 2012 was withdrawn as at 2 May 2014 in the context of the very successful bond repurchase. The cost-benefit aspects in the wake of the transaction with Fresenius/Helios were decisive for this decision. On the basis of the changed financial profile, the stable business model as well as the excellent reputation on the banking and capital markets, RHÖN-KLINIKUM AG sees itself in a very good position to successfully implement any future financings on attractive terms, even without a public rating.

The contractual interest adjustment dates relating to the interest-bearing liabilities are as follows:

Fixed interest period ends	31 Dec. 2015			31 Dec. 2014		
	Interest rate ¹	Original value	Carrying amount of loans	Interest rate ¹	Original value	Carrying amount of loans
	%	€ m	€ m	%	€ m	€ m
Bond	4.06	143.2	143.1	4.06	143.2	142.9
Interest on bond			4.5			4.5
		143.2	147.6		143.2	147.4
Liabilities to banks						
2015						
2016						
2017	5.10	10.0	10.0	5.10	10.0	10.0
2018						
2019						
2020						
2021						
>2021		10.0	10.0		10.0	10.0
		153.2	157.6		153.2	157.4

¹ Weighted interest rate.

The effective interest rates at balance sheet date are:

	31 Dec. 2015	31 Dec. 2014
	%	%
Bond	4.06	4.06
Liabilities to banks	5.10	5.10
Overdrafts with banks	-	-

The remaining terms of the financial liabilities are:

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Up to 1 year	147.6	4.5
Between 1 and 5 years	10.0	152.9
More than 5 years	-	-
Total	157.6	157.4

As in the previous year, the financial liabilities stated are not secured by registered charges on real property.

7.16 PROVISIONS FOR POST-EMPLOYMENT BENEFITS

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

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

Members of the Board of Management are covered by a plan providing for post-retirement benefits. In addition to their regular remuneration the members of the Board of Management, on termination of their employment as Board members, receive a post-retirement benefit depending on the length of service and level of remuneration and not exceeding 1.5 times the last annual remuneration. The scope of the obligation was calculated based on the individual contract terms and not on a uniform retirement age as with the other pension plans. In this connection there are risks associated with changes in the assessment basis. These essentially relate to the dependence on the last salary and last variable remuneration components. If the development of this assessment basis turns out to be different from what is assumed in the provision calculations, this might give rise to a subsequent financing requirement.

The provision volume on the balance sheet relates only to one-off payments:

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Commitment for one-off payments	1.4	0.8
Provision for pensions (defined benefit liability)	1.4	0.8

The calculation of pension provisions is based on the following assumptions:

	31 Dec. 2015	31 Dec. 2014
	%	%
Rate of interest	2.35	1.90
Projected increase in wages and salaries	2.50	2.50
Projected increase in pensions	2.00	2.00

The 2005 G mortality tables of Professor Dr. Klaus Heubeck were again used as the basis for actuarial calculations (unchanged compared with the previous year). All pension costs are reported under the pension costs item.

The development of the defined benefit obligation in financial year 2015 compared with the previous year is shown in the following:

	2015	2014
	€ m	€ m
As at 1 January	0.8	0.6
Service time cost	0.3	0.3
Interest expense	0.0	0.0
Losses from plan changes	0.0	0.0
Pension payments	0.0	-0.2
Actuarial gains/losses from changes in financial assumptions	0.0	0.1
Experience-based adjustments	0.3	0.0
As at 31 December	1.4	0.8

There are no reimbursement claims consisting of pension liability insurance policies entered into by reason of pension commitments to employees.

The weighted average duration of the pension liabilities is about seven years (previous year: eight years). The sensitivity of the pension obligations in terms of fluctuation range due to changes in the various actuarial valuation assumptions is shown in the table below:

Impact on the commitment (%) as at 31 December 2015	Change in assumption in percentage points	Increase in assumption	Reduction in assumption
Interest rate	0.2	-1.4	1.4
Remuneration trend	0.2	1.4	-1.4
Mortality	+/- 1 year	0.1	-0.1

Impact on the commitment (%) as at 31 December 2014	Change in assumption in percentage points	Increase in assumption	Reduction in assumption
Interest rate	0.2	-1.6	1.6
Remuneration trend	0.2	1.6	-1.6
Mortality	+/- 1 year	0.1	-0.1

The effects of the sensitivity were calculated using the same method as the obligations at the end of the year. In this regard, effects of a simultaneous change in several assumptions were not examined. Since the commitments remaining at the end of the financial year are capital commitments, no or no material changes result from the change in the pension trend; consequently, no disclosure of sensitivity in this regard was made.

In financial year 2015, contribution payments to the federal and state pension scheme (Versorgungsanstalt des Bundes und der Länder, VBL) were made in the amount of € 10.7 million (previous year: € 23.1 million). The decline results from the lower current contributions and from refunds for previous years.

As at the reporting date, 8,027 employees (previous year: 8,152 employees) with a claim to supplementary pension benefits were registered exclusively with VBL.

7.17 OTHER PROVISIONS

Other provisions developed as follows in the financial year:

	<u>1 Jan. 2015</u>	Changes in consolidated companies	Consumption	Write-back	Allocation	<u>31 Dec. 2015</u>	Of which < 1 year	Of which > 1 year
	€ m	€ m	€ m	€ m	€ m	€ m	€ m	€ m
Liability risks	16.6	0.0	1.2	0.3	1.7	16.8	16.8	0.0
Other provisions	160.0	0.0	3.1	30.7	0.0	126.2	126.2	0.0
	176.6	0.0	4.3	31.0	1.7	143.0	143.0	0.0

The provisions for liability risks relate to claims for damages by third parties. These compare with repayment claims of € 3.7 million (previous year: € 4.0 million) against insurers; these are shown under other assets (current). In the assessment of the Board of Management, the settlement of these liability events using the provisions will not entail any significant additional expenses. The timing of cash outflows from liability risks, which generally may occur in the short term, essentially depends on the course and outcome of specific liability cases.

Other provisions relate to provisioning for legal and fiscal risks in connection with the sale of subsidiaries.

Compared with the previous year, their maturities are as follows:

	<u>31 Dec. 2015</u>	Of which < 1 year	Of which > 1 year	<u>31 Dec. 2014</u>	Of which < 1 year	Of which > 1 year
	€ m	€ m	€ m	€ m	€ m	€ m
Liability risks	16.8	16.8	0.0	16.6	16.6	0.0
Other provisions	126.2	126.2	0.0	160.0	160.0	0.0
	143.0	143.0	0.0	176.6	176.6	0.0

The Group of RHÖN-KLINIKUM AG has contingent liabilities of up to € 0.5 million (previous year: € 0.5 million). These constitute liabilities as part of the performance process. At the present time RHÖN-KLINIKUM AG does not expect any significant usage in future.

7.18 TRADE PAYABLES

	<u>31 Dec. 2015</u>		<u>31 Dec. 2014</u>	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ m	€ m	€ m	€ m
Trade payables	95.3	0.0	89.6	0.0

Trade payables exist with regard to third parties. The total amount of € 95.3 million (previous year: € 89.6 million) is due within one year.

7.19 OTHER FINANCIAL LIABILITIES

	31 Dec. 2015		31 Dec. 2014	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ m	€ m	€ m	€ m
Liabilities under KHG	8.1	0.0	11.1	0.0
Leasing	1.0	3.6	0.5	1.4
Other financial liabilities	12.8	14.7	13.3	15.9
Other financial liabilities (financial instruments)	21.9	18.3	24.9	17.3

The liabilities under the Hospital Financing Act (KHG) relate to public grants not yet used in accordance with the conditions for their use granted under state legislation as well as repayment obligations under the federal hospital compensatory schemes, the Federal Hospital Nursing Rate Ordinance (BpflV) and the Hospital Remuneration Act (KHEntgG).

The carrying amounts of the current monetary liabilities recognised under this item correspond to their fair values. The other non-current liabilities have been discounted using the effective interest method on the basis of historical market rates.

Of the figure stated for remaining non-current financial liabilities with remaining maturities of more than five years in the amount of € 7.4 million (previous year: € 8.7 million), € 7.4 million (previous year: € 8.7 million) is attributable to obligations arising from research grants owed to the University of Gießen and Marburg.

Within the Group, settlement receivables due from and settlement liabilities to payers under fee/budget agreements of the current year and the previous years are stated on a netted basis. A similar approach is taken towards claims under government grants for investments and grants not yet used for their intended purpose. On a gross basis, the statement is as follows:

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Liabilities according to the KHG/KHEntgG (gross)	13.9	17.9
Receivables according to the KHG/KHEntgG (gross)	-5.8	-6.8
Balance sheet value	8.1	11.1

The statement on a gross basis on the assets side is provided in the Notes under section 7.10 "Other financial assets (current)".

7.20 OTHER LIABILITIES

	31 Dec. 2015		31 Dec. 2014	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ m	€ m	€ m	€ m
Personnel liabilities	55.2	6.8	54.1	6.4
Deferred income	7.5	0.0	7.6	0.0
Operating taxes and social security contributions	9.9	0.0	10.0	0.0
Pre-payments	0.4	0.0	0.8	0.0
Other liabilities	7.2	0.0	6.7	0.0
Other liabilities (non-financial instruments)	80.2	6.8	79.2	6.4

Personnel liabilities mainly relate to performance-linked remuneration, obligations arising from still outstanding holiday leave entitlement, overtime obligations as well as semi-retirement obligations. Moreover, severance payment obligations were recognised under this item in the previous year.

The remaining liabilities essentially include third-party funds from ongoing studies not yet appropriated.

7.21 CURRENT INCOME TAX LIABILITIES

Current income tax liabilities in the amount of € 1.3 million (previous year: € 2.3 million) comprise corporate income tax, solidarity surcharge and trade tax not yet assessed for the past financial year and previous years.

7.22 DERIVATIVE FINANCIAL INSTRUMENTS

As at the balance sheet date, there are exclusively fixed interest rate liabilities as well as cash with banks with a term of up to 24 months. All derivative financial instruments were terminated in financial year 2014. As at the previous year's balance sheet date, no interest hedges thus exist at the balance sheet date. In the previous year, derivative financial instruments measured at fair value in profit or loss resulted in expenditures of € 0.1 million up to the write-back of the interest-rate hedging instruments.

7.23 ADDITIONAL DISCLOSURES REGARDING FINANCIAL INSTRUMENTS

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

The table below presents the carrying amounts and fair values of the individual financial assets and liabilities for each individual category of financial instruments and transfers these to the corresponding balance sheet item:

	Measurement category according to IAS 39	31 Dec. 2015	Of which financial instruments		31 Dec. 2014	Of which financial instruments	
			Carrying amount	Fair value		Carrying amount	Fair value
ASSETS		€ m	€ m	€ m	€ m	€ m	€ m
Non-current assets							
Other financial assets		50.1	50.1	49.9	11.7	11.7	11.6
of which investments	Available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0	0.0
of which other	Loans and receivables	50.1	50.1	49.9	11.7	11.7	11.6
Current assets							
Trade receivables and other financial assets		548.5	548.5	548.5	226.1	226.1	226.1
of which trade receivables and other financial assets	Loans and receivables	548.5	548.5	548.5	226.1	226.1	226.1
Cash and cash equivalents	Loans and receivables	143.3	143.3	143.3	695.4	695.4	695.4
EQUITY AND LIABILITIES							
Non-current liabilities							
Financial liabilities		10.0	10.0	9.8	152.9	152.9	149.8
of which financial liabilities	Financial liabilities measured at amortised cost	10.0	10.0	9.8	152.9	152.9	149.8
Other financial liabilities		18.3	18.3	20.5	17.3	17.3	20.4
of which other financial liabilities	Financial liabilities measured at amortised cost	14.7	14.7	16.9	15.9	15.9	19.0
of which under finance leases	n.a.	3.6	3.6	3.6	1.4	1.4	1.4
Current liabilities							
Trade payables	Financial liabilities measured at amortised cost	95.3	95.3	95.3	89.6	89.6	89.6
Financial liabilities		147.6	147.6	147.6	4.5	4.5	4.5
of which financial liabilities	Financial liabilities measured at amortised cost	147.6	147.6	147.6	4.5	4.5	4.5
Other financial liabilities		21.9	21.9	21.9	24.9	24.9	24.9
of which other financial liabilities	Financial liabilities measured at amortised cost	20.9	20.9	20.9	24.4	24.4	24.4
of which under finance leases	n.a.	1.0	1.0	1.0	0.5	0.5	0.5
Aggregated according to measurement categories, the above figures are as follows:							
	Loans and receivables		741.9	741.7		933.2	933.1
	Financial liabilities measured at amortised cost		288.5	290.5		287.3	287.3

The fair values of financial assets and liabilities accounted for at amortised cost are classified as follows to the three levels of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total	Previous year
	€ m	€ m	€ m	€ m	€ m
Non-current assets from loans and receivables	-	49.9	-	49.9	11.6
Current assets from loans and receivables	-	548.5	-	548.5	226.1
Non-current financial liabilities	-	9.8	-	9.8	149.8
Non-current liabilities from other financial liabilities	-	20.5	-	20.5	20.4
Current liabilities from trade payables	-	95.3	-	95.3	89.6
Current financial liabilities	147.6	-	-	147.6	4.5
Current liabilities from other financial liabilities	-	21.9	-	21.9	24.9

The levels of the fair value hierarchy and their application to assets and liabilities are described below:

- Level 1: Listed market prices for identical assets or liabilities on active markets
- Level 2: Other information in the form of listed market prices which are directly (e.g. prices) or indirectly (e.g. derived from prices) observable
- Level 3: Information on assets and liabilities not based on observable market data.

The fair values of the assets and liabilities to be classified to Level 2 are determined on the basis of input factors derivable directly on the market, such as interest. They result from the discounting of future cash flows using the corresponding input factors. In this regard, own credit risk, derived from the bond listed on the market, is taken into account.

Of the other financial assets (non-current), € 0.0 million (31 December 2014: € 0.0 million) are attributable to equity interests whose market value can no longer be calculated due to the absence of an active market. They are measured at cost.

Trade receivables, other financial assets as well as cash and cash equivalents in general have short remaining maturities. Their carrying amounts as at the reporting date therefore correspond to their fair values. The change compared with 31 December 2014 essentially results from the statement of fixed deposit investments in the amount of € 30.0 million under "Other financial assets (non-current)" and the statement in the amount of € 345.0 million under "Other financial assets (current)".

The figure shown for financial liabilities includes a loan from a bank as well as a bond. The fair value of the loan from a bank and the fair value of other non-current financial liabilities are calculated on the basis of the discounted cash flow. A risk- and maturity-related rate appropriate for RHÖN-KLINIKUM AG has been used for discounting purposes. The fair values of the liabilities are to be classified to Level 2 of the fair value hierarchy on the basis of the input factors. The fair value of the bond is calculated as the nominal value multiplied by the price of the final trading day of the year under review and is thus classified to Level 1 of the fair value hierarchy.

For trade payables, other financial obligations and financial liabilities with short remaining maturities, the carrying amounts correspond to their fair values on the reporting date.

The fair value of liabilities under finance leases was calculated using a market interest curve as at the balance sheet date and corresponds to their carrying amount.

7.23.2 Net gains or losses by measurement categories

	From share price gains	From subsequent measurement		From disposal	Net result	
		At fair value	Impairment		2015	2014
		€ m	€ m		€ m	€ m
Loans and receivables	-	-	5.9	1.5	7.4	8.3
Derivative financial instruments (hedge accounting)	-	-	-	-	0.0	26.9
Financial liabilities measured at amortised cost	-	-	-	-	0.0	34.8
Total	0.0	0.0	5.9	1.5	7.4	70.0

+ = cost - = income

The net gain or loss from the subsequent measurement of loans and receivables is calculated on the basis of the income and expenses relating to impairments of trade receivables. Disposals includes receivables derecognised as irrecoverable netted with income from payments received in relation to receivables on which impairment losses were recognised in the past.

During the financial year, no expenditures and income resulted from liabilities at amortised cost.

7.23.3 Financial liabilities (maturity analysis)

The following table sets out the contractually agreed (undiscounted) interest payments and redemption payments of the original financial liabilities and of the derivative financial instruments, including the financial liabilities stated under liabilities held for sale:

	Cash outflows		
	2016	2017-2022	>2022
	€ m	€ m	€ m
Financial liabilities	-149.2	-10.3	0.0
Trade payables	-95.3	0.0	0.0
Other financial liabilities	-20.9	-12.1	-6.0
Liabilities under finance leases	-1.2	-3.9	0.0
	-266.6	-26.3	-6.0

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

	Cash outflows		
	2015	2016-2021	>2021
	€ m	€ m	€ m
Financial liabilities	-6.1	-159.7	0.0
Trade payables	-89.6	0.0	0.0
Other financial liabilities	-24.4	-9.0	-11.1
Liabilities under finance leases	-0.6	-1.4	0.0
	-120.7	-170.1	-11.1

The above table includes all financial liabilities held as at the balance sheet date and for which payments had been contractually agreed. Planned payments for new liabilities in the future have not been included in the calculations. Interest payments were included in the future cash flows under agreements in effect as at the balance sheet date. Current liabilities and liabilities which can be terminated at any time are shown under the shortest time horizon.

8 STATEMENT OF CASH FLOWS

The statement of cash flows shows how the item "Cash and cash equivalents" of RHÖN-KLINIKUM Group has changed in the year under review as a result of cash inflows and outflows. The impact of acquisitions, divestments and other changes in consolidated companies has been eliminated. In accordance with IAS 7 (Cash Flow Statements), a distinction is made between cash flows from operating activities, investing activities as well as financing activities. The liquidity shown in the statement of changes in financial position includes cash on hand, cheques as well as cash with banks. For the purposes of the cash flow statement, bank overdrafts are deducted from cash and cash equivalents. Reconciliation is provided in the Notes on cash and cash equivalents.

The result from the deconsolidation of subsidiaries in the previous year in the amount of € 1.3 billion includes the entities transferred to Fresenius/Helios and to third parties in 2014. The transaction with Fresenius/Helios accounted for an amount of € 1.3 billion in the previous year. From the transaction with Fresenius/Helios the Group received proceeds of € 3.0 billion in the previous year, of which € 0.6 billion were used to redeem financial liabilities, € 1.6 billion for the repurchase of shares and € 0.1 billion for establishing the particle therapy centre in Marburg.

In 2015, a final payment totalling € 49.5 million was made under the sale of subsidiaries.

An amount of € 1.4 million (previous year: € 0.4 million) was used in the acquisition of doctor's practices; furthermore, a purchase price payment was made as part of the acquisition of Kreisklinik Bad Neustadt as at 1 January 2016 in the amount of € 5.5 million. The share repurchase in 2015 resulted in a cash outflow of € 167.0 million (previous year: € 1.6 billion).

The statement of cash flows has included a figure of € 13.7 million (previous year: € 4.6 million) for outstanding construction invoices and a figure of € 0.1 million for non-cash gains from derivative financial instruments in the previous year. Dividends paid to non-controlling interests amounted to € 1.7 million (previous year: € 1.0 million).

The cash flow statement sets out the change in cash and cash equivalents between two balance sheet dates. In the RHÖN-KLINIKUM Group, this item exclusively comprises cash and cash equivalents attributable to continuing operations, because no operations were discontinued.

9 SHAREHOLDINGS

9.1 COMPANIES INCLUDED IN THE CONSOLIDATED ANNUAL REPORT

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Hospital companies			
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	526	75
Herz- und Gefäß-Klinik GmbH Bad Neustadt, Bad Neustadt a. d. Saale ¹	100.0	12,158	0
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	79,898	6,221
Neurologische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	7,798	2,372
Universitätsklinikum Gießen und Marburg GmbH, Gießen	95.0	74,738	5,700
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	117,964	15,216

¹ The company claims the exemption from the disclosure obligation pursuant to section 264 (3) HGB.

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Medical care centre companies			
MVZ Bad Neustadt/ Saale GmbH, Bad Neustadt a. d. Saale	100.0	369	0
MVZ des Klinikums Frankfurt (Oder) GmbH, Frankfurt (Oder) (formerly: MVZ Management GmbH Brandenburg, Frankfurt (Oder))	100.0	221	52
MVZ UKGM GmbH, Marburg	95.0	54	37
MVZ Zentralklinik GmbH, Bad Berka	87.5	598	-89

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Research and education companies			
ESB - Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a. d. Saale	100.0	1,479	-84
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

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Property companies			
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a. d. Saale	100.0	26,944	539
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH Leipzig, Leipzig	100.0	302	42

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Service companies			
RHÖN-Cateringgesellschaft mbH, Bad Neustadt a. d. Saale	100.0	65	-10
RHÖN-Reinigungsgesellschaft mbH, Bad Neustadt a. d. Saale	100.0	1,762	740
RK Reinigungsgesellschaft Nordost mbH, Bad Neustadt a. d. Saale	51.0	254	-15
RK-Reinigungsgesellschaft Süd mbH i. L., Bad Neustadt a. d. Saale (formerly: RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale)	51.0	178	75
UKGM Service GmbH, Bad Neustadt a. d. Saale	100.0	76	-7

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Shelf companies/other companies			
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	50.0	615	97
Kinderhort Salzburger Leite gemeinnützige Gesellschaft mbH, Bad Neustadt a. d. Saale	100.0	120	42
RHÖN-Kreisklinik Bad Neustadt GmbH, Bad Neustadt a. d. Saale (formerly: Klinik Feuerberg GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale)	100.0	188	-14
KLINIK "HAUS FRANKEN" GMBH, Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	671	-497
Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Univer- sitätsklinikums Heidelberg mit beschränkter Haftung, Heidelberg	24.9	10,650	-8,117
Psychosomatische Klinik GmbH Bad Neustadt/Saale, Bad Neustadt a. d. Saale	100.0	2	-6
PTZ GmbH, Marburg	100.0	494	-69
RHÖN Energie für Gesundheit GmbH, Bad Neustadt a. d. Saale (formerly: HEILBAD BAD NEUSTADT GMBH, Bad Neustadt a. d. Saale)	100.0	1,521	50
RK Klinik Betriebs GmbH Nr. 35, Bad Neustadt a. d. Saale	100.0	147	-23
Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale	100.0	593	-5

9.2 OTHER COMPANIES ACCORDING TO SECTION 313 (2) NO. 2 ET SEQ. HGB

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
4QD - Qualitätskliniken.de GmbH, Berlin ²	20.0	1,009	62
Bäderland Bayerische Rhön GmbH & Co. KG, Bad Kissingen ²	0.1	22	-7
Gesellschaft zur Durchführung des Schulversuchs Generalistische Pflegeausbildung mit beruflichen Schwerpunkten in Bayern UG (haftungsbeschränkt), Röhrmoos ²	30.0	1	0
HOSPIZ MITTELHESSEN gemeinnützige GmbH, Wetzlar ²	15.9	480	100
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale ²	25.0	592	283
Soemmerring GmbH privates Institut für Bewegungsstörungen und Verhaltensneurologie i.L., Bad Nauheim (formerly: Soemmerring GmbH privates Institut für Bewegungsstörungen und Verhaltensneurologie, Bad Nauheim) ¹	31.7	23	0
Wir für Gesundheit GmbH ²	33.3	30	0

¹ Figures according to annual financial statements of 31 December 2013.

² Figures according to annual financial statements of 31 December 2014.

10 OTHER DISCLOSURES

10.1 AVERAGE ANNUAL NUMBER OF EMPLOYEES

	2015	2014	Change	
	Number ¹	Number ¹	Number ¹	%
Medical doctors	905	854	51	6.0
Nursing services	4,273	4,262	11	0.3
Medical-technical services	2,382	2,328	54	2.3
Functional	1,521	1,485	36	2.4
Supply and misc. services	1,780	1,763	17	1.0
Technical	232	230	2	0.9
Administrative	927	944	-17	-1.8
Other personnel	262	246	16	6.5
	12,282	12,112	170	1.4

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

10.2 OTHER FINANCIAL OBLIGATIONS

	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Order commitments	12.7	8.7
Operating leases		
Due in subsequent year	0.7	0.5
Due in 2 to 5 years	1.0	0.4
Due in 5 years	0.2	0.0
Total operating leases	1.9	0.9
Other		
Due in subsequent year	41.6	48.6
Due in 2 to 5 years	21.3	13.9
Due in 5 years	5.1	1.2
Total other	68.0	63.7

Of the figure for order commitments, € 0.9 million (previous year: € 0.6 million) is attributable to intangible assets, and € 6.3 million (previous year: € 5.2 million) to property, plant and equipment.

The other financial obligations are mainly attributable to loan agreements and service agreements (maintenance agreements, agreements concerning the sourcing of products, agreements relating to laundry services, etc.).

Moreover, in connection with the development and establishment of a medical network, RHÖN-KLINIKUM AG has committed itself to investments of € 10.0 million over five years starting from 2015. As at the reporting date, obligations totalling € 9.4 million still exist.

As at the balance sheet date, we do not have any investment obligations under company acquisition agreements entered into.

In addition, absolute bank guarantee undertakings of unlimited amount exist for claims of the associations of accredited physicians (kassenärztliche Vereinigungen) and health insurance funds against medical care centres subsidiaries from their accredited physician activities, and with a medical care centre subsidiary a contract performance guarantee amounting to € 0.2 million as security for advance payments of the association of accredited physicians.

As part of the construction of the new hospital in Bad Neustadt, a bank guarantee of € 0.1 million was granted to secure the reforestation agreement with the Free State of Bavaria.

Moreover, an absolute guarantee declaration (selbstschuldnerische Bürgschaftserklärung) up to the maximum amount of € 5.1 million exists for claims to government grants of the Free State of Bavaria.

It is no longer expected that any claims will be made under the guarantees.

10.3 LEASES WITHIN THE GROUP

Leasing transactions are classified as finance leases or operating leases. Leasing transactions in which the Group acts as the lessee and bears all the major risks and rewards associated with ownership are generally treated as finance leases. As at the balance sheet date of 31 December 2015, this relates to Zentralklinik Bad Berka GmbH, Universitätsklinikum Gießen und Marburg GmbH as well as RHÖN-KLINIKUM AG. Accordingly, the Group capitalised the assets at the present value of the minimum leasing payments of € 5.9 million (previous year: € 2.4 million), and subsequently depreciates the assets over the estimated economic useful life or the shorter term of the contract. At the same time, a corresponding liability is recognised, which is paid down using the effective interest method. All other leases in which the Group acts as the lessee are treated as operating leases. In this case, the payments are recognised as expense on a straight-line basis.

10.3.1 Obligations as lessee of operating leases

The Group rents medical equipment as well as residential and office space; these are classified as cancellable operating leases. The leases generally have a term of up to five years. Under these lease agreements, the Group has a maximum termination notice of twelve months for the end of the term. The minimum lease payments to be made in future (up to one year) are € 0.7 million. The minimum lease payments for the period of up to five years are € 1.0 million. The corresponding figure for the period in excess of five years is € 0.2 million.

10.3.2 Obligations as lessee of finance leases

Under finance leases, the Group mainly rents copier and printer systems as well as laboratory equipment. In the Group, there is a principle of always acquiring ownership of operating assets.

Liabilities from finance leases - minimum payments	2015	2014
	€ m	€ m
Due in subsequent year	1.2	0.6
Due in two to five years	3.1	1.3
Due in five years	0.8	0.0
	5.1	1.9
Future financing costs under finance leases	-0.5	0.0
Present value of liabilities under finance leases	4.6	1.9

Present value of liabilities under finance leases	2015	2014
	€ m	€ m
Due in subsequent year	1.0	0.5
Due in two to five years	2.8	1.4
Due in five years	0.8	0.0
	4.6	1.9

The rise in liabilities under finance leases results from the addition of various laboratory equipment items. The leases in some cases contain purchase and extension options that can be exercised after expiry of the minimum contractual term.

10.3.3 Investment property

The Group lets residential space to employees, office and commercial space to third parties (e.g. cafeteria), as well as premises to doctors co-operating with the hospital and to joint laboratories as part of cancellable operating leases.

The most significant operating lease contracts by amount stem from the letting of property to third parties.

The largest item in absolute terms is the letting of a property to a nursing home operator. Based on the provisions of IFRS 13.97, fair value is calculated for the assets to be stated according to IAS 40. The fair value determined in this regard cannot be observed on an active market nor can be derived from a quoted market price and are thus classified to Level 3 of the fair value hierarchy of IFRS 13. The fair value is determined using a capitalised value approach in which the corresponding components of the income cost approach such as gross profit, expected return on land value and standard land value are used as input factors. On the basis of the capitalised value of potential earnings, no material differences between the fair value of the properties and their carrying amounts shown below are seen. For this reason, no external fair-value expertise was obtained.

	2015	2014
	Total	Total
	€ m	€ m
Cost		
1 January	5.0	6.1
Additions	0.0	0.0
Disposals	0.0	1.1
31 December	5.0	5.0
Cumulative depreciation		
1 January	1.9	1.8
Depreciation	0.2	0.2
Disposals	0.0	0.1
31 December	2.1	1.9
Balance sheet value as at 31 December	2.9	3.1

Depreciation is recognised on a straight-line basis over a useful life of 33 1/3 years. Rental income of € 0.4 million (previous year: € 0.4 million) was received in 2015. The operating costs for the investment properties amounted to € 0.2 million in the financial year (previous year: € 0.2 million). These are accounted for entirely by properties with which rental income was generated.

The minimum lease payments to be received in future (up to one year) are € 0.1 million. The minimum lease payments for the period of up to five years are € 0.0 million. The corresponding figure for the period in excess of five years is € 0.0 million.

10.4 RELATED PARTIES

According to the definition of IAS 24.9, related parties are those related to the reporting entity. Such parties are in particular natural persons who control the reporting entity or are involved in its joint management, exercise a material influence or hold a key position in the corporate management of the reporting entity. The same is true of close relatives of such persons. Also included are companies of the same corporate group and companies subject to or exercising a material influence.

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

Related companies are accordingly defined as all companies in which we own an interest of between 20.0% and 50.0% and which were not included in the consolidated financial statements on the grounds of materiality (for the companies of the Group, please refer to the list of shareholdings in these Notes). Jointly managed joint ventures are also deemed to be related companies. From the point of view of the Group, the volume of transactions with related companies in financial year 2015 was as follows:

	Expenses 2015	Income 2015	Receivables	Liabilities
	€ '000	€ '000	31 December 2015	31 December 2015
	€ '000	€ '000	€ '000	€ '000
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	-	419	19	-
4QD - Qualitätskliniken.de GmbH, Berlin	64	-	-	24
HOSPIZ MITTELHESSEN gemeinnützige GmbH, Wetzlar	7	-	-	-
	71	419	19	24

From the point of view of the Group, the volume of transactions with companies consolidated using the equity method in financial year 2015 was as follows:

	Expenses 2015	Income 2015	Receivables	Liabilities
	€ '000	€ '000	31 December 2015	31 December 2015
	€ '000	€ '000	€ '000	€ '000
Energiezentrale Universitätsklinikum Gießen GmbH, Gießen	1,071	12	188	89
Marburger Ionenstrahl-Therapie Betriebs-Gesellschaft des Universitätsklinikums Heidelberg mit beschränkter Haftung	-	1,022	20,248	-
	1,071	1,034	20,436	89

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

Related persons are defined as the members of management in key positions as well as their first degree relations and their spouses in accordance with section 1589 of the German Civil Code (Bürgerliches Gesetzbuch, BGB). The Board of Management of RHÖN-KLINIKUM AG as well as the members of the Supervisory Board were included among the members of management in key positions.

In the year under review, members of the Supervisory Board of RHÖN-KLINIKUM AG, or companies and entities related

with these, rendered the following services at arm's length terms:

Related party	Companies as defined by IAS	Nature of services	€ '000 2015	€ '000 2014
			Expenses	
Prof. Dr. Gerhard Ehninger	AgenDix - Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	13	8
		Supervisory board activity at an affiliated company	2	1
Prof. Dr. h. c. Ludwig Georg Braun	B. Braun Konzern (primarily B. Braun Melsungen AG and Aesculap AG)	Purchase of medical products	7,889	4,612
Peter Berghöfer		Supervisory board activity at an affiliated company	1	-
Klaus Handschur		Supervisory board activity at an affiliated company	3	3
Dr. Katrin Vernau		Supervisory board activity at an affiliated company	2	-
Dr. Heinz Korte		Supervisory board activity at an affiliated company	3	8
Detlef Klimpe		Supervisory board activity at an affiliated company	-	2
Prof. Dr. Jan Schmitt		Supervisory board activity at an affiliated company	-	1
Stephan Holzinger		Supervisory board activity at an affiliated company	1	3

The expenses were recognised in the income statement under materials and consumables as well as other expenses. No impairments were to be recognised in financial year 2015.

Related party	Companies as defined by IAS	Nature of services	€ '000 2015	€ '000 2014
			Income	
Eugen Münch		Telephone fees	1	1
Prof. Dr. h. c. Ludwig Georg Braun	B. Braun Konzern (primarily B. Braun Melsungen AG and Aesculap AG)	Purchase of medical products	-	33

The income amounts were recognised in the income statement under other income.

As at the balance sheet date of 31 December 2015, the following trade receivables/trade liabilities existed:

Related party	€ '000 2015		€ '000 2014	
	Liabilities		Receivables	
Prof. Dr. Gerhard Ehninger	-	0	-	0
Prof. Dr. h. c. Ludwig Georg Braun	316	198	-	-
Eugen Münch	-	-	0	0

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

	Fixed	Profit-linked	Total 2015	Total 2014
	€ '000	€ '000	€ '000	€ '000
Peter Berghöfer	124	40	164	159
Björn Borgmann (since 10 June 2015)	24	-	24	-
Bettina Böttcher	30	-	30	4
Helmut Bühner (until 10 June 2015)	19	4	23	51
Klaus Hanschur (since 17 April 2014)	37	-	37	25
Stefan Härtel	48	1	49	39
Annett Müller (until 27 February 2014)	-	-	-	5
Werner Prange (until 27 February 2014)	-	-	-	8
Oliver Salomon (from 9 April 2014 until 10 June 2015)	24	1	25	31
Evelin Schiebel (since 10 June 2015)	22	0	22	-
Prof. Dr. Jan Schmitt (until 30 April 2014)	-	-	-	45
Dr. Franz-Josef Schmitz (from 1 May 2014 until 10 June 2015)	53	0	53	76
	381	46	427	443

The above costs are shown under employee benefit expenses in the income statement.

10.5 TOTAL PAYMENTS OF THE SUPERVISORY BOARD, THE BOARD OF MANAGEMENT AND THE ADVISORY BOARD

	2015	2014
	€ '000	€ '000
Remuneration of the Supervisory Board	2,215	2,586
Remuneration of the incumbent Board of Management	4,156	11,128
Remuneration of former members of the Board of Management	0	0
Remuneration of the Advisory Board	20	20

No loans were granted to members of the Supervisory Board, the Board of Management or the Advisory Board. The members of the Supervisory Board together have a shareholding interest in RHÖN-KLINIKUM Aktiengesellschaft of 32.2% (previous year: 29.3%) of total equity capital. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, holds 12.4% (previous year: 11.3%) of the shares of RHÖN-KLINIKUM Aktiengesellschaft. Of that, 6.9% (previous year: 6.3%) is attributable to Eugen Münch and 5.5% (previous year: 5.0%) to Ingeborg Münch. Prof. Dr. h. c. Ludwig Georg Braun indirectly holds 19.8% (previous year: 18.0%) of the registered share capital. As at 31 December 2015, the members of the Board of Management do not hold any shares of RHÖN-KLINIKUM Aktiengesellschaft.

Transactions with shares of RHÖN-KLINIKUM Aktiengesellschaft performed in 2015 by members of the Supervisory Board and of the Board of Management as well as by their spouses and/or first-degree relatives were published pursuant to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG). During the reporting period, RHÖN-KLINIKUM Aktiengesellschaft was notified of the following transactions pursuant to section 15a of the WpHG of members of the Supervisory Board or of the Board of Management (directors' dealings).

Date of transaction	First and last name	Position/status	Financial instrument and ISIN	Nature and place of transaction	Quantity	Price	Trading volume
14 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	334,455	EUR 0.085	EUR 28,428.68
15 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	1,000,000	EUR 0.065	EUR 65,200.00
16 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	1,700,000	EUR 0.033	EUR 56,100.00
17 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	930,000	EUR 0.044	EUR 40,455.00
18 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	800,000	EUR 0.044	EUR 35,200.00
21 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	1,400,000	EUR 0.024	EUR 34,160.00
21 September 2015	Eugen Münch Stephan Holzinger (Stiftung Münch)	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale off-exchange	722,860	not quantifiable	not quantifiable
22 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	1,100,000	EUR 0.020	EUR 21,780.00
23 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	500,000	EUR 0.024	EUR 11,900.00
24 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	1,000,000	EUR 0.025	EUR 24,500.00
25 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	600,000	EUR 0.018	EUR 10,980.00
28 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	700,000	EUR 0.018	EUR 12,600.00
29 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	800,000	EUR 0.020	EUR 16,320.00
30 September 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	600,000	EUR 0.020	EUR 12,060.00
01 October 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	510,000	EUR 0.023	EUR 11,883.00
02 October 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	510,000	EUR 0.024	EUR 11,985.00
05 October 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	500,000	EUR 0.030	EUR 15,200.00
06 October 2015	Prof. Dr. h. c. Ludwig Georg Braun	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale via XETRA	250,374	EUR 0.011	EUR 2,854.26
06 October 2015	Ingeborg Münch	Spouse of member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale off-exchange	3,644,324	EUR 0.0234	EUR 85,277.18
06 October 2015	Eugen Münch	Member of Supervisory Board	RHÖN-KLINIKUM tender rights ISIN DE000A1614Q0	Sale off-exchange	4,650,071	EUR 0.0234	EUR 108,811.66

Expenses (excluding VAT) for members of the Supervisory Board break down as follows:

Total remuneration	Fixed basic remuneration	Fixed attendance fee	Fixed total remuneration	Total 2015	Total 2014
	€ '000	€ '000	€ '000	€ '000	€ '000
Eugen Münch	120	56	214	390	488
Joachim Lüddecke (until 10 June 2015)	35	24	16	75	140
Georg Schulze-Ziehaus	62	38	40	140	119
Wolfgang Mündel	80	56	177	313	401
Peter Berghöfer	40	18	33	91	94
Bettina Böttcher	40	16	20	76	78
Björn Borgmann (since 10 June 2015)	22	14	15	51	0
Prof. Dr. h. c. Ludwig Georg Braun (since 12 June 2014)	40	14	22	76	27
Sylvia Bühler (until 10 June 2015)	18	6	7	31	55
Helmut Bühner (until 10 June 2015)	18	10	12	40	78
Prof. Dr. Gerhard Ehninger	40	12	16	68	45
Stefan Härtel	40	22	30	92	112
Klaus Hanschur (since 17 April 2014)	40	18	30	88	70
Reinhard Hartl (until 10 June 2015)	18	12	23	53	102
Stephan Holzinger	40	52	73	165	185
Meike Jäger (since 10 June 2015)	22	10	17	49	0
Detlef Klimpe (until 12 June 2014)	0	0	0	0	79
Dr. Heinz Korte (until 10 June 2015)	18	12	31	61	146
Michael Mendel (until 10 June 2015)	14	6	18	38	107
Dr. Brigitte Mohn	40	10	14	64	59
Annett Müller (until 27 February 2014)	0	0	0	0	3
Werner Prange (until 27 February 2014)	0	0	0	0	5
Christine Reißner (since 10 June 2015)	22	10	17	49	0
Oliver Salomon (until 10 June 2015)	18	12	23	53	65
Evelin Schiebel (since 10 June 2015)	22	8	8	38	0
Prof. Dr. Jan Schmitt (until 30 April 2014)	0	0	0	0	23
Dr. Franz-Josef Schmitz (until 10 June 2015)	18	8	9	35	38
Dr. Katrin Vernau	40	16	23	79	67
	867	460	888	2,215	2,586

The total payments of the Board of Management break down as follows:

Incumbent members of the Board of Management	Martin Menger (member of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	192	192	192	192	192	192
Fringe benefits	10	9	10	10	10	9
Total	202	201	202	202	202	201
One-year variable remuneration						
Management profit sharing	308	258	258	708	308	258
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,005	3,334	460	2,875	814	1,238
Pension expense ¹	61	56	61	61	61	56
Total remuneration	1,066	3,390	521	2,936	875	1,294

¹Pension expenditure includes past service cost according to IAS 19.

Incumbent members of the Board of Management	Jens-Peter Neumann (permanent representative of the chairman of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	211	211	211	211	211	211
Fringe benefits	9	9	9	9	9	9
Total	220	220	220	220	220	220
One-year variable remuneration						
Management profit sharing	739	689	689	1,589	739	689
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,454	3,784	909	3,774	1,263	1,688
Pension expense ¹	115	83	115	115	115	83
Total remuneration	1,569	3,867	1,024	3,889	1,378	1,771

¹Pension expenditure includes past service cost according to IAS 19.

Incumbent members of the Board of Management	Dr. Dr. Martin Siebert (chairman of the Board of Management)					
	Inducements granted				Inflow	
	2015	2014	2015 (min.)	2015 (max.)	2015	2014
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Base salary (fixed remuneration)	384	384	384	384	384	384
Fringe benefits	10	10	10	10	10	10
Total	394	394	394	394	394	394
One-year variable remuneration						
Management profit sharing	808	741	758	1,866	808	741
Multi-year variable remuneration						
Virtual share options	495	2,875	0	1,965	304	779
Total payments	1,697	4,010	1,152	4,225	1,506	1,914
Pension expense ¹	144	113	144	144	144	113
Total remuneration	1,841	4,123	1,296	4,369	1,650	2,027

¹Pension expenditure includes past service cost according to IAS 19.

In financial year 2014, RHÖN-KLINIKUM AG, by agreements entered into in May 2014, granted the three members of the Board of Management who were active members in financial year 2014 warrants in the form of virtual shares. The virtual shares are vested. The commitments have a term running until June 2019. Payment of the virtual shares granted shall be made at the average price of the previous three months before the end of the term, with the payment per virtual share being limited to € 40. According to IFRS 2, this plan is to be treated as a cash-settled plan and thus accounted for as a payment with cash settlement. The provision for the liability resulting from the virtual shares was formed in the amount of the expected expenditure. The fair value of the virtual shares is calculated with the aid of a binomial model.

On termination of their service contracts, the board members receive a post-retirement benefit when certain conditions are met. This compensation amounts to 12.5% of the annual remuneration owed on the date of termination of the service contract for each full year (twelve full calendar months) of service as member of the Board of Management, but not exceeding 1.5 times such latter remuneration. For such post-termination entitlements of the members of the Board of Management, the following provisions have been formed for post-employment benefits:

Retirement benefits	Provision as at	Change in retirement benefits	Provision as at	Nominal amount on contract expiry ¹
	31 Dec. 2014		31 Dec. 2015	
	€ '000	€ '000	€ '000	€ '000
Incumbent members of the Board of Management				
Martin Menger	244	278	522	1,042
Jens-Peter Neumann	248	103	351	919
Dr. Dr. Martin Siebert	322	177	499	1,294
Total	814	558	1,372	3,255

¹Claim according to ordinary expiry of service contract (31 December 2020) based on remuneration.

10.6 CORPORATE GOVERNANCE CODE DECLARATION

By joint resolution of the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG of 5 November 2015, the Company made the required declaration pursuant to section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2015. These have been published on the website of RHÖN-KLINIKUM AG and thus made available to the general public.

10.7 DISCLOSURE OF THE FEES RECOGNISED AS EXPENSES (INCLUDING REIMBURSEMENT OF OUTLAYS AND EXCLUDING VAT) FOR THE STATUTORY AUDITORS

In financial year 2015, expenses resulting from fees for statutory auditors amounting to € 1.5 million (previous year: € 1.3 million) were incurred Group-wide. A breakdown of these fees (including outlays and excluding VAT) by service rendered is provided below:

	2015	2014
	€ '000	€ '000
Fees for auditing financial statements	862	835
Fees for other auditing services	179	180
Fees for tax advice	203	299
Fees for other services	223	16
	1,467	1,330

Of the total fee (excluding VAT), € 0.1 million (previous year: € 0.1 million) is attributable to other statutory auditors who are not auditors of the consolidated financial statements. The fees comprise the following:

	2015	2014
	€ '000	€ '000
Fees for auditing financial statements	84	89
Fees for other auditing services	0	0
Fees for tax advice	12	17
Fees for other services	10	0
	106	106

10.8 EVENTS AFTER THE REPORTING DATE

By purchase agreement dated 31 July 2015, RHÖN-Kreisklinik Bad Neustadt GmbH, in an asset deal, acquired Kreisklinik Bad Neustadt with effect from 1 January 2016 subject to conditions precedent. Kreisklinik Bad Neustadt a. d. Saale is a basic and standard care hospital with a total of 225 beds and 8 palliative places as well as a school for nurses. The Kreisklinik facility has the medical specialties of surgery, internal medicine, gynaecology and obstetrics, oto-rhino-laryngology (ENT) as well as haemodialysis and employs some 420 full-time staff. The acquisition was already reported on in our 2015 interim reports. The conditions precedent have since been met, with the result that the Kreisklinik facility will be included in the consolidated financial statements as of 1 January 2016.

To further press ahead with the general strategic issues of treatment excellence, innovation and network medicine, the Supervisory Board in financial year 2015 approved the expansion of the Board of Management. Since 1 January 2016, Prof. Dr. Bernd Griewing, chairman of the Medical Board, has also been on the Board of Management as chief medical

officer (CMO). His main tasks include further promoting the Medical Board, the interests of hygiene and patient safety as well as medical process management. In this connection, the distribution of duties within the Board of Management was reorganised.

11 CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

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

EUGEN MÜNCH

Bad Neustadt a. d. Saale, chairman of the Supervisory Board

Other mandates:

- Stiftungsrat Deutsche Stiftung Patientenschutz (formerly: Deutsche Hospizstiftung)
- HCM SE, Bad Neustadt a. d. Saale (chairman of the Administrative Board and managing director)
- Stiftung Münch, Board of Management

JOACHIM LÜDDECKE

Hanover, 1st deputy chairman, regional director of ver.di, union secretary (until 10 June 2015)

GEORG SCHULZE-ZIEHAUS

Frankfurt am Main, since 10 June 2015 1st deputy chairman, regional director of ver.di, region of Hesse

WOLFGANG MÜNDEL

Kehl, 2nd deputy chairman, auditor and tax consultant in own practice

Other mandates:

- Jean d'Arcel Cosmétique GmbH & Co. KG, Kehl (chairman of the Advisory Board)
- HCM SE, Bad Neustadt a. d. Saale (deputy chairman of the Administrative Board)

PETER BERGHÖFER

Münchhausen, head of finance, Universitätsklinikum Gießen und Marburg GmbH, Gießen

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Gießen (since December 2015)

BETTINA BÖTTCHER

Marburg, employee at Universitätsklinikum Gießen und Marburg GmbH, Gießen

BJÖRN BORGMANN

Marburg, male nurse and chairman of the Central Works Council of RHÖN-KLINIKUM AG (since 10 June 2015)

PROFESSOR DR. H. C. LUDWIG GEORG BRAUN

Melsungen, entrepreneur

Also a member of the Supervisory Board of:

- Aesculap AG, Tuttlingen (chairman of the Supervisory Board)
- Aesculap Management AG, Tuttlingen (until November 2015)
- B. Braun Avitum AG, Melsungen (chairman of the Supervisory Board)
- B. Braun Melsungen AG, Melsungen (chairman of the Supervisory Board)
- Frankfurter Allgemeine Zeitung GmbH
- 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) (until October 2015)
- Landesbank Hessen-Thüringen Girozentrale, Frankfurt (member of the Administrative Board) (until April 2015)
- Stihl Holding AG & Co. KG, Waiblingen (member of the Advisory Board)

SYLVIA BÜHLER

Berlin, Federal Director of ver.di, member of the ver.di Federal Board of Directors (until 10 June 2015)

HELMUT BÜHNER

Bad Bocklet, male nurse at Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale (until 10 June 2015)

PROFESSOR DR. GERHARD EHNINGER

Dresden, medical doctor

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Gießen

STEFAN HÄRTEL

Müllrose, male nurse, Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)

Other mandates:

- Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (member of the Advisory Board)

KLAUS HANSCHUR

Marburg, masseur and med. spa therapist

Also a member of the Supervisory Board of:

- Marburger Spar- und Bauverein eG, Marburg
- Universitätsklinikum Gießen und Marburg GmbH, Gießen

REINHARD HARTL

Icking/Irschenhausen, auditor and tax consultant

(until 10 June 2015)

STEPHAN HOLZINGER

Munich, managing shareholder of Holzinger

Associates GmbH

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Gießen (until May 2015)

Other mandates:

- HCM SE, Bad Neustadt a. d. Saale (Administrative Board)
- Stiftung Münch, chairman of the Board of Management

MEIKE JÄGER

Berlin, regional director and secretary of ver.di (since 10 June 2015)

DR. HEINZ KORTE

Ammerland, former notary, lawyer (until 10 June 2015)

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Gießen

Other mandates:

- HCM SE, Bad Neustadt a. d. Saale (Administrative Board)

MICHAEL MENDEL

Vienna, Merchant, member of the Board of Management

of immigon Portfolioabbau AG (until 10 June 2015)

Also a member of the Supervisory Board of:

- HETA ASSET RESOLUTION AG, Klagenfurt

DR. BRIGITTE MOHN

Gütersloh, member of the Board of Management of Bertelsmann Stiftung

Also a member of the Supervisory Board of:

- Bertelsmann SE & Co. KGaA, Gütersloh
- Bertelsmann Management SE, Gütersloh
- PHINEO gAG, Berlin (chairman of the Supervisory Board)

Other mandates:

- Member of Bertelsmann Verwaltungsgesellschaft mbH
- Stiftung Michael Skopp, Bielefeld (member of the Board of Trustees)
- Stiftung Deutsche Schlaganfall-Hilfe, Gütersloh (chairman of the Board of Trustees)
- Agentur Nordpol, Hamburg (member of the Advisory Board)
- Dachstiftung Diakonie, Kästorf (member of the Board of Trustees)
- Robert-Koch-Stiftung e. V., Berlin (member of the Board of Trustees) (until October 2015)
- Flytxt B.V., Netherlands (non-executive-director) (since April 2015)
- Clue by Biowink GmbH, Berlin (member of the Advisory Board) (since September 2015)
- Sunrise Capital GmbH, Leopoldhöhe (managing shareholder) (since July 2015)

CHRISTINE REISSNER

Sülzfeld, Merchant (since 10 June 2015)

OLIVER SALOMON

Bad Berka, male nurse (until 10 June 2015)

EVELIN SCHIEBEL

Görsbach, nurse (since 10 June 2015)

DR. FRANZ-JOSEF SCHMITZ

Cölbe, medical doctor (until 10 June 2015)

DR. KATRIN VERNAU

Hamburg, administrative director of WDR Westdeutscher Rundfunk Cologne

Also a member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Gießen (since July 2015)
- WDR mediagroup GmbH, Cologne (since March 2015)

– Duale Hochschule Baden-Wuerttemberg, Stuttgart

Other mandates:

- BürgerStiftung Hamburg, Hamburg (member of the Board of Trustees) (until January 2015)
- Rheinische Friedrich Wilhelms Universität Bonn, Bonn (member and deputy chairman of the University Council)
- Claussen-Simon-Stiftung, Hamburg (member of the Board of Trustees)
- Institut für Rundfunkrecht, Cologne (member of the Board of Trustees of foundation to promote the institution) (since March 2015)
- Fee service of ARD, ZDF and Deutschlandradio, Cologne (chairman of the Administrative Board) (since March 2015)
- IVZ Informationsverarbeitungszentrum, Cologne (member of the Administrative Board) (since March 2015)

THE BOARD OF MANAGEMENT OF RHÖN-KLINIKUM AG COMPRISES THE FOLLOWING PERSONS:**DR. MED. DR. JUR. MARTIN SIEBERT**

Business address Bad Neustadt a. d. Saale, chairman of the Board of Management

Member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Gießen (chairman of the Supervisory Board)

Other mandates:

- Willy Robert Pitzer Stiftung, Bad Nauheim (member of the Advisory Board)
- Willy Pitzer Beteiligungsgesellschaft mbH, Bad Nauheim (member of the Advisory Board) (since January 2015)

PROF. DR. MED. BERND GRIEWING

Business address Bad Neustadt a. d. Saale, Medical (since 1 January 2016)

Member of the Supervisory Board of:

- Universitätsklinikum Gießen und Marburg GmbH, Gießen

Other mandates:

- Stiftung Münch, Munich (Board of Management)
- Mittelhessische Medizin-Stiftung Universitätsklinikum Gießen und Marburg, Gießen (Board of Management)

JENS-PETER NEUMANN

Business address Bad Neustadt a. d. Saale, permanent representative of the chairman of the Board of Management, Finance

MARTIN MENGER

Business address Marburg (until 31 December 2015), business address Bad Neustadt a. d. Saale (since 1 January 2016), Business Operations

Other mandates:

- Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder) (chairman of the Advisory Board)
- Niedersächsische Krankenhausgesellschaft e. V., Hanover (member of the Board of Management)
- Niedersächsische Krankenhausgesellschaft e. V., Hanover (member of the Arbitration Body)
- Verband der Privatkliniken Niedersachsen und Bremen e. V. (managing director)

THE ADVISORY BOARD OF RHÖN-KLINIKUM AG COMPRISES THE FOLLOWING PERSONS:**PROFESSOR DR. MED. FREDERIK WENZ**

Heidelberg (chairman)

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 (until 21 June 2015)

SEPP-RAINER SPEIDEL

Schriesheim (until 21 June 2015)

MICHAEL WENDL

Munich

Bad Neustadt a. d. Saale, 19 February 2016

The Board of Management

Prof. Dr. Bernd Griewing

Martin Menger

Jens-Peter Neumann

Dr. Dr. Martin Siebert

RESPONSIBILITY STATEMENT

We assure to the best of our knowledge that based on the accounting principles to be applied to the Consolidated Financial Statement of RHÖN-KLINIKUM AG a true and fair view of the asset, financial and earnings position of the Group is given therein and that the Consolidated Report of the Management presents the business performance including the situation of the Group in such a way as to give a true and fair view of the same as well as a description of the material risks and opportunities involved in the probable development of the Group of RHÖN-KLINIKUM AG.

Bad Neustadt a. d. Saale, 19 February 2016

The Board of Management

Prof. Dr. Bernd Griewing

Martin Menger

Jens-Peter Neumann

Dr. Dr. Martin Siebert

INDEPENDENT AUDITOR'S REPORT

TO RHÖN-KLINIKUM AKTIENGESELLSCHAFT, BAD NEUSTADT A. D. SAALE

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of RHÖN-KLINIKUM Aktiengesellschaft and its subsidiaries, which comprise the consolidated statement of financial position, the consolidated income statement and statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes to the consolidated financial statements for the financial year from 1 January to 31 December 2015.

Board of Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Audit Opinion

According to section 322 (5) sentence 1 of the HGB, we state that our audit of the consolidated financial statements has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply, in all material respects, with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315a (1) of the HGB and give a true and fair view of the net assets and financial position of the Group as at 31 December 2015, as well as the results of operations for the financial year then ended, in accordance with these requirements.

REPORT ON THE GROUP MANAGEMENT REPORT

We have audited the accompanying group management report of RHÖN-KLINIKUM Aktiengesellschaft for the financial year from 1 January to 31 December 2015. The Board of Management of RHÖN-KLINIKUM Aktiengesellschaft is responsible for the preparation of the group management report in accordance with the requirements of German commercial law applicable pursuant to section 315a (1) of the HGB. We conducted our audit in accordance with section 317 (2) of the HGB and German generally accepted standards for the audit of the group management report promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Accordingly, we are required to plan and perform the audit of the group management report to obtain reasonable assurance about whether the group management report is consistent with the consolidated financial statements and the audit findings, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

According to section 322 (3) sentence 1 of the HGB we state that our audit of the group management report has not led to any reservations.

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

Frankfurt (Main), 22 February 2016

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Anne Böcker ppa. Stefan Sigmann
German Public Auditor German Public Auditor



Responsibility

With the new building for the Radiopharmacy department, the latest centre for manufacturing radiopharmaceutical drugs in Germany has been established in Bad Berka. It houses a circular accelerator (cyclotron) for the production of short-lived radionuclides which under clean-room conditions can be processed into radiotherapeutically effective drugs.



BALANCE SHEET AND INCOME STATEMENT

BALANCE SHEET

ASSETS	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Intangible assets	2.5	2.5
Property, plant and equipment	46.6	33.6
Financial assets	681.2	684.6
Fixed assets	730.3	720.7
Inventories	3.9	3.7
Receivables and other assets	99.7	120.9
Securities, cash and cash equivalents	490.5	663.0
Current assets	594.1	787.6
Prepaid expenses	0.8	0.9
Deferred tax assets	4.6	4.7
	1,329.8	1,513.9

SHAREHOLDERS' EQUITY AND LIABILITIES	31 Dec. 2015	31 Dec. 2014
	€ m	€ m
Subscribed capital/issued capital	167.4	183.7
Capital reserve	589.0	572.7
Retained earnings	0.1	0.1
Net distributable profit	180.8	330.6
Shareholders' equity	937.3	1,087.1
Contributions to finance fixed assets	1.2	1.1
Tax provisions	0.0	1.9
Other provisions	160.4	191.7
Provisions	160.4	193.6
Liabilities	230.9	232.1
	1,329.8	1,513.9

INCOME STATEMENT

	2015	2014
	€ m	€ m
Revenues	171.8	159.8
Change in services in progress	-0.1	0.3
Other operating income	45.7	18.5
Materials and consumables used	46.5	43.5
Employee benefits expense	85.2	92.2
Depreciation	11.1	12.0
Other operating expenses	35.1	66.0
Operating result	39.5	-35.1
Investment result	18.4	8.1
Gain/loss on disposal of financial assets	8.3	423.1
Financial result	9.6	-106.2
Earnings from ordinary operations	75.8	289.9
Taxes	0.3	-1.2
Net profit for the year	75.5	291.1
Profit carried forward from previous year	271.8	1,669.9
Income from capital reduction	16.3	161.9
Allocation to capital reserve pursuant to section 237 (5) AktG	16.3	161.9
Expenditure from simplified capital reduction through withdrawal of shares	166.5	1,630.4
Net distributable profit	180.8	330.6

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 of RHÖN-KLINIKUM Aktiengesellschaft for the year ended 31 December 2015, which have been prepared by the Board of Management, approved by the Supervisory Board and thus adopted as final, show a net distributable profit of € 180,815,656.01. The Board of Management and the Supervisory Board propose appropriating from the net distributable profit an amount of

€ 53,550,776.00 to distribute a dividend of € 0.80 per non-par share with dividend entitlement (DE0007042301)

and to carry the remaining profit amount of € 127,264,880.01 forward to the next financial year.

Bad Neustadt a. d. Saale, 14 April 2016

RHÖN-KLINIKUM Aktiengesellschaft

The Supervisory Board

The Board of Management



THE ADDRESSES OF OUR LOCATIONS

Campus Bad Neustadt

Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
www.campus-nes.de

Herz- und Gefäß-Klinik Bad Neustadt

Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
T. +49 (0) 9771 66-0
F. +49 (0) 9771 65-981221
gf@herzchirurgie.de

Klinik für Handchirurgie, Schulterchirurgie, Fuß- und Sprunggelenkchirurgie

Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
T. +49 (0) 9771 66-0
F. +49 (0) 9771 65-981221
gf@handchirurgie.de

Frankenklinik

Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
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F. +49 (0) 9771 67-3300
fk@frankenlinik-bad-neustadt.de

Saaletalklinik

Salzburgweg 7
97616 Bad Neustadt a. d. Saale
T. +49 (0) 9771 905-0
F. +49 (0) 9771 905-4610
stk@saaletalklinik.de

Klinik Neumühle

Neumühle 3
97618 Hollstadt
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F. +49 (0) 9773 9150-10
RezeptionNeumuehle@klinik-
neumuehle.de

Adaption Maria Stern

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97616 Bad Neustadt a. d. Saale
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F. +49 (0) 9771 905-4652
adaption@ap-maria-stern.de

Neurologische Klinik Bad Neustadt

Von-Guttenberg-Strasse 10
97616 Bad Neustadt a. d. Saale
T. +49 (0) 9771 908-0
F. +49 (0) 9771 991-464
gf@neurologie-bad-neustadt.de

Psychosomatische Klinik Bad Neustadt

Salzburger Leite 1
97616 Bad Neustadt a. d. Saale
T. +49 (0) 9771 67-01
F. +49 (0) 9771 65-989301
psk@psychosomatische-klinik-
bad-neustadt.de

New address as of 05/2016

Kurhausstrasse 31
97616 Bad Neustadt a. d. Saale
T. +49 (0) 9771 67-70
F. +49 (0) 9771 67-79001
psk@psychosomatische-klinik-
bad-neustadt.de

RHÖN Kreisklinik Bad Neustadt (since 01/2016)

Goethestrasse 9
97616 Bad Neustadt a. d. Saale
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F. +49 (0) 9771 907-111
info@kh-bad-neustadt.de



Klinikum Frankfurt (Oder)

Müllroser Chaussee 7
 15236 Frankfurt (Oder)
 T. +49 (0) 335 548-0
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www.klinikumffo.de

Universitätsklinikum Gießen

Rudolf-Buchheim-Strasse 8
 35385 Gießen
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www.ukgm.de



Universitätsklinikum Marburg

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Zentralklinik Bad Berka

Robert-Koch-Allee 9
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 T. +49 (0) 36458 5-0
 F. +49 (0) 36458 4-2180
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www.zentralklinik.de



RHÖN-KLINIKUM AG

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Visitors' address:

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This Annual Report is also available in German.



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