RHÖN-KLINIKUM AG

ANNUAL REPORT

2007

THE SITES OF RHÖN-KLINIKUM GROUP

RHÖN-KLINIKUM AG is one of the largest healthcare providers in Germany.

We are committed to delivering generalised, high-quality patient care affordable for everyone.

We currently operate 46 hospitals from all levels of care – basic to maximum – as well as 14 medical care centres (MVZs). We also cover all specialised medical fields.

Our facilities are open to all patients, whether covered by statutory health insurance plans or private health insurance.

The new teleportal clinic in Miltenberg

PICTURES OF THE 2007 ANNUAL REPORT

The theme “strength from the region” has been presented photographically with selected projects pictured. The photographers Dirk Benner and Thomas Stoll from Universitätsklinikum Gießen und Marburg GmbH captured the following on film: the “Kindergarten doc” at Klinikum Frankfurt (Oder); the marine search & rescue operations centre at Krankenhaus Cuxhaven; and a consultation at a remote location for Park-Krankenhaus Leipzig-Südost. Photos of hospitals such as Universitätsklinikum Gießen und Marburg GmbH, Klinikum Hildesheim, Klinikum Meiningen, Klinikum Frankfurt (Oder) and Zentralklinik Bad Berka were taken to provide a view of the oncological network of facilities. Representing telemedicine are the cardiovascular hospital Herz- und Gefäß-Klinik in Bad Neustadt a. d. Saale, the university hospitals in Gießen and Marburg, and Klinikum Hildesheim. Photos on pages 10, 12(1), 13, 14(1) © German Stroke Foundation, photographer: Oliver Numrich. In the table of contents and from page 154 on, the photos show the newly opened teleportal clinics in Miltenberg, Hammelburg and Wittingen.

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The teleportal clinic in Hammelburg opened in April 2008

DISCLAIMER

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

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

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

Additional information is available upon request.

KEY RATIOS 2003-2007

	2003	2004	2005	2006	2007
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenues	956,265	1,044,753	1,415,788	1,933,043	2,024,754
Material and consumables used	230,423	252,418	343,611	491,890	496,517
Employee benefits expense	496,032	546,560	793,593	1,127,840	1,203,979
Depreciation and impairment	49,157	57,052	66,825	75,033	91,772
Net consolidated profit according to IFRS	79,695	80,200	88,300	109,059	111,194
– Earnings share of RHÖN-KLINIKUM AG shareholders	73,132	76,404	83,680	105,200	106,292
– Earnings share of minority owners	6,563	3,796	4,620	3,859	4,902
EBT	111,239	111,922	123,532	125,706	137,085
EBIT	125,619	123,780	140,071	146,143	157,490
EBITDA	174,856	180,832	206,896	221,176	249,262
Operating cash flow	128,932	137,792	155,559	165,020	190,975
Property, plant and equipment as well as investment property	757,755	794,774	978,019	1,140,290	1,209,442
Income tax claims	0	0	0	19,055	20,577
Other assets	2,014	2,647	2,660	1,436	1,556
Equity capital according to IFRS	508,194	568,711	641,532	728,741	810,831
Return on equity (in %)	16.4	14.9	14.6	15.9	14.4
Balance sheet total according to IFRS	1,108,972	1,155,619	1,622,218	1,979,625	2,073,099
Investments					
– in property, plant and equipment as well as in investment property	112,454	100,638	290,557	393,517	180,677
– in other assets	15	634	202	610	257
Earnings per ordinary share (in €)	0.71	0.74	0.81	1.01	1.03
Total dividend amount	17,798	20,390	23,328	25,920	29,030
Number of employees (at 31 December)	13,408	14,977	21,226	30,409	32,222
Case numbers (patients treated)	530,069	598,485	949,376	1,394,035	1,544,451
Beds and places	8,365	9,211	12,217	14,703	14,647

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

KEY RATIOS Q1-Q4 2007

	Jan.–Dec. 2007	Oct.–Dec. 2007	July–Sep. 2007	April–June 2007	Jan.–March 2007
	€ '000	€ '000	€ '000	€ '000	€ '000
Revenues	2,024,754	512,233	505,554	504,955	502,012
Material and consumables used	496,517	127,529	121,879	120,235	126,874
Employee benefits expense	1,203,979	301,197	302,356	305,515	294,911
Depreciation/amortization and impairment	91,772	26,293	21,341	23,420	20,718
Net consolidated profit according to IFRS	111,194	24,333	34,249	27,410	25,202
– Earnings share of RHÖN-KLINIKUM AG shareholders	106,292	23,374	32,697	26,243	23,978
– Earnings share of minority owners	4,902	959	1,552	1,167	1,224
Return on revenue, %	5.5	4.8	6.8	5.4	5.0
EBT	137,085	29,423	34,231	38,443	34,988
EBIT	157,490	34,778	41,903	40,390	40,419
EBIT ratio, %	7.8	6.8	8.3	8.0	8.0
EBITDA	249,262	61,071	63,244	63,810	61,137
EBITDA ratio, %	12.3	11.9	12.5	12.6	12.1
Operating cash flow	190,975	50,248	47,470	47,337	45,920
Property, plant and equipment as well as investment property	1,209,442	1,209,442	1,183,463	1,155,520	1,145,283
Income tax claims	20,577	20,577	19,645	19,455	19,258
Other financial assets	1,556	1,556	1,688	1,644	1,489
Equity capital according to IFRS	810,831	810,831	785,998	751,856	753,943
Return on equity, %	14.4	14.4	15.3	14.2	13.6
Balance sheet total according to IFRS	2,073,099	2,073,099	2,054,240	2,027,329	1,989,069
Investments					
– in property, plant and equipment as well as in investment property	180,677	57,838	48,451	42,931	31,457
– in other assets	257	5	0	171	81
Earnings per ordinary share (€)	1.03	0.23	0.32	0.25	0.23
Total dividend amount	29,030	N.A.	N.A.	N.A.	N.A.
Number of employees (at 31 December)	32,222	32,222	32,094	31,844	31,426
Case numbers (patients treated)	1,544,451	379,313	382,420	393,836	388,882
Beds and places	14,647	14,647	14,845	14,861	14,577

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

Wolfgang Pföhler,
Chairman of the Board of Management

SUCCESS GUARANTEED BY SMOOTH INTERPLAY BETWEEN ECONOMICS AND GOOD MEDICINE

“The force of innovation has always been an important growth driver for our company. It is that added know-how from internal integration with regional diversity amongst our different hospital sites and medical disciplines that makes it possible to generate long-term value growth.”

Dear shareholders,

During the past financial year we have steadfastly continued our course for growth and once again demonstrated our expertise in developing and implementing innovative business and financing concepts and in restructuring the hospitals we have acquired.

Nearly all important performance ratios of the Group are above the previous year's results: in 2007 our 46 hospitals and 14 medical care centres (MVZ) for the first time treated more than 1.5 million patients. This translates into growth of 10.8 per cent compared with the year before. In revenues we succeeded in breaking the "sonic barrier" of two billion euros for the first time, with revenues rising from 1.93 billion euros by 4.8 per cent to reach 2.02 billion euros. Net consolidated profit stood at 111.2 million euros, translating into a rise of 1.9 per cent versus the year before.

A closer look at the figures shows that RHÖN-KLINIKUM AG has once again clearly demonstrated its operative performance: excluding the one-off tax effects in 2006 (€ 19.1 million) and 2007 (8.6 million euros) as well as the effect from the revaluation of our financial instruments (2.4 million euros), net consolidated profit on an adjusted basis grew disproportionately by 10.2 million euros to 100.2 million euros or 11.3 per cent. During the past financial year we thus managed to completely offset the extraordinary burdens from changes in legislation and wage increases to the tune of 39 million euros.

By successfully integrating Universitätsklinikum Gießen und Marburg into the Group we have demonstrated our core competence in the efficient operation of hospitals from all levels of the healthcare chain – from basic and standard care over intermediate care to maximum care provided at university hospitals: since being privatised, Gießen/Marburg has seen an increase in the number and severity of cases treated, and in 2007 it turned a profit for the first time of 1.1 million euros.

We have also seized our opportunities for a qualitative and quantitative expansion of service volumes during the past financial year. This is something to which our staff at all our hospital sites have decisively contributed by dint of their dedication, commitment and hard work.

As expected, the general environment is no less challenging in the current financial year given budget caps, among other things. Nonetheless, in 2008 as well we are determined to expand our revenues, earnings and market share, thus bringing us a step closer to realising our vision of providing full-coverage and affordable cutting-edge medicine for everyone wherever they live.

In our 19th financial year since the IPO in 1989, we have made investments of nearly 260 million euros – of which 180.9 million euros from own funds –, with special emphasis being placed on construction projects. With numerous construction measures – particularly at the facilities acquired since 2004 – we are laying the foundation today for growth tomorrow. We have further developed our construction strategy through our ongoing dialogue with architects, planning offices and representatives of all professional groups at the hospitals. The key in all this is that our construction concepts meet the challenges presented by a greying society and the increasing requirements of greater interdisciplinary co-operation between doctors.

By strengthening our performance networks we want to keep available high-quality medical expertise and management know-how at all our hospital sites. The access that all hospitals have to this expert knowledge is decisive for a self-sustaining innovation dynamic. Particularly by strengthening expertise at the interface between healthcare delivery and medical science, we enable all facilities to partake in advances in medicine.

To give you an idea of the regional diversity and integration between individual sites, between medicine and management as well as between medical disciplines within the Group – but also with healthcare providers outside the Group – we have made this internal and external co-operation the leading theme of this year’s Annual Report.

The start of efforts to establish a virtual hospital network was an important milestone in 2007. After intensive planning and development work, we entered into an agreement on the roll-out of a web-based electronic patient file – in short: WebEPA. While many others are still just talking about the pros and cons of electronic health cards, we have been delivering real results with WebEPA.

Our vision in the long-term is to develop WebEPA to serve as the patient’s virtual escort through the healthcare system. It will become a strategic tool of our corporate policy and thus the “medical central nervous system of the Group” in a digitalised world.

We of course will continue in our ongoing efforts to drive innovation of medical care in Germany. Already ten years ago, for example, we performed the world’s first robot-assisted heart operation at Herzzentrum Leipzig, thus setting path-breaking trends in healthcare.

With particle therapy, we now want to set new standards in cancer treatment. Particle therapy represents a quantum leap in tumour therapy and in future could provide patient-friendly and pinpoint treatment for cancer conditions.

Given that planning work for the new particle therapy centre at the Marburg site has been moving ahead very swiftly, we have been able to start construction on this high-performance medical centre in the summer of 2007. The first metre-thick concrete walls have been poured. In this year, we intend to start installing the technical systems in order to perform the first patient treatments from 2010.

Right now the basis is being created for policy parameters from 2009. Policymakers have to decide to what extent the socially administered system will develop into a healthcare market. In the dialogue with politicians, we are urging for greater competition and the expansion of integrated care models.

We have set ourselves the goal of securing full-coverage and affordable cutting-edge medicine for everyone wherever they, also for the future. A increasing convergence of inpatient and outpatient care can be clearly seen. We see this as an opportunity to even better honour our claim to “genuine patient orientation”. That is why we are further expanding our concept of delivering healthcare close to where patients live through our medical care centres (MVZs) and teleportal clinics linked up to our intermediate care and maximum care facilities. In this way we ensure that patients are treated where they can receive the best possible care.

Given the difficult economic situation of many facilities, we moreover expect the privatisation of hospitals to once again be resorted to more frequently as a real alternative in future. As RHÖN-KLINIKUM AG we maintain our offer to the State for us to take on more responsibility in healthcare delivery. We are well-prepared from a personnel, organisational and financial standpoint to admit further hospitals to our Group, and have laid the groundwork for future acquisition-driven growth at all levels of care.

The overall success of our company depends on the results achieved by all the Group’s 46 hospitals. At the heart of this success are our qualified and motivated staff. On behalf of the Board of Management, I would like to extend my sincere thanks to them for their untiring dedication and commitment.

We also thank the Supervisory Board, the Advisory Board and the employee representatives for their constructive work.

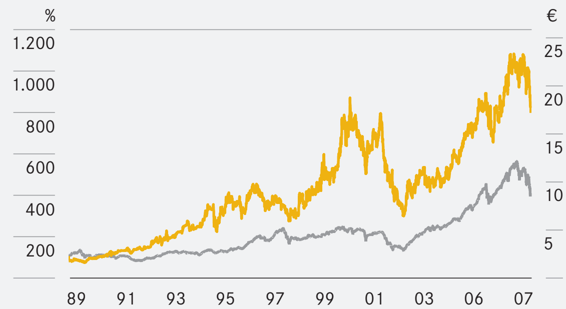
Last but not least, our thanks goes to you, our shareholders, for your trust in our Company’s future prospects and the value you attach to your stake in it.

Bad Neustadt a. d. Saale, April 2008

Wolfgang Pföhler
Chairman of the Board of Management

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

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



THE RHÖN-KLINIKUM SHARE

Satisfactory share price performance
Proposed increase in dividend to 0.28 euros

THE STOCK MARKETS IN 2007

After several years of buoyant growth, the uptrend on the equity markets reversed in the first half of 2007: in the summer indices were already off their peak levels as the troubled US mortgage market began to take its toll. In the second half, it was international stock markets that were especially hard hit by the sub-prime crisis, and rising oil prices only added to the problems.

By contrast, the German leading index proved especially resistant – at least up to year-end. This was not least thanks to the much improved global competitive situation of the German economy. The DAX® ended the year at 8,067 points, putting in the same performance as the year before (+22 per cent) and its fifth “bull-market year” in a row. Things changed, however, early in January 2008: the DAX® could not escape the slide in share prices on the international stock markets triggered by the spreading banking crisis, and within only a few days gave up the gains made over the year.

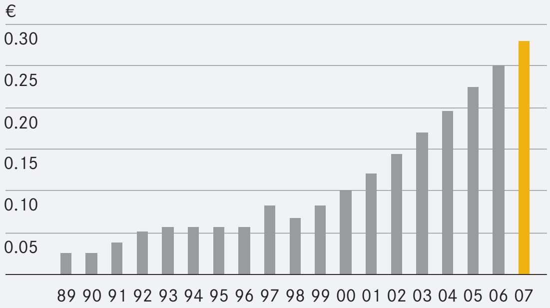
After getting off to a good start into the year, MDAX® stocks were impacted by the US mortgage crisis already in the second half. As these second-tier stocks are considered to be more vulnerable to the economic cycle than blue chips, investors rebalanced their portfolios accordingly. Nevertheless, the MDAX® still closed the year 2007 with a modest gain of five percent at 9,865 points, but was also affected by falling prices on the equity markets in January 2008.

STOCK MARKET QUOTATION

Despite the unchanged challenging economic and political environment, the RHÖN-KLINIKUM share continued its positive price performance also in 2007, rising nearly 18 per cent and clearly outperforming the MDAX®. In June 2007 the share reached an all-time high of € 23.35. At year-end the share price was quoted at € 21.58 (previous year: € 18.37) and our market capitalisation stood at € 2.24 billion (previous year: € 1.91 billion), ranking us 22nd in the MDAX® (after 25th the year before).

To ensure a company strategy oriented on the long term and to expand share capital on a sustained basis, the 2007 Annual General Meeting adopted a resolution for a capital increase from Company funds. It also adopted a resolution on the re-division of the share capital with a view to ensuring the liquidity of the share and an even broader group of investors. In June the increase in the registered share capital from Company funds without the issuance of new shares to € 259.2 million, divided into 51,840,000 non-par shares, with each share having a nominal interest in the registered share capital of € 5.00, was recorded in the commercial register. In a second step, the re-division of the registered share capital by way of stock split at a ratio of 1:2 with the issuance of scrip shares followed on 13 July 2007. The registered share capital currently amounts to € 259.2 million, divided into 103,680,000 non-par shares each having a nominal share in the registered share capital of € 2.50.

Dividend development



2007: Proposal to the Annual General Meeting on 17 June 2008
1997: One-off bonus of € 0.02

All values adjusted (in €), including the stock split on 13 July 2007 and the capital increase on 11 June 2007 as well as all previous capital-related measures (ordinary share)

Financial year 2007 recorded a turnover of roughly 89 million RHÖN-KLINIKUM shares (+26 per cent) on the German stock markets including Xetra® trading (adjusted for the stock split), corresponding to a trading volume of € 1.9 billion or a daily average trading volume of roughly 354,000 shares. Of this, Xetra® trading accounted for 97 per cent. We attribute this growth in turnover not least to the capital-related measures performed, our close communication with present as well as potential investors and to the greater interest being taken in our company and growth stocks in general (especially those from the health market).

The RHÖN-KLINIKUM share	
ISIN	DE0007042301
Ticker symbol	RHK
Share capital	€ 259,200,000
Number of shares	103,680,000

	31 Dec. 2007	**31 Dec. 2006**
Share capital (in € m)	259.20	51.84
Number of shares (in m)	103.68	51.84
Market capitalisation (in € m)	2,237.41	1,904.60
Share prices, in €		
Year end closing price	21.58	18.37
High	23.35	19.25
Low	17.96	14.16
Key figures per share in €		
Profit	1.03	1.01
Cash flow	1.84	1.59
Equity capital	7.82	7.03

DIVIDEND

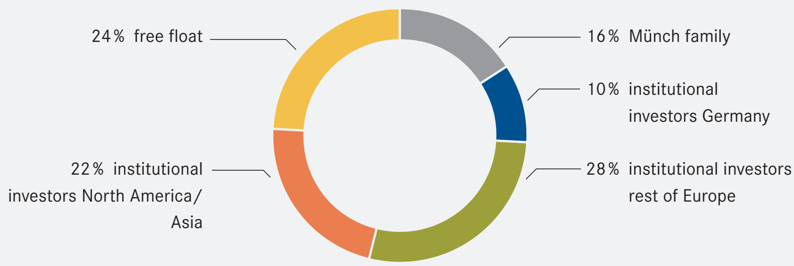
Our dividend policy is geared towards both long-term value enhancement and sustained earnings strength. For the 2007 reporting year as well, our policy will allow us to raise the dividend for our shareholders. The Supervisory Board and the Board of Management will propose to the Annual General Meeting a dividend of € 0.28 (previous year: € 0.25) for financial year 2007. The payout ratio amounts to 27.3 per cent of the net consolidated profit attributable to the shareholders of RHÖN-KLINIKUM AG and is thus at the previous year's level in view of our growth course.

INVESTOR RELATIONS ACTIVITIES

This year also we have continued and expanded our contacts with all market participants through a continuous and open dialogue. This comprehensive and ongoing reporting ensures the requisite capital market transparency so that we can meet the higher information requirements of the capital market. At the same we thus provide both investors and analysts with a sound basis for company valuations and can thus support their investment decisions.

As an integral part of our investor relations we attach great importance to staying in close contact with shareholders, analysts as well as potential investors. In numerous one-on-one discussions, at roadshows, conferences, and company presentations – also at our hospital sites – we inform about our corporate strategy and present our growth strategy.

Shareholder structure of RHÖN-KLINIKUM AG



In September 2007 our second Capital Markets Day was held at Universitätsklinikum Gießen und Marburg. Given the strong turnout and positive feedback, we will continue to organise this event at regular intervals. Above and beyond this we provide our shareholders with a further source of information with the regular events in our financial calendar, such as our spring press conference, our autumn analyst conference as well as our Annual General Meeting. We promptly publish current information about the Company as corporate news items released to the capital market and on our website. We inform about our business performance on a quarterly basis as part of our financial reporting.

The next Annual General Meeting will take place on Tuesday, 17 June 2008, at 10.00 a.m. at the Congress Center Messe Frankfurt.

A financial calendar containing all important financial dates in 2008 is provided on the back inside cover as well as on our website at www.rhoen-klinikum-ag.com under the section "Investors".

Promenade at Group headquarters in Bad Neustadt a.d. Saale

STRENGTH FROM THE REGION, FOR THE REGION

The sheer diversity scarcely comes across in the sober figures: 32,000 people working in 46 hospitals at 35 sites in nine federal states – that is the current picture of RHÖN-KLINIKUM AG, reduced to the bare statistics. What the figures fail to convey is that each of these facilities has its own profile, each has its own character and own areas of focus, each is implanted in a particular regional setting with its own healthcare delivery structures, and each has its own story and past.

*By Joachim Weber**

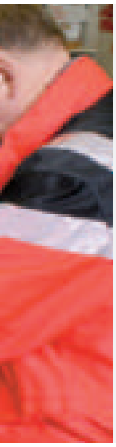
The range of the facilities, from basic care hospitals, highly specialised facilities right through to the university hospital – unequalled and unique in Germany in the form seen within the RHÖN-KLINIKUM Group – is just as veiled behind the sober statistics as the diversity of the people who work here with their regional characters, mentalities and accents, their strengths and weaknesses. And yet it is not least this diversity that is the defining feature of a service providing group present throughout Germany, between Cuxhaven at the North Sea and München-Pasing near the Bavarian Alps in the south, as well as between Attendorn in Sauerland to the west and Frankfurt (Oder) to the east.

The key to running such a complex organisation essentially consists in mobilising the special strengths of individual regions, locations or people for the benefit of the entire Group. A nimble Group management is therefore constantly looking for successful local solutions that can then be replicated within the Group. The internal transfer of knowledge between individual sites and disciplines as well as between science, medicine and management has traditionally formed a permanent part of RHÖN-KLINIKUM AG's strategic concept and the bedrock of its innovative strength. But this transfer is by no means a one-way street "from top to bottom". Rather, the guiding principle within the Group is to delegate as much responsibility as possible down to the local level – here, too, in keeping with the predominant principle: "All business is local".

For example, experienced doctors and managers of neighbouring – and in special cases also widely separated – facilities of RHÖN-KLINIKUM AG take their colleagues from the Group's newly acquired hospitals "by the hand" to make it easier for them to find their way around in the world of private hospitals, particularly as it is marked by RHÖN-KLINIKUM. Well over 20 project and working groups as well as quality circles at Group level make for lively exchange of experience at the operative level. Moreover, regional and supra-regional management and market issues are discussed at directors' meetings. This ensures that this knowledge is always in motion, also finding its way to the remotest parts of the country.

One special advantage of this network is the access that basic and standard care hospitals have to the special expertise of colleagues from intermediate care or university hospitals. For the hospital in question this is a considerable competitive advantage compared with stand-alone facilities within the region; for patients it

** Freelance journalist in Frankfurt am Main*



A “Stroke Angel” emergency response begins already at the home or the workplace

means access to modern high-end medicine close to home – particularly also in rural and structurally weak regions.

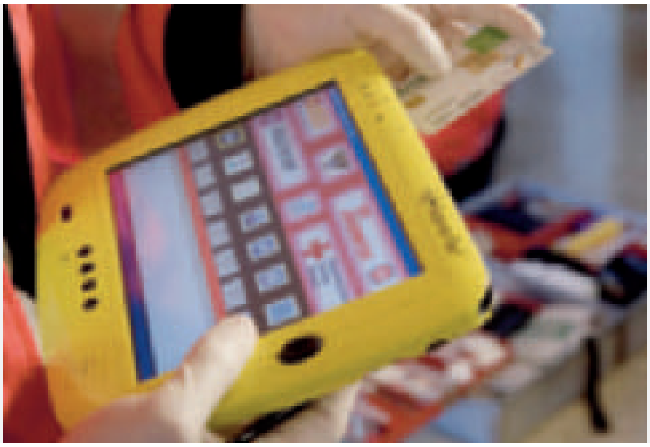
INTEGRATED EXPERTISE

From city clinics to university hospitals, from providers of basic and standard care to specialised addiction clinics – a group of nearly four dozen hospitals, in some cases with very different orientations, offers an inexhaustible wealth of knowledge and experience in patient care. Three university hospitals within RHÖN-KLINIKUM Group – the university hospitals in Gießen and Marburg as well as Herzzentrum Leipzig – ensure that this knowledge steadily grows on the back of research. For example, the symbiosis between medical know-how and long-standing healthcare expertise ensures that diagnostics and therapy are improved on the basis of the latest research findings. On the other hand, the hospitals can provide fresh impetus for new clinical research studies. The numerous and varied relationships of individual facilities to institutions of higher learning or specialised clinics outside the Group also help it to stay abreast of the latest scientific developments in medicine.

For example, twelve hospitals of RHÖN-KLINIKUM AG are affiliated as teaching hospitals to institutions of higher learning from their respective region: Cuxhaven, Herzberg, Hildesheim, Salzgitter and Uelzen in Lower Saxony, Dachau and München-Pasing und Perlach in Bavaria, Pirna, Park-Krankenhaus Leipzig-Südost and Weißeritztal in Saxony, Frankfurt (Oder) in Brandenburg and Pforzheim in Baden-Wuerttemberg. Klinik Kipfenberg stays up-to-date on innovations within its specialised field through co-operation schemes with Katholische Universität Eichstätt-Ingolstadt – there the medical director is charged with the subject “Neurological Rehabilitation Medicine and General Medical Basis” – and with the traditional Katholieke Universiteit Leuven in Belgium. Krankenhaus Köthen, part of the RHÖN-KLINIKUM family since April 2007, co-operates with the university hospitals in Halle and Magdeburg as well as with the Group’s own Herzzentrum Leipzig. Krankenhaus St. Barbara located in Attendorn in North Rhine-Westphalia is party to a partnership agreement with Universitätsklinik Marburg and Fachhochschule Siegen.

Thanks to this close-knit network, it is possible to keep available as much expertise as possible at as many locations as possible – also in regions in which there is no access to medical research and specialist expertise close to residential areas. The network functions within the RHÖN-KLINIKUM Group for both small and large facilities. It is this backing that is particularly valued by the Group’s members. One director sums it up like this: “For us the well-tuned co-operation with our sister facilities plays a major role; it offers competitive advantages, a high level of certainty, and also gives us the sense, as part of this network, of not being alone.”

The success of the individual facility, though, does not only depend on being integrated within the “big” Group network but is also the fruit of regional co-operation. For example, Salzgitter supports the Herzberg site with urology expertise. An intense exchange of experience also takes place between Uelzen, Gifhorn and Wittingen in the care provided to cardiac patients. Almost all facilities of RHÖN-KLINIKUM AG also work together locally with community-based practitioners, laboratories, pharmacies or other hospitals. And it is not only smaller facilities like Nienburg, Uelzen or Waltershausen-Friedrichroda that procure additional expertise by involving specialist physicians from the surrounding areas who not infrequently are based directly at the hospitals or affiliated medical care centres. Independent of their size, other facilities in some cases stand out for the rather unusual tasks they perform or in their particular specialist fields.



In the following we would like to take a number of striking examples to illustrate the ties that the hospitals of RHÖN-KLINIKUM AG have established within their regional and local contexts. One thing is certain: we cannot cover all exciting variants of division of labour and technical integration, of know-how transfer or local social commitment. Instead, we wish to answer the following question: What benefits are to be gained at the individual hospital undertaking when entrepreneurial spirit, creativity and initiative are combined with the strengths of the Group in the cities and regions where the facilities of RHÖN-KLINIKUM AG operate?

KARLSRUHE:
Specialist co-operation within the region

In terms of service volumes, Klinik für Herzchirurgie Karlsruhe is the largest centre for heart surgery in the Federal State of Baden-Wuerttemberg. And yet, what is not so obvious is that every twelfth patient of the facility comes from Aalen in the region of schwäbische Ostalb, quite far into the eastern part of the federal state, which attaches considerable importance to the clear division between Schwaben and Baden. Some 130 kilometres, as the crow flies, separate Aalen from the city of Karlsruhe in Baden, and probably a few more by road.

The connection to the district hospital Kreiskrankenhaus Ostalb-Klinikum Aalen goes back over seven years. In their search for a surgery partner, the cardiologists in Aalen decided in favour of Klinik für Herzchirurgie Karlsruhe. Since then, a seasoned and proven co-operative relationship has developed in which both sides have gained trust in the expertise of the other.

To optimise clinical processes and save precious time in emergencies, both partners installed a teleradiological link.

Patient data and above all heart catheterisation films so important for preparing operations are today sent from Aalen to Karlsruhe online. The advantage is that the data and films can be fed into the image archive in Karlsruhe without any time being lost, and are already available where they are needed before the patient's admission to hospital.

“This procedure especially makes sense when working together with more remote referrers like Ostalb-Klinikum”, emphasises Bernd Zimmermann, director of the Karlsruhe facility. Within Karlsruhe, the catheter films are more easily sent by courier on a CD ROM. But already with Klinikum Mittelbaden in Rastatt with which a co-operation agreement exists, or with Klinikum Pforzheim belonging to the RHÖN-KLINIKUM Group, the online transmission of patient information has proven itself.

In 2007, a total of 200 patients from Aalen decided to undergo heart surgery in Karlsruhe. In the Ostalbkreis district, word has obviously got around about how pleased patients are with the operation results and the treatment in Karlsruhe, since a great many of the operation candidates are elective patients who can decide themselves on the recommendations of their cardiologists. Not least for this reason, Zimmermann is confident it will be possible to expand the co-operation with the colleagues in Aalen: “We are thinking about furthering our co-operation.”

PFORZHEIM
Blood for the region

Amid intense competition within the region of Karlsruhe-Stuttgart with its high density of hospitals, Klinikum Pforzheim has found an unusual focus: its expertise in blood and blood-related fields.

The Pforzheim facility runs a centre of transfusion medicine and a blood bank providing hospitals within Pforzheim and the region with banked blood and plasma

Already in the ambulance, the "Stroke Angel" assistants transmit the first patient data to the hospital

products. The facility keeps available medical specialists in haemostaseology dealing with coagulation disorders and, *inter alia*, cares for haemophilia patients before and during operations.

This year the facility wants to enhance its attractiveness in this field considerably. To this end the medical offering in orthopaedic and trauma surgery will be expanded. Moreover, vascular surgery and – within the cardiology field – a department for electrophysiology will be added. Refurbishment and modernisation measures are also planned to ensure more comfortable patient accommodation. Just how strong the impact of new or newly refurbished buildings combined with a pleasant atmosphere has on patient flows has already been experienced by many facilities at RHÖN-KLINIKUM AG. This is just another example of how the Group, thanks to its financial and innovative strength, can improve the lot of patients within the wider region.

BAD KISSINGEN:
Oncology from the university

Procuring additional know-how from other providers is also the strategy pursued by St. Elisabeth-Krankenhaus in Bad Kissingen. Whereas the teleradiology link to the Group's head facility and thus access to Group-internal knowledge is more or less a matter of course for the hospital in Bad Kissingen and its second facility in Hammelburg (which has been restructured into a teleportal clinic), the Kissingen facility has found a very particular solution within a very sensitive area: cancer treatment.

Although St. Elisabeth-Krankenhaus does have an efficient oncology surgery unit and the Heinz Kalk-Krankenhaus site has a highly specialised clinic for gastroenterology and hepatology, the hospital is too small to have its own full-service specialist oncology department that would be able to cover all peripheral issues such as suitable chemotherapies or forms of radiation treatment. Nevertheless, in order to offer patients qualified full-service therapy, the medical professionals in Kissingen took up contact with the University Hospital in Würzburg.

With success: on the "Interdisciplinary Tumour Board", the gastroenterologists and visceral (abdomen) surgeons met together once a week with a senior oncologist from Würzburg to discuss and define therapies for current cases.

"The results are convincing – we have succeeded in gaining additional expertise through a high-profile co-operation scheme", observes the hospital's pleased director Martin Stapper.

Like neurology in Bad Neustadt or Weißeritztal-Kliniken in the south of Dresden, his facility has also participated in a project to improve generalised emergency care, i.e. within the sparsely populated region. In Bad Kissingen the focus is on heart attacks. As with strokes, time is a critical factor here – the more quickly patients get the right treatment, the better their prospects are of surviving with as few harmful sequela as possible.

For this reason the Kissingen team have moved part of the diagnostics phase into the ambulance. Already on site, the paramedics can connect the patient to a 12-channel ECG whose data are transmitted by the mobile phone provided in the ambulance to a PC located at the intensive care unit of St. Elisabeth-Krankenhaus. There the cardiologist on duty can decide just by looking at the monitor whether the patient is to be treated in Bad Kissingen or needs to be operated, in which case the ambulance has to drive directly to the cardiovascular facility Herz- und Gefäß-Klinik in Bad Neustadt.

After being successfully tested on an ambulance of the Bavarian Red Cross, this tele-ECG equipment is to be used in all medical emergency vehicles within the region with its 110,000 inhabitants. "In this way we create safer

treatment for our population", Stapper said. "And we provide relief to emergency doctors who are often community-based physicians from within the region, i.e. not cardiology experts."

NEUROLOGISCHE KLINIK BAD NEUSTADT:
When every minute counts

The concentration of facilities around headquarters in Bad Neustadt has for years led to one path-breaking development after the other.

One of the most important innovations in 2007 comes from the neurology hospital: the "Stroke Angel Initiative".

After a two-year development phase and testing within the district, the concept will be applied to the extended region this spring, notably in the neighbouring districts of Bad Kissingen and Haßberge.

The Stroke Angel is not a person but a telemedically assisted concept used between emergency rescue services and hospitals to significantly speed up emergency care in the case of acute strokes. The reason: "After a stroke has occurred we have a time window of three hours to treat the patient with strong lysing drugs", explains Prof. Bernd Griewing, medical director of Neurologische Klinik. If within this time the blocked vessel cannot be rinsed free, the risk of permanent speech or motion disorders increases with each passing minute.

In various regions of Germany where already numerous "stroke units" – interdisciplinary units of hospitals providing specialised care for stroke patients – can be reached within an acceptable time, the percentage of cases in which the time window is observed is growing. But: "In terms of generalised, blanket coverage, these have so far only been able to reach two to three per cent of the people affected", says Prof. Griewing. "Instead a range of ten to fifteen per cent should be possible here". This is where the Stroke Angel concept comes in.

At the technical core of the concept is everyday modern electronics: a personal digital assistant (PDA), one of those handheld microcomputers with telecommunications capabilities. It is part of the standard equipment in an ambulance and contains a structured questionnaire which the emergency medical technicians already fill out on site. Their answers allowing for an initial diagnosis along with the patient data read from the patient file are sent wirelessly directly to the hospital.

There, preparations are already being made for the patient's care while the ambulance is still on its way. For example, the necessary staff and imaging methods, such as computer tomograph (CT), are activated in advance and the patient file is created. When the ambulance arrives, all essential processes have already been initiated.

The effect during pilot testing in 2006 and 2007: the extra data recording and transmission meant that the patient's care on site did take a few minutes longer, but the patient's transport to the hospital was then faster and more co-ordinated once the stroke had been detected by the rescue team. The use of this mobile computing system above all had an impact on the hospital's internal processes: the time between arrival of the ambulance at the hospital and initiation of lysing therapy before the project for stroke patients began was 32 minutes, compared with only 16 minutes at the end of the pilot testing phase. This roughly doubled the percentage of patients receiving timely lysing treatment compared with the 6.1 per cent previously reached on time at the neurology facility in Bad Neustadt.

In addition to the team of Prof. Griewing, numerous other firms and institutions are involved in this model project: the Bavarian Red Cross with initially five, and in future 15 ambulances, a medical technology manufacturer for the technical equipment, the Karlsruhe Research Center for Information Technologies (FZI) as IT advisor, a university

The “Stroke Angel Initiative” of the neurology department in Bad Neustadt

hospital in Düsseldorf, two pharmaceutical companies for training measures in rescue services, and last but not least, the German Stroke Foundation for, among other things, additional economic analyses.

The work has not yet been completed. The system was originally developed in the US and still needs to be adapted to use in Germany. The software requires some modifications since the small PDA’s use of a stick to input data has proven somewhat awkward to handle on a moving ambulance, and will be replaced by a larger touch screen. Meanwhile, RHÖN-KLINIKUM AG is already taking things one step further: together with Universitätsklinikum Gießen und Marburg, the experts in Bad Neustadt are developing an extended stroke patient treatment concept for the hospitals of the entire Group.

AMPER KLINIKEN: The Bavarian network

In Upper Bavaria an especially close co-operation among the hospitals of RHÖN-KLINIKUM AG has emerged out of the Group’s structure and their geographic proximity: Amper Kliniken AG in Dachau and Kliniken München Pasing und Perlach GmbH. The two hospitals form a close team covering joint internal services such as a data centre, an integrated legal advisory, uniform quality and risk management, central pharmacy supply from Klinikum Dachau and a joint training centre for nursing.

This teamwork also brings benefits in the medical area. Both facilities are currently developing the specialist field of women’s medicine under a joint management structure.

They “supply” each other with expert capacities which at first are kept available only at one of the locations.

For example, the head physician of the plastic surgery unit in Dachau has consultation hours in Pasing where he also performs operations. The radiology department in Pasing serves the hospital in Perlach teleradiologically. And all facilities jointly manage the transfer of elderly patients from acute inpatient care to rehabilitation in Indersdorf.

The Bavarians are also well connected beyond the Group. The Amper Kliniken facilities operate their radiology unit in co-operation with Klinikum Großhadern of Ludwig-Maximilian-Universität in Munich. The neonatology department in Dachau is run in co-operation with the paediatric clinic of Münchener Krankenhaus 3. Orden. Several community-based doctors are integrated into inpatient care structures, and the hospital’s large equipment units – for example in radiology, the heart catheterisation laboratory and the endoscopy centre – are co-used by community-based physicians.

FRANKFURT (ODER): Kindergarten doc

After its long-standing paediatrician retired, the health authority of the City of Frankfurt an der Oder was in a bind: all attempts to find a replacement within an acceptable period failed; there was no response to the job ads. Frankfurt had become the victim of the shortage of specialist doctors. In order to maintain medical services for children and adolescents from the region – including routine examinations at schools and kindergartens – the City turned to Klinikum Frankfurt (Oder).

There it didn’t take long to come up with a solution: the hospital delegated a specialist doctor from its own paediatric department and mobilised paediatricians from the region to lend assistance from time to time. The specialist doctor remains an employee of the hospital, but the City reimburses the hospital the costs. The whole arrangement is set out in an agreement entered into by the City and the hospital in the middle of 2007. The hospital’s director Ralf Stähler regards this form of public-private partnership as very sensible:

The “kindergarten doc” comes from Klinikum in Frankfurt (Oder)

> “Such tight situations may become more common in future as specialists become increasingly scarce. And it does not take that much creativity and imagination to solve them.”

GIESSEN UND MARBURG:
Integrated tumour treatment – competence clusters competing supra-regionally

As maximum-care facilities, the Gießen and Marburg sites have their own individual characteristics calling for adapted structures. Whereas in Marburg the referral structures are secured in a rural area characterised by a lack of inpatient capacities, Gießen is close to the urban Rhine-Main region and is surrounded by more than ten hospitals within a radius of 25 km.

> The problems are the same everywhere: redundant examinations, long waiting times, information losses, the search for the right specialists.

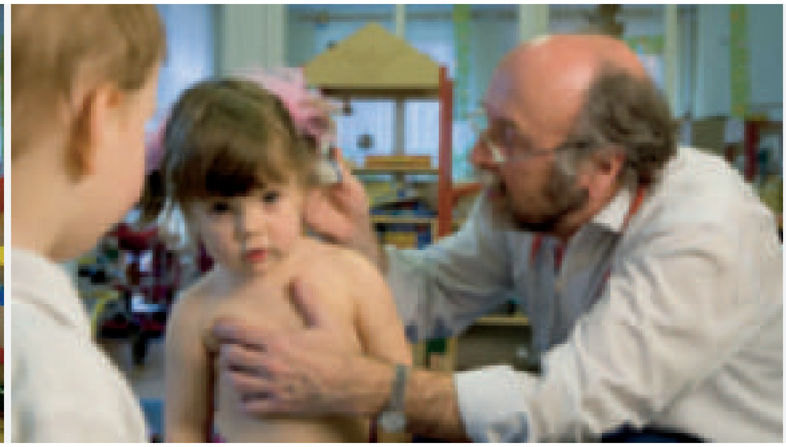
A patient suffering from a severe tumour disease is sent back and forth between various outpatient and inpatient facilities without any co-ordination taking place between these. For such patient, managing the disease turns into a “full-time job”. And there is always a lingering doubt: “Have I done everything I could, have I seen the right specialists and will anything be left to chance in future?” The challenge is to create structures within which a tumour patient free to choose doctors and hospitals has access to all resources, i.e. all specialists and equipment from that patient’s region and under which the sequence of treatment and post-treatment care is co-ordinated at a higher level.

Prof. Dr. Dr. Friedrich Grimminger from the Interdisciplinary Oncology Centre (IOC) in Gießen has developed an innovative co-operation approach: “Through joint medical staff we can integrate various facilities without abandoning operator plurality. That enables flexible distribution of expertise and resources within a network of facilities – for the benefit of patients.”

Professor Grimminger has already put this concept into practice. The first step was the IOC itself: here the competences of the oncological providers of the university hospital were pooled into a single, inter-departmental unit. This was followed by the establishment of an interdisciplinary cancer unit and an interdisciplinary oncological day-care clinic. It is here that all important physicians who are specialists in a patient’s specific tumour meet at that patient’s bed (surgeon, radiation therapist, medical oncologist, pain therapist, palliative physician, etc.). Here the focus of interest is the patient, not doctors. The team of doctors is interdisciplinary, covering different competences and sectors. Once the internal network was established, work was continued outside the university hospital.

With the nearby acute hospital in Lich, the doctors in Gießen concluded a co-operation agreement under which Professor Grimminger himself assumed the medical management of the department for internal medicine in Lich. This made a higher-level co-ordination possible, for example distribution of cases to the hospitals depending on the severity of the disease. Since this co-operation has proven itself, the medical experts in Gießen applied the concept to seven other surrounding hospitals. Each of these is led by an interdisciplinary team of two to three specialists under the medical management of Professor Grimminger.

This regional pooling of resources made it possible to distribute among the hospitals core competences, provision of large medical-technical units, service volumes and the different degrees of disease severity. This distribution was complementary, and the pooling of resources made it possible to demonstrate the efficiency of the concept to payers for the first time. Now, the two central Hesse oncology practices are also integrated into



the cross-sector network. They thus perform a bridging function between the hospitals and the practices. The participating oncologists are part-time senior physicians within the Gießen IOC who regularly take part in visits and tumour conferences. And last but not least, the cluster was also joined by community-based doctors as well as outpatient nursing and hospice services with which agreements on integrated palliative care were concluded. The electronic link-up of the entire network ensures quick and efficient co-operation.

The sister hospital in Marburg is also pursuing a path-breaking approach in oncology. Its "Comprehensive Cancer Center Marburg" (CCC) sees itself as an interdisciplinary initiative combining basic research, clinical research, epidemiology, information and patient care into one. Its traditional areas of focus lie in gynaecological oncology and in leukaemia research. And it maintains several centres – breast, gastrointestinal, prostate centre, from 2009 also a skin and lung centre – in which patients get all services from a one-stop provider instead of having to consult several different places as they did in the past. These include not only various treatment forms such as operation, chemotherapy and radiation but also pain therapy, individual consultations, psychological care and further services.

Like the IOC in Gießen, these centres are also making a difference externally. They co-operate with community-based doctors, with hospitals, rehab clinics or nursing services. For example, the breast centre shares its work with seven hospitals, six rehab clinics and 76 gynaecology practices. The result: in close co-operation with local head and senior physicians it became possible in a very rural region to cover 90 per cent of breast cancer diseases with the highest level of standardised treatment.

DKD:
Specialist for difficult cases

The name is actually misleading: Deutsche Klinik für Diagnostik (DKD) in Wiesbaden by no means confines itself to medical diagnostics. And the image of the German Mayo hospital for managers and rich Arabs that has been associated with DKD since its founding in 1970 does not reflect reality. It is true that some ten per cent of the nearly 40,000 cases last year were "manager checks", i.e. compact check-ups for busy executives. And some 1,000 Arab patients also found their way to Wiesbaden. Yet: "90 per cent of our customers are Germans", emphasises the medical director, Prof. Dr. Kristian Rett.

For all that, DKD is more than just an ordinary hospital. It is transferred difficult medical cases for diagnosis. It maintains a centre for blood stem cell and bone marrow transplants (for leukaemia patients), a breast centre (for diagnosis and treatment of breast cancer) and a diabetes centre. The specialist paediatrics department runs a day-care clinic with ten beds for children and adolescents, specially for children with cystic fibrosis, diabetes and asthma. And another 50 day-care beds are available for diagnosis of problem cases and for treating chronically ill persons (dialysis, diabetes and pain patients, patients with chronic inflammatory diseases of the gastrointestinal tract, neurological diseases).

In short: DKD is called in particularly when the possibilities of outpatient medicine have been exhausted. Another special feature is its day-care clinic. Its 60 day-care beds compare with only 92 "normal" inpatient beds which are primarily filled by operation patients. The operating doctors at DKD are specialists in the gastro-intestinal, breast, pelvis, urology, gynaecology and oto-rhino-laryngology (ENT) fields.

Professor Rett sees the facility's strength first and foremost in the interdisciplinary teamwork of its doctors backed by the latest in medical technology. The

diagnostic equipment includes, among other things, computer tomographs, nuclear magnetic resonance tomographs and a whole fleet of powerful ultrasound units. But for him what is above all important is the medical qualification of the whole team:

"Each of our senior physicians is an outstanding expert in their field."

CUXHAVEN:
Diagnosis by satellite

The separate service room in the intensive care unit of Krankenhaus Cuxhaven looks more like the operations command centre of a shipping company than a doctor's office of a hospital: a map of the world on the wall, a PC with nautical programmes on the table, fax and phone for satellite reception. The Cuxhaven facility is a perfectly normal basic and standard care hospital, albeit with unusual areas of focus such as visceral surgery, an endoprosthetics unit that performs more than 500 operations a year, and its function as an academic teaching hospital affiliated with the Medical College of Hanover.

However, the small room in the intensive care unit makes the hospital unique in Germany. Here the emergency phone rings over a thousand times a year. And each time it does the doctor on duty knows: somewhere out there on the high seas someone has some kind of medical problem. Whether a crew member is showing symptoms of a heart attack, whether someone has been injured or is suffering from burns or indefinable pain, "TMAS (Telemedical Maritime Assistance Service) Germany – Medico Cuxhaven" is an address that just about every captain of a German ship knows he can turn to in an emergency.

Medico is one of the oldest radio-based medical services for sailors in the world. Already back in 1931, doctors in Cuxhaven began radioing through medical advice to sailors of German ships.

At that time radio was still quite susceptible to interferences, and the doctors had to rely completely on the perceptive and expressive capacities of the persons they were talking to. Nevertheless, the expert "lifeline" from the mainland was already a considerable quality improvement in medical care provided to ship crews.

Today it has become much easier to make a diagnosis thanks to the possibilities of transmitting images, ECG data and other digitalised information from almost any point in the world to Cuxhaven over the Internet. Moreover, the satellite telephone ensures largely interference-free voice communication – which for the doctor on duty is still the decisive source of information. "The most important thing is to ask the right questions. We only find out as much as the people out there tell us", says Dr. Christian Flesche, Head Physician of the Cuxhaven anaesthetics unit and thus almost automatically the Director of Medico – the anaesthetics department has been responsible for radio medical consulting since 1931.

Like the intensive care unit, the emergency call centre is manned by doctors around the clock who are at home in the areas of anaesthesiology, trauma and intensive care medicine and simply marine medicine in general. If the need arises, they can consult medical experts from other disciplines within the hospital, such as cardiologists in the case of heart attacks. That makes remote diagnosis safer still.

In treatment, the doctors first use what is available on board the ship, above all the internationally standardised on-board pharmacy. A number of ships moreover have modern equipment such as defibrillators used to reanimate heart function. If the equipment on board is not sufficient, the doctors in Cuxhaven arrange for appointments with doctors at the nearest port or – in acute life-threatening cases – initiate the necessary evacuation measures with the help global rescue services.

Consultation service and assistance to marine search & rescue operations are offered by the pool of marine doctors from Klinikum Cuxhaven

In addition to the radio service, the Cuxhaven pool of maritime doctors maintain close contacts with the German Maritime Search and Rescue Service (DGzRS) in Bremen, which also has a operations base in Cuxhaven. The doctors maintain the emergency and first aid kits of more than 60 ships and boats of the DGzRS, and some of them regularly accompany rescue cruisers on emergency missions. Moreover, the emergency cruisers were linked to Medico Cuxhaven by tele-ECG already from the 70s.

For Flesche, who himself has experience as a ship's doctor, and his colleagues, radio service is more of a hobby than profession. Up to 1997 he still performed this work largely on a voluntary basis. Medico was then made Germany's official radio-based medical advice service. Since then, emergency missions have been remunerated, but the amounts hardly cover the work involved. Despite this, the doctors are highly motivated and committed to the cause.

HILDESHEIM: The hub

In Lower Saxony some of the hospitals of RHÖN-KLINIKUM AG form a particularly close-knit network. In this network the hospitals in Hildesheim, Salzgitter, Gifhorn, Nienburg and Herzberg co-operate at various levels. Most of the lines in this network meet in Klinikum Hildesheim. For example the two larger facilities, in Hildesheim and Salzgitter, co-operate in the field of vascular surgery.

In conference calls, individual cases from Salzgitter are clarified with the help of image material, and vascular surgeons from Hildesheim regularly perform operations in Salzgitter.

The medium-term objective is a joint certified vascular centre.

A similar co-operation scheme is pursued by Hildesheim and Salzgitter in the field of spinal surgery. Here, a Hildesheim neurosurgeon operates once a week in Salzgitter-Bad, the second facility of Klinikum Salzgitter. And also in trauma surgery, which is of particular importance in densely populated industrial areas, both facilities work hand in hand. Klinikum Hildesheim also provides expert assistance to Kreiskrankenhaus Gifhorn both in plastic surgery and in cardiology – the head physician of the cardiology department in Hildesheim performs minimal-invasive operations once a week in Gifhorn. In plastic surgery, the Nienburg facility of Mittelweser Kliniken in future also wants to draw on expertise from Hildesheim.

At the operative-organisational level, the Hildesheim hospital pharmacy provides the hospitals in Salzgitter, Nienburg, Stolzenau and Herzberg with drugs. Moreover, it prepares cytostatics (cancer drugs) for Salzgitter and Herzberg. In laboratory diagnostics, Hildesheim works together with Gifhorn and Nienburg. The Hildesheim network thus spans a wide geographical area – from Steinhuder Lake to the Harz region.

MITTELWESER KLINIKEN: Tele-competence

Part of RHÖN-KLINIKUM AG's strategy is to offer the broadest possible range of qualified medical care also at smaller locations. Since smaller hospitals are generally unable to have their own specialists for all medical fields, they have developed many different approaches to fill their competence gaps by external capacities.

This approach often succeeds within the Group itself: doctors are increasingly using the latest in medical and communications technology to access the resources of major knowledge centres within RHÖN-KLINIKUM Group. By way of example, these include the cardiovascular hospital Herz- und Gefäß-Klinik and neurology hospital

In vascular conferences, diagnoses are also performed telemedically in Hildesheim

Neurologische Klinik in Bad Neustadt, the cardiology hospital Herzzentrum Leipzig, the heart surgery centre Herzchirurgie in Karlsruhe and, not least, the university hospitals Universitätsklinikum Gießen und Marburg GmbH with their vast range of medical expertise.

The key word here is “tele”: teleradiology, telecardiology, telemedicine. The hospitals of RHÖN-KLINIKUM AG make systematic use of digitalisation. Today almost all diagnosis units deliver digitalised data, from electrocardiographs (ECG), ultrasound units, computer tomographs (CT) to nuclear magnetic resonance tomographs (MRT), to name just a few of the more important ones. And once something has been digitalised, it can be sent over any distance by standard connection or the Internet – online and in real time. In this way it is possible, for example, for the ECG or CT data to be used even in emergencies for remote diagnosis.

With its Nienburg and Stolzenau sites, Mittelweser Kliniken clearly reveals where the benefits of this tele-approach lie. Nienburg is a hospital of regional basic and standard care, whereas Stolzenau is an outpost with the departments of internal medicine and surgery. Up to 2007 the Nienburg facility drew its radiology expertise from community-based radiologists, and Stolzenau accessed it by way of teleradiology from Herz- und Gefäß-Klinik (HGK) in Bad Neustadt. Now Nienburg has established its own radiology department, and Stolzenau continues to be linked to HGK as a teleportal clinic.

“In Stolzenau it was our goal, despite the restricted offering, to reach a higher level of expertise for emergency cases”, explains Mirko Papenfuss, director of Mittelweser Kliniken.

“The concern here was to make as many clean diagnoses of emergency cases as possible, but not necessarily to treat these in Stolzenau.” Of far greater importance was to be able to make a sound decision on whether to treat a patient locally or to refer that patient to Nienburg. This has proved successful: in 95 per cent of all emergency cases, the doctors in Stolzenau are today the first point of contact.

The procedure is simple. The surgeon or physician in Stolzenau puts his questions in connection with an emergency patient to his radiology colleague in Bad Neustadt. If the latter determines the indication, he provides the radiology assistant in Stolzenau with instructions on the program according to which the CT there is to run in this case, and the assistants create the requisite images that are sent by network transmission directly to the computer screen of the radiologist in Bad Neustadt. The radiologist informs the doctor in Stolzenau of his diagnosis by phone and in writing via data transmission, providing the latter with the basis for further decisions.

“In a sparsely populated region like ours, this is the only way to keep this expertise available in a small locality like Stolzenau”, explains the realist Papenfuss. “On the one hand we would always need several specialists to keep this service available – but that would be inefficient because we would not be able to fully utilise their capacity. On the other hand, in times of an increasing shortage of specialist doctors we would hardly have a chance of attracting medical professionals with such qualifications to such a small location.”

Stolzenau is not only linked to Bad Neustadt telediagnostically but also to its own head facility in Nienburg. Since both facilities’ IT systems are networked, the Nienburg physicians can also access all Stolzenau patient data, laboratory and X-ray findings as required. And that is not all. The doctors in the intensive care unit in Nienburg at all times also have the possibility of having the current measurement data (in medical speak: vital parameters) of the patients on the Stolzenau recovery ward and in the intermediate-care ward

Examination of cancer patient: oncological network in Hildesheim

displayed on their computer screens. In this way, telemedicine helps pool expertise and increases safety for patients.

The approach of using teleportal clinics to provide generalised medical expertise in an economically sensible form has since become a permanent part of the strategy at the facilities of RHÖN-KLINIKUM AG. For example, this year new teleportals have been opened in the medieval town of Miltenberg am Main and in Hammelburg near Bad Kissingen in Franconia. Moreover, the Wittingen facility has come on stream as a ‚teleportal clinic at the beginning of April 2008. A further step will be to establish a teleradiology network within the hospital Group.

SALZGITTER:
Working hand in hand with the newspaper

Salzgitter has the largest inland port in the north of Germany, and the region is Lower Saxony's third-largest industrial centre that is home to the production facilities of several large industrial groups. Klinikum Salzgitter, with its two facilities Salzgitter-Lebenstedt and Salzgitter-Bad, has taken important steps to reflect this by, for example, adapting the operating theatre. In the 2nd quarter of 2008, the hospital expects to be recognised by the occupational insurance agencies for the treatment critical injuries. This will enable it to treat patients suffering serious injuries from accidents at work.

In order to make these and other expert competences known within the region and establish contact with the surrounding population, the hospital's management in 2007 took a creative approach:

In co-operation with the newspaper “Salzgitter Zeitung” it held in October the “2007 Health Week”, a regional conference open to everyone.

Five days long the head and senior physicians gave seminars relating to their specialist fields and held panel discussions on the problem issue of obesity. The newspaper presented the panel discussion and escorted the event with a four-page supplement along with daily reports.

There were also a few attention-grabbers – some basic first-aid instruction, blood pressure and body mass measurements, as well as other minor check-ups. “The response was overwhelming”, reports Ronald Gudath, the hospital's director. “On the first days our seminar room was just thronging with visitors, far exceeding the seating capacity for 150.” Given the resounding success, the health conference will be repeated this year with new subjects. Now that contact has been made within the wider region, Klinikum Salzgitter is looking to further that contact. The “2008 Health Week” is definitely on the agenda.

Apart from this, “public relations” work is also taking place on a smaller scale, such as through seminars and seminar series in co-operation with the local vocational school.

ATTENDORN:
Focus on old-age medicine and rheumatology

Krankenhaus St. Barbara in Attendorn is RHÖN-KLINIKUM AG's only facility in North Rhine-Westphalia, being, as it were, the Group's western flank. Within the District of Olpe there are other quite efficient competing facilities. But: “We have found a market niche here. Orthopaedics in combination with rheumatology is not offered on any generalised scale in our region”, explains the hospital's director, Ottmar Köck. St. Barbara has filled the gap with its two acute wards and an outpatient unit that is seeing a growing number of patients. The Attendorn rheumatics offering is also enjoying growing demand from beyond the region. And it has come to be

an important focus of the hospital: in 2007 it treated 1,800 or almost every fifth of the 9,500 inpatients.

Within the RHÖN-KLINIKUM Group, Attendorn is also unique: the hospital maintains – something not unusual in North Rhine-Westphalia – an acute geriatrics unit treating some 1,200 patients aged 65 and over with typical age-related, in some cases multimorbid conditions such as stroke and other mainly medical and surgical diagnoses. The special treatment "from the first day on" has an interdisciplinary orientation, thus including, depending on the clinical picture, physiotherapy, ergotherapy, logopedics (speech therapy), psychology and even animal-assisted therapy.

The objective of targeted early rehabilitation is to improve a patient's condition to the point where he/she does not need any follow-up treatment in a rehabilitation hospital. With stroke patients, for example, this already succeeds in 95 per cent of all cases.

WEISSERITZTAL-KLINIKEN: Doctors for the region

In the south of Dresden, on the Weißeritz river and almost within the city limits, is a place called Freital. Together with Dippoldiswalde situated still further south on the edge of the Erz Mountains, it is the location of two hospitals of RHÖN-KLINIKUM AG grouped together under Weißeritztal-Kliniken. Like many of her colleagues within RHÖN-KLINIKUM AG, the director Dr. Ursula Zufelde feels committed to her region. And there – at least medically speaking – not everything is at its best: "The old GPs are retiring, and increasingly there is nobody to take their place", says the hospital's director in describing the problem.

To change this, Weißeritztal-Kliniken is providing its own solution:

"We are specifically training GPs whose aim from the outset is to establish themselves within the region", explains Dr. Zufelde.

"That means that we train doctors well beyond our own requirements." And this even though the federal state allowance of 1,020 euros per assistant doctor and month covers only part of the training costs. Yet the hospitals have continually been expanding their commitment to their GPs in training – from two GPs initially to six now.

After spending three years with the hospital, the young doctors still have another two years to complete at a practice. At this stage a further hurdle awaits them: practice positions are difficult to find because there are scarcely any community-based doctors around who can afford to pay junior colleagues. Since their official budget is not increased for this purpose, young physicians in effect have to live from the "salary" provided by the training doctor. Here, too, RHÖN-KLINIKUM will occasionally help out by providing practice positions at its own medical care centre. And the successes of the Weisseritztal programme are impressive indeed: since 2001, six of the doctors having completed the programme have established themselves within the region as GPs, one doctor is working as a GP at a practice in Dresden, three doctors have found places at practices in the second training phase, one of these at the medical care centre of the teleportal clinic in Dippoldiswalde.

Another project in which Weißeritztal-Kliniken is committed to serving the region is the East Saxony Stroke Network. Both hospitals participate as pilot facilities in this telemedical project in co-operation with the university hospital of Dresden. The goal is to bring in the neurological expertise, absent in most smaller hospitals, from outside – i.e. from the university hospital –, in this way making local stroke care quicker and safer.

A weekly consultation at MVZ Gornau offers the angiology expertise of Park-Krankenhaus Leipzig-Südost GmbH

Park-Krankenhaus Leipzig has one of the largest angiology departments in Europe

This requires a 24-hour on-call duty on both sides. At least a computer tomograph, a physician and the necessary auxiliary and nursing staff in each of the Weißeritztal facilities along with a neurologist at the university hospital have to be ready at all times. If a patient suspected of having suffered a stroke is brought by ambulance to the hospital, the patient is immediately tomographed, with the university neurologist being called in at the same time.

Together with the physician, the neurologist can then examine the patient – with a camera at the Dippoldiswalde or Freital treatment room that the neurologist can control remotely and a speech connection enabling the latter to see the patient well enough even for a pupillary examination and to talk to that patient. After this examination the two doctors decide whether the patient is to be treated there or transferred elsewhere.

Dr. Zufelde: “To provide the 24-hour service, we needed five neurologists. But we could by no means employ them fully at our facilities. Telemedicine is the only reasonable solution – both for the patient and in terms of our efficiency.”

Already in the testing stage, Dr. Zufelde is pleased with the results of the pilot project: “This will definitely make treatment at peripheral locations better and quicker. We have also noted a significant improvement in the internal stroke-related qualification both with our doctors and the nursing staff. They simply take a more in-depth approach to the subject.”

PARK-KRANKENHAUS LEIPZIG-SÜDOST: Basic-care facility with a difference

Park-Krankenhaus Leipzig-Südost is actually a basic- and standard-care facility like hundreds of district and municipal hospitals in Germany. Actually. Because in a city with a high density of clinics and hospital beds it is not enough in the long term to be just another general hospital. “To stand out in our field, we additionally have to develop a number of unique qualities”, observes Martin Jonas, the hospital’s director.

In this the Leipzig facility has so far been very successful indeed. The hospital runs one of the largest angiology departments in Europe, its orthopaedics department focusing on endoprosthetics is the largest in Leipzig, and it also just happens to focus efforts on ensuring better medical care coverage by specialist physicians.

The angiology department (vascular clinic), which works closely together with the vascular surgery department and the nearby cardiology hospital Herzzentrum Leipzig, is now attracting patients from all over Germany. It has state-of-the-art technical equipment with, among other things, two units for vascular imaging, and applies the latest in modern treatment methods, for example minimal-invasive operations.

The standing enjoyed by the angiology department in the medical world is illustrated by the Leipzig Interventional Course (LINC), a specialist vascular medicine congress which in January of this year drew in over a hundred speakers from five continents and was attended by around 1,500 doctors from all over the world with.

This brings the world’s angiology expertise to Leipzig.

Also of at least supra-regional significance is the Orthopaedic-Traumatological Centre of Park-Krankenhaus. In addition to its own endoprosthetics department in which patients are provided with joint replacements

(e.g. of the hips and knees), this department has specialised in the treatment of difficult cases following endoprosthesis operations, such as infections, loose prostheses or fractures. Sepsis surgery, dealing specifically with infections of operated body parts, is in such high demand that the hospital already this year wants to start construction on a separate extension specifically for this field.

For all the public attention it gets from these areas of focus, the Leipzig hospital has still not lost touch with the needs of the wider region. For example, the angiology department for some time now has been offering a weekly consultation at a medical care centre (MVZ) at the small locality of Gornau located in the Erz Mountains about 90 kilometres from Leipzig. According to Jonas, the experiment was a resounding success: "This enables us to bring our expertise to the general region where it cannot be kept available in the same way or at all." This in turn results in the odd patient from the Erz Mountain area finding his or her way to Leipzig, which by no means is an undesirable side effect. A second consultation at an MVZ in Cottbus started at the beginning of April.

The child and youth psychiatry department of Park-Krankenhaus is also trying to extend its service to the general region. Initially, satellite day-care clinics with six places each are to be set up at three locations within the region – in Borna, Wurzen and Torgau – in order to reach children and families locally who otherwise could not be cared for by Park-Krankenhaus. Here the hospital is pursuing the same strategy that Fachkrankenhaus für Psychiatrie und Neurologie in Hildburghausen, Federal State of Thuringia, is pursuing in the area of adult psychiatry. To ensure the economic viability of the hospital satellites through better utilisation of specialists, it is linking them up to outpatient institutions which treat further patients entirely on an outpatient basis.

HILDBURGHAUSEN: Applying the flow principle in forensic care

Hildburghausen in the south of the Federal State of Thuringia has a long tradition in the field of psychiatrics. It was here that the "Herzoglich-Sachsen-Meiningische Landesirren- und Pflegeanstalt", a hospital for the mentally ill, was inaugurated in 1866. This was followed 140 years later by a new pioneering project: in May 2006, Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen – a forensic hospital – opened its doors with 128 places, an innovative therapy concept and (for the first time in Germany) under private aegis.

The facility's concept, a balance between imprisonment and psychotherapy, is something which the specialist officers from Thuringia and experts from RHÖN-KLINIKUM AG from the areas of hospital organisation, clinics for addictive diseases and psychosomatics struggled four years to develop. It was somewhat of a relief that Thuringia had already decided to keep the treatment of mentally ill and addiction offenders strictly separate – also meaning separate premises. In Hildburghausen only offenders with an addiction profile are treated.

The new thing that came out in the end is described by Wolfgang Pföhler, chairman of the Board of Management of RHÖN-KLINIKUM AG, like this:

> "It is the integrative use of security conditions together with therapeutic knowledge and action that was cast into a new construction/investment concept."

Since what is also new is this: as part of an almost prototypical Thuringia "public-private partnership", RHÖN-KLINIKUM AG took over investments of more than 24 million euros which the Free State of Thuringia will pay back over the next years through the cost rates of forensic therapy.

Park-Krankenhaus Leipzig: personal atmosphere, despite all the high-tech

Also excitingly new is the therapy concept in which among other things the typical RHÖN-KLINIKUM flow principle of hospital organisation is reflected: depending on their state of convalescence, patients go through stages of hospital care of different intensity until they are released from the hospital in good health. At the forensic unit in Hildburghausen there is also a sequence of therapy stages: two-month diagnosis phase, four-month motivation phase, roughly six months of advanced withdrawal on the therapy ward and another six months on the rehabilitation ward to prepare the patient for discharge to an addiction-free, independent and responsible life.

Thus, depending on therapy progress, the patient goes through several phases, from the highest security level to relative freedom, from quite modest accommodation to a certain level of comfort. For the patient the only thing that doesn't change is the individual therapist who accompanies him/her through all stages and meets with him/her at least once a week. With each stage, the patient gains more freedoms – at first inside, without the confinement being relaxed towards the outside, in keeping with one of the basic principles of forensic care at Hildburghausen: "Safety first". Only towards the end of the treatment is the patient allowed increasing freedom also outside the facility.

If therapists and the facility's staff realise in the course of the treatment that the therapy cannot reach the patient, they have to pull the emergency brake: the therapy is stopped. The patient is moved to a maximum-security return ward to await re-transfer to prison.

MEININGEN:
The network pharmacy

Logistics company, pharmaceutical preparation specialist, analysis laboratory: the centralised pharmacy at Klinikum Meiningen is all of these rolled into one. With a revenue of 11.4 million euros in 2007, it reached the level of a well-run medium-sized company. Its "customers" are 13 hospitals of RHÖN-KLINIKUM AG as well as a rehabilitation hospital outside the Group. The heart of the distribution territory is within a radius of some 40 kilometres. Only towards the southwest does it extend much further: over Bad Kissingen to Hammelburg and further on to Erlenbach and Miltenberg in the south of Aschaffenburg.

Overall, the centralised pharmacy in Meiningen supplies 3,227 beds in 23 medical fields, and their couriers make an average of 560 deliveries per week to 280 points of delivery.

In order to handle the complex logistics involved, it put into service in 2007 a modern automatic order-picking system. For the hospitals using it, the system is worth it, since the demand thus pooled results in considerable price advantages in purchasing, especially since Meiningen co-operates with other hospital pharmacies within the Group.

Three pharmacists and eight pharmaceutical-technical or pharmaceutical-commercial assistants each year prepare on a prescription basis some 7,000 ointments, solutions, capsules and suppositories as well as 1,600 infusions for individual patients. Also taking place on an individualised basis is the sterile production of cytostatics – each year around 11,000 individualised patient chemotherapies leave the pharmacy in Meiningen for inpatient, day-care or outpatient treatments in Meiningen, Hildburghausen, Bad Kissingen and Hammelburg. Lastly, the analysis department controls materials and samples from current production processes.

By no means merely incidentally, the pharmacists in Meiningen also bring their knowledge into the co-operation facilities. They advise on modes of action, side effects and drug interaction of proprietary drugs, develop therapy and care standards or select the products for their in-house list of drugs. In addition to this there is still time to participate in the various bodies of the individual facilities. The pooled expertise within the centralised pharmacy is something that benefits everyone – both medically and economically.

CONCLUSION

One widespread preconception is that municipal and district hospitals, i.e. so-called basic and standard care facilities, are typically very much the same across Germany – dull and mediocre without any real highlights. Many hospitals of RHÖN-KLINIKUM AG falling under this category prove the opposite. They have developed specific areas of focus, establishing themselves in regional market niches and developing local specialties. And they demonstrate daily that the rural areas so often frowned upon do not have to be a medical no-man's land, provided that the hospitals and other players in healthcare delivery are backed by a strong community and access to capacities that they cannot keep available themselves. If the technology, expertise and competence of major centres can be successfully made available locally, and if the experience of the doctors can be transferred from the regions back into the knowledge pool, this is a win-win situation for everyone – the regions and the hospital network alike.

MEDICAL FIELDS WITHIN RHÖN-KLINIKUM GROUP AS AT 31 DECEMBER 2007

	Capacities					Care levels				Status			
Hospital	Acute inpatient[1]	Day clinical/day-case[1]	Rehab/other[2]	Total 2007	Total 2006	Basic and standard care	Intermediate care	Maximum care	Specialist care	MVZ at the hospital	Teleportal clinic	University hospital	Academic teaching hospital
BADEN-WUERTTEMBERG													
Klinik für Herzchirurgie Karlsruhe	75			75	75				x				
Klinikum Pforzheim	520			520	520		x			x			x
BAVARIA													
St. Elisabeth-Krankenhaus Bad Kissingen (Heinz Kalk-Krankenhaus)	60			60	86	x							
St. Elisabeth-Krankenhaus Bad Kissingen	222			222	196	x				x			
St. Elisabeth-Krankenhaus Bad Kissingen (Hammelburg)	74			74	117	x							
Herz- und Gefäß-Klinik, Bad Neustadt a.d. Saale	339			339	339				x	x			
Klinik für Handchirurgie, Bad Neustadt a.d. Saale	81		44	125	125				x				
Klinik »Haus Franken«, Bad Neustadt a.d. Saale			140	140	122								
Haus Saaletal, Bad Neustadt a.d. Saale			232	232	232								
Neurologische Klinik Bad Neustadt a.d. Saale	139		121	260	260				x				
Psychosomatische Klinik, Bad Neustadt a.d. Saale	200		140	340	340				x				
Amper Kliniken (Dachau)	410	6		416	416								x
Amper Kliniken (Indersdorf)	50		70	120	120	x	x						
Kliniken Miltenberg-Erlenbach (Miltenberg)	86			86	86	x							
Kliniken Miltenberg-Erlenbach (Erlenbach)	220		32	252	256	x				x			
Klinik Kipfenberg	90		60	150	140				x				
Frankenwaldklinik Kronach	282		30	312	312	x				x			
Klinikum München-Pasing	400			400	400		x						x
Klinik München-Perlach	170			170	170	x							x
BRANDENBURG													
Klinikum Frankfurt (Oder)	853	36		889	908		x						x
HESSE													
Universitätsklinikum Gießen und Marburg (Gießen)	1,087	35		1,122	1,122			x		x		x	
Universitätsklinikum Gießen und Marburg (Marburg)	1,103	37		1,140	1,140			x		x		x	
Aukamm-Klinik, Wiesbaden	57			57	57				x				
Stiftung Deutsche Klinik für Diagnostik, Wiesbaden	92	60		152	169		x						
LOWER SAXONY													
Krankenhaus Cuxhaven	250			250	250	x							x
Kreiskrankenhaus Gifhorn	349		6	355	355		x						
Klinik Herzberg	260			260	260	x							x
Klinikum Hildesheim	535			535	708		x						x
Mittelweser Kliniken (Nienburg)	245			245	245	x							
Mittelweser Kliniken (Stolzenau)	70			70	70	x					x		
Klinikum Salzgitter (Lebenstedt, Salzgitter-Bad)	400			400	405	x							x
Klinikum Uelzen	368			368	380		x						x
Städtisches Krankenhaus Wittingen	71			71	71	x							
NORTH RHINE-WESTPHALIA													
Krankenhaus St. Barbara Attendorn	286	12		298	298	x							
SAXONY													
Weißeritztal-Kliniken (Freital, Dippoldiswalde)	370			370	390	x				x	x		x
Herzzentrum Leipzig	330	10		340	321				x			x	
Park-Krankenhaus Leipzig-Südost	495	70		565	515	x				x			x
Soteria Klinik Leipzig	56		182	238	238				x				x
Klinikum Pirna	366	34		400	448	x				x			x
SAXONY-ANHALT													
Krankenhaus Köthen	264			264		x							
THURINGIA													
Zentralklinik Bad Berka	669			669	669		x			x			
Krankenhaus Waltershausen-Friedrichroda	212			212	234	x				x			
Fachkrankenhaus Hildburghausen	286	44	186	516	516				x				
Klinikum Meiningen	568			568	568		x			x			
Total	**13,060**	**344**	**1,243**	**14,647**	**14,703**								

[1] *Approved acute inpatient beds and day-clinical/day-case places pursuant to requirement plan and Sections 108, 109 of the German Social Code (SGB V)*

[2] *Beds in rehabilitation and other areas according to contractual agreement; other areas include Haus Saaletal Bad Neustadt a.d. Saale: 18 beds adaption, Klinik Indersdorf: 10 day-clinical geriatric places, Pflegeheim Kronach: 30 beds for short-term and long-term care (old-age home), Kreiskrankenhaus Gifhorn: 6 beds for short-term care, Soteria Klinik Leipzig: 20 beds, adaption, Fachkrankenhaus Hildburghausen: 58 beds in nursing home section and 128 beds for forensic hospital*

Eugen Münch,
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

for the financial year of RHÖN-KLINIKUM AG
from 1 January 2007 to 31 December 2007

CLOSE CO-OPERATION BETWEEN SUPERVISORY BOARD AND BOARD OF MANAGEMENT

During financial year 2007 the Supervisory Board performed the duties incumbent on it by law and the Articles of Association, regularly advising the Board of Management on the direction of the Company as well as carefully and regularly supervising the Board of Management regarding the management of the Company. The Supervisory Board was involved in all decisions of fundamental importance for the Company directly and in good time.

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

Moreover the chairman of the Supervisory Board, at individual meetings held at least once a week, was in regular contact with the chairman of the Board of Management, in some cases also together with his deputy, and conferred on the strategy, business performance and risk management of the Company. In this regard the mutual assessment of the public sector's changing stance on privatisation and the Company's strategic positioning with its internal and external resources were subjects of special importance. Since our company, by its business activity, also initiates and promotes, or responds to, processes and developments that transform society, it comes under very close public scrutiny. This is why it is important and in the final analysis expedient to look at assessments and views arrived at from different angles. Discussions with other members of the Board of Management as a rule never take place without the chairman of the Board of Management unless they are meetings held as part of the Personnel Affairs Committee for the express purpose of appraising the person and performance of such executives. This ensures that the relationship between the chairman of the Board of Management, his deputy and the chairman of the Supervisory Board is critical but also built on mutual trust, and that a clear distance is kept from the operative business.

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

INTENSIVE AND EFFICIENT WORK IN THE COMMITTEES OF THE SUPERVISORY BOARD

With a view to the efficient discharge of its duties, the Supervisory Board has set up a total of six standing committees and a special committee to which members are appointed not according to proportionality but based on the specific expertise they possess for the special issues dealt with by the committees. The committees act as bodies with power to pass resolutions within the scope prescribed by law, the Articles of Association and also in lieu of the Supervisory Board based on the Terms of Reference of the latter adapted to the respective committee mandates. The composition of the standing committees during the financial year and their current composition is shown in the overview of the Supervisory Board's organisational structure below.

The **Personnel Affairs Committee** having responsibility for the personnel matters of the Board of Management held two meetings in financial year 2007 (attendance rate: one hundred per cent) and after consultation by telephone to avoid delays, decided on matters relating to the service contracts of former members of the Board of Management by way of written procedure. The main subjects of its consultations were the Board of Management's bonus waiver for that part of the bonus for financial year 2006 arising from an earnings-increasing one-off tax effect, as well as the discussion regarding the development prospects within the Board of Management and divisional management structures under a new Group management concept. In its meeting at the end of the financial year, the Committee examined the subject of long-term succession planning within the Board of Management, the amendment to service contracts of members of the Board of Management, the review of the remuneration structure of the guidelines on the remuneration of members of the Board of Management as well as the appraisal of the performance and development of the individual members of the Board of Management as part of a dialogue.

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

The **Audit Committee** met four times in the year under review (attendance rate: one hundred per cent). The auditor attended two meetings. This Committee notably was responsible for reviewing and preparing the RHÖN-KLINIKUM AG consolidated annual financial statements for financial year 2006. Also reviewed and discussed at the meetings were the stand-alone financial statements, the management reports and the respective audit reports of the Group subsidiaries which were subjected to critical review by the members of the Committee, as well as the proposal on the appropriation of the net distributable profit. The Audit Committee examined the independence of the auditor designated for the auditing of the annual financial statements for financial year 2007, recommended to the plenary meeting of the Supervisory Board a proposal for the election of the auditor to be submitted to the Annual General Meeting, and after the election issued the auditor with the audit mandate, defined the scope of the audit as well as concluded the remuneration agreement for the same.

Material issues of accounting, corporate planning, the effectiveness of the internal controlling system and of risk management, including specific business risks, were discussed with the Board of Management and the auditor. The quarterly reports to be published were discussed regularly with the Board of Management, and the half-year financial report to be prepared for the first time was discussed with the Board of Management and the auditor. The development of the financial integration of Universitätsklinikum Gießen und Marburg GmbH into the Group was monitored especially critically by the committee members based on the figures submitted by the Board of Management.

The Group controlling report to be prepared quarterly, which forms part of the risk management system, was discussed in depth at all committee meetings in consultation with the divisional head of Group Controlling. The body was regularly involved in the implementation of the Group Internal Auditing department and gave its consent to the appointment of the head of Internal Auditing in accordance with the Special Terms of Reference for Co-operation between the Board of Management and the Supervisory Board. Also covered by the consultations were the establishment, organisation and ongoing development of the Compliance Management department and its staffing. In preparing the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the recommendations of the German Corporate Governance Code, the amendments by the Government Commission of 14 June 2007 were reviewed as to their application and duly reflected, with a corresponding resolution proposal being submitted to the Supervisory Board as a whole.

The **Investment Committee** met five times during the year under review (attendance rate: 97.8 per cent). The Committee passes resolutions in lieu of the Supervisory Board on the acquisition of hospitals, investments subject to approval as well as the financing of such measures. It moreover reviews the reports to be remitted by the Board of Management on the investment and financial development which the latter submits to the plenary meeting of the Supervisory Board. An important duty of the Investment Committee is to discuss the overall and partial strategy of the Board of Management on the development of the Company into which the specific investment projects and financing measures have to fit, which also includes a discussion of technological and social issues as well as developments in medicine. The strategic importance of the Electronic Patient File (EPA) for the future of healthcare services was an agenda item in this connection at one of the meetings.

At each meeting the Board of Management routinely remits an acquisitions report which, along with an overview of the national hospital market, also served as the basis of discussion of planned and ongoing acquisition projects with the Board of Management. On the medium- and long-term development of individual hospital sites the Board of Management submitted development concepts that were the subject of strategic discussions within the Committee. Specific motions for approval of investment projects were subsequently discussed based on detailed written resolution proposals of the Board of Management, including market studies and investment calculations, which were then approved after thoroughgoing review.

Past acquisitions are reviewed after the end of the investment and restructuring phase as part of a re-calculation in the form of a target/performance comparison to determine whether the targets forecast at the time of the acquisition have been reached. The impact of the 2008 Corporate Tax Reform on the Group's earnings position and the development of dividends was presented by the Board of Management and then discussed.

The **Anti-Corruption Committee** held two meetings (attendance rate: one hundred per cent). This Committee is the point of contact for employees, suppliers and patients in suspected cases of corruption. During the year under review the Committee, working together with the Board of Management, looked at measures for establishing rules of conduct with regard to anti-corruption and guidelines for conduct in corporate areas susceptible to corruption. The chairman of this Committee is at the same time a member of the Audit Committee, thus providing him with immediate access to the controlling means of the latter Committee. No motions to the Audit Committee for initiating special audits were required.

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

The new **Nomination Committee** established in October 2007, which for impending new elections will propose to the Supervisory Board suitable candidates for the election proposals to the Annual General Meeting, did not meet during the year under review.

At its meeting on 13 February 2007 the Supervisory Board formed a **Special Committee** for "Supervisory Board remuneration" whose composition is based on equal representation with six Supervisory Board members (Münch, Mündel, Ehninger, Becker, Bühner, Harres) and which met for one meeting (attendance rate: one hundred per cent). The task of this Committee was to review the proposals for revision of the Supervisory Board’s remuneration and the proposed amendments to the Articles of Association as well to prepare voting on these by the Supervisory Board in the written voting procedure.

THE WORK OF THE SUPERVISORY BOARD’S PLENARY MEETING

The Supervisory Board held a total of four meetings during financial year 2007 (attendance rate: 95 per cent). No member attended fewer than half the meetings.

Ordinary meetings of the Supervisory Board are divided into two blocks, with the first block dealing with internal Supervisory Board issues and the second one with special issues of controlling. In this regard considerable attention is devoted to the reports of the committee chairmen on the work of the committees, with these reports, the questions and the discussions of the same going beyond the content of the minutes of meetings of the committees available to all members of the Supervisory Board and giving the members not represented on the committees the opportunity to review whether the committees are observing the necessary distance to their controlling duty. As a rule, this first part is attended only by the chairman of the Board of Management and his deputy. In the usually more extensive and longer reporting and proposal part of the meetings, the competent Board members report on their areas of specific expertise. The ensuing analytical discussions routinely require a good measure of first-hand insight and knowledge about the matters in question.

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

At the meeting on 13 February 2007 the Group’s targets for 2007 were discussed at length, with due regard being given to the emerging economic burdens from the healthcare reform, integrated care, the increase in VAT and wage increases and their impact on the Group’s earnings. In preparation for the 2007 Annual General Meeting, an increase in the registered share capital from company funds was discussed for securing the long-term corporate strategy with a broadening of the share capital basis.

At the balance sheet meeting on 17 April 2007 and with the attendance of the auditors, the annual financial statements and management report of RHÖN-KLINIKUM AG as well as the consolidated financial statements and the Group management report were discussed with the Board of Management and the auditor. The auditors reported on the essential findings and results of the audits and were available to the Supervisory Board for questions and additional information. Also discussed at this meeting were the preparations for the 2007 Annual General Meeting as well as a policy discussion on the role of the Supervisory Board in the form of the committees for an intensive and substantial co-operation with the Board of Management. At this meeting, the members of the Board of Management and the Supervisory Board announced a partial waiver of their bonuses for 2006 to the extent these resulted from the one-off tax effect from the capitalisation of corporation tax credits.

The focus of interest at the meeting on 3 July 2007 was the consultation and discussion with the Board of Management on the Company's management and strategy, with a key subject being Group's further strategic development on the back of innovations and organic growth. The development of the medical care centres (MVZs) and their role in generalised healthcare coverage was a further focus of the consultations. The Special Terms of Reference on Co-operation between the Board of Management and the Supervisory Board were revised with respect to the provisions on transactions subject to approval. The revision was made to adjust the approval thresholds in relation to the higher share capital.

At the meeting on 24 October 2007, the Board of Management as part of its reporting on the current position of the Group informed in detail on specific counter-measures in the area of acquisition, growth and quality for financial year 2008 which the Group is using to compensate for the economic consequences of the increasingly difficult political and economic environment of the healthcare market and to further improve the Company's position on the market. A further subject which this meeting focused on was a thoroughgoing policy discussion on a new management concept for the Group's top management for deploying management expertise so as to meet the requirements of a growing hospital Group. The earnings targets submitted by the Board of Management for financial year 2008 were discussed thoroughly and critically by the plenary meeting in terms of their premises, notably the statutory requirements and the targets specified for the Group companies. As already in the preceding meetings, the Supervisory Board examined changes in the distribution-of-business plan within the scope of the General Terms of Reference of the Board of Management. Moreover, the Supervisory Board, in accordance with the German Corporate Governance Code in the version of 14 June 2007, resolved to adjust the Terms of Reference of the Supervisory Board and formed a Nomination Committee.

The Board of Management informed us fully and in continuously updated reports for the Company and the Group on investment, revenue and liquidity planning and earnings projections for financial year 2007. At all Supervisory Board meetings the Supervisory Board examined all these reports, deliberated with the Board of Management on deviations, with the grounds for these being stated, and adopted the requisite resolutions. Risks were reported on regularly at every meeting with the written reports of the Board of Management which were carefully scrutinised by the Supervisory Board.

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

Separate meetings with the Board of Management on a proportionality basis do not take place. Only for preparing the balance sheet meeting does a meeting of the employee representatives on the Supervisory Board take place without the participation of the Board of Management, with the expenditures incurred by this being borne by the Company in accordance with the Articles of Association.

CORPORATE GOVERNANCE AND DECLARATION OF COMPLIANCE

The Supervisory Board took great care in thoroughly considering the issues of the German Corporate Governance Code and in further developing the same, thereby keeping derogations from the Code's recommendations to a minimum. Following the revision of the Code on 14 June 2007, the Declaration of Compliance issued on 8 November 2006 pursuant to Section 161 of the Stock Corporation Act (AktG) was replaced by an updated Declaration of Compliance issued on 24 October 2007 by the Board of Management and the Supervisory Board. This updated Declaration of Compliance was then permanently made available to shareholders on the Company's homepage.

In accordance with Item 3.10 of the German Corporate Governance Code, the Board of Management and the Supervisory Board report on corporate governance on pages 38 of this Annual Report.

The report on the external efficiency audit of our work commissioned to Kapitalanleger e.V. was submitted in April 2007. The results of the self-evaluation were again very positive, providing us with useful insights and knowledge for the Supervisory Board's further work.

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

COMPOSITION OF THE BOARD OF MANAGEMENT

This Annual Report shows the composition of the Board of Management and the personal data, functions and duties of the individual members of the Board of Management under the heading “Corporate bodies of the Company”. No personnel changes occurred.

COMPOSITION AND STRUCTURE OF THE SUPERVISORY BOARD

In accordance with the requirements of the Co-Determination Act (MitBestG), the Supervisory Board of RHÖN-KLINIKUM AG has been comprised of 20 members since 31 December 2005. Ten Supervisory Board members were elected by the shareholders and ten Supervisory Board members by the employees.

During the year under review, there was one personnel change: Mr. Timothy Plaut resigned his office as of conclusion of the 2007 Annual General Meeting on 31 May 2007. As his successor, the Annual General Meeting elected Mr. Jens-Peter Neumann for the remaining term of office which ends on conclusion of the Annual General Meeting resolving on formal approval of the actions for financial year 2009. The Supervisory Board thanks Mr. Plaut for his valued, competent and trusted work.

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

EXAMINATION AND APPROVAL OF THE 2007 FINANCIAL STATEMENTS

The Board of Management has prepared the financial statements of the Company and the management report for the year ended 31 December 2007 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 2007 have been prepared in accordance with the principles set out in the International Financial Reporting Standards (IFRS).
The auditors, PricewaterhouseCoopers Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, have examined the financial statements of the Company and management report as well as the consolidated financial statements and Group management report for the year ended 31 December 2007. Their audit gave no cause for objections; the auditors have issued an unqualified auditor's report.

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

The Supervisory Board approved the financial statements of the Company and the consolidated financial statements prepared by the Board of Management at the meeting on 23 April 2008 on recommendation of the Audit Committee; the financial statements of the Company are thus adopted as final.

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

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

Bad Neustadt a. d. Saale, 23 April 2008

The Supervisory Board

Eugen Münch
Chairman

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

Chair of the Supervisory Board

Chairman
Eugen Münch

1st Deputy Chairman
Bernd Becker

2nd Deputy Chairman
Wolfgang Mündel

Composition of the committees

MEDIATION COMMITTEE

Eugen Münch
Chairman
Bernd Becker
Sylvia Bühler
Dr. Heinz Korte

PERSONNEL AFFAIRS COMMITTEE

Eugen Münch
Chairman
Bernd Becker
Dr. Brigitte Mohn
Joachim Schaar

ANTI-CORRUPTION COMMITTEE

Caspar von Hauenschild
Chairman
Ursula Harres
Werner Prange

AUDIT COMMITTEE

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

INVESTMENT COMMITTEE

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

NOMINATION COMMITTEE

Appointment of members as required

For plenary composition, see page 48 of this Annual Report.

“Stroke Angel”: despite technology assistance, people are still treated by people

CORPORATE GOVERNANCE REPORT

Our activities as a market-leading, listed company in the healthcare sector are shaped by the principles of efficient and responsible corporate governance oriented on the long term. We thus pursue the goals as set out in the provisions of the German Corporate Governance Code.

CORPORATE GOVERNANCE CODE

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG have conducted a careful and thoroughgoing review of the amendments to the provisions of the German Corporate Governance Code and hereby report on corporate governance in accordance with Item 3.10 of the German Corporate Governance Code as amended on 14 June 2007.

The corporate code of RHÖN-KLINIKUM AG, summed up in our leading principle "Don't do to others what you would not like done to yourself, and don't leave off doing anything that you would like done to yourself" serves as the guideline for the Board of Management and all the employees of RHÖN-KLINIKUM AG and the Group in their dealings with patients and shareholders.

DECLARATION OF COMPLIANCE OF 24 OCTOBER 2007 REGARDING THE RECOMMENDATIONS OF THE GERMAN CORPORATE GOVERNANCE CODE

On 24 October 2007 the Board of Management and the Supervisory Board submitted the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Act (AktG).

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 AKTG

(as issued on 24 october 2007)

"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 12 June 2006 and published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (eBundesanzeiger) have been implemented in financial year 2007 – as declared on 8 November 2006 – with the following exception:

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

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG furthermore declare that the recommendations issued by the 'Government Commission of the German Corporate Governance Code' as amended on 14 June 2007 will be implemented with the following exception:

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

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

Universitätsklinikum Gießen und Marburg GmbH: interdisciplinary visit at Oncology Centre at Gießen site

SERVICE FOR OUR SHAREHOLDERS AND EXERCISE OF VOTING RIGHTS

RHÖN-KLINIKUM AG reports to its shareholders on business performance as well as the financial and earnings position four times during the financial year. The Annual General Meeting normally takes place within the first six months of the financial year.

Shareholders may exercise their voting rights at the Annual General Meeting themselves or through an authorised person of their choice, or may have themselves represented by proxies appointed by the Company for this purpose. Each share confers one vote. We are observing technical developments in the use of electronic communication means, in particular the Internet, to facilitate participation in the annual general meetings. Apart from the protection of our shareholders' personal rights in connection with any oral contributions they may make, the costs entailed due to the great amount of technical work involved and the possible length of annual general meetings do not stand in reasonable proportion to the benefits for shareholders. We are also watching such developments in the context of the implementation of European legislation in 2009 and, once the legal environment in this regard has become clear, will submit to the Annual General Meeting for approval by it the requisite resolutions for amending the Articles of Association.

With our financial calendar published in our Annual Report and in the Internet, we inform our shareholders, shareholder associations, analysts and media of the recurring key dates. We explain our Annual Report at the results press conference held on publication of the annual financial statements. We make known our forecast for the following financial year at the annual analysts' conference which is also transmitted over the Internet.

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

RHÖN-KLINIKUM AG has its registered office in Bad Neustadt a. d. Saale. As a stock corporation established under German law, it is subject to the two-tier board system comprising a management board as well as a supervisory board. Under this, the Board of Management directs the Company and manages its business. The Supervisory Board advises the Board of Management and supervises its management activity. Simultaneous membership in both corporate bodies is not possible.

The close and efficient co-operation between the Board of Management and the Supervisory Board is the basis for good corporate management and governance in the best interests of the Company. 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 companies. The Board of Management furthermore co-ordinates and discusses with the Supervisory Board the Group's further strategic development and its implementation. The Board of Management and the Supervisory Board have an obligation to act in the best interests of the Company and to increase the Company's sustainable value.

Terms of Reference have been adopted for the co-operation between the Board of Management and the Supervisory Board. For transactions of fundamental importance, the Terms of Reference specify reservations of consent in favour of the Supervisory Board.

Regular personal contact as well as an intensive and comprehensive exchange of information between the chairman of the Supervisory Board and the chairman of the Board of Management ensure a close co-operation between both bodies based on mutual trust.

Tumour conference at Universitätsklinikum Gießen (left) and Marburg (right)

RHÖN-KLINIKUM AG has taken out indemnity insurance cover (D&O insurance) subject to a reasonable deductible amount for members of the Supervisory Board and members of the Board of Management.

No conflicts of interest of members of the Board of Management and Supervisory Board subject to disclosure to the Supervisory Board have occurred.

Supervisory Board

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (Mitbestimmungsgesetz), the Supervisory Board of RHÖN-KLINIKUM AG comprises an equal number of employees' and shareholders' representatives and held four meetings in 2007. The Supervisory Board has 20 members.

The chairman of the Supervisory Board is Mr. Eugen Münch who assumed this function after resigning as chairman of the Board of Management. He exercises this office in a full-time capacity. Pursuant to § 14.1 of the Articles of Association, a Supervisory Board office including a secretariat for use by the chairman of the Supervisory Board are available to the Supervisory Board for the discharge of its duties.

With effect from conclusion of the Annual General Meeting on 31 May 2007, Mr. Timothy Plaut resigned his office for personal reasons. At the Annual General Meeting held on 31 May 2007, Mr. Jens-Peter Neumann was elected as successor for the remaining term of office on the Supervisory Board.

In accordance with the recommendations of the German Corporate Governance Code, the shareholders' representatives were elected to the Supervisory Board on an individual basis in 2005. When proposing persons for election as members of the Supervisory Board, due regard was given to the requirements for their qualifications and their independence from RHÖN-KLINIKUM AG to avoid conflicts of interest. The term of office of the Supervisory Board is five years and ends upon conclusion of the Annual General Meeting resolving on the formal approval of the actions of the Supervisory Board for financial year 2009. Age restrictions are provided for in the Articles of Association.

The Terms of Reference of the Supervisory Board provide for the formation of committees. In 2007 there were six standing committees as well as one Special Committee relating to "Supervisory Board Remuneration" entrusted with preparing the revision of the Supervisory Board's remuneration adopted by the Annual General Meeting in a resolution amending the Articles of Association following the resolution adopted by the Supervisory Board. Specifically, these are the Mediation Committee, the Personal Affairs Committee, the Audit Committee and the Investment Committee as committees with power to adopt resolutions within the meaning of Section 107 (3) AktG, as well as the Anti-Corruption Committee and the Nomination Committee. The respective committee chairmen report regularly to the Supervisory Board on the work of the committees.

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

The **Personnel Affairs Committee** is responsible for the personnel-related matters of the Board of Management. In particular, it reviews candidates for service as members on the Board of Management and makes proposals to the Supervisory Board regarding appointments. This Committee's tasks include the

negotiation, conclusion, termination and amendment of service contracts of members of the Board of Management as well as the regular review of the guidelines on the remuneration of members of the Board of Management.

The **Audit Committee** prepares the resolutions of the Supervisory Board on the adoption of the annual financial statements and the approval of the consolidated financial statements by way of preparatory internal review of the annual financial statements and management reports. It reviews the resolution on the appropriation of profit and discusses the annual financial statements and audit reports as part of a preliminary consultation with the auditor. This Committee's tasks also include monitoring the independence and selection of the auditor, issuing the auditing assignment and agreeing on the auditing fees. The Audit Committee supervises financial reporting including the interim reports, the effectiveness of the internal controlling system and risk management system, and deals with issues of accounting, corporate governance and compliance. With regard to the choice of members, the Supervisory Board must give due regard to the independence of the Audit Committee's members and their particular experience and knowledge in the application of accounting regulations and internal controlling processes.

The chairman of the Audit Committee, Mr. Wolfgang Mündel, as long-standing member of the Supervisory Board of RHÖN-KLINIKUM AG, possesses the required knowledge of the Company and its market environment, and as an auditor and tax adviser has the required qualifications for this demanding position in accordance with Item 5.3.2 German Corporate Governance Code.

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

The **Anti-Corruption Committee** is the point of contact for employees, suppliers and patients in suspected cases of corruption and advises the Board of Management on corruption prevention measures. The Committee has a right to apply for the initiation of special audits which are decided on by the Audit Committee.

At the meeting of the Supervisory Board on 24 October 2007, the resolution on the establishment of a **Nomination Committee** was adopted. The Nomination Committee makes recommendations to the shareholders' representatives on the Supervisory Board regarding proposals for the election by the Annual General Meeting of Supervisory Board members from the shareholders' representatives on the Supervisory Board. This implemented the recommendation of the German Corporate Governance Code in its version of 14 June 2007.

A detailed overview of the work of the individual committees and their composition is provided in the Report of the Supervisory Board on page 36 of this Annual Report.

Board of Management

In financial year 2007 the Board of Management of RHÖN-KLINIKUM AG was comprised of six members. The work of the Board of Management is co-ordinated by the chairman of the Board of Management or, in his

absence, by the deputy chairman. Its members are jointly accountable for the management of the Company. Internal rules of procedure regulate the allocation of areas of responsibility and co-operation within the Board of Management. Further information on the Board of Management is provided on page 51 of this Annual Report.

Other bodies

The Advisory Board of RHÖN-KLINIKUM AG confers with the Board of Management regarding future trends in the hospital and healthcare sector as well as on medical development issues.

The composition of the Advisory Board is shown on page 51.

REMUNERATION OF BOARD OF MANAGEMENT AND SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board and the Board of Management comprises fixed and variable components, with variable components predominating. The Group does not provide stock option programmes or similar forms of compensation. Details on the remuneration received by each member of the Supervisory Board and the Board of Management, broken down by fixed and variable components, are set out at the end of this Report on page 48.

Remuneration Report

The Remuneration Report summarises the principles applied in determining the remuneration of the Board of Management of RHÖN-KLINIKUM AG and explains the structure and amount of income of the Board of Management. It also provides a description of the principles and amount of the remuneration of the Supervisory Board and the Advisory Board as well as disclosures on shareholdings of the Board of Management and the Supervisory Board.

Remuneration of the Board of Management

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

The aggregate remuneration of the members of the Board of Management is comprised of a number of remuneration components. Specifically, these are the base salary, the bonus, additional benefits and a contingent severance compensation commitment.

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

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

With regard to the various remuneration components, the remuneration of the members of the Board of Management is comprised of non-performance-linked and performance-linked components. The non-performance-linked components consist of a basic salary

The expertise employed by Herz- und Gefäß-Klinik in Bad Neustadt in the field of stereotaxis is provided to affiliated hospitals by means of telemedicine

and additional benefits, whereas the performance-linked component consists of a bonus. The agreed performance-oriented severance compensation commitments are based on the annual remuneration at the time of termination of the service contract and are thus influenced by the non-performance-linked and performance-linked components of the remuneration scheme.

The basic salary as non-performance-linked remuneration is paid out as a monthly salary. The members of the Board of Management also receive additional non-cash benefits which essentially consist in use of a company car and the insurance premiums for accident insurance and the D&O insurance. Since use of a company car and the accidence insurance premiums are remuneration components, the individual member of the Board of Management has to pay tax on these benefits. In principle, all members of the Board of Management are entitled to these in the same way, the amount of which varies depending on the member's personal situation.

The performance linked component of the remuneration is the bonus the amount of which is oriented on the development of consolidated earnings over the last three financial years of RHÖN-KLINIKUM AG. The reference value is the consolidated result after minority interests. The individual bonus rates are staggered depending on the duties and position within the Company and as a rule amount to between 0.5 and 2.75 per cent of the assessment basis. Deviations from these may be defined by the Personnel Affairs Committee in the individual case.

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

Severance compensation is due and payable six months after the close of the financial year in which the service contract ends.

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

In financial year 2007 the remuneration of the active members of the Board of Management totalled € 6.6 million (€ 5.2 million in previous year). Of this total, € 1.5 million was accounted for by components that are not performance-linked and € 5.1 million by variable remuneration components. Severance claims of the members of the Board of Management amounted to € 3.5 million (previous year: € 2.4 million).

Former members of the Board of Management and their surviving dependants did not receive any remuneration and severance payments during the financial year.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board was re-defined by resolution adopted by the Annual General Meeting of 31 May 2007 with effect on 1 June 2007 and is set out in Section 14 of the Articles of Association. It is performance-linked and oriented on the amount of time worked, on the duties and functional responsibilities assumed by the members of the Supervisory Board, as well as on the economic success of the RHÖN-KLINIKUM Group. The remuneration of the Supervisory Board is made up of fixed and variable components.

In addition to being reimbursed their expenses, the members of the Supervisory Board receive a remuneration made up of the following elements: a fixed basic amount of € 20 thousand p.a. and a fixed attendance fee of € 2 thousand for each Supervisory Board meeting, committee meeting and an Annual General Meeting attended in person. The chairman of the Supervisory Board and his deputy receive double the amount of the fixed attendance fee. Chairmen of committees with power to adopt resolutions on behalf of the Supervisory Board also receive double the aforementioned amount unless they hold office as chairman of the Supervisory Board or deputy chairman of the Supervisory Board at the same time.

Furthermore, the Supervisory Board receives a performance-linked remuneration equal to 1.25 per cent of the modified net consolidated profit of RHÖN-KLINIKUM AG. For this purpose, net consolidated profit is diminished by an amount equal to four per cent of the contributions paid on the registered share capital of RHÖN-KLINIKUM AG. The aggregate amount is distributed amongst the individual members of the Supervisory Board in accordance with the terms of remuneration issued by the Supervisory Board. These duly reflect, in addition to the responsibility assumed, in particular also the time devoted by the individual member as well as the fluctuating workload of the members of the Supervisory Board during the course of the year.

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

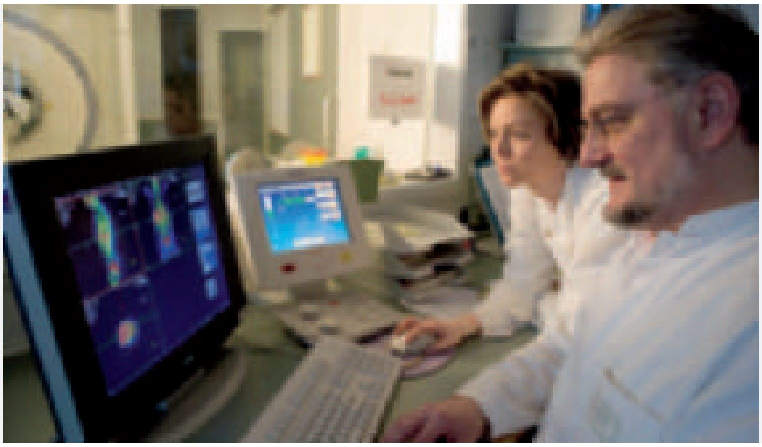
For the period up to 31 May 2007, the existing rules on remuneration of the Supervisory Board also consisting of fixed and variable elements applies.

The existing basic amount is € 6 thousand p.a. The fixed component of the attendance fee amounts to € 750 per meeting. In addition, the Supervisory Board receives a variable attendance fee equal to three per cent of the net distributable profit of RHÖN-KLINIKUM AG diminished by an amount equal to four per cent of the contributions paid on the registered share capital of the Company. The aggregate amount of the performance-linked remuneration is distributed amongst the individual members of the Supervisory Board according to the number of attendance fees to be paid for the financial year. The chair and membership of the Supervisory Board committees are likewise remunerated separately. The chairman of the Supervisory Board receives three times, his deputy and the chairmen of the committees with power to adopt resolutions double the basic amount and the fixed attendance fee. Supervisory Board members belonging to the Supervisory Board during only part of the financial year receive a pro rated remuneration.

In addition, the Company pays the premium for a Directors & Officers (D&O) insurance scheme as part of the fixed remuneration. The Group has paid a total amount of € 42 thousand for the D&O insurance.

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

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



For some ten years, the PET (positron-emission tomograph) of Zentralklinik Bad Berka has offered outstanding diagnosis possibilities

The remuneration of the active members of the Supervisory Board amounted to € 1.6 million (previous year: € 1.1 million). Of this total, € 0.6 million was accounted for by fixed remuneration components. € 1.0 million was paid as performance-linked remuneration.

Remuneration of the Advisory Board

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

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

The aggregate remuneration of the Advisory Board during the past financial year amounted to € 14 thousand (previous year: € 18 thousand).

Related parties

Prof. Dr. Gerhard Ehninger, member of the Supervisory Board of RHÖN-KLINIKUM AG, as well as enterprises and establishments related to him, have rendered services based on contractual agreements with RHÖN-KLINIKUM AG or its subsidiaries in a volume of € 0.5 million. These are set out in the Notes to the consolidated financial statements on page 144. The contracts and the services rendered were reviewed and approved by the Supervisory Board. In the view of the Board of Management and the Supervisory Board, the contracts have no impact on the independence of the aforementioned member of the Supervisory Board.

Communication

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

By participating in capital market conferences and discussions with investors, on trips and visits to our hospitals, and at results press conferences and analyst conferences, we keep our investors informed in an open, regular and timely manner.

Directors' dealings and shareholdings greater than one per cent

The members of the Supervisory Board and the Board of Management together hold 16.24 per cent of the Company's registered share capital, of which the Supervisory Board accounts for 16.15 per cent of the shares in issue. Mr. Eugen Münch and his wife Ingeborg together hold 16.07 per cent of the Company's registered share capital and the other members of the Supervisory Board 0.08 per cent of the shares in issue. The members of the Board of Management together hold 0.09 per cent of the Company's registered share capital.

One transaction of members of the Board of Management or Supervisory Board (directors' dealings) subject to notification pursuant to Section 15 a of the Securities Trading Act (WpHG) was recorded by RHÖN-KLINIKUM AG during the reporting period. This concerned the purchase by Mr. Eugen Münch, the chairman of our

Supervisory Board, of 20,000 ordinary shares on 1 February 2007 at a price of € 40.00 for a total volume of € 800 thousand (data stated with regard to the share price have not been adjusted for stock split).

RISK MANAGEMENT

Our handling of risks and opportunities is also consistent with the principles of responsible corporate behaviour. The risk management system established by RHÖN-KLINIKUM AG was established with the aim of identifying risks early at the level of RHÖN-KLINIKUM AG and at the same time also applied to hospitals and investments. The risk profile and its revision allow the Board of Management to respond early and adequately to changes in the Group's risk position and to exploit opportunities. The risk management system is reviewed by our auditors as part of the annual audit of the financial statements.

Details are provided in the risk report on page 50 ff and page 60 ff of the Annual Report.

REPORTING AND AUDIT OF ANNUAL FINANCIAL STATEMENTS

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

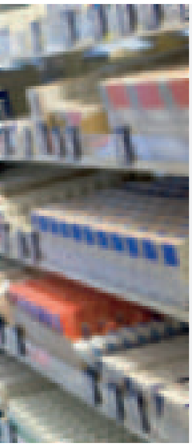
With the auditor of PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, we have concluded the required agreements pursuant to the German Corporate Governance Code for the performance of the audit of the annual financial statements. The auditor shall therefore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

Park-Krankenhaus
Leipzig-Südost

Remuneration of corporate bodies and Advisory Board	Total 2007	Total (excl. e.o. effect) 2006[1]	*Total (incl. e.o. effect) 2006*[2]
	€ '000	€ '000	*€ '000*
Remuneration of the Supervisory Board	1,635	1,113	*1,347*
Remuneration of the Board of Management	6,601	5,195	*6,543*
Remuneration of the Advisory Board	14	18	*18*

The Supervisory Board	Basic amount	Attendance fee fixed	Attendance fee variable	Functional days variable	Total 2007	Total (excl. e.o. effect) 2006[1]	*Total (incl. e.o. effect) 2006*[2]
		€ '000	€ '000	€ '000	€ '000	€ '000	*€ '000*
Eugen Münch	19	34	112	132	297	142	*172*
Wolfgang Mündel	17	36	104	83	240	126	*154*
Bernd Becker	17	21	53	0	91	95	*115*
Dr. Bernhard Aisch	14	6	18	0	38	35	*42*
Gisela Ballauf	14	6	18	0	38	35	*42*
Sylvia Bühler	14	6	18	0	38	35	*42*
Helmut Bühner	14	7	20	0	41	35	*42*
Prof. Dr. Gerhard Ehninger	14	7	20	0	41	33	*39*
Ursula Harres	14	10	26	0	50	45	*54*
Caspar von Hauenschild	14	15	48	7	84	63	*77*
Detlef Klimpe	14	17	63	0	94	63	*77*
Dr. Heinz Korte	14	17	63	0	94	63	*77*
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	14	6	18	0	38	25	*29*
Joachim Lüddecke	14	14	42	0	70	45	*54*
Michael Mendel	14	17	63	0	94	62	*75*
Dr. Brigitte Mohn	14	7	19	0	40	29	*35*
Jens-Peter Neumann (from 31 May 2007)	13	4	9	0	26	0	*0*
Timothy Plaut (until 31 May 2007)	3	1	3	0	7	27	*32*
Werner Prange	14	17	48	0	79	56	*68*
Joachim Schaar	14	9	24	0	47	36	*44*
Michael Wendl	14	15	59	0	88	63	*77*
	293	**272**	**848**	**222**	**1,635**	**1,113**	***1,347***

[1] actually paid remuneration in financial year 2006 without taking into account one-off tax effects (excl. e.o. effect)
[2] *remuneration claim originally planned and stated in 2006 Annual Report incl. one-off tax effect (incl. e.o. effect)*




The network pharmacy is located in Meiningen

Remuneration of the Board of Management	Fixed	Performance-linked	Total 2007	Total (excl. e.o. effect) 2006[1]	*Total (incl. e.o. effect) 2006[2]*
	€ '000	€ '000	€ '000	€ '000	*€ '000*
Andrea Aulkemeyer	201	600	801	640	*798*
Heinz Falszewski (until 31 March 2006)	0	0	0	109	*133*
Wolfgang Kunz	206	600	806	538	*666*
Gerald Meder	302	1,576	1,878	1,434	*1,847*
Dietmar Pawlik	175	360	535	438	*533*
Wolfgang Pföhler	397	1,649	2,046	1,598	*2,033*
Dr. Brunhilde Seidel-Kwem	175	360	535	438	*533*
	1,456	**5,145**	**6,601**	**5,195**	*6,543*

[1] actually paid remuneration in financial year 2006 without taking into account one-off tax effects (excl. e.o. effect)
[2] *remuneration claim originally planned and stated in 2006 Annual Report incl. one-off tax effect (incl. e.o. effect)*

Serverance claims of the Board of Management	Provision as at 31 Dec. 2006	Increase in serverance claims	Provision as at 31 Dec. 2007	Nominal amount of severance[1]
	€ '000	€ '000	€ '000	€ '000
Andrea Aulkemeyer	306	147	453	990
Wolfgang Kunz	264	129	393	990
Gerald Meder	1,492	443	1,935	2,797
Dietmar Pawlik	49	56	105	330
Wolfgang Pföhler	288	242	530	1,271
Dr. Brunhilde Seidel-Kwem	49	56	105	330
	2,448	**1,073**	**3,521**	**6,708**

[1] claim according to ordinary expiry of service contract based on remuneration of the past financial year.

In accordance with the compensation arrangement for the Supervisory Board and the service agreements for the Board of Management, the one-off tax effect which was not cash effective, due to the capitalization of corporate tax netting credits, was not eligble for the purpose of calculating directors' fees in 2006. The Supervisory Board and Board of Management have waived their entitlement ot the corresponding compensation in 2007.

Bad Neustadt a. d. Saale, 23 April 2008

The Board of Management

The Supervisory Board

CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

SUPERVISORY BOARD

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

BERND BECKER (NÉ HÄRING)
Leipzig
1st Deputy Chairman
Nurse in Herzzentrum Leipzig GmbH, Leipzig, Betriebswirt (VWA)

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

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

GISELA BALLAUF
Harsum
Children's nurse in Klinikum Hildesheim GmbH

SYLVIA BÜHLER
Düsseldorf
Regional director and secretary of ver.di

HELMUT BÜHNER
Bad Bocklet
Nurse in Herz- und Gefäß-Klinik GmbH

PROFESSOR DR. GERHARD EHNINGER
Dresden
Medical practitioner

URSULA HARRES
Wiesbaden
Medical-Technical Assistant at the Stiftung Deutsche Klinik für Diagnostik

CASPAR VON HAUENSCHILD
Munich
Management Consultant in own practice

DETLEF KLIMPE
Aachen
Commercial Director of Universitätsklinikum Aachen

DR. HEINZ KORTE
Munich
Notary in own practice

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

JOACHIM LÜDDECKE
Hanover
Regional Division Director ver.di, Trade Union Secretary

MICHAEL MENDEL
Munich

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

JENS-PETER NEUMANN
Frankfurt am Main
Bank Director (from 31 May 2007)

TIMOTHY PLAUT
London
Investment Banker
(until 31 May 2007)

WERNER PRANGE
Osterode
Nurse in at Kliniken Herzberg und Osterode GmbH

JOACHIM SCHAAR
Wasungen
Administrative Director of Klinikum Meiningen GmbH

MICHAEL WENDL
Munich
Trade Union Secretary ver.di, Regional District Bavaria

BOARD OF MANAGEMENT

WOLFGANG PFÖHLER
business address Bad Neustadt a. d. Saale,
Chairman of the Board of Management
temporarily responsible for North East Germany (Berlin, Brandenburg, Mecklenburg-West Pomerania, Saxony, Saxony-Anhalt)

GERALD MEDER
business address Bad Neustadt a. d. Saale,
Deputy Chairman of the Board of Management,
Director responsible for Hesse/Bavaria South
Director responsible for Group Personnel Affairs

ANDREA AULKEMEYER
business address Bad Neustadt a. d. Saale,
Director responsible for Personal Affairs in the parent company, Southern Germany, Thueringia

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

DIETMAR PAWLIK
business address Bad Neustadt a. d. Saale,
deputy member of the Board of Management,
Director responsible for Finance, Investor Relations, Group IT

DR. BRUNHILDE SEIDEL-KWEM
business address Hamburg, deputy member of the Board of Management, responsible for Western and Northern Germany (Bremen, Hamburg, Lower Saxony, North Rhine-Westphalia, Schleswig-Holstein)

ADVISORY BOARD

WOLF-PETER HENTSCHEL
Bayreuth
Chairman

HEINZ DOLLINGER
Dittelbrunn

MINISTERIALRAT A. D. HELMUT MEINHOLD
Heppenheim

PROF. DR. MICHAEL-J. POLONIUS
Dortmund

HELMUT REUBELT
Dortmund

DR. KARL GUSTAV WERNER
Düsseldorf

FRANZ WIDERA
Duisburg

PROF. DR. DR. H.C. KLAUS D. WOLFF
Bayreuth
(died on 22 November 2007)

RISKS AND OPPORTUNITIES

BASIC PRINCIPLES

At RHÖN-KLINIKUM AG and its subsidiaries, controlling risks and opportunities is enshrined as a permanent part of our management culture aimed at value enhancement.

Our value-oriented corporate strategy duly reflects and protects the different interests of our shareholders and other capital market participants, fully taking account of the legal requirement to have in place a system for early identification of risks jeopardising our corporate existence as well as our corporate opportunities.

Particularly in healthcare, risks and opportunities are frequently bound up with one another for the patient in a close existential relationship, and it is especially important for companies engaged in this market to constantly be weighing up risks and opportunities. Taking just one example: any medical intervention will expose patients to a risk (which in some cases is life-threatening), but at the same time any medical intervention also holds out the prospect or opportunity of recovery and/or the improvement in their quality of life. This risk posed to the life and health of our patients has always been regarded by us as the greatest risk, and that is why measures taken to prevent or minimise this risk are given top priority.

Hospital operators rely to an especially great extent on advances in medicine. Since these advances involve new technologies, they also carry certain risks but also opportunities both for patients and for the economic development of the hospital operator.

The business model of RHÖN-KLINIKUM AG is growth-oriented. We see ourselves as the leader and trendsetter in privatisation and increase efficiency within the healthcare system. Naturally, growth presents both opportunities and risks. When acquiring and then integrating new hospitals, we bring our entire experience and expertise to bear in securing our corporate goal of "qualified and sustained growth for achieving generalised healthcare delivery to the population".

Through a qualified analysis we identify opportunities and risks relating to potential hospital takeovers. We decide only for those facilities whose risks are acceptable and manageable and which at the same time offer opportunities for corporate value enhancement. In this way we also indirectly secure our strategic market position and corporate independence.

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

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

Stereotaxis treatment at Herz- und Gefäß-Klinik in Bad Neustadt

- **Integration of risk identification into business and work procedures**
  Our work and business procedures are oriented on the flow principle and provide for the obligatory use of division of labour, interfaces and the rotating of responsibilities along the treatment chain. This ensures the systematic identification of risks. We promote and train our staff to apply our work and business procedures responsibly, thus enabling them also to handle risks and opportunities in a responsible manner.

- **Uniform and systematic risk assessment Group-wide**
  We apply Group-wide uniform and objectively comprehensible procedures to evaluate the likelihood of a risk event occurring and the potential loss involved in order to ensure efficient risk management to uniform standards Group-wide.

- **Risk control**
  Based on the value ascertained for risks, these risks are controlled and weighed up against the opportunities they hold. Not all risks can be prevented. Wherever possible we act to pre-empt, avoid or limit damage or to make provision for these. For this purpose we avail ourselves of defined response mechanisms. When weighing up risks and opportunities, the interests of patients have top priority, since indirectly this is also the best way of safeguarding the interests of the Company.

- **Communication and transparency**
  By timely and open communication both internally and externally, we create trust and the basis for self-criticism and an ongoing learning process. We regularly review, evaluate and adjust our risk/opportunities management system to constantly changing framework conditions, thus securing its acceptance while promoting its further development.

RESULTS OF RISK EVALUATION FOR 2007

In financial year 2007 we monitored a total of 234 (previous year: 208) single risks throughout the Group. The additional risks largely stem from those assumed in the new service companies established in 2007. The single risks are structured under the following risk areas:

- Group-specific risks
- Nursing and medical field
- Patient management
- General business and operator risks
- Safety risks
- Insurance
- Finance and accounting
- EDP and telecommunication
- Personnel
- Materials management
- Technology and equipment
- Real estate risks
- Additional risks relating to medical care centres (MVZs)
- Risks relating to service companies

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

The risk evaluation for financial year 2007 compared with the previous years reveals a continuing positive trend towards stabilisation of the risk position throughout the Group:

As in the previous year, no risk values exceeding 3.0 were identified.

We continue to rate the risks of the individual companies as well as the Group-wide overall risk position as low. The average Group-wide risk value saw a slight decline compared with the previous year. We attribute this positive development not least to the planned counter-measures and to those already in place which for each risk are annually reviewed and optimised as well as implemented when required to reduce the likelihood of such risks materialising or of damage occurring.

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

In Hildesheim, vascular surgery is a special focus

MEDICAL QUALITY MANAGEMENT

"Making good medical practice manageable and transparent" – this is the focus of interest of systematic medical quality management at RHÖN-KLINIKUM AG and its hospitals. In 2007 we further expanded the tools used for this – results-based measurement, process description, quality circles and transparency –, placing special emphasis on the following aspects:

- **Quality management at medical care centres (MVZs)**
  In keeping with the requirements of the Joint Federal Committee (Gemeinsamer Bundesausschuss), a systematic quality management scheme was set up for the medical care centres that will work with the tools of process description (quality handbook), results-based measurement (quality indicators), internal and interdisciplinary quality circles as well as scheduled reporting, according to the same principles as applied at the Group's hospitals.

- **Structure and process optimisation in hospital hygiene**
  During the reporting year, the personnel structure for hygiene measures was strengthened by the appointment of a head hygienist. This made it possible to streamline the centralised tasks of infection prevention and epidemiology through systematic inspections and audits (functional departments, kitchens, centralised sterilisation unit) together with our specialist hygiene staff and responsible hygienic physicians from the Group's hospitals. At the same time, the introduction of systematised recording and reporting paths as set out in the German Infection Prevention Act (Infektionsschutzgesetz, IfSG) led to the implementation of an outbreak management system that demonstrated its effectiveness by ensuring early detection and targeted intervention at individual Group facilities in the context of the increasing incidence throughout Germany of viral diarrhea diseases (norovirus infections). In addition, special attention was also turned to the hygienic-expert supervision of construction measures in close contact with architects and the Technical Controlling department.

- **New major areas of activity for quality circles of individual disciplines**
  The quality circles serve as the forum for the establishment of standards and guideline-consistent procedures within RHÖN-KLINIKUM AG. They are called on when it comes to planning audits and developing key ratios of the individual medical departments with the aim of determining improvement potential. In 2007 the groundwork was laid for a national benchmark of all stroke-treating neurologists (stroke unit) within the Group: the basis for this is provided by the dataset of the German Stroke Registries Study Group (Arbeitsgemeinschaft Deutscher Schlaganfallregister, ADSR).

- **Further training of doctors**
  In 2007 the basic outline for the systematised further training of doctors (both on an inter-facility and inter-disciplinary basis) was established. The conditions for a rotation within the Group were eased, and the

development of standard curricula was started. We have considerably expanded training under skill-lab conditions.

- **Networking of quality management (QM) and medical controlling across medical disciplines**
  In 2007 the issue of coding quality was looked at jointly by the QM department and by the medical controllers of the Group's hospitals. Here the focus of interest was on objective and comprehensible coding. Our goal is to ensure correct invoices for a correct treatment when it comes to further improving co-operation with our payers and the Medical Review Board (MDK) of the health insurance funds.

- **Establishment of internal/external audits for finding new ways of improving clinical processes**
  At several Group hospitals, Group-internal/hospital-external audits were conducted and on this basis improvements in processes achieved. Parallel to this, further internal audits were carried out – for example in preparation for external certifications. This resulted, for instance, in the optimisation of timely patient documentation, the further improvement in clinical processes and the expansion in the prospective structuring of our staff's ongoing training.

- **Systematic transfer of services between the Group's hospitals**
  We pressed ahead with co-operation schemes above all in the areas of radiology, microbiology, hygiene and pain therapy.

- **Publication of the quality reports for reporting year 2006**
  Once again, the Group's hospitals prepared the binding quality report in accordance with the minimum requirements of the Joint Federal Committee. Above and beyond this, special importance was also attached to representing specific aspects from different medical disciplines and to reporting on results-based measurements and findings from patient questionnaires.

MANAGEMENT REPORT FOR THE YEAR 2007

- Rising number of patient treatments (+10.8%) and growing revenues are proof of the quality and acceptance of our outpatient and inpatient facilities
- Burdens in the healthcare area to the tune of € 39 million for financial year 2007 from reforms, increase in VAT and wage developments are successfully compensated
- Further rise in net profit, also excluding one-off tax effects; Company’s own expectations confirmed
- Universitätsklinikum Gießen und Marburg GmbH reaches break-even

SUMMARY

Our 46 (previous year: 45) Group hospitals as well as our 14 medical care centers (MVZs) treated a total 1,544,451 patients (+10.8%) in financial year 2007; of these, 552,538 (+5.0%) were treated on an acute inpatient basis, 903,633 (+5.2%) as outpatients and 9,555 (+5.0%) in the rehab and other areas. In our MVZs we treated 78,725 patients. After adjusting for consolidation effects, we recorded in the inpatient area a rise in patient treatments of 1.8% on the back of organic growth.

In the financial year ended 31 December 2007, we raised consolidated revenues by € 91.8 million (4.7%) to € 2,024.8 million. Of this growth, 2.3% is accounted for by organic growth and 2.9% by the takeover of the university hospital Universitätsklinikum Gießen und Marburg GmbH with effect from 1 February 2006 as well as the hospital Krankenhaus Köthen GmbH on 1 April 2007.

Net consolidated profit rose by € 2.1 million or 2.0% from € 109.1 million to reach € 111.2 million. In 2006 and 2007, this development was influenced by the recognition of corporate tax credits amounting to € 19.1 million (2006), essentially the revaluation of our deferred tax liabilities of € 8.6 million (2007) as well as the revaluation of our financial instruments of € 2.4 million (2007). After adjusting for these effects, net consolidated profit grew disproportionately from € 90.0 million by € 10.2 million (+11.3%) to reach € 100.2 million.

We achieved this growth in profit despite having to compensate for earnings burdens to the tune of some € 39 million from statutory deductions in revenues used to finance the reform of the healthcare system in Germany, increases in VAT and higher wages within the Group particularly for doctors.

We have thus continued the success story of RHÖN-KLINIKUM AG which has seen steadily rising revenues and earnings since the Company went public in 1989, and this even in times of adverse healthcare policy and a difficult economic environment. We are pleased with the results and performance we achieved in 2007 from our restructuring successes.

At Universitätsklinikum Gießen und Marburg GmbH, a net profit of € 1.1 million (previous year: net loss of € 6.8 million) clearly shows that we can also successfully deploy our restructuring expertise at university hospitals.

The Group’s EBITDA rose 12.8% to reach € 249.3 million (previous year: € 221.1 million). The operating result (EBIT) rose by € 11.4 million or 7.8% to reach € 157.5 million, which includes a loss of € 0.3 million at Krankenhaus

Köthen GmbH. EBT grew 9.1% to reach € 137.1 million (previous year: € 125.7 million). The earnings-per-share figure is € 1.03 (previous year: € 1.01).

Our restructuring successes are directly reflected in the positive trends in consolidated margins and key ratios. The EBIT margin was raised from 7.6% to 7.8% and the EBT margin from 6.5% to 6.8%. Excluding the one-off tax effects, return on revenues improved from 4.7% to 5.1%, and operating cash flow increased by € 26.0 million or 15.8% to € 191.0 million (previous year: € 165.0 million).

The rise in the personnel cost ratio from 58.3% to 59.5% as well as the decline in the cost-of-materials ratio from 25.4% to 24.5% were the result of wage and price factors, restructuring results and the launch of our service companies that we have been operating together with various service partners since 1 January 2007. These service companies provide our hospitals with cleaning and catering services. Now that they have been put into service, there have been some shifts from materials costs to personnel costs, but without effect on the income statement. Without their consolidation, a personnel cost ratio of 60.1% as well as a cost-of-materials ratio of 23.9% would have been reported. Expenditure on personnel and materials was also affected by significant wage increases for doctors, a surge in food and energy prices and the hike in VAT to 19% for purchases of goods.

The facilities already consolidated before 2006 (excluding the MVZ subsidiaries) in 2007 together reported EBIT growth of € 1.4 million and an EBIT margin of 10.2% (previous year: 10.4%). Thanks to successful integration and restructuring measures, our personnel and materials cost ratios at these hospitals were reduced to a combined ratio of 87.5% (previous year: 87.8%).

We financed our current investments in 2007 of € 166.0 million, hospital acquisitions of € 14.9 million as well as dividends to shareholders and minorities amounting to € 29.6 million out of operating cash flow of € 191.0 million and a rise in net debt to banks by € 66.7 million to € 505.7 million (excluding marketable securities). The latter is thus nearly two times earnings before interest, tax, depreciation and amortisation (EBITDA).

Our equity capital grew by € 82.1 million (11.3%) to reach € 810.8 million. The equity ratio rose from 36.8% to 39.1%.

Compared with the previous balance sheet date, our bed capacity declined slightly by 56 beds or 0.3% to 14,647 beds. This is the net result of growth in capacities by 264 approved beds from the takeover of Krankenhaus Köthen GmbH versus a total reduction by 320 beds at various facilities.

We have expanded our capacities at our medical care centers (MVZs) as planned. As at the balance sheet date, 14 (previous year: 8) MVZs with a total of 39 (previous year: 24) doctor’s practices were operating at various Group sites.

Also in 2007, we continued RHÖN-KLINIKUM AG’s successful strategy of achieving growth on the back of qualified acquisitions and strong organic growth. In organic growth we consistently and steadfastly pursue the quantitative and qualitative expansion and further development of our medical offerings at each of our Group sites. For this we moreover increasingly avail ourselves of Group resources and medical performance networks. In external growth we continue to follow our dual strategy of “competence and reliability in acquisitions” as well as “quality before quantity”. The precondition for any commitment and employment of our financial resources in future acquisitions is to have a defined scope of entrepreneurial freedom allowing us to break old moulds and bring about real change.

Not taking into account potential new acquisitions, our 2008 revenues will rise on the back of organic growth by some 3% to around € 2.1 billion, and we expect net consolidated profit to rise by some 11% to roughly € 123.0 million. Additional burdens from moderate pay rises, increases in the cost of materials particularly from food and energy prices, and foreseeable remuneration developments have been taken into account.

ECONOMIC AND LEGAL ENVIRONMENT

Macroeconomic factors

After 2006 the German economy grew in 2007 by 2.5% (previous year: 2.9%). This growth in adjusted gross domestic product (GDP) was driven by a rise in exports (+1.4%) and more robust domestic demand (+1.1%).

The favorable development was also helped by positive developments on the labor market. Economic output in Germany was achieved by an average gainfully employed population of roughly 39.7 million in 2007 (previous year: 39.1 million), while the average number of jobless persons declined by roughly 0.6 million or 14% to 3.6 million, which corresponds to a share of 10.0% (previous year: 12.0%) of those in dependent employment.

For the first time since German reunification, the state – excluding extraordinary effects – will be able to present an overall balanced budget for 2007, with the deficit of the federal budget (roughly 22 billion) comparing with financing surpluses in the same amount recorded at the regional and local government levels and by the social insurance agencies.

For the first time since 1994, the inflation rate in Germany once again exceeded the two per cent mark at roughly 2.2% (previous year: 1.7%), attributable in particular to higher food and energy prices, higher fuel prices and tax increases.

Despite the bright economy, opportunities to reduce public debt were not used. That said, the continuing high public debt and the resulting burden this places on future budgets in the form of interest payments presents a classic growth opportunity for RHÖN-KLINIKUM AG, since it means that also in future the state of public finances will be unable to reduce existing investment backlogs and ensure ongoing modernization of the healthcare system. The state will therefore have no alternative but to rely on private capital for this.

By reason of its sheer complexity, the reform of the German healthcare system that came into effect from 1 April 2007 in the form of the SHI (Statutory Health Insurance) Competition Promotion Act (GKV-WSG) could hardly have turned out to be more intransparent for average Germans. Out of a politically controversial debate over per capita flat rates or a citizens' insurance scheme, a reform act providing for a complicated funded solution was produced which, though improving the financing and expenditure side of SHI, will end up saddling contribution payers with higher costs in future. The reform for the most part ignored the long-standing problems resulting from the revenue side of the system depending on the state of the economy and demographic trends, from redundant services through segmentation, and from investment financing. The end result is that in future also our healthcare system will be neither resistant to the economic cycle nor capable of withstanding major demographic changes.

Since the reform moreover gives no incentive for insured persons to make sparing use of benefits under the system, the system is not provided with any additional net allocation of resources, and the funded solution entails further costs, this is likely in the medium term to result in cuts in benefits in terms of both quantity and quality, to waiting lists as well as to increasingly large segments of the population being excluded from our healthcare system. Existing opportunities to establish the healthcare system as the new engine of economic development in Germany – like mechanical engineering and information technology before it – are being overlooked by the German legislator.

Moreover, the reform in our view will also fail to achieve its goal of strengthening competition. It is already emerging that high competitive pressures with the health insurance funds are intensifying the competitive situation among the health insurance funds. The establishment of the Federal Association of Health Insurance Funds (*Spitzenverband Bund der Krankenkassen*) already brought a shift in power to professional-oriented health insurance funds. The greater market power granted by new legislation is already being systematically exploited by the health insurance funds in negotiations with providers, e.g. doctors, pharmacies and hospitals. The first attempts to purchase drugs or GP services for whole regions reveal what direction the health insurance funds will take in future. Purchasing models for certain acute-inpatient selective hospital services, e.g. hip replacements, using tendering procedures are under discussion.

This approach by the health insurance funds is tolerated by politicians in the context of international comparison figures, since it promotes a reduction in current overcapacities and a market shake-out. According to OECD surveys for 2006, Germany's healthcare spending as a share of gross domestic product was roughly 11%, which on an international comparison is about the same as Switzerland and exceeded only by the US with a share of roughly 15%. Likewise, the number of visits to doctors, nursing days in acute inpatient care and the average duration of stay at an acute inpatient facility are far above those of other countries. Physician density, in terms of both specialists and general practitioners, and acute inpatient bed capacities, are also in the upper range. Particularly the availability of 6.4 acute inpatient beds for 1,000 inhabitants is twice as high as in the rest of Europe and the US and is surpassed only by Japan with a top value of 8.4 beds for 1,000 inhabitants.

In our view, then, the problem is not so much the reduction of bed capacities in Germany as the way in which this is being brought about and the risks which we see entailed as a result. If accomplished only by eliminating economically weak facilities, it will put at risk general-ized healthcare provision to the population at least in certain regions. If the formation of healthcare centers, unobjectionable from a medical standpoint, results in potential revenues being shifted from the regions to large facilities, it will become increasingly difficult to organize emergency care efficiently and economically. This development will particularly affect those federal states which cover large areas and which are sparsely populated.

Developments within the sector

Having been revised several times since being introduced in 2003, the DRG remuneration catalogue in our view for the most part now accurately and fairly reflects the cost structures of the procedures to be remunerated in all medical disciplines. That said, the DRG remuneration catalogue is still only rudimentary in covering day-case treatments. In this respect, our healthcare system still lacks the basis for an efficient meshing between the individual sectors.

2007 was the third and thus last year in the convergence period extending until the end of 2008 for an earnings-oriented approximation of individual hospital budgets to a single price level ("convergence phase") which is expected to be reached in 2009. Already for 2006, the adjustments have had a noticeable impact on the earnings calculations of many hospitals outside the Group. Whereas so-called convergence winners were able to improve their result through additional budget revenues, hospitals with high base rates sustained losses in budget and earnings shares. In our view this trend is set to continue for many hospitals outside the Group in 2008 as well. Our hospitals will successfully shape the further course of the convergence phase.

Many hospitals outside the Group no longer had any means by which to counter the long-standing and steadily mounting cost pressures resulting from declining remuneration of individual benefits. The statutorily fixed rates of increase for hospital budgets of 0.28% in the old federal states and 1.05% in the new federal states lagged behind the true rise in the cost of personnel and materials. Without reorganization measures, they were no longer capable of refinancing in particular the increase in food and energy prices as well as the rise in the general costs of material from the increase in VAT to 19%.

The negative mood within the sector is borne out by the so-called hospital barometer of the German Hospital Institute (DKI). According to recent surveys, roughly 60% of all 2,200 hospitals in Germany do not expect to produce any surplus, and for the first time in four years their expectations for the following years from 2008 on have also declined. This forecast was made even before the rate of change in basic income for 2008 of only 0.64 percentage points as well as wage demands for doctors made by the trade union Marburger Bund and the public service trade union ver.di were known. Given the disparity in expected trends for expenditure and revenues, many hospitals are hardly likely to be in a position to cope with the economic challenges.

In outpatient care provided by community-based physicians, shortages have increased. This is seen not only in the number of doctor's practices no longer being filled everywhere and immediately after becoming vacant as in the past, but also in the long waiting times for treatment appointments.

In inpatient care, the reduction in beds and closure of facilities have continued. Whereas case numbers, helped by demographic trends and greater medical possibilities, have been steadily rising, average durations of stay at acute-care facilities have been in steady decline due not only to the remuneration situation but also to new methods of treatment. On our estimates, acute inpatient overcapacities in Germany, despite the cuts in state hospital requirement plans, have increased due to shorter durations of stay.

Public hospital construction programs were again cut in 2007 in the face of expected new hospital investment legislation. The disinvestment trend with public hospital buildings is continuing. Necessary replacement capital expenditure, investments in management rationalization and investments to keep up with advances in medicine were not carried out at many hospital sites.

In 2007 our Group – notably thanks to our corporate policy of performance-oriented in-house wage agreements and our dealings with trade unions based on mutual trust – was spared wage disputes and strikes with the exception of one symbolic strike lasting half a day at Universitätsklinikum Gießen und Marburg GmbH. In 2008 we expect a rise in remuneration levels. Working time provisions complying with EcJ rulings are enshrined in our collective wage agreements with our staff.

Considering all the legal and economic developments at public facilities and university hospitals, such pressures for substantial privatization activity should have actually increased considerably in 2007. Nevertheless, only a few privatization projects were up for grabs in the fiercely competitive market for hospital takeovers. The privatization of the university hospitals in Gießen and Marburg has still not been imitated by similar moves elsewhere, despite intense debate in various other federal states. We attribute this in particular to the improved financing situation of local public operators of acute hospitals and to privatization reservations in the case of university hospitals.

According to our estimates, excessive strategic prices were paid for many hospitals privatized in 2007 which can result in high or excessive goodwill values, and takeover terms and conditions were accepted under which significant and timely structural changes either are not possible or can only take place very slowly. In our view this can jeopardize the expected privatization success, necessitate goodwill amortisation and even cause the privatization project to fail altogether. In this point, also, we have always held a clear line: for us it is of utmost importance to “say what we think before a takeover, and to do what we said we would do after a takeover”, thus offering the seller the highest possible trustworthiness.

For all that, the privatization process in the healthcare system cannot be stopped. Hospital operators with a strong capital, investment and performance basis like RHÖN-KLINIKUM AG will continue to provide the German healthcare system with fresh impetus thanks to their ideas and resources. It is only with them that advances in medicine combined with an efficient allocation of resources can be ensured for broad sections of the population at socially acceptable prices. Intelligent generalized systems of healthcare delivery using telemedical networks and co-operation schemes will gradually replace inflexible state planning regimes.

The few acquisition candidates that did reach the market in 2007 did not satisfy our requirements. With our long-term investment strategy the aim we continue to pursue with takeovers is to strengthen and establish the hospital site and its medical efficiency in the long term, and thus also secure jobs, qualified investments and an adequate capital base. We calculate our purchase price ceiling based on recognized methods of investment theory. And we only agree to a takeover if our financial commitment can be permanently and profitably secured by entrepreneurial activities that we can shape and control.

Corporate constitution

The main pillars of the corporate constitution of RHÖN-KLINIKUM AG and its Group are the legal framework, i.e. the overall body of rules and guidelines according to which the Group is managed and controlled (corporate governance) as well as all measures and provisions needed to ensure ethically sound corporate management (compliance). Together with measures to deal efficiently and pro-actively with risks and opportunities (management of risks and opportunities) and to effectively ensure the best possible quality of treatment (quality management), investors’ trust in the Management is to be firmly established and the value of the Group continuously enhanced.

Corporate governance

The Board of Management and the Supervisory Board of RHÖN-KLINIKUM AG are committed to responsible corporate management and supervision for long-term value enhancement. Close and effective co-operation between the Board of Management and the Supervisory Board together with open and timely communication has helped to promote investor, employee, patient and public confidence in the Company and its management that have driven the uninterrupted success of RHÖN-KLINIKUM AG for more than 25 years.

By joint resolution of the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG of 24 October 2007, the Company made the declarations pursuant to Section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code for financial year 2007. The Declaration of Compliance was made available to the general public on the homepage of RHÖN-KLINIKUM AG.

Since implementation of the resolutions adopted by the Annual General Meeting in 2007, the subscribed capital of RHÖN-KLINIKUM AG stated in the consolidated financial statements of € 259,200,000 is completely made up of ordinary voting bearer shares (non-par shares) each having a nominal share in the registered share capital of € 2.50. Restrictions on voting rights or the transfer of shares – even if these may result from agreements of shareholders – do not exist or are not known to us. None of our shares is issued with special rights that confer on its holder in particular special powers of control. Employees who hold shares exercise their voting right freely. Shareholders may exercise their voting rights themselves at the Annual General Meeting or through proxies appointed for this purpose.

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

Up to the balance sheet date we received the following notices concerning material interests:

- The family of the Supervisory Board Chairman Eugen Münch, Hohenroth, directly holds a 16.07% share of voting rights.
- "Alecta pensionsförsäkring, ömsesidigt", Stockholm/Sweden, notified us of a share in voting rights of 10.12%.
- Franklin Mutual Advisers, LCC Short Hills/USA, holds a share of 6.28%.
- Allianz SE, Munich/Germany, holds a share of 6.18% via several companies.
- Ameriprise Financial, Inc., Minneapolis/USA, holds an indirect share of 4.99% of voting rights.
- Bank of America Corporation, Charlotte/USA, has notified us of voting rights of 4.46%.
- Nordea 1 Sicav, Findel/Luxembourg, holds a share of 3.78%.
- Julius Bär Holding AG, Zurich/Switzerland, indirectly holds 3.05% of the voting rights.

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

The Board of Management and the Supervisory Board are constituted according to legislation governing German stock corporations. Under this regime the Board of Management directs the Company; the Supervisory Board advises the Board of Management and supervises its management activity. Appointment and removal of members of the Supervisory Board and the Board of Management take place in accordance with the provisions of stock corporation law and the Co-Determination Act (Mitbestimmungsgesetz, MitbestG). A majority of 90% of the capital represented at the Annual General Meeting is required for amendments to the Articles of Association and the removal of members of the Supervisory Board.

In line with the principle of equal representation of shareholders and staff pursuant to the German Co-Determination Act (MitbestG), the Supervisory Board of RHÖN-KLINIKUM AG comprises an equal number of ten employees' representatives and ten shareholders' representatives. The Board normally holds four full-day meetings per financial year (in 2007: 4 meetings). Members are appointed for a period of five years. Age restrictions apply. The Supervisory Board regularly takes its decisions in plenary sessions and in the competent committees with power to adopt resolutions, as well as by using the circulation method in isolated cases.

The Supervisory Board has constituted a total of six committees. Committees with power to adopt resolutions are the Mediation Committee, Personnel Affairs Committee, Audit Committee and the Investment Committee. In 2007 a Nomination Committee was constituted by the Annual General Meeting to elect to Supervisory Board members from the shareholders' representatives. The Anti-Corruption Committee with advisory and supervisory competence is directly available to all employees within the Group. Employees can turn to this Committee, also on an anonymous basis, with information to fight and prevent cases of corruption. Terms of Reference have been adopted for the activities of the Board of Management as well as of the Supervisory Board, including co-operation between these two bodies.

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

The members of the Advisory Board of RHÖN-KLINIKUM AG receive, in addition to reimbursement of their expenses, a fixed attendance fee linked to their participation.

Remuneration of the members of the Supervisory Board and the Board of Management comprises fixed and variable components, with variable remuneration components accounting for 77.9% and fixed remuneration components for 22.1% for the Board of Management. For the Supervisory Board, 65.4% of remuneration is based on results-linked assessment bases and 34.6% on fixed functional- and performance-linked parameters. The variable remuneration components for the Board of Management and the Supervisory Board are based on assessment parameters derived from net consolidated profit. No stock-based remuneration components exist for the Management Board and Supervisory Board.

Provisions moreover apply to Members of the Board of Management on severance compensation, which depending on length of service may be equal to a maximum of 1.5 annual salaries. Details on the compensation received by each member of the Supervisory Board and the Board of Management as well as claims of members of the Board of Management to severance compensation are set out in the Notes to the Consolidated Financial Statements, broken down by fixed and variable components.

With effect from 1 June 2007 the remuneration of the Supervisory Board, with the consent of the Annual General Meeting, was revised in its entirety and provided for under Section 14 of the Articles of Association. This revision was carried out to take account of the higher workload and greater responsibility. It reflects to a greater extent than before the duties and related commitment in terms of time as well as the areas of responsibility of the individual Supervisory Board members. The basic principles of the Board of Management's compensation structures are published on the website of RHÖN-KLINIKUM AG. The compensation of the Supervisory Board is governed by the relevant provisions in the Articles of Association. The holdings of RHÖN-KLINIKUM shares by the Board of Management and the Supervisory Board are shown in the Notes to the Consolidated Financial Statements.

According to the resolution adopted at the 2007 Annual General Meeting, the Board of Management is authorized to buy back shares of up to 10% of the registered share capital as well as to sell shares excluding statutory subscription rights. Also by reason of resolution adopted by the 2007 Annual General Meeting, the Board of Management is authorized until 31 May 2012, subject to the consent by the Supervisory Board, to create authorized capital by issuing shares of up to 50% of the Company's registered share capital.

The company purchase agreement relating to the acquisition of the 95% share in Universitätsklinikum Gießen und Marburg GmbH as well as the contracts on the bond issuance in 2005 and the syndicated loan in 2006 contain provisions according to which, subject to the condition of a change of control as a result of a takeover bid, the Federal State of Hesse may demand a repurchase of the corporate interest and the bond and loan creditors may demand immediate repayment.

The Consolidated Annual Financial Statements are drawn up in accordance with the provisions of International Financial Reporting Standards (IFRS) and audited in accordance with both national and international auditing standards. The annual financial statements of our subsidiaries are based on the national provisions of the German Commercial Code (HGB). When issuing auditor mandates, due care is taken to ensure the requisite independence of the auditors appointed. The audit mandate for the consolidated financial statements and the financial statements of the Group's ultimate parent company is issued by the chairman of the Audit Committee after due examination, in accordance with the resolutions of shareholders at the Annual General Meeting.

The chairman of the Board of Management and the board member responsible for financing, investor relations and Group EDP share responsibility for risk management. Responsibility for the Group-wide controlling system established on uniform criteria as well as for the Group-wide internal auditing department established from 2008 is assumed by the chairman of the Board of Management.

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

Compliance

What is important for us is that we not only meet our corporate targets but that we do so using ways and means that satisfy our own standards of ethical values. The leading principle of our corporate code by which we have been successfully guided for years is: "Don't do to others what you would not like done to yourself, and don't leave off doing anything that you would like done to yourself". This obligation is duly enshrined as a binding provision in all contracts of the Management and in the collective agreements. New employees are informed about our corporate ethics as soon as they take up their work.

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

With the Anti-Corruption Committee serving as an advisory and supervisory body for the Board of Management and as a Group-wide institution for clarifying cases or suspicions of corruption, which also examines information provided anonymously, we also have a body by which we can and indeed, if need be, will make a curative "zero-tolerance" response to corruption.

The great importance of this subject within the Group is seen by the direct responsibility assumed for it by the chairman of the Board of Management.

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

At RHÖN-KLINIKUM AG, the term 'medical quality' is synonymous with cutting-edge medicine for the well-being of patients. The purpose and aims of our medical quality management are to make good medical practice manageable and transparent. To this end we make ample use of such tools as "results-based measurement, process description, quality circles and transparency".

RHÖN-KLINIKUM AG has defined quality targets and quality parameters for all medical disciplines within the Group which it continuously seeks to further develop. From these our hospitals have set individual quality targets for themselves and are constantly working towards achieving and exceeding these quality targets. In business and historical comparisons, developments are measured and compared Group-wide, with potential for improvements being identified.

In 2007, the work of the quality management team of RHÖN-KLINIKUM AG focused primarily on the following areas:

- Ongoing development of quality management at the medical care centers (MVZs)
- Structure and process optimization in hospital hygiene
- Intensifying of work in the quality circles within the individual disciplines
- Establishment of a systematized further training of doctors organized on an inter-facility and inter-disciplinary basis
- Networking of QM and medical controlling across medical disciplines
- Establishment of a Group standard for internal/external auditing of Group hospitals
- Standardization of qualities for Group-wide transfer of services between the Group's hospitals, above all in the areas of radiology, microbiology, hygiene and pain therapy.

The results of the quality measurements for 2006 were published and thus made transparent by our hospitals in quality reports. For 2007 as well, we will maintain this procedure despite the low standards required by law for this form of reporting.

With our quality management tools we not only identify opportunities for quality improvements but also potential operating risks. The Group-wide quality process established by us with Group-wide recommendations, guidelines and controls not only contributes to higher quality but also helps reduce our operating risks. For further details, please refer to our Quality Report for Financial Year 2007 which will be published in the spring of 2008.

Management of risks and opportunities

At RHÖN-KLINIKUM AG and its subsidiaries, controlling risks and opportunities is enshrined as a permanent part of our management culture aimed at value enhancement.

Our value-oriented corporate strategy duly reflects and protects the different interests of our shareholders and other capital market participants, fully taking account of the legal requirement to have in place a system for early identification of risks jeopardizing our corporate existence as well as our corporate opportunities.

Our risk management is regularly updated, monitored and reviewed within the scope of the audited annual accounts of the ultimate parent company.

Uniform planning, monitoring and reporting systems for all subsidiaries as well as rights of the Group's ultimate parent company to interpose provide the basis for risk control within the Group. In this way it is ensured at all times that we can respond to risks adequately by identifying them early on.

Our Group companies regularly evaluate over 200 different risks by the potential extent and likelihood of damage. The assessments made by the individual companies are summarized in order to ascertain and assess the risk position for the Group.

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

- Responsibility of each employee
- Integration of risk identification into business and work procedures
- Group-wide uniform and systematic risk assessment
- Risk control
- Communication and transparency.

Results of risk evaluation for 2007

In financial year 2007 we monitored a total of 234 (previous year: 208) single risks throughout the Group. The additional risks largely stem from those assumed in the new service companies established in 2007. The single risks are structured under the following risk areas:

- Group-specific risks
- Nursing and medical field
- General business and operator risks
- Safety risks
- Insurance
- EDP and telecommunication
- Personnel
- Materials management
- Technology and equipment
- Real estate risks
- Additional risks relating to medical care centers (MVZs)
- Risks relating to service companies.

For the likelihood of a risk event occurring and potential loss involved there are three levels (low, medium, high) with value weightings ranging from 1 to 3. The value weighting of the potential loss is oriented on the size parameters of the Company. The risk value is calculated as the product from the likelihood of the risk occurring and potential loss involved and a value weighting of between 1 and 9. We classify risk values of less than 2.0 as small risks, and risk values of 6.0 or higher as high risks (i.e. ones that pose a threat to corporate existence).

The risk evaluation for financial year 2007 compared with the previous years reveals a continuing positive trend towards stabilization of the risk position throughout the Group.

We continue to rate the risks of the individual companies as well as the Group-wide overall risk position as low. The average Group-wide risk value saw a slight decline compared with the previous year. We attribute this positive development not least to the planned counter-measures and to those already in place which for each risk are annually reviewed and optimized as well as implemented when required to reduce the likelihood of such risks materializing or of damage occurring.

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

Focus in 2007

In financial year 2007 we looked in particular at the additional risks arising from the operation of the newly founded service companies for cleaning and catering. In this connection we devoted special attention to the mandatory wage provisions in order to fully comply with the requirements of the Posted Workers Act (Entsendegesetz) and the statutory provisions on minimum wages derived from it. We also regularly reviewed compliance with all existing requirements and other provisions.

Since financial year 2007 was dominated by wage and price increases on the cost side and by a further impost of 0.5% to finance the reform of the German healthcare system on the revenue side, we expanded our service volume and earnings monitoring systems to ensure at all times that we achieved our targets for financial year 2007. Stringent variance analyses performed on a monthly basis for service volumes, revenues and earnings helped decisively to offset additional costs of some € 39 million within the Group and thus to secure and achieve our forecast targets.

We paid particular attention in financial year 2007 to performing market and environment analyses. The findings from these have provided us with insights into reorganization and growth potential that can be used to promote our organic growth on a sustained basis also in 2008 and the years thereafter.

Risk fields

The following risk fields have a decisive influence on general business performance as well as the development of our net assets, financial position and results of operations:

Macroeconomic and legal risks

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

Similarly, our exposure to interest rate developments is minimal thanks to our sound financial structures and interest hedging transactions.

We are indirectly affected by developments within the German economy since healthcare spending depends on contribution volumes of the insured and thus on the job market situation. This system fails to take account of demographic trends and the ongoing development of medical science.

We also see developments pointing to a shift of power in favor of the health insurance funds and to the detriment of hospitals.

The health insurance funds will use the growing market power to purchase certain, as a rule elective, services for certain regions by way of tender procedure. Since these procedures will benefit strong, efficient providers – including ourselves –, we assume that the market shake-up will increase our share in the aggregate market – as measured in the number of patient treatments – even excluding acquisitions.

Our existing facilities are less affected by tax revenues at the various levels of government (local, state and federal) since our investments are essentially financed from our own funds and for the most part not by public grants. However, the result of the improved funding, especially in municipalities and districts, is that losses at public hospitals can be more easily covered and privatization pressures have temporarily subsided. Although funding by the federal states has improved, no additional funding has been allocated to state hospital construction programs since the reorganization of hospital construction finance expected from 2009 has kindled a heated debate on a departure from dual financing towards tied/single-purpose financing. Until a final decision is taken, necessary investment decisions will be put off, exacerbating loss-making structures within the public healthcare system. Should a tied/single-purpose financing scheme be introduced by legislation, we stand to benefit greatly thanks to our long-standing experience and cost leadership in investments.

The health market in Germany is highly regulated by state-controlled structures. Both the inpatient and outpatient sectors are subject to stringent planning and licensing commissions. For inpatient healthcare delivery in Germany an exhaustively defined group of providers is defined for each planning district, as a rule a municipality or state district, and it is frequently the case that a hospital of a district or municipality is the only full-service provider of inpatient healthcare within the region. In the outpatient area the physicians' associations with their licensing commissions keep a watchful eye over physician density of community-based practitioners.

The superposing of cartel-law provisions on hospital requirement planning of the federal states is proving an obstacle to sensible partnerships and integration between neighboring healthcare regions. Due to this legal dualism, it is not possible to organize potential for quality improvements and savings through reaping synergies. Apart from the fact that we do not see this as serving either the interests of patients or the efficiency of generalized healthcare delivery, we are currently largely unaffected by the viewpoint taken by the cartel authorities as far as the further development of the Group is concerned.

Changes in legislation relating to payments and benefits (remuneration/fee catalogues) can have both positive and negative effects. On the revenue side, these regulations relate to the nature and scope of the services provided and the amount of remuneration paid. The measured pace in which performance-insensitive hospital budgets are replaced by performance-oriented prices for patient treatments over a convergence phase until 2009 will present an equally measured share of risks and opportunities for revenues. As reorganization especially of our newly acquired hospitals advances, prospective revenue opportunities will rise.

On the expenditure side we are indirectly affected by collective bargaining agreements concluded for the public service sector and by developments in food and energy prices. In our wage policy we have abandoned the rigid structures of public-service collective bargaining law in favor of flexible working-time and compensation models already in large areas of the Group. We respond to rising energy prices by making efficient use of resources. If we are unable to achieve savings in cooking processes and meal distribution logistics, we will be affected by the trend in food prices since we are not willing to compromise the quality of meals provided to our patients. In the area of other material costs – in particular medical supplies – we have continued our efforts to streamline both the number of our suppliers and the number of products we procure. In doing so we have attached tremendous importance to not becoming dependent on single providers. Thanks to an intelligent insourcing model we have integrated cleaning and catering services into the Group on competitive terms, thus generating efficiency gains. As further price stabilizing measures, we have begun expanding the exchange of service volumes between our subsidiaries in the area of medical product manufacture and diagnosis (cytostatics production, microbiology, laboratory testing, radiology, etc.). In this way we are able to make more efficient use of the Group's medical capacities to stabilize profits.

Market or revenue risks

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

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

Financial market risks

Since we operate exclusively in Germany, transaction and currency risks are also excluded.

The Group has financial debt including negative market values of financial derivatives of € 676.1 million and interest-bearing assets of € 179.6 million. In principle, then, interest-rate risks do exist, but are of minor importance overall.

At balance-sheet date, our long-term financial debt stood at € 670.4 million, of which € 335.6 million on conditions of fixed interest rates within a range of 3.50% to 5.36%. These rates are locked in until 2029. The risk of long-term financial debts totalling € 334.8 million on variable interest rates is limited by interest hedging transactions.

Within the Group of RHÖN-KLINIKUM AG, only one subsidiary holds interest-bearing securities (volume: € 9.5 million). The credit rating of the securities is high and thus the price risk low.

Financial derivatives other than for hedging purposes are not used.

Operating and production risks

Treating patients involves complex organizational processes characterized by division of labor. Whenever these processes are disrupted, this signals poor quality and risks for both patients and the hospital. High quality of treatment forms the basis for patients' trust in our work and at the same time ensures that operating and production risks are kept to a minimum.

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

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

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

We secure the operating safety of our hospitals by keeping in readiness several independent power sources. Interruption-free power supplies are installed as required in relation to the likelihood of risk for patients. Our substitute (stand-by) energy sources undergo regular service trials at short time intervals, ensuring reliable availability in case of damage or failure (of the main grid). With power outages in public power grids becoming more common, we are increasingly providing our hospitals with permanent operational readiness independent of public supply structures should the need arise.

That said, even the best preventive measures cannot completely exclude poor services or mistakes, occasionally leading to complaints that we take very seriously. A copy of every patient complaint is submitted to the chairman of the Board of Management. In individual cases he will take up such complaint to analyze it, taking corrective measures where necessary.

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

Procurement risks

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

RHÖN-KLINIKUM Group ensures by ongoing market and product monitoring that dependency on sole suppliers, single products and service providers does not occur. Potential risk from temporary dependence on innovative products is judged to be negligible across the Group. Strict organizational separation of procurement and use, and decentralized purchasing at each and every site – which we require of all our hospitals – are seen as indispensable means to counter corruption.

In the area of recruiting we rely like other hospitals on the "output" of our education system in Germany. Here we can note that our education system still turns out a sufficient number of qualified physicians, but that fewer and fewer of them actually end up working in hospitals. This trend is probably explained by the declining social prestige, the overall remuneration and mediocre opportunities for ongoing and higher-qualification training, as well as the working hours combined with high workloads. Until now we have been able to fill physician vacancies within the Group within a short time. Nonetheless, we are trying even harder than before to satisfy the non-pecuniary wishes of physicians in terms of training, working time and attractiveness of workplace through Group-wide training networks, training centers, attractive working hours and modern workplaces. Thanks to flexible use of our in-house collective agreements, our subsidiaries are also able to satisfy the monetary aspects.

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

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

Performance and liquidity risks

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

Overall risk assessment

Based on our analysis of the overall risk position of RHÖN-KLINIKUM Group in financial year 2007, we have concluded that there are no risks that could endanger the existence of RHÖN-KLINIKUM AG or any of its subsidiaries. Compared with the two previous years, there has been a slight improvement in the overall risk position as defined by the various single risks.

Corporate responsibility

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

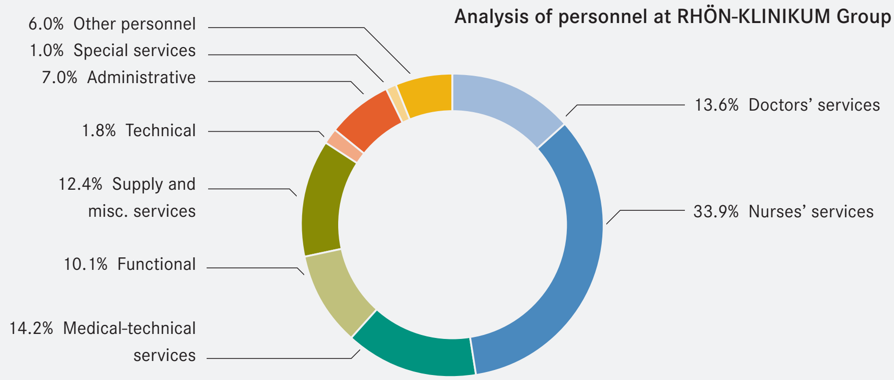
Business models oriented on the long term of necessity have to be integrated into society, accepted by our staff and ultimately also be in harmony with the environment. In this sense, though, we do not regard sustainability merely as the means for achieving continuous company growth, but rather as a value to be desired in and of itself. A healthcare system oriented to success in the long term without a sound working and living environment is inconceivable. With a view to the trust that patients, employees and investors have placed in us, we have committed ourselves to practicing what we preach in the long term.

Our business activity is therefore built up on a balanced and open relationship with our society and employees, as well as a circumspection and responsibility towards our environment.

Our responsibility to society

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

We also escort political reform projects constructively and critically, thus also making a contribution to society by helping preserve and improve our healthcare system. In this connection we especially count on the separate responsibility of each individual to practice the sparing and efficient use of benefits under the system and to fight bureaucratic developments which drive up costs and which are detrimental to the system. We are firmly convinced that inefficiency and waste is the highest form of unsocial, and thus unethical behavior because it means that persons in need are denied necessary treatments as a result. Since efficient behavior can be



promoted by a desire to achieve profits, we regard the achievement of reasonable returns as morally and ethically sound, also in healthcare.

Our responsibility to the environment

Those who make the well-being of people the centre of their entrepreneurial activity within the healthcare system also have special responsibility in areas going beyond the immediate treatment of patients. Consequently, healthcare for us does not end at the door to the hospital room: it encompasses the sustained commitment to a healthy working and living environment.

That is why we commit ourselves at each of our hospitals to making sparing use of natural resources and to avoid adverse impacts on the environment. The most important tool for this is our Company-wide environmental management system in which we ensure Group-wide compliance with high ecological standards. Our environmental management provides for a broad array of measures such as reducing primary energy consumption, using drinking water sparingly as well as reducing and avoiding waste. These measures are supplemented by Company-wide knowledge management in the environmental area.

We further develop our environment management efforts on an ongoing basis. To this end we not only ensure effective know-how transfer from Group headquarters to the hospitals, but also attach high importance to a systematic transfer of knowledge within our network of facilities so that a good idea is turned into best practice.

Particularly in times of rising energy prices, using resources sparingly and responsibly as well as avoiding and reducing waste is of tremendous importance when it comes to running hospitals, since efficient use of energy cuts environmentally harmful emissions as much as operating costs.

Our energy management therefore provides for a comprehensive range of measures:

- For instance, we reduce the energy consumption of our hospitals by e.g. creating compact building structures and providing optimum building insulation.
- We also promote efficient, resource-sparing independent generation of electricity by increasingly using combined heat and power units (CHP) and even modern fuel cell technology. In 2001 we commissioned the world's first high-temperature fuel cell in a hospital. Today we have developed this approach further and are about to make another efficiency leap in energy supply: by combining a high-temperature fuel cell and a conventional motor CHP with a multi-effect absorption cooling unit. The advantage of this design is that the exhaust air from the fuel cell and the motor exhaust of the CHP can be used for heating the building and for cooling. An innovative hybrid control system regulates the energy flows of the entire unit as the situation requires. This makes optimum use of the primary energy.
- Whenever a site's conditions allow, we also use renewable energies – as in Cuxhaven: in the 2006 environmental report we presented our geothermal heating project at this site in detail. The partial replacement building under construction there is grounded on energy piles which will use geothermal heat to cool the new building during the summer and heat it during the winter. Construction work moved ahead so quickly in the reporting year that we held the topping-out ceremony in Cuxhaven in February 2008 – only 17 months after the groundbreaking ceremony. The new building will be put into service in January 2009.

We expect fuel cell technology will increasingly be used for ecologically and economically modern hospital operations, just as the use of renewable energies. For this reason we will explicitly promote the use of both alternatives at our hospitals.

Reducing refuse and waste of our hospitals is one of the key goals of our environmental management measures. We regularly train our staff in proper sorting and disposal of waste and promote the sparing use of consumables. Thanks to the increasing spread of information and communication technologies within the hospital sector, the means of sending and saving medical data electronically are also growing, which in turn has positive effects for our environmentally sound materials and waste management: advances in the digitalisation of diagnostic imaging methods at our hospitals will enable part of clinical wastes – i.e. X-ray films, fixing and developer solutions – to be reduced significantly in future. Our waste management also focuses on the following aspects:

- Purchase of products where possible without packaging; disposal of necessary packaging in a manner which is as environmental-friendly as possible.
- Only readily biodegradable products are used for cleaning and disinfection purposes.
- We are increasingly using reusable OR drapes.

Detailed information on progress achieved in our environmental management is provided in our annual environmental report.

Our responsibility to employees

In our sector, vying for certain staff groups can be intense. Besides executive staff in the medical as well as administrative area and qualified nursing staff for the intensive care and OP areas, qualified doctors in particular are not easy to come by. There is also a greater demand for qualified information technology and logistics staff as integration and co-operation among our sites moves ahead.

With our hospitals – as with any other service providing business – major gaps in staff ranks can make themselves felt: quality can be compromised, business risks can increase, and growth opportunities can be missed. Timely and qualified staff hiring is becoming increasingly important.

As a personnel-intensive service provider we are heavily reliant on the professionalism and high commitment of all our staff throughout the Group. At the same time we expect our people at all times to put the needs and wishes of our patients at the heart of their work.

By offering possibilities for promotion within the Company, attractive training and higher-qualification, a special program for training young executives, and flexible working time models, we create the basis for not just winning over qualified people, but also keeping them committed to us long-term. Our innovative in-house wage policy also forms the basis *inter alia* for constructive negotiations with trade unions. Attractive incentive systems in remuneration and flexible working time models are established.

We promote our employees' professionalism through systematic training and higher-qualification measures at all hierarchical levels. We continue to attach special importance to training qualified nursing staff at our 14 (previous year: 16) Group-owned nursing schools with a total of 1,533 (previous year: 2,072) training places for nursing professions.

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

CONSOLIDATED TREND

Sites, capacities and services

The Group of RHÖN-KLINIKUM AG is horizontally structured. The hospital companies are organized in the form of legally independent corporations and have their registered office at the respective facility site. They are direct subsidiaries of the ultimate parent company that has its registered office in Bad Neustadt a. d. Saale. In addition to the hospitals at parent company headquarters in Bad Neustadt, other major sites are our medical science centers in Gießen, Marburg and Leipzig as well as the hospital sites having a supraregional catchment area in Bad Berka, Frankfurt (Oder), Hildesheim, Karlsruhe, Munich, Pforzheim and Wiesbaden.

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

	Hospitals	Beds
As at 31 December 2006	**45**	**14,703**
Krankenhaus Köthen GmbH	1	264
Change in approved beds at various long-standing hospitals		-320
As at 31 December 2007	**46**	**14,647**

As at 31 December 2007 we have 46 consolidated hospitals with 14,647 beds/places at a total of 35 sites in nine federal states. In financial year 2007 we recorded only a minor net change, of 320 beds, with our inpatient capacities.

We are pleased with the good progress made with integration at Krankenhaus Köthen GmbH – consolidated since 1 April 2007 – over the first nine months. We are recording significant growth in patient numbers and were able to bring about a significant improvement in that facility's financial situation already in 2007. After closing the year on a loss of € 0.3 million (previous year: € 2.6 million), we are confident that we will succeed in bringing a turnaround in 2008.

	Approved beds/places		Change	
	2007	2006	absolute	%
Inpatient capacities				
acute hospitals	13,060	12,983	77	0.6
rehabilitation hospitals and other inpatient facilities	1,243	1,398	-155	-11.1
	14,303	14,381	-78	-0.5
Day-case capacities	344	322	22	6.8
Total	**14,647**	**14,703**	**-56**	**-0.4**

Our capacity in the acute area (approved beds and places) increased on average by around 0.6%, while case numbers at our acute facilities rose disproportionately by 5.0%. Since the duration of stay shortened by 1.4% or 0.1 days to 7.1 days, the average occupancy during the year at our acute facilities rose by 3.2 percentage points or 4.1% to reach 82.3% (previous year: 79.1%). This development is attributable to Group-wide adjustments to durations of stay in line with DRGs and an increase in day-clinical operations.

Capacity in the rehabilitation area diminished by two beds to 973 beds. Occupancy in the rehabilitation area averaged 91.5% (previous year: 88.2%) with an average duration of stay of 34.0 days (previous year: 34.5 days). Other inpatient capacities diminished by 153 beds to 270 beds.

By 31 December 2007 we had opened a total of 14 medical care centers (MVZs) Group-wide with a total of 39 specialist doctor's practices at or near our hospital sites.

	Date	MVZ	Practices
As at 1 January 2007		**8**	**24**
Opened in Kronach	1 January 2007	1	2
Opened in Leipzig	1 January 2007	1	2
Opened in Erlenbach	1 July 2007	1	2
Opened in Dippoldiswalde	1 October 2007	1	2
Opened in Pforzheim	1 October 2007	1	2
Opened in Bad Kissingen	1 October 2007	1	2
		14	36
Expansion at already existing MVZs	1 July 2007	0	2
Expansion at already existing MVZs	1 October 2007	0	1
As at 31 December 2007		**14**	**39**

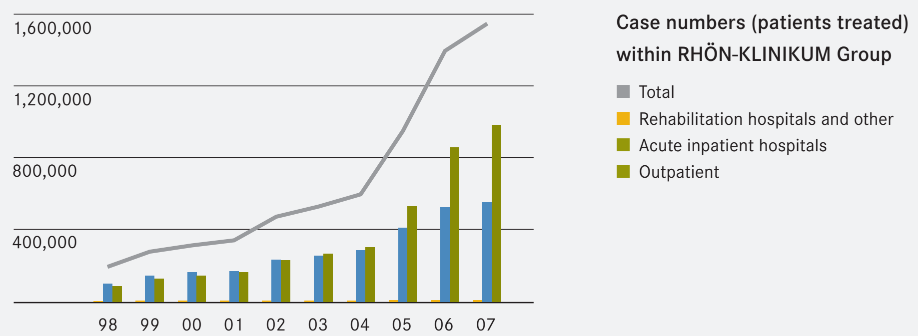
The expansion of our MVZ capacities with a total of six facilities put into service in 2007 and the expansion at existing MVZ facilities is moving ahead on schedule. At 1 January 2008 we commissioned a further three MVZs with a total of nine doctor's practices.

The service companies established together with partners on 1 January 2007 for provision of infrastructural services (including cleaning, catering, domestic services) have lived up to our expectations. While still preserving competitive elements we are now able to provide such infrastructure services ourselves on a cost-efficient basis. The following development was seen in financial year 2007:

	Number of companies		Services within Group	
	Catering	Cleaning	Catering	Cleaning
As at 1 January 2007	**4**	**7**	**12**	**33**
Orders executed in 2007			8	7
As at 31 December 2007	**4**	**7**	**20**	**40**

With effect from 1 January 2008, we broadened the range of services provided by our service companies to include the area of laundry services. A newly founded company provides laundry services to two facilities in the region of south Germany as part of a pilot project. If it proves successful, we are considering a Group-wide roll-out of this project.

January to December	2007	2006	Change absolute	%
Inpatient and day-case treatments,				
acute hospitals	552,538	526,226	26,312	5.0
rehabilitation hospitals and other facilities	9,555	9,101	454	5.0
	562,093	**535,327**	**26,766**	**5.0**
Outpatient attendances				
at our acute hospitals	903,633	858,708	44,925	5.2
at our MVZs	78,725	0	78,725	N.A.
Total	**1,544,451**	**1,394,035**	**150,416**	**10.8**



In 2007 a total of 1,544,451 patients (+150,416 patients/ +10.8%) were treated by the Group's hospitals. Of this increase, outpatient treatments account for 82.2%. After deducting consolidation effects (Universitätsklinikum Gießen und Marburg GmbH, Krankenhaus Köthen GmbH and first-time inclusions at the MVZs), this translates into growth in patient numbers of 10,088 patients or 1.9% in the inpatient area. This organic growth is distributed nearly uniformly over the entire Group.

January to December	2007	2006
Case revenue		
inpatient (€)	3,449	3,483
outpatient (€)	88	80

Compared with the previous year, per-case revenue in the inpatient area recorded a slight decline by 1.0%. Taking into account the higher severity of cases, the true decline is even greater. In the outpatient area, revenues at our hospitals rose by 10.0% on inclusion of our MVZs with higher per-case revenues compared with our outpatient institutions.

	Number
As at 31 December 2006	**30,409**
Added from personnel taken over in service companies	1,718
Added from personnel taken over in Köthen	396
Change in number of employees	-301
As at 31 December 2007	**32,222**

At 31 December 2007, the Group employed 32,222 persons (31 December 2006: 30,409). The newly consolidated facility in Köthen added 396 new employees. Following the integration of ten service companies, we took over a total of 1,718 employees from external service companies that had previously served the Group. The hospitals consolidated at the end of 2007 witnessed a slight decline in staff numbers (-301).

Doctors accounted for 13.6% (previous year: 13.7%), and nursing and medical-technical staff for 58.3% (previous year: 60.9%) of the total headcount. In the financial year under review, we recorded a 4.8% rise in full-time staff. This is nearly in line with the trend in revenues (+4.7%)

Statutory social security contributions and pension expenditures as a percentage of the wage bill amounted to 21.3% (previous year: 23.0%).

Business performance

During financial year 2007 our hospitals put in a good performance overall despite the various challenges brought by legislative measures and wage developments for doctors. Thanks to higher service volumes and cost cuts, it was possible to completely offset extraordinary burdens from changes in legislation and wages and to generate further profit contributions beyond that. The hospitals have developed in line with our expectations.

Revenues and earnings

Compared with the previous year, we achieved restructuring successes throughout the Group, as measured by the improvement in EBIT of € 11.4 million.

EBIT	2007	2006	Change	
January through December	€ m	€ m	€ m	%
Long-standing hospitals (already consolidated in 2005)	157.2	155.8	1.4	0.9
Acquisitions in 2006 (Universitätsklinikum Gießen und Marburg GmbH, Heinz Kalk-Krankenhaus GmbH, Frankenwaldklinik Kronach GmbH)	0.9	-8.4	9.3	110.7
Acquisitions in 2007 (Krankenhaus Köthen GmbH)	-0.3	0.0	-0.3	N.A.
Other companies (MVZ and service companies)	-0.3	-1.3	1.0	76.9
Total	**157.5**	**146.1**	**11.4**	**7.8**

Earnings before interest and tax (EBIT) rose € 11.4 million or 7.8% versus the previous year.

Our hospitals already belonging to the Group in 2005 maintained their high earnings level and succeeded in raising earnings before interest and tax (EBIT) by € 1.4 million to € 157.2 million.

Of the hospitals taken over in 2006, € 7.5 million of EBIT improvements are accounted for by Universitätsklinikum Gießen und Marburg GmbH, € 1.3 million by Frankenwaldklinik in Kronach and € 0.5 million by Heinz Kalk-Krankenhaus in Bad Kissingen. Moreover, at Universitätsklinikum Gießen und Marburg GmbH significant wage increases for doctors and a surge in pension liabilities (contributions to VBL pension scheme) were completely offset by restructuring successes.

In 2007 we took over Krankenhaus Köthen GmbH. The loss-making structures acquired were nearly completely eliminated in the first year of consolidation. Consolidated as of 1 April 2007, Krankenhaus Köthen GmbH generated a negative EBIT of € 0.3 million (compared with € -2.6 million over the same period in 2006).

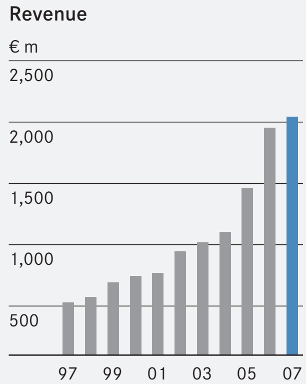
In 2007 our MVZ companies were able to trim their negative EBIT from € 1.3 million in 2006 to € 0.4 million. With a slightly positive EBIT of € 0.1 million, the service companies founded on 1 January 2007 achieved their targets.

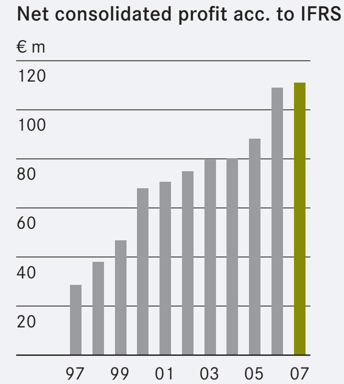
The Group's economic performance is shown as follows based on the key figures used for management purposes:

	2007	2006	Change	
	€ m	€ m	€ m	%
Revenues	2,024.8	1,933.0	91.8	4.8
EBITDA	249.3	221.1	28.2	12.8
EBIT	157.5	146.1	11.4	7.8
EBT	137.1	125.7	11.4	9.1
Operating cash flow	191.0	165.0	26.0	15.8
Net consolidated profit	111.2	109.1	2.1	1.9

Without taking into account further acquisitions and despite the greater burdens in 2008 due to higher prices and wages against relatively moderate increases in remuneration, we expect a further improvement in our key ratios in 2008.

	2007	2006
	%	%
Return on equity (after taxes)	14.4	15.9
Return on revenue	5.5	5.6
Cost of materials ratio	24.5	25.4
Personnel cost ratio	59.5	58.3
Depreciation and amortisation ratio	4.5	3.9
Other cost ratio	10.4	10.9
Tax rate	18.8	13.2





	2007	2006	Change	
	€ m	€ m	€ m	%
Materials and consumables used	496.5	491.9	4.6	0.9
Employee benefits expense	1,204.0	1,127.8	76.2	6.8
Depreciation/amortisation and impairment	91.8	75.0	16.8	22.4
Other expenditure	211.1	211.1	0.0	0.0
Total	**2,003.4**	**1,905.8**	**97.6**	**5.1**

In financial year 2007, revenues rose by € 91.8 million or roughly 4.8% to reach € 2,024.8 million. This includes the revenue-diminishing effect from the reform impost of € 9.7 million, corresponding to 0.5% inpatient revenues, introduced as part of the healthcare reform. Adjusting for changes in the scope of consolidation and revenue deductions (reform impost), this translates into organic growth of € 45.1 million or 2.3%.

Compared with the previous year, the cost-of-materials ratio declined slightly from 25.4% to 24.5%, whereas the personnel cost ratio saw a slight rise from 58.3% to 59.5%. This essentially comes as a result of our ten service companies that came on stream. The services purchased externally last year were fully recognized as services procured under the item “materials and consumables used”, whereas this year they are reported under the employee benefits expense item.

The rise in depreciation and impairments by € 16.8 million or 22.4% stems from the completion and commissioning of our totally new buildings in Nienburg (end of 2006) and Pirna (early in 2007). Earnings were also burdened by higher depreciation on property, plant and equipment to adjust net carrying amounts to reflect changes in the residual useful life of buildings (aggregate impact of € 1.2 million) and to adjust the carrying amounts of land to an appropriate lower fair value less costs to sell of € 3.2 million recognized in the income statement.

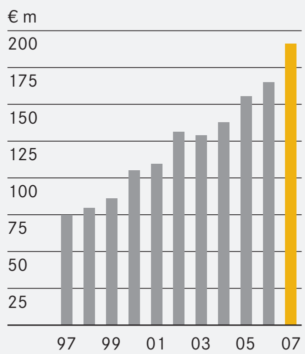
The financial result remained constant compared with the previous year, being the net result of the € 2.4 million higher interest expenditure from the rise in net debt to banks on the one hand and the extraordinary income amount resulting from the revaluation of our interest hedging instruments by the same amount on the other.

The income tax expense rose by € 9.2 million to € 25.9 million compared with the previous year. Whereas in the previous year the recognition of corporate tax credits from profits retained up to 2001 had a tax-reducing effect of € 19.1 million, in financial year 2007 essentially the revaluation of deferred tax liabilities from the lowering of the corporate tax rate from 25.0% to 15.0% raised earnings by € 8.6 million.

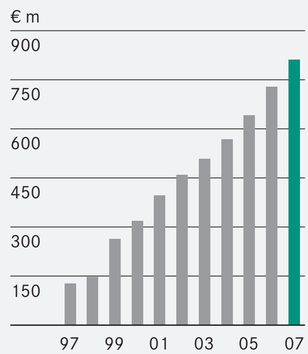
In financial year 2007, we raised net consolidated profit by € 2.1 million or 2.0% to € 111.2 million (previous year: € 109.1 million). After deducting the one-off tax effect from the 2008 Corporate Tax Reform as well as the impact of the revaluation of our financial instruments, our adjusted net consolidated profit stood at € 100.2 million, exceeding the previous year’s net consolidated profit (€ 90 million) – adjusted for corporation tax credits recognized at their present value – by € 10.2 million or 11.3%. For financial year 2008, we expect this positive trend to be maintained.

At our MVZs we succeeded in largely eliminating past start-up losses. Whereas financial year 2006 still witnessed a significant shortfall of € 1.3 million, the losses were trimmed to € 0.4 million in 2007. We expect to see consistently positive profit contributions in 2008.

Operating cash flow



Equity capital acc. to IFRS



Our service companies met their targets, making a slightly positive contribution to earnings of € 0.1 million in financial year 2007.

The earnings share of minority owners rose by € 1.0 million to € 4.9 million. Of this growth, € 0.6 million stems from the revaluation of deferred tax from the lowering of the corporate tax rate from 25.0% to 15.0% by the 2008 Corporate Tax Reform. On the other hand, the positive earnings development at Universitätsklinikum Gießen und Marburg GmbH of € 0.4 million boosted minority earnings.

The interest of RHÖN-KLINIKUM AG shareholders in profit for 2007 rose by € 1.1 million or 1.0% to € 106.3 million compared with the previous year. This corresponds to earnings per share of € 1.03 (previous year: € 1.01).

Asset and capital structure

	31 Dec. 2007		31 Dec. 2006	
	€ m	%	€ m	%
ASSETS				
Non-current assets	1,487.2	71.7	1,403.6	70.9
Current assets	585.9	28.3	576.0	29.1
	2,073.1	**100.0**	**1,979.6**	**100.0**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity	810.8	39.1	728.7	36.8
Long-term loan capital	750.4	36.2	683.8	34.5
Short-term loan capital	511.9	24.7	567.1	28.7
	2,073.1	**100.0**	**1,979.6**	**100.0**

Driven by acquisitions and investments, our assets increased by € 93.5 million or 4.7%.

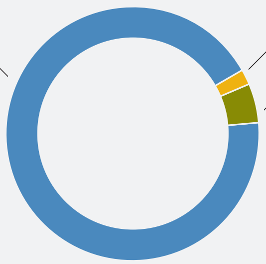
The equity ratio rose moderately from 36.8% to 39.1%, attributable to the high internal financing strength of our company.

Equity now stands at € 810.8 million (previous year: € 728.7 million). The increase stems from the net consolidated profit of € 111.2 million less dividends paid to shareholders and minority owners in the amount of € 29.6 million in addition to the change in the scope of consolidation of € 0.5 million resulted from the commissioning of our service companies. We sold a 25.1% share in our subsidiary Kliniken München Pasing und Perlach GmbH to our Amper Kliniken AG in which the District of Dachau has an interest as minority shareholder. In this connection € 1.8 million was reallocated from the equity of the shareholders to the equity of the minority owners.

Overall, 105.0% (previous year: 100.6%) of non-current assets is covered by equity and non-current liabilities. Net debt to banks rose slightly, from € 439.0 million by € 66.7 million to € 505.7 million, at balance-sheet date. Not included in the calculation of net debt are marketable securities worth € 9.5 million.

Our internal financing strength has increased significantly. Compared with the same period last year, cash flow (excluding one-off non-cash effects) rose by € 26.0 million or 15.8% to reach € 191.0 million.

Analysis of revenue at RHÖN-KLINIKUM Group



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

	Key financial ratios		
	Target value	Actual value	
		31 Dec. 2007	31 Dec. 2006
Net debt to banks/ EBITDA	≤ 3.0	2.0	1.99
EBITDA/ net interest expenditure	≥ 6.0	12.2	10.8

The Group continues to enjoy sound financial structures.

Investments

Aggregate investments of € 259.9 million (previous year: € 929.6 million) in financial year 2007 are shown in the following table:

	Use of grants	Use of own funds	Total
	€ m	€ m	€ m
Current capital expenditure	79.0	166.0	245.0
Hospital takeovers	0.0	14.9	14.9
Total	**79.0**	**180.9**	**259.9**

During financial year 2007, we invested a total of € 259.9 million (previous year: € 929.6 million) in intangible assets and in property, plant and equipment. Of this total, € 79.0 million (previous year: € 536.0 million) was funded from grants under the Hospital Financing Act (KHG) and deducted from total investments pursuant to the relevant provisions of IFRS. The decline compared with the previous year stems from the takeover of Universitätsklinikum Gießen und Marburg GmbH in 2006.

In the consolidated financial statements we report net investments of € 180.9 million (previous year: € 393.6 million). Assets acquired on takeovers accounted for € 14.9 million (previous year: € 200.1 million) and current capital expenditure for € 166.0 million (previous year: € 193.5 million) of total net investments during the year under review.

With regard to investments in connection with hospital takeovers, € 11.3 million is attributable to the acquisition of Krankenhaus Köthen GmbH and € 3.6 million to a second purchase price tranche for Klinikum Salzgitter GmbH.

An analysis of investments in 2007 by region is given below:

	€ m
Bavaria	62.8
Baden-Wuerttemberg	6.7
Brandenburg	8.1
Hesse	75.8
Lower Saxony	32.2
North Rhine-Westphalia	1.0
Saxony	20.4
Saxony-Anhalt	37.9
Thuringia	15.0
Total investment	**259.9**
Deduct: grants under KHG	79.0
Net investment	**180.9**

Under company purchase agreements entered into we still have outstanding investment obligations of € 546.9 million until 2012. These obligations for the most part relate to new hospital buildings or refurbishments of existing hospital buildings, as well as investments in medical technology.

TEACHING, RESEARCH & DEVELOPMENT

As a leading private hospital service group we are also called upon to conduct research and development to meet our stated objectives. Here, the focus of our research work is turned primarily towards research into more patient-friendly diagnosis and treatment procedures.

We also are constantly striving to further develop our healthcare delivery models (teleportal clinics, intermediate care hospitals) in terms of construction and organizational aspects to respond to changing demand structures promptly and efficiently.

One platform for our research and development activities is provided by Universitätsklinikum Gießen und Marburg GmbH. We have made the commitment to the Federal State of Hesse to make available at least € 2 million a year to the medical faculties in Gießen and Marburg for research purposes.

Working together with the two medical faculties, we launched a total of 55 research projects with a total volume of € 4 million in financial year 2007. We see these research projects as a catalyst initiative for further research projects to be financed by third-party funds.

Further research projects are to be organized jointly through the Central Hesse Medical Trust at the University Hospital of Gießen and Marburg (Mittelhessische Medizin-Stiftung am Universitätsklinikum Gießen und Marburg, MHM-Stiftung) founded by us and endowed with a trust capital of € 1 million.

With these two measures we are trying to initiate a mutual give-and-take approach based on the principle of communicating channels between research and teaching on the one hand and healthcare delivery on the other in the interest of good medical practice for patients.

The German Donors' Association (*Stifterverband*) recognises our university commitment. Over a period of five years it will sponsor an endowment professorship associated with us for experimental organ transplantations at Herzzentrum Leipzig. This contract grants the professorship a high six-digit amount each year for research.

Together with our technology partner, we launched the web-based electronic patient file (WebEPA) in 2007, one of the biggest e-health projects in Europe. We have begun linking up our hospitals and our medical care centers into a network via WebEPA so that in future the more than 1.5 million patients we treat each year can benefit from the demonstrably better quality of care. This project is strong evidence of our pioneering role in interdisciplinary patient-oriented healthcare delivery.

After the success of the "get-together" of all medical decision-makers within our Group for a Group-wide exchange of views, we geared the focus of this meeting in 2007 along the lines of an "exhibition" of our sites with a view to creating Group-internal networks of performance and expertise. We succeeded in arousing a high level of mutual interest between research-oriented and healthcare delivery-oriented facilities in what each of the other sites do. The insights gained from this are further examined in quality circles with a view to creating specific market-ready business and co-operation models.

Our cardiac centre in Leipzig is part of the medical faculty of the University of Leipzig and as such responsible for research and teaching in the area of cardiology and cardiosurgery, thus representing a further centre of research activity within the Group of RHÖN-KLINIKUM AG. In financial year 2007 we expanded our activities by sponsoring the costs of a further endowed professorship in the field of cardiological radiology. In total, Herzzentrum Leipzig supports from its own funds two endowment professorships and three research focuses with a total budget of more than € 0.6 million p.a. At Herzzentrum Leipzig internationally recognized specialists are working on the development of procedures to ensure the highest level of patient care. Currently some 116 research projects and 192 clinical trials are being carried out at Herzzentrum Leipzig.

Together with a medical technology manufacturer, we pressed ahead in 2007 with the technological development for a proton- and heavy ion-based particle therapy facility for the Marburg site. In the summer we held our cornerstone-laying ceremony. Construction work is proceeding on schedule. We expect completion of the facility in 2010 with the first patients also being treated.

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

Together with partners, our Neurologische Klinik GmbH in Bad Neustadt in 2007 developed an early detection system for strokes that can already be used by rescue services in their vehicles when responding to emergencies. The Stroke Angel system consists of a small portable computer, a card-reading device and a mobile phone. This system enables the emergency medical assistant to gather, directly on site, all data relevant for the diagnosis of a stroke and to transmit these data wirelessly to the hospital of destination. The hospital is then already familiar with the patient’s situation on arrival at the hospital and can start therapy without losing any time, significantly improving that patient’s prospects of recovery.

A similar procedure is currently being tested in the area of cardiology (Cardio-Angel). We equip ambulances with ECG units and transmission equipment in order to make a qualified early diagnosis of whether an infarction event has occurred and whether a conservative therapy has to be applied or one involving an intervention. These findings are directly used to guide the ambulance to a general hospital best suited for the patient, or immediately to a specialized hospital having the requisite intervention capacities. Also in these cases, prospects of recovery are enhanced thanks to the early and qualified commencement of the treatment chain.

We are proud that also in 2007 a number of our physicians were singled out for their individual research work with national and international research awards. For example, a doctor from Leipzig received the “Nils-Eric Svensson Award”, a Swedish research prize, for her new ECG analysis procedures for atrial fibrillation. Another colleague from Bad Berka was distinguished for his long-standing research in the field of catheter treatments for atrial fibrillation by his appointment as honorary professor at Otto-von-Guericke University. Other doctors from Bad Berka received the Heart Bridge Award in recognition of their ongoing efforts in organizing and promoting numerous contacts between Germany and China, as well as an award at the 2007 European Osteology Symposium in Vienna for their work in the area of diagnosis, treatment and prevention of osteoporosis after organ transplantation.

We not only define teaching activities as an “academic task” in the strict sense of theoretical and practical training of prospective medical professionals, but also see it as our duty to extend medical basics – with an eye to what people need or want to know – to the broader public within the reach of our hospitals. In the area of university training, the universities in Gießen and Marburg as well as Herzzentrum Leipzig GmbH as an integral part of the University of Leipzig are responsible for both theoretical and practical training of medical students. A further 14 Group hospitals enjoy the status of academic teaching hospital whose tasks include the practical training of prospective medical professionals. For training young nursing staff, we maintain nursing schools with various training curricula at a total of 14 sites with a total of 1,533 places.

ADDENDUM 2007

In January 2008 significant share price losses were suffered by nearly all European stocks. The Dax lost roughly 15% and the MDax gave up 10%, thus wiping out the share price gains achieved over 2007. The RHÖN-KLINIKUM share, too, dipped briefly by around 14% to € 16.50, although we are neither directly or indirectly concerned by the impact of the subprime crisis.

We assume that some of our investors, in order to offset the losses, generated unrealized profits from the sale of assets and in this connection triggered selling orders. We continue to be wholly convinced of the economic success of our growth-oriented non-cyclical business model and maintain our forecasts for 2008. We assume that insecurity on the capital markets, despite the positive impetus from interest rates, will persist for some months to come and expect stock market trends to improve in the second half of the year.

On 17 January 2008 the Federal High Court of Justice, in the cartel proceedings “Rhön-Grabfeld district hospitals” dismissed the appeal of RHÖN-KLINIKUM AG and thus prohibited with final effect the takeover of the hospital in Bad Neustadt. The question regarding the takeover of the Mellrichstadt site had meanwhile already been settled in the course of the cartel proceedings because the District of Rhön-Grabfeld had to close the site for economic reasons.

Given our market share of three per cent, the Group’s growth strategy is not affected by this decision. However, the precedent created by the Federal Cartel Office does hamper the establishment of sensible and efficient networks of hospital sites within a region and also generalized healthcare delivery to the population. Since a shortage in healthcare provision can already be observed in some regions of Germany, things are not about to get any better with this ruling.

In January 2008 we put into service our teleportal clinic in Miltenberg, the third such facility after Dippoldiswalde and Stolzenau. After a successful “Open House” on 26 January 2008 with over 10,000 visitors, the facility has already reached full capacity after only a short start-up period, which shows just how strong the case is for such facilities. In the further course of financial year 2008 we will open further teleportal clinics in Hammelburg and in Wittingen. Moreover, as at 1 January we opened three further MVZs with nine doctor’s practices, bringing the total number of our active MVZs to 17 with 48 doctor’s practices. Seven further doctor’s practices already acquired will soon be integrated into our MVZs. We would like to press ahead with the expansion of our outpatient and day-clinical structures and have adjusted our organizational structures to this end.

OUTLOOK FOR 2008

Strategic objectives

We will continue steadfastly in pursuing and implementing our successful and growth-oriented business model and will continuously raise our revenues and earnings. Within the bounds set by legislation, organic growth is possible only with limits – as a rule well under five per cent. We will realize our avowed goal of establishing national, generalized healthcare coverage primarily through acquisitions and partnerships.

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

Over the next few years we expect to see external growth in revenues on the back of hospital takeovers. Through acquisitions and co-operation schemes we are seeking a market share of over eight per cent and a market coverage that will enable all patients in Germany to reach one of our facilities within one hour’s drive. The quality of care for our patients will improve significantly with the roll-out of “WebEPA”.

We will therefore forge ahead with the establishment of medical care centers (specialist MVZs), the construction of teleportal clinics and the expansion of our hospital sites through acquisitions and co-operation schemes. We will continually expand the university hospitals in Gießen and Marburg as well as our further scientific sites in terms of medicine and science and will apply the knowledge gained from this in the areas of diagnosis and therapy methods to other hospitals within the Group.

Economic and legal environment

For 2008, despite the subprime crisis as well as the effects of rising collective wages and rising food and energy prices, we expect the economic upturn in the German economy to continue at a moderate level together with a further brightening on the labor market.

In the healthcare system we expect public hospital funding within the individual federal states to undergo further cuts and for disinvestment trends to gather pace. We estimate that the negative trends in earnings with public hospitals are also set to continue in 2008 given rates of change in revenues of under 1%, wage demands within a range of 5% - 10% and further increases food and energy prices.

Whether the next hospital privatization wave and the closure of hospital sites come somewhat sooner or later will depend on how public finances develop. For us as a Group we therefore expect further takeovers in the short and medium term and have aligned our structures accordingly. By maintaining the policy of restrictive revenues for hospitals while accepting collective agreements well in excess of such revenues, German policymakers are continuing their strategy of reducing overcapacities and calling into question a still functioning system of generalized healthcare delivery in sparsely populated regions.

We also expect to see increasing revenues at all levels of government (local, state and federal) and with the social insurance funds. With certain local hospital operators this may mean that they will be able to cover the rising deficits of their facilities. The social insurance systems will be able to further reduce their debt with the result that the pressure to raise contributions will at least not mount any further and the new healthcare fund can be launched at the beginning of 2009 largely free of old liabilities. However, the expected increases in revenues will fall far short of what is needed to clear up the investment and maintenance backlog within any foreseeable time.

For demographic reasons, we see the sector poised for rising demand for hospital services, but expect payers, which are charged with executing healthcare policy, to wholly maintain their policy of reining in costs and cutting overcapacities in the inpatient area.

Business performance

RHÖN-KLINIKUM AG and its subsidiaries have made a successful start into financial year 2008. Patient numbers continue to rise steadily, and results achieved in the first months are in line with our targets.

For 2008 we expect further smartly rising profit contributions from hospitals in the restructuring phase and from the university hospitals. Our long-standing Group members will continue to make every effort to achieve further organic growth from their own strength in order to further improve their earnings position. This will also be helped by the statutory remuneration conditions which until 2009 provide for steadily improving conditions for the remuneration of additional service volumes which we will exploit. In 2008 also, we will once again succeed in applying reorganization measures to compensate for the reform impost placed on all hospitals under the healthcare reform in the form of an 0.5% deduction from revenues as well as the continuing higher deductions for start-up financing of integrated care.

Given the experience we have already gained, and despite all the imponderables, we see more opportunities than risks in the further course of the convergence phase up to 2009 thanks to our favorable cost structures.

Not taking into account potential new acquisitions and assuming a moderate trend in wages, we expect 2008 revenues of roughly € 2.1 billion and net consolidated profit of roughly € 123.0 million. This expectation already reflects the changes brought about for the Group from the 2008 Corporate Tax Reform. We expect our tax rate, including solidarity surcharge, of currently 27% to fall to around 18.5% in future. In financial year 2008, investments – excluding new acquisitions – will be in the order of € 278 million. On continuation of our growth strategy we also expect to achieve in 2009, based on the information available to us at the present time, growth in revenues of roughly 3% and – assuming moderate collective wage agreements – a slightly higher increase in earnings.

Bad Neustadt a. d. Saale, 29 February 2008

The Board of Management

Andrea Aulkemeyer	Wolfgang Kunz	Gerald Meder
Dietmar Pawlik	Wolfgang Pföhler	Dr. Brunhilde Seidel-Kwem

Behind the modern architecture of Klinikum in Frankfurt (Oder), patients find a pleasant atmosphere

CONSOLIDATED INCOME STATEMENT

31 December 2007

	Notes	2007	2006
		€ '000	€ '000
Revenues	6.1	2,024,754	1,933,043
Other operating income	6.2	136,141	118,915
		2,160,895	**2,051,958**
Material and consumables used	6.3	496,517	491,890
Employee benefit expenses	6.4	1,203,979	1,127,840
Depreciation/amortization and impairment	6.5	91,772	75,033
Other operating expenses	6.6	211,137	211,052
		2,003,405	**1,905,815**
Operating earnings		**157,490**	**146,143**
Finance income	6.8	10,167	7,198
Finance expenditure	6.8	30,572	27,635
Financial result (net)		**-20,405**	**-20,437**
Earnings before income taxes		**137,085**	**125,706**
Income taxes	6.9	25,891	16,647
Net consolidated profit		**111,194**	**109,059**
Thereof attributable to			
minority owners	6.10	4,902	3,859
shareholders of RHÖN-KLINIKUM AG		106,292	105,200
Earnings per share in EUR (diluted/undiluted)	**6.11**	**1.03**	**1.01**

CONSOLIDATED BALANCE SHEET

31 December 2007

ASSETS	Notes	31 Dec. 2007	31 Dec. 2006
		€ '000	€ '000
Non-current assets			
Goodwill and other intangible assets	7.1	255,581	242,841
Property, plant and equipment	7.2	1,205,270	1,135,952
Investment property	10.3.3	4,172	4,338
Income tax claims	7.3	20,577	19,055
Other financial assets	7.4	1,556	1,436
		1,487,156	**1,403,622**
Current assets			
Inventories	7.5	39,842	39,035
Accounts receivable, other receivables and other financial assets	7.6	358,532	339,927
Current income tax claims	7.7	17,512	20,905
Cash and cash equivalents	7.8	170,057	176,136
		585,943	**576,003**
		2,073,099	**1,979,625**

EQUITY AND LIABILITIES	Notes	31 Dec. 2007	31 Dec. 2006
		€ '000	€ '000
Equity			
Subscribed capital	7.9	259,200	51,840
Capital reserve		37,582	37,582
Other reserves		366,714	496,552
Net consolidated profit attributable to shareholders of RHÖN-KLINIKUM AG		106,292	105,200
Treasury shares		-77	-77
Equity attributable to shareholders of RHÖN-KLINIKUM AG		769,711	691,097
Outside owners' minority interests in Group equity		41,120	37,644
		810,831	**728,741**
Long-term debt			
Financial debt	7.10	656,537	566,576
Deferred tax liabilities	7.11	12,867	23,381
Provisions for post-employment benefits	7.12	8,164	7,289
Other provisions	7.13	0	4,514
Other liabilities	7.15	72,834	81,989
		750,402	**683,749**
Short-term debt			
Accounts payable	7.14	107,966	166,020
Current income tax liabilities	7.16	10,560	18,407
Financial debt	7.10	19,562	49,219
Other provisions	7.13	24,485	19,707
Other liabilities	7.15	349,293	313,782
		511,866	**567,135**
		2,073,099	**1,979,625**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Subscribed capital							
	Ordinary shares	Capital reserve	Other reserves	Net consolidated profit attributable to shareholders of RHÖN-KLINIKUM AG	Treasury shares	Equity attributable to shareholders of RHÖN-KLINIKUM AG	Outside owners' minority interests in Group equity	Equity
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Balance at 31 Dec. 2005/ 1 Jan. 2006	**51,840**	**37,582**	**436,194**	**83,680**	**-77**	**609,219**	**32,313**	**641,532**
Net consolidated profit				105,200		105,200	3,859	109,059
Dividends paid				-23,322		-23,322	-3,189	-26,511
Allocation to reserves			60,358	-60,358		0		0
Capital increase						0	5,358	5,358
Change in scope of consolidation						0	-496	-496
Other changes						0	-201	-201
Balance at 31 Dec. 2006/ 1 Jan. 2007	**51,840**	**37,582**	**496,552**	**105,200**	**-77**	**691,097**	**37,644**	**728,741**
Net consolidated profit				106,292		106,292	4,902	111,194
Dividends paid				-25,914		-25,914	-3,692	-29,606
Allocation to reserves			79,268	-79,286		0		0
Capital increase out of company funds	207,360		-207,306			0		0
Change in scope of consolidation						0	502	502
Other changes			-1,764			-1,764	1,764	0
Balance at 31 Dec. 2007	**259,200**	**37,582**	**366,714**	**106,292**	**-77**	**769,711**	**41,120**	**810,831**

CASH FLOW STATEMENT

	Notes	2007	2006
		€ million	€ million
Earnings before taxes		137.1	125.7
Financial result (net)	6.8	20.4	20.4
Depreciation and losses on the disposal of assets	6.5	90.8	75.0
Non-cash-effective income tax claims	6.9	-10.1	-19.1
		238.2	**202.0**
Changes in net current assets			
Change in inventories	7.5	-0.5	-3.8
Change in accounts receivable	7.6	-11.8	-1.9
Change in other receivables	7.6	0.8	88.2
Change in liabilities (excl. financial debt)	7.14	-24.7	-32.1
Change in provisions	7.13	0.4	3.6
Income taxes paid	6.9	-43.7	-33.2
Interest paid		-30.6	-27.6
Cash generated from operating activities		**128.1**	**195.2**
Investments in property, plant and equipment and intangible assets	7.2	-172.0	-198.1
Purchase of securities	7.6	-52.5	0.0
Sale of securities	7.6	52.5	0.0
Acquisition of subsidiaries, net of cash acquired	4	-11.6	-125.1
Sale proceeds from the disposal of assets		8.2	4.2
Interest received		10.2	7.2
Net cash used in investing activities		**-165.2**	**-311.8**
Payments on taking out long-term financial debt	7.10	162.0	219.2
Repayment of financial debt	7.10	-86.4	-18.2
Deposits of minorities		0.0	5.2
Dividend payments to shareholders of RHÖN-KLINIKUM AG	7.9	-25.9	-23.3
Dividends paid to minority owners	7.9	-3.7	-3.2
Cash generated from financing activities		**46.0**	**179.7**
Change in cash and cash equivalents	7.8	8.9	63.1
Cash and cash equivalents at beginning of the year		155.8	92.7
Cash and cash equivalents at end of year		**164.7**	**155.8**

NOTES 2007

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1 FUNDAMENTAL INFORMATION

RHÖN-KLINIKUM AG and its subsidiaries build, acquire and operate primarily acute-care hospitals of all categories. We provide our services exclusively in Germany.

These hospital services are provided in a statutorily regulated market which is subject to strong political influences.

The company is an Aktiengesellschaft (joint stock corporation) constituted in accordance with 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 are based on 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 essentially shown in Euro million (€ million). The cost summary method has been used for presenting the income statement.

2.1 Principles of Preparing Financial Statements

The consolidated financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2007 have been prepared applying section 315a German Commercial Code (Handelsgesetzbuch – HGB) in accordance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the International Accounting Standards Board (IASB) which are the subject of mandatory adoption in accordance with the European Parliament and Council Directive number 1606/2002 concerning the application of international accounting standards in the European Union in financial year 2007.

RHÖN-KLINIKUM AG always applies standards, interpretations and changes to existing standards starting at the point at which their adoption becomes mandatory. The company does not take advantage of the option of voluntary early adoption.

The following standards were adopted at the point at which they came into force as of financial year 2007:

- IAS 1 “Presentation of Financial Statements – Disclosures concerning Capital”
- IFRS 7 “Financial Instruments: Disclosures”

There has been no impact on the net assets, financial position and results of operations. The standards have resulted in extended disclosure obligations in the Notes.

In addition, IFRIC 10 “Interim Financial Reporting and Impairment” was the subject of first-time adoption in financial year 2007. This has also not had any impact on the net assets, financial position and results of operations.

Last year, the European Union adopted the standard IFRS 8 “Operating Segments” which will replace IAS 14. This is the subject of mandatory adoption for RHÖN-KLINIKUM AG for the financial years after 1 January 2009. The expected effects of first-time adoption are currently still being reviewed by the company.

The following newly published standards as well as changes which have not yet been adopted by the European Union are the subject of mandatory adoption for RHÖN-KLINIKUM AG starting in financial year 2009 and in subsequent years:

- IAS 1 (revised) “Presentation of Financial Statements”
- IAS 23 (revised) “Borrowing Costs”
- IAS 27 (revised) “Consolidated and separate Financial Statements under IFRS”
- IFRS 3 (revised) “Business Combinations”

At present, RHÖN-KLINIKUM AG is assessing the effects of these standards and interpretations with regard to the accounting policy.

As far as can be seen at present, the following revised and newly published standards and interpretations which have already been adopted by the European Union are of no practical relevance for 2007 and the following financial years:

- IFRS 4 (revised) “Insurance Contracts”
- IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies”
- IFRIC 8 “Scope of IFRS 2”
- IFRIC 9 “Reassessment of embedded Derivatives”
- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”

As far as can be seen at present, the following revised and newly published standards and interpretations which have not yet been adopted by the European Union are of no practical relevance for 2007 as well as subsequent financial years:

- IAS 32 (revised) “Financial Instruments”
- IFRS 2 (revised) “Share-Based Payment”
- IFRIC 12 “Service Concession Arrangements”
- IFRIC 13 “Customer Loyalty Programmes”
- IFRIC 14 “IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

Preparing consolidated financial statements in accordance with IFRS requires assumptions and estimates to be made. Moreover, the application of Group-wide accounting and valuation principles means that management has to exercise its reasonable judgment. Areas that call for a greater degree of judgment to be exercised or that are characterized by a higher degree of complexity, or areas for which assumptions and estimates are of crucial importance for the consolidated financial statements, are set out and explained.

The consolidated financial statements have been prepared on the basis of historical cost qualified by the financial assets and financial liabilities (including financial derivatives) recognized at fair value through profit or loss.

The consolidated financial statements will be approved for publication on 23 April 2008 by the Supervisory Board.

2.2 Consolidation

Subsidiaries are all companies (including special-purpose entities) in which the Group exercises control over finance and business policy; this is normally accompanied by a share of more than 50.0% in the voting rights. When assessing whether the Group exercises control, the existence and impact of potential voting rights that are currently exercisable or convertible are considered.

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

At the point of initial consolidation, assets, liabilities and contingent liabilities identifiable within the scope of a business combination are recognized separately at their fair values at the acquisition date, regardless of the scope of minority interests. Any excess in the cost of the acquisition over the Group’s interest in the fair value of the net assets is recognized 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 recognized directly in the consolidated income statement.

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

Participating interests of between 20.0% and 50.0% whose overall impact on the net assets and results of operations is not of a material nature are not accounted for using the equity method. Participating interests are included in the consolidated financial statements at the lower of cost or fair value.

2.3 Segment Reporting

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

2.4 Goodwill and Other Intangible Assets

2.4.1 Goodwill

Goodwill is the excess of the costs of the company acquisition over the Group's interest in the fair value of the net assets of the acquired company at the acquisition date. Goodwill arising on acquisitions is attributed to intangible assets. Goodwill is subjected to an impairment test once a year and measured at its historical cost less any impairment losses. Reversals of prior impairments are not recognized. Profits and losses arising on the sale of a company include the carrying amount of the goodwill attributed to the company sold.

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

2.4.2 Computer Software

Acquired computer software licenses are recognized at the cost of purchase or cost of production plus the costs of bringing them to a ready-for-use condition. These costs are amortized over the estimated useful life (3 to 5 years, straight-line method), and are shown under "depreciation/amortization and impairment" in the income statement.

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

2.4.3 Other Intangible Assets

Other intangible assets are stated at historical cost and – if subject to wear-and-tear – are amortized over their respective useful lives (3 to 15 years) using the straight-line method, and are shown under "depreciation/amortization and impairment" in the income statement.

2.4.4 Research and Development Costs

Research costs are recognized as current expenditure in accordance with IAS 38. Development costs are capitalized if the criteria of IAS 38 are satisfied. There are no development costs that meet the criteria for capitalization.

2.4.5 Government Grants

Government grants are recognized at fair value if it can be assumed with reasonable assurance that the grants will be received and that the Group has satisfied the necessary conditions for this. Government grants for investments are deducted from cost to arrive at the carrying amount for the assets to which they relate. They are written back in the income statement using the straight-line method over the expected useful life of the related assets. Such grants are received within the framework of investment finance legislation for hospitals.

Government grants received for current business expenses are recognized over the respective periods necessary to match them with the related costs which they are intended to compensate. Government grants are generally given with conditions attached that must be observed within a certain period. Grants promised by government entities in connection with the acquisition of hospitals are also accounted for as described above.

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

2.5 Property, Plant and Equipment

Land and buildings are stated under “property, plant and equipment” and mainly comprise hospital buildings. In the same way as the other items of property, plant and equipment, they are measured at cost less any depreciation. Purchase costs include the expenditure directly attributable to the acquisition. Production costs also include the overheads attributable to production costs.

Subsequent costs are recognized as being attributable to costs of the asset or – where applicable – as a separate asset only if it is probable that future economic benefits associated with the asset will accrue to the Group and if the cost of the asset can be measured reliably. All other repair and maintenance work is recognized as expenditure in the income statement in the financial year in which it is incurred.

Land is not depreciated. All other assets are depreciated using the straight-line method, whereby the purchase costs are written down to the residual carrying amount over the expected useful life of the assets as follows.

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

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

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

2.6 Impairment of Property, Plant and Equipment and Intangible Assets (excl. Goodwill)

On every balance sheet date, the Group assesses whether there are any indications that an asset might be impaired. If such indications exist or if an annual impairment test has to be performed in relation to an asset, the Group estimates the recoverable amount. If it is not possible for independent inflows to be attributed to the individual asset, the recoverable amount is estimated 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 and its value in use. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and it 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/amortization”. On every balance sheet date, a check is performed to establish whether there are any indications that an impairment which was recognized in previous reporting periods no longer exists or might have diminished. If such an indication exists, the recoverable amount is estimated. An impairment which has been previously recognized has to be reversed if, since the time at which the last impairment was recognized, there has been a change in the estimates used for determining the recoverable amount. If this is the case, the carrying amount of the asset has to be increased to the recoverable amount of the asset. However, this must not exceed the carrying amount which would have resulted after the recognition of depreciation if no impairment had been recognized in previous years. Any such reversal of a prior impairment has to be recognized immediately in the result for the period. After a prior impairment has been reversed, the amount of depreciation/amortization in future reporting periods has to be adjusted in order to systematically distribute the revised carrying amount of the asset, less any residual carrying amount, over the residual service life of the asset.

2.7 Financial Assets

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

These financial assets are principally divided into the following categories:

- A financial asset or financial liability at fair value through profit or loss
- Loans and receivables, held-to-maturity investments and
- Available-for-sale financial assets

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

At the balance sheet date, the Group did not have any available-for-sale financial assets.

All purchases and revenues of financial assets are recognized at the settlement date, i.e. the date when the purchase or, as the case may be, the sale is transacted.

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

Financial assets recognized at fair value through profit or loss are recognized at fair value at the date of acquisition; transaction costs are recognized as expenditure.

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

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

If no active market exists for financial assets or if these are assets that are not quoted, the fair values are calculated using suitable calculation methods. These include references to recently concluded transactions between independent business partners, the use of current market prices of other assets that are substantially similar to the asset under consideration, discounted cash flow methods, as well as option price models which make use as far as possible of market data and as little as possible of individual company data. At each balance sheet date, a review is carried out to assess 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 have been classified as held-for-trading (incl. derivatives) right from the very beginning, and financial assets which have been classified as “recognized at fair value through profit or loss” as a result of using the fair-value option if the appropriate criteria are satisfied. A financial asset is assigned to this category if it was acquired principally for the purpose of selling it in the near term, or has been designated accordingly by management. Derivatives are also included in this category if they are not classified as hedges.

The category of “held-for-trading” financial assets under IAS 39 is also applicable for certain hedging instruments which are used for interest hedging in the RHÖN-KLINIKUM Group in accordance with management criteria, but for which IAS 39 has not been applied for hedge accounting. These are derivative financial instruments such as interest-rate caps and options. Assets in this category are shown as current assets if they are held for trading.

2.7.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are deemed to be current assets provided their maturity does not exceed 12 months from the balance sheet date. Otherwise, they are stated as non-current assets. Loans and receivables are reflected on the balance sheet under “Accounts receivable” and “Other receivables”.

2.7.3 Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either explicitly assigned to this category or could not be assigned to any of the other categories described. They are assigned to non-current assets provided that management does not have the intention of selling them within 12 months from the balance sheet date. As of the balance sheet date, there were no available-for-sale financial assets, nor were there any held-to-maturity financial assets.

2.8 Investment Property

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

If we retain beneficial ownership of leased assets as a lessor (operating leases), these assets are identified as investment properties and stated separately in the balance sheet. Leased assets are recognized at cost and depreciated in accordance with the accounting principles for property, plant and equipment. Lease income is recognized on a straight-line basis over the term of the lease.

2.9 Inventories

Inventories at RHÖN-KLINIKUM AG comprise raw materials and supplies. These are measured at the lower of cost (including ancillary costs) and net realizable value. Cost of inventories is determined by the weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.10 Accounts Receivable

Accounts receivable are initially shown at fair value and are subsequently measured at amortized cost less impairments. An impairment is recognized in relation to accounts receivable if there are objective indications that the due receivable amounts are not fully recoverable. The amount of the impairment is recognized in profit or loss under the item "Other expenditure". Major financial difficulties at a debtor and any increased probability of a debtor becoming insolvent may be indications of an impairment of accounts receivable. The amount of any impairment is determined on the basis of the difference between the current carrying amount of a receivable and the cash flows which are expected with the receivable.

2.11 Cash and Cash Equivalents

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

2.12 Shareholders' Equity

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

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

2.13 Financial Liabilities

Financial liabilities comprise liabilities and the negative fair values of financial derivatives. Liabilities are measured at their amortized cost. For current liabilities, this means that they are recognized at their repayment or settlement amount.

Non-current liabilities as well as financial debts, after initial recognition, are stated at fair value after deduction of transaction costs. In the ensuing periods, they are measured at amortized cost; every difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is recognized over the term of the lending in the income statement under the financial result using the effective interest method. Loan liabilities are classified as current liabilities provided that the Group does not have the unconditional right to postpone settlement of the liability to a point in time no earlier than 12 months from the balance sheet date.

2.14 Deferred Tax

Deferred tax is recognized using the liability method for all temporary differences between taxable carrying amounts of the assets and liabilities and the respective IFRS consolidated carrying amounts. If, however, in a transaction which is not a business combination, a deferred tax liability arises from the initial recognition of an asset or liability which at the time of the transaction affects neither accounting nor taxable profit or loss, no deferred tax liability is recognized. Deferred taxes are measured at 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 realized or the deferred tax liability is settled. In connection with the German Company Tax Reform starting 2008, which envisages a reduction of the Corporate tax rate from 25.0% to 15.0%, the reduced tax rate has already been taken into consideration for calculating the deferred taxes. Deferred taxes have been calculated using a Corporate tax rate of 15.0% (plus the 5.5% solidarity surcharge on Corporate tax).

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

Deferred tax liabilities in connection with temporary differences arising from participating interests in subsidiaries are as a rule recognized unless the time of the reversal of the temporary differences can be controlled by the Group and a reversal of the temporary differences is not probable in the foreseeable future.

2.15 Employee Benefits

2.15.1 Pension Obligations and Other Long-Term Benefits due to Employees

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (insurance company or pension fund). The Group does not have any legal or constructive obligation to pay further contributions if this entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that does not fall under the definition of a defined contribution plan. It typically stipulates the amount of pension benefits that an employee will receive on retirement, which is usually dependent on one or several factors, such as age, length of service and salary.

The provision stated in the balance sheet for defined benefit plans is equal to the present value of the defined benefit obligation (DBO) at the balance sheet date, adjusted for cumulative unrecognized actuarial gains and losses and unrecognized past service costs not yet recognized.

The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the expected future cash outflows with the interest rate of high-quality corporate bonds which are issued in the currency in which the benefits are also paid and whose terms are consistent with those of the pension obligation.

Actuarial gains and losses resulting from experience-based adjustments and changes in actuarial assumptions are recognized in profit or loss if the net amount from both of these exceeds the greater of 10.0% of the DBO and of any existing plan assets (corridor method). The amount determined in this way is recognized over the expected remaining term of employment of the employees.

Past service cost is recognized immediately in profit or loss unless changes to the pension plan depend on the employee remaining in the company for a fixed period (period until vesting). In this case, the past service cost is recognized in profit or loss on a straight-line basis over the period until vesting.

In the case of defined contribution plans, the Group pays contributions to public or private pension insurance schemes as a result of a statutory or contractual obligation. The Group has no further payment obligations other than the payment of the contributions. The contributions are recognized in personnel expenditure when due.

On the basis of collective agreement provisions, the Group pays contributions on a pay-as-you-go basis to the federal and state pension scheme (VBL) and other public service pension schemes (ZVK) for a certain number of employees. Both of these are essentially variants of pay-as-you-go plans. Given the numerous VBL and ZVK member companies, these pension schemes must be regarded as multi-employer pension plans, subject to the special rules of IAS 19. According to IAS 19, VBL/ZVK schemes have to be classified as defined benefit plans since the employees are legally entitled to the benefits as defined in the statutes, irrespective of the contributions actually paid. The benefit schemes (VBL/ZVK) constituted under public law and for which, however, the Federal Republic of Germany has given a state guarantee are obliged to fulfill the legal claims of the employees. A subsidiary obligation exists for the employer under certain circumstances only if the Federal Republic of Germany fails to meets its obligations. It would only be appropriate to create a resultant provision if the assets of the funds are not sufficient to cover the obligations and if the Federal Republic of Germany defaults as the guarantor for assuring the claims of the employees. The pro-rata fund assets of the VBL/ZVK attributable to the company have to be used for determining the extent of the provision which is created. For this reason, we have shown these plans as defined contribution plans.

The current contributions to the VBL/ZVK are reflected as expenses for post-employment benefits in the operating earnings.

Provided that membership in VBL and ZVK is continued, there are no other obligations for RHÖN-KLINIKUM companies besides paying in regular contributions.

The other long-term benefits due to employees relate to obligations arising from semi-retirement schemes. These obligations are valued in accordance with IAS 19 by an independent actuarial expert.

The semi-retirement benefits are recognized with the present value of the obligations. During the phase during which the employees continue to work, a fulfillment back-log builds up at the company, as the employees do not receive the full payment for the work which they provide in the work phase (block model). The 2005G mortality tables of Prof. Dr. Klaus Heubeck with a discount rate of 4.7% (previous year: 4.25%) have been used as the basis for calculating the value of the semi-retirement obligations. A salary trend of 2.5% has also been assumed. The top-up amount is recognized immediately through profit-and-loss.

2.15.2 Termination Benefits

Termination benefits are paid if an employee is made redundant before the normal retirement date or accepts voluntary redundancy in return for severance compensation. The Group recognizes severance compensation payments if it is demonstrably committed to terminate the employment of current employees, subject to a detailed formal plan which cannot be rescinded, or is demonstrably committed to pay severance compensation if employees accept voluntary redundancy. Termination benefits which fall due more than 12 months after the balance sheet date are discounted to their present value.

2.15.3 Directors' Fees and Profit-Sharing Bonuses

Directors' fees and profit-sharing bonuses are recognized as liabilities using a valuation method based on the consolidated result or the results of the consolidated subsidiaries. The Group recognizes a liability in the cases in which a contractual obligation exists or a constructive obligation arises from a past practice.

2.16 Provisions

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

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

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

2.17 Realization of Revenue

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

2.17.1 Inpatient and Outpatient Hospital Services

Hospital services are recognized by reference to the stage of performance based on the proportion of the services rendered to aggregate services rendered in the financial year in which the services are performed. Consideration agreed with the payers is essentially invoiced at flat remuneration rates depending on duration of stay (in particular diagnosis-related groups). In certain segments, daily nursing rates are invoiced.

Hospital services are capped under an agreed budget during the convergence phase (gradual transition until 2009 from hospital-specific base rates to uniform base rates at the Federal State level). As a result, service volumes exceeding the budget and service volumes falling short of the budget are offset by statutory provisions.

2.17.2 Interest Revenue

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

2.17.3 Dividend Revenue

Dividend revenue is recognized 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 actually acquired assets. The assets are capitalized and written down over their normal economic life; the future lease payments are shown with their present value as liabilities.

Leasing transactions are classified as operating leases if substantially all the risks and rewards incidental to ownership remain with the lessor. Payments made in connection with an operating lease are recognized on a straight-line basis over the term of the lease in the income statement.

2.19 Borrowing Costs

Borrowing transaction costs have been deducted from the corresponding items and are distributed using the effective-interest method. The interest is recognized as current expense.

2.20 Dividend Payments

Shareholders’ claims to dividend payments are recognized as a liability in the period in which the corresponding resolution is adopted.

2.21 Financial Risk Management

2.21.1 Financial Risk Factors

The assets, liabilities and planned transactions of RHÖN-KLINIKUM AG are exposed in particular to the following risks:

- Credit risk
- Liquidity risk
- Interest risk

The aim of financial risk management is to limit the risks attributable to current operating and finance-oriented activities. Selective derivative and non-derivative (e.g. fixed-interest loans) instruments are used for this purpose. Derivative financial instruments are used exclusively as hedging instruments, i.e. they are not used for trading or other speculative purposes. Such hedges for limiting the default risk are taken out only with leading financial institutions with a credit rating of min. BBB+/Baa1. Risk management is conducted by the CFO in line with the guidelines adopted by the Board of Management and the Supervisory Board. He identifies, measures and hedges financial risks in close co-operation with the operative units of the Group. The CFO defines both the principles for interdivisional risk management and the guidelines for certain areas such as the management of interest and credit risks, the use of derivative and non-derivative financial instruments as well as the investment of liquidity surpluses.

2.21.2 Credit Risk

The Group provides more than 90% of its services to members of the statutory social insurance scheme, and the remainder to persons who pay medical invoices themselves and who have taken out private health insurance. There are no significant concentrations with respect to individual payers. The hospital services as a rule are settled by payers within the legally prescribed period. With regard to the default risks in financial 2007, please refer to our comments under the point 7.6 “Accounts receivable, other receivables and other financial assets”.

2.21.3 Liquidity Risk

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

2.21.4 Interest Risk

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

Of the financial liabilities existing throughout the Group, 49.3% was subject to a fixed interest rate and 50.7% was subject to a floating interest rate as of the balance sheet. Cash at banks was 100.0% invested with a floating interest rate, or a fixed interest rate was only applicable for short-term investments (less than three months).

Interest rate risks are monitored by means of sensitivity analyses. These represent the effects of changes in market interest rates on interest payments, interest income and interest costs, other result components and where appropriate shareholders’ equity. The interest sensitivity analyses are based on the following assumptions:

- All fixed-interest financial instruments measured at amortised cost are not subject to any interest rate risk.
- Changes in market rates have an impact on the net interest income attributable to floating-interest financial instruments, and are accordingly included in the sensitivity analysis.
- As was the case in previous year, interest caps and interest swaps were again used for limiting interest rate risks in financial year 2007. The market value of these instruments is exposed to risks attributable to interest rate changes.

If the level of market interest rates had been 100 basis points higher as of the balance sheet date, financial result would have been € 4.8 million higher. If the level of market interest rates had been 100 basis points lower, the financial result would have been € 2.3 million lower.

The theoretical impact of rising interest rates on the financial result is attributable to the potential effects of the floating-interest liabilities (€ -3.4 million), the effects attributable to the floating-interest cash at banks (€ 1.6 million) as well as the impact attributable to the change in value of derivatives (€ 6.6 million).

The theoretical impact of an ad hoc fall in interest rates on the financial result is attributable to the effects of the floating-interest liabilities (€ 3.4 million), the effects attributable to the floating-interest cash at banks (€ -1.6 million) as well as the effects attributable to the change in value of derivatives (€ -4.1 million).

2.21.5 Management of Shareholders' Equity and Debt

The aim of management with regard to the handling of shareholders' equity and debt is to adopt a strict policy of matching maturities (horizontal balance sheet structure) of the source of funds and the application of funds. Long-term assets should be funded on a long-term basis. The items of shareholders' equity and long-term debt shown in the balance sheet are included under the source of long-term funds. This ratio should be at least 100%, and amounted to 105.0% in the year under review (previous year: 100.6%). Long-term application of funds relates to financial assets and property, plant and equipment. Although with our personnel ratio of more than 50% we are frequently attributed to the services sector, our business model has a long-term focus and is initially investment-driven. A job at our company costs around T € 100. We intend to ensure that the investment costs are sustainably backed by at least 35% equity. As of 31 December 2007, this ratio at the Group level was 39.1% (previous year: 36.8%).

We also manage Group growth by way of appropriate measures for equity via resolutions regarding the appropriation of profits for the included companies. With regard to retaining parts of net income, we continue to focus on the equity ratio at the Group level.

In order to finance further sound growth by way of equity, management had authorized capital of € 129.6 million approved until 31 May 2012 by the last shareholders' meeting held on 31 May 2007.

With regard to the use of debt, we focus on the following management ratios for minimizing risks. Our aim is to achieve a maximum three-fold multiple for the ratio between net debt (= debt less cash and cash equivalents) and EBITDA and to achieve a maximum six-fold multiple for the ratio between EBITDA and net financial result.

Net debt must not exceed three times (3.0) EBITDA € 249.3 million (previous year: € 221.2 million). The maximum limit in financial year 2007 would be € 747.9 million (previous year: € 663.6 million). This ratio was met in the year under review, with a ratio of 2.0 (previous year: 2.0).

The financial result from the consolidated income statement multiplied by a factor of six must not be less than the figure of EBITDA for the financial year. For the financial year 2007, EBITDA was € 249.3 million and financial result was € 20.4 million. The resultant ratio of 12.2 (previous year: 10.8) provides considerable further credit scope, and an additional cushion can be provided for interest rate increases.

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

3 CRITICAL ESTIMATES AND ASSESSMENTS IN ACCOUNTING AND VALUATION

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

The Group makes assessments and assumptions relating to the future. The estimates derived from these of course only rarely reflect actual future circumstances. These uncertainties in particular concern the following:

- The planning parameters taken as a basis of the impairment test for goodwill
- Assumptions made in determining pension obligations
- Assumptions and probabilities for determining provision requirements
- Assumptions relating to the credit risk of accounts receivable

The estimates and assumptions that entail a significant risk of a substantial adjustment in carrying amounts of assets and liabilities during the next financial year are discussed in the following.

3.1 Estimated Impairment of Goodwill

To determine goodwill at fair value less costs to sell, the operating cash flows of the individual hospitals were discounted using the weighted average cost of capital (WACC) after tax of 6.6% (previous year: 6.1%). Based on this calculation, no impairment requirement was ascertained. With the cash flow from the hospitals, according to the values on the date of measurement, the Group is also able to operate free from losses based on an assumed alternative investment of 7.4% (previous year: 7.5%).

3.2 Revenue Realization

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

In order to create planning and revenue certainty, the regulations normally provide for prospective remuneration agreements. In practice, however, these negotiations take place only in the course of the financial year or even thereafter, creating uncertainties as to the remunerated service volume at the balance sheet date. These are reflected in the balance sheet through objective estimates either as claims or liabilities. Past experience has shown that the inaccuracies relating to the estimates represent well under 1.0% of our revenues.

The Group generates over 90.0% of its revenue from the statutory health insurance funds. As a general rule, the various budgets for the individual hospitals are defined together with the statutory health insurance funds at the beginning of each year. The agreed volumes and the aggregate budget results in the individual hospital base rate that serves as a basis for calculating the prices of DRGs. DRGs are valued nationally on a uniform basis through the DRG catalogue. The valuation ratios are reviewed and adjusted each year by InEK (Institut für das Entgeltsystem im Krankenhaus GmbH).

If the actual volumes exceed or fall short of the agreed total budget, only the additionally incurred variable costs are paid for additional services, or only the variable costs which have not been incurred are deducted in relation to the reduced services which have been provided (fixed rates are used for this purpose). Remuneration agreements existed at almost all hospitals at the point at which the consolidated balance sheet was prepared; this meant that it was possible for any additional revenue payments or reduced revenue payments to be calculated precisely. In hospitals in which no budget agreements had yet been concluded for 2007, we adhered strictly to the legal framework conditions in our accounting. We assume that the agreements for 2007 will not have any negative impact on the result in 2008.

3.3 Income Taxes

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

For determining the actual value of deferred tax assets, it is essential to assess the likelihood of the reversal of the valuation differences and the extent to which it is possible to use the tax loss carry forwards that led to the recognition of deferred tax assets. This depends on the generation of future taxable profits during the periods in which tax valuation differences are reversed and tax loss carry forwards can be utilized. Uncertainties exist with regard to the interpretation of complex tax regulations and the amount and timing of future taxable income that result in changes in the tax result in future periods. The Group forms adequate provisions for the possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience from past tax audits and differing interpretations of substantive tax law by the taxable entity and the competent tax authorities on specific issues.

4 COMPANY ACQUISITIONS

The ultimate parent company is RHÖN-KLINIKUM Aktiengesellschaft with registered offices in Bad Neustadt a.d. Saale. The Group of consolidated companies comprises RHÖN-KLINIKUM AG (as the parent company) as well as 86 domestic subsidiaries.

With effect from 1 April 2007, the hospital in Köthen (264 approved beds) was completely acquired by way of an asset deal by a shell company of RHÖN-KLINIKUM AG.

			Costs			Earnings share since inclusion in consolidated financial statements	
Initial consolidation parameters	Date of acquisition	Interest acquired	Purchase price cash	Ancillary costs	Total	Revenue	Earnings
		%	€ million	€ million	€ million	€ million	€ million
Krankenhaus Köthen GmbH	1 April 2007	100.0	8.8	0.1	8.9	21.0	-0.2

On the basis of the provisional purchase price allocation, the integration of Krankenhaus Köthen GmbH has had the following impact on the net assets of the Group:

Krankenhaus Köthen GmbH	Carrying amount before acquisition	Adjustment amount	Carrying amount after acquisition
	€ million	€ million	€ million
Acquired assets and liabilities			
Intangible assets	0.1		0.1
Property, plant and equipment	3.9	2.7	6.6
Accounts receivable	2.9	0.2	3.1
Other assets	4.7	-1.8	2.9
Financial debt	-0.8		-0.8
Accounts payable	-1.1	-1.2	-2.3
Other liabilities	-3.0	-2.2	-5.2
Net assets acquired			**4.4**
+ Goodwill			4.5
Purchase price			**8.9**
less outstanding payments			-0.5
plus acquired short-term debt			0.8
Cash outflow on transaction			**9.2**

The goodwill resulting from the acquisition of Krankenhaus Köthen GmbH essentially reflects the revenue opportunities as well as the reorganization potential. As part of the process of purchase price allocation, the inclusion in the hospital requirement plan as a transaction similar to a concession in particular did not have to be identified as a separate intangible asset. If the acquisition had taken place as of 1 January 2007, Group revenues would have been € 2,031.7 million, and consolidated net income before the profit distribution would have been € 111.0 million.

As agreed, a further purchase price tranche of € 3.6 million was paid in the financial year in connection with the acquisition of Klinikum Salzgitter GmbH from 2005 after the appropriate criteria had been satisfied; this resulted in a corresponding increase in goodwill.

In financial year 2007, we acquired a 51.0% majority stake in each of two service companies of cooperation partners. In view of the insignificance of the acquired assets and liabilities in relation to the net assets of the Group, we have not detailed the purchase price allocation. Cash of € 1.2 million was received as part of the acquisition.

5 SEGMENT REPORTING

Our hospitals are operated in the legal form of independent subsidiaries which carry on their business activities in their respective regional markets in line with the guidelines and specifications of the parent company. There are no dependent hospital operations or branches within RHÖN-KLINIKUM AG.

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

RHÖN-KLINIKUM AG operates on the German market, exclusively, which is highly homogenized due to uniform regulations under federal law. As a result, our acute hospitals' business risks and opportunities are the same in the various federal states. The Rehabilitation division as well as the other areas which serve the acute-care hospitals (medical supply centers, service companies) do not meet the size criteria in accordance with IAS 14 (revised 1997), which means that there are no segments subject to reporting requirements.

6 NOTES TO THE CONSOLIDATED INCOME STATEMENT

6.1 Revenues

The development of revenues has been as follows:

	2007	2006
	€ million	€ Mio
Business areas		
Inpatient hospitals	1.879.4	1.797.7
Acute outpatient hospitals	105.3	97.0
Rehabilitation hospitals	40.1	38.3
	2,024.8	**1,933.0**
Federal states		
Bavaria	445.5	441.3
Lower Saxony	328.8	318.8
Saxony	264.4	254.2
Thuringia	262.6	250.7
Brandenburg	97.3	93.5
Baden-Wuerttemberg	109.1	110.3
Hesse	465.9	436.4
North Rhine-Westphalia	30.2	27.8
Saxony-Anhalt	21.0	0.0
	2,024.8	**1,933.0**

Of the increase in revenues, € 21.0 million (22.9%) is attributable to acquisitions which took place in the course of financial year 2007. Taking account of the effects of acquisitions which took place in the course of the previous year, internal revenue growth in 2007 was around 2.3%.

6.2 Other Operating Income

Other operating income comprises:

	2007	2006
	€ million	€ million
Income from services rendered	104.2	90.2
Income from adjustment of receivables	3.1	4.7
Income from grants and other allowances	13.7	11.5
Income from the release of provisions	1.3	1.9
Indemnities received	1.0	0.8
Other	12.8	9.8
	136.1	**118.9**

Income from services rendered includes income from ancillary and incidental activities as well as income from rental and lease agreements.

The Group received grants and other allowances as compensation for current expenditures (e.g. use of subsidized assets of the hospitals, employment of persons carrying out social work as an alternative to military service, benefits under German legislation governing part-time employment for senior workers, and for other subsidized measures).

The increase in other operating income is attributable particularly to consolidation effects (initial consolidations of Universitätsklinikum Gießen und Marburg GmbH as of 1 February 2006 and Krankenhaus Köthen GmbH as of 1 April 2007) as well as the commissioning of ten service companies as of 1 January 2007.

6.3 Material and Consumables Used

	2007	2006
	€ million	€ million
Expenditure for materials and supplies	414.6	377.8
Expenditure for services	81.9	114.1
	496.5	**491.9**

Compared with the previous year, the material and consumables used increased by € 4.6 million to € 496.5 million. Whereas the costs of raw materials and supplies increased by € 36.8 million, the costs of purchased services declined by € 32.2 million. The costs of raw materials and supplies are mainly attributable to consolidation effects and the commissioning of service companies.

Compared with the previous year period, the material ratio declined slightly, whereas the personnel ratio increased slightly. This is due mainly to the impact of the commissioning of our ten service companies. Whereas the services which in the previous year were insourced were completely shown under purchased services in material and consumables used, the proportion of personnel costs in financial year 2007 is shown under employee benefit expenses.

6.4 Employee Benefit Expenses

	2007	2006
	€ million	€ million
Wages and salaries	992.7	916.9
Social insurance contributions	82.6	86.8
Expenditure for post-employment benefits		
defined contribution plans	127.3	123.0
defined benefit plans	1.4	1.1
	1,204.0	**1,127.8**

Expenditures for the defined contribution plans concern payments to the supplementary insurance funds (Zusatzversorgungskassen – ZVK) and to the federal and state pension scheme (Versorgungsanstalt der Länder – VBL). The defined benefit plans relate to the benefit commitments of Group companies, and comprise commitments for retirement pensions, invalidity pensions and pensions for surviving dependants as well as severance payments for members of the Board of Management after termination of the employment agreement.

Employee benefit expenses include a figure of € 0.7 million for severance payments.

Of the figure shown for the increase in employee benefit expenses, € 14.5 million is attributable to consolidation effects of financial year 2007 and € 39.0 million is attributable to the commissioning of our service companies. Adjusted by other consolidation effects which took place in the course of financial year 2006 (initial consolidation of Universitätsklinikum Gießen und Marburg GmbH as of 1 February 2006), employee benefit expenses declined by € 2.5 million (0.2%), despite wage and salary increases agreed in the course of collective bargaining negotiations.

6.5 Depreciation/Amortization and Impairment

In addition to depreciation in relation to intangible assets, property, plant and equipment and investment property, this item also includes increased depreciation for adjusting the residual carrying amount to the changed residual useful life of buildings in a total amount of € 1.2 million (previous year: € 2.7 million). In addition, risk-oriented impairments totalling € 3.2 million were recognized to adjust the carrying amounts of property to the lower fair values less costs to sell.

6.6 Other Operating Expenses

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

	2007	2006
	€ million	€ million
Maintenance	70.5	66.5
Charges, subscription and consulting fees	45.6	41.8
Administrative and IT costs	18.0	17.6
Impairments on receivables	7.0	10.4
Insurance	10.8	10.8
Rents and leaseholds	8.2	8.1
Travelling, entertaining and representation expenses	5.5	4.5
Other personnel and continuing training costs	7.8	6.1
Losses on disposal of non-current assets	1.2	0.8
Secondary taxes	0.9	0.8
Other	35.6	43.7
	211.1	**211.1**

The additional costs resulting from changes in the Group of consolidated companies are opposed by Group-wide savings of the same amount.

6.7 Research Costs

The Group's annual research costs amount to approx. 4.0% of revenues (previous year: 4.0%). They are primarily made up of employee benefit expenses and other operating expenses. As part of the process of acquiring the two university and science locations Gießen and Marburg, we have undertaken to provide at least € 2.0 million every year to the two medical faculties.

6.8 Financial Result – Net

Financial result is broken down as follows:

	2007	2006
	€ million	€ million
Finance income		
Cash at banks	7.3	6.8
Profits due to change in the market value of derivative financial instruments	2.4	0.4
Other interest income	0.5	0.0
	10.2	**7.2**
Finance expenditure		
Bonds	4.0	3.9
Liabilities to banks	26.3	23.4
Other interest expenses	0.3	0.3
	30.6	27.6
	-20.4	**-20.4**

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

The total net income under IFRS 7 for financial assets and liabilities which are not included in the category "financial assets and liabilities shown at fair value in profit or loss" amounted to € 24.2 million in financial year 2007 (previous year: € 14.3 million), and comprises income of € 6.1 million (previous year: € 6.3 million) and expenses of € 30.3 million (previous year: € 20.6 million).

6.9 Income Taxes

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

Income tax comprises the following:

	2007	2006
	€ million	€ million
Current income tax	36.4	35.0
Deferred taxes	-10.5	2.4
Refund claims pursuant to section 37 KStG	0.0	-20.8
	25.9	**16.6**

Compared with the previous year, the income tax expense increased by € 9.3 million to € 25.9 million as a result of various legal changes which resulted in one-off tax effects in the previous year and also in the current year. The figure shown for the previous year benefited from the capitalization of corporate tax netting credits. The income tax expense increased to 18.9% (previous year: 13.2%).

In connection with the 2008 Corporate Tax Reform, which envisages a reduction in the corporate tax rate from 25.0% to 15.0% starting 1 January 2008, the reduction of the tax rate has already been taken into consideration for determining the deferred taxes. The revaluation of deferred taxes in relation to temporary differences, which will be reversed after the 2008 assessment period, has had the effect of improving results by € 8.6 million.

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

	2007		2006	
	€ million	%	€ million	%
Earnings before taxes	**137.1**	**100.0**	**125.7**	**100.0**
Nominal tax expense (tax rate 25%)	34.3	25.0	31.4	25.0
Solidarity surcharge (tax rate 5.5%)	1.9	1.4	1.7	1.4
Additional expense from dividend payment	0.9	0.7	0.8	0.6
Increase in tax liability due to non-deductible charges	0.2	0.1	0.5	0.4
Taxes, previous year	0.0	0.0	2.0	1.6
Corporation tax offset credit section 37 KStG	0.0	0.0	-20.8	-16.6
Goodwill amortisation	-0.9	-0.7	-0.7	-0.6
Derecognition of previous loss carry forwards	0.0	0.0	5.0	4.0
Revaluation of deferred taxes	-8.6	-6.3	0.0	0.0
Other	-1.9	-1.4	-3.3	-2.6
Effective income tax expense	**25.9**	**18.9**	**16.6**	**13.2**

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

6.10 Minority Interests in Profit

These are profit shares to which other owners are entitled.

6.11 Earnings per Share

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

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

	No. of shares 1 Jan. 2007	No. of shares 31 Dec. 2007
Ordinary shares	51,840,000	103,680,000
Treasury shares	-13,045	-24,610
	51,826,955	**103,655,390**

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

Earnings per share are calculated as follows:

	Ordinary shares
Share in net consolidated profit (€ '000)	106,292
(previous year)	(105,200)
Weighted average number of shares in issue (in '000 units)	103,655
(previous year)	(103,654)
Earnings per share in €	1.03
(previous year)	(1.01)
Dividend per share in €	0.28
(previous year)	(0.25)

Last year, the share capital of RHÖN-KLINIKUM AG was increased out of company funds, and a stock split in the ratio 1:2 was carried out pursuant to a resolution of the shareholders' meeting. We have adjusted the previous year figures accordingly.

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

[1] *incl. acquisitions*

	Goodwill	Other intangible assets	Total
	€ million	€ million	€ million
Cost			
1 January 2006	**83.9**	**13.3**	**97.2**
Additions due to change in scope of consolidation[1]	149.9	0.6	150.5
Additions	0.7	5.7	6.4
Disposals	0.0	0.1	0.1
Transfers	0.0	0.5	0.5
31 December 2006	**234.5**	**20.0**	**254.5**
Cumulative depreciation and impairment			
1 January 2006	**0.0**	**8.3**	**8.3**
Amortization	0.0	3.5	3.5
Disposals	0.0	0.1	0.1
31 December 2006	**0.0**	**11.7**	**11.7**
Balance sheet value at 31 Dec. 2006	**234.5**	**8.3**	**242.8**

[1] *incl. acquisitions*

The item “Other intangible assets” primarily includes software.

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

Goodwill is subject to an annual impairment test for the respective cash-generating unit (each hospital). This impairment test is carried out annually as of October 1. The carrying amount of the cash-generating unit is compared with the recoverable amount for the unit, which was determined as the fair value less costs to sell of the unit. The fair value is calculated on the basis of a cash flow-oriented valuation method (DCF method). A corresponding present value is calculated on the basis of a detailed ten-year plan and subsequent recognition of a perpetual yield. A growth discount of -0.5% (previous year: -0.5%) has been used for calculating the present value of the perpetual yield. This forms an integral part of the company’s planning and is accordingly based on management’s actual expectations for the respective unit as well as on the statutory conditions in the health 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, modernization measures) can be correctly recognized. At the end of the year, a review is carried out in order 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 2007.

The weighted cost of capital of a potential investor from the healthcare sector is taken as the discount rate at the time of valuation, with due consideration being given to a tax shield arising from theoretical debt financing. For 2007, we have defined this discount rate as 6.6% (previous year: 6.1%). Significant goodwill relates to the following cash-generating units:

Company	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Universitätsklinikum Gießen-Marburg GmbH	140.0	140.0
Zentralklinik Bad Berka GmbH	13.8	13.8
Klinikum Hildesheim GmbH	13.6	13.6
Klinikum Salzgitter GmbH	10.1	6.5
St. Elisabeth-Krankenhaus GmbH[1]	9.1	9.1
Krankenhaus Waltershausen-Friedrichroda GmbH	6.2	6.2
Klinikum Pirna GmbH	6.0	6.0
Klinikum Pforzheim GmbH	5.8	5.8
Kreiskrankenhaus Gifhorn GmbH	5.6	5.6
Krankenhaus Köthen GmbH	4.5	0.0
Amper Kliniken AG	5.2	5.2
Other goodwill of less than € 5.0 million	22.7	22.7
	242.6	**234.5**

[1] *After the merger as of 1 January 2007 with Heinz Kalk-Krankenhaus GmbH and Krankenhaus Hammelburg GmbH*

7.2 Property, Plant and Equipment

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

[1] *incl. acquisitions*

	Land and buildings	Technical equipment, plant and machinery	Operational and office equipment	Plant under construction	Total
	€ million	€ million	€ million	€ million	€ million
Cost					
1 January 2006	**1,035.4**	**42.6**	**233.7**	**50.2**	**1,361.9**
Additions due to change in scope of consolidation[1]	41.2	0.1	8.3	0.0	49.6
Additions	52.7	6.1	82.2	46.1	187.1
Disposals	0.5	0.5	14.2	0.9	16.1
Transfers	40.6	1.8	1.2	-44.1	-0.5
31 December 2006	**1,169.4**	**50.1**	**311.2**	**51.3**	**1,582.0**
Cumulative depreciation and impairments					
1 January 2006	**216.1**	**26.8**	**145.5**	**0.0**	**388.4**
Depreciation	31.0	3.4	34.3	0.0	68.7
Impairments	2.7	0.0	0.0	0.0	2.7
Disposals	0.1	0.3	13.4	0.0	13.8
Transfers	0.0	0.3	-0.3	0.0	0.0
31 December 2006	**249.7**	**30.2**	**166.1**	**0.0**	**446.0**
Balance sheet value at 31 Dec. 2006	**919.7**	**19.9**	**145.1**	**51.3**	**1,136.0**

[1] *incl. acquisitions*

The Group has registered charges on real property as collateral for bank loans with a total residual carrying amount of € 68.4 million (previous year: € 111.5 million).

Public grants related to assets are deducted from the cost of the asset for which they are given, reducing the depreciation over the period. The deducted amortized amount of assistance which was granted under the Hospital Financing Act and which was invested in line with the applicable conditions totals € 781.8 million (previous year: € 801.3 million). To secure conditionally repayable single grants under the Hospital Financing Act (e.g. for the construction of new hospitals or major extensions) totaling € 222.6 million (previous year: € 259.0 million), the Group has registered charges on real property in the amount of € 388.1 million (previous year: € 407.1 million). Nothing has come to the attention of the Group to indicate that these grants will have to be repaid.

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

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Costs of purchase – capitalized assets from finance lease	10.2	8.8
Cumulative depreciation	5.8	2.1
Net carrying amount	4.4	6.7

7.3 Income Tax Claims

Corporate tax netting credits shown under this item comprise claims in accordance with section 37 KStG (latest version) which are paid out in ten equal annual instalments during the period between 2008 and 2017. They are shown with their present value of € 20.6 million, and are measured on the basis of a historical interest rate of 4.0% which is commensurate for the term.

7.4 Other Assets (Non-Current)

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Participating interests	0.2	0.1
Other financial assets	1.4	1.3
Balance sheet value at 31 Dec.	**1.6**	**1.4**

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

7.5 Inventories

Materials and supplies of € 39.8 million (previous year: € 39.0 million) mainly consist of medical supplies. Impairments of € 4.3 million (previous year: € 4.4 million) have been deducted. All inventories are owned by the RHÖN-KLINIKUM Group. There are no assignments or pledges of inventories.

7.6 Accounts Receivable, Other Receivables and Other Assets (Current)

	31 Dec. 2007 < 1 year	31 Dec. 2006 < 1 year
	€ million	€ million
Accounts receivable (gross)	293.7	278.1
Impairments on accounts receivable	-17.9	-17.4
Accounts receivable (net)	275.8	260.7
Receivables under the Hospital Financing Act	33.0	22.8
Other receivables	35.3	43.9
Other financial assets	14.4	12.6
	358.5	**340.0**

Accounts receivable totaling € 275.8 million (previous year: € 260.7 million) reflect identifiable risks from impairments, which are determined on the basis of the likelihood of a default. Additions to impairments are shown under other operating expenses in the income statement, and reversals of impairments are shown under other operating income. There are no concentrations of credit risks in relation to accounts receivable, because virtually all the public payers are legal entities not subject to insolvency.

Receivables under the Hospital Financing Act mainly relate to compensation claims for services rendered under federal hospital compensation legislation (Hospital Remuneration Act – Krankenhausentgeltgesetz) and the Federal Nursing Rate Ordinance (Bundespflegesatzverordnung).

Other receivables include reimbursement claims against insurers for loss events in the amount of € 4.0 million. No write-ups or impairments have been recognized in relation to the other receivables.

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

The other assets show derivative financial instruments (interest swaps and interest caps) as well as short-term securities with their market values. The increase is due to the revaluation of derivative financial instruments which has become necessary as a result of the change in the level of interest rates.

The maturity structure of the trade accounts receivable is shown in the following:

	Carrying amount	Thereof: Neither impaired nor overdue as of the reference date	Thereof: Not impaired as of the reference date and overdue in the following periods		
			0-30 days	31-90 days	91-180 days
	€ million	€ million	€ million	€ million	€ million
31 December 2007					
Trade accounts receivable	293.7	215.3	44.9	9.7	4.7
31 December 2006					
Trade accounts receivable	278.1	202.2	40.4	7.6	4.4

With regard to the trade accounts receivable which are neither impaired nor overdue, there are no indications as of the reference date that the debtors will not meet their payment obligations.

The company uses age structure lists and past experience as the basis for estimating the percentage of irrecoverable trade accounts receivable as of the balance sheet date in relation to the period of time overdue. In addition, the Group recognizes individual allowances if, as a result of particular circumstances, it is not likely that trade accounts receivable will be recoverable.

Compared with the previous year, the allowances relating to trade accounts receivable have increased from € 17.4 million by € 0.5 million to € 17.9 million.

Trade accounts receivable were derecognized in the income statement in the amount of € 4.0 million in financial year 2007 (previous year: € 8.8 million). Settlement mechanisms in accordance with KHEntgG partially compensated for these defaults. Inflows of € 0.6 million (previous year: € 1.1 million) were recognized in the income statement in relation to previously derecognized trade accounts receivable.

7.7 Current Income Tax Claims

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

7.8 Cash and Cash Equivalents

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Cash and cash equivalents	121.8	141.0
Cash in hand and cash in banks	48.3	35.1
	170.1	**176.1**

The effective interest rate for short-term bank deposits was 3.2% (previous year: 2.7%). These deposits have an average term of 30 days.

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

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Cash and cash equivalents	170.1	176.1
Bank overdrafts	-5.4	-20.3
	164.7	**155.8**

7.9 Shareholders' Equity

The share capital of RHÖN-KLINIKUM AG was increased in financial year 2007 by € 207,360,000 to € 259,200,000 pursuant to a resolution of the shareholders' meeting of 31 May 2007 in accordance with the regulations of the Aktiengesetz regarding capital increases out of company funds (sections 207 et seq. AktG). The increase was carried out by converting an amount of € 207,360,000 from the other reserves shown in the balance sheet as of 31 December 2006. After the capital increase had been recorded in the commercial register, the share capital was split in the ratio 1:2 pursuant to a resolution of the shareholders' meeting of 31 May 2007. As of 31 December 2007, the share capital consists of 103,680,000 no-par-value bearer shares each with a proportionate interest in the subscribed capital of € 2.50 per share.

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

	Number of shares	Arithmetic interest in share capital
		€
Ordinary shares 1 January 2007	**51,840,000**	**51,840,000**
Stock split 1:2	51,840,000	
Ordinary shares 31 December 2007	**103,680,000**	**259,200,000**

The subscribed capital of RHÖN-KLINIKUM AG can be increased by way of an issue of new shares in return for cash contributions. As of 31 December 2007, RHÖN-KLINIKUM AG had an authorized capital of € 129,600,000 which can be issued up to an amount of € 129,600.00 on one or more occasions until 31 May 2012. The Board of Management is also authorized, with the approval of the Supervisory Board, to define further details with regard to carrying out capital increases out of the authorized capital.

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

The other reserves comprise the earnings generated in prior years of companies included in the consolidated financial statements, to the extent that these earnings have not been paid out to shareholders, as well as effects of consolidation measures.

Treasury shares of € 0.1 million (previous year: € 0.1 million) are deducted from shareholders' equity. Holding of treasury shares developed in the financial year as follows:

	Number
Treasury shares 1 January 2007	**13,045**
Disposals before stock split	365
	12,680
Stock split 1:2	25,360
Disposals after stock split	750
Treasury shares 31 December 2007	**24,610**

In accordance with the provisions of the German Stock Corporation Act, 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. Within the framework of its responsibilities, and as part of the process of preparing the annual financial statements, the Board of Management paid amounts from net income into retained earnings, and calculated these amounts in such a way that the remaining cumulative profit precisely corresponds to the proposed dividend payment of € 0.28 (€ 0.25 after the stock split) per share. The Board of Management of RHÖN-KLINIKUM AG therefore proposes to the shareholders' meeting that the cumulative profit of € 29.0 million (previous year: € 37.3 million should be used completely for paying out a dividend of € 0.28 per ordinary shares (previous year: € 0.25 after the stock split).

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

Minority interests of € 41.1 million (previous year: € 37.6 million) relate to direct or indirect shares of outside shareholders in the shareholders' equity of the following consolidated subsidiaries:

	Outside shareholder' interests	
	31 Dec. 2007	31 Dec. 2006
	%	%
Hospitals		
Amper Kliniken Dachau AG, Dachau	25.1	25.1
Frankenwaldklinik Kronach GmbH, Kronach	5.1	5.1
Kliniken München Pasing und Perlach GmbH, Munich	6.3	0.0
Klinikum Pforzheim GmbH, Pforzheim	5.1	5.1
Klinikum Salzgitter GmbH, Salzgitter	5.1	5.1
Kreiskrankenhaus Gifhorn GmbH, Gifhorn	4.0	4.0
Städtisches Krankenhaus Wittingen GmbH, Wittingen	4.0	4.0
St. Elisabeth-Krankenhaus Bad Kissingen GmbH, Bad Kissingen (formerly: Krankenhaus Hammelburg GmbH, Hammelburg)	1.5	5.1
Universitätsklinikum Gießen und Marburg GmbH, Gießen	5.0	5.0
Zentralklinik Bad Berka GmbH, Bad Berka	12.5	12.5
MVZ companies		
MVZ Universitätsklinikum GmbH, Gießen	5.0	5.0
MVZ Universitätsklinikum Marburg GmbH, Marburg	5.0	5.0
Service companies		
Dienstleistungs- und Service Gesellschaft Kronach mbH, Kronach	0.0	5.1
KDI Klinikservice GmbH, Dachau	25.1	25.1
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	49.0	0.0
RK-Cateringgesellschaft Nord mbH, Bad Neustadt a. d. Saale	49.0	0.0
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	49.0	0.0
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	49.0	0.0
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a. d. Saale (formerly: UKM ServiceGmbH Marburg, Marburg)	49.0	51.5
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a. d. Saale	49.0	0.0
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale (formerly: UKG Dienstleistungsgesellschaft GmbH Gießen, Gießen)	49.0	51.5
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	49.0	0.0
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	49.0	0.0
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	49.0	0.0
SGHi-Service-Gesellschaft Hildesheim GmbH, Hildesheim	49.0	49.0
Other companies		
Altmühltalklinik-Leasing-GmbH, Kipfenberg	49.0	49.0
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	25.1	25.1
incos Gesellschaft für Informations- und Kommunikationsmanagement mbH, St. Wolfgang	0.0	56.5
Kurverwaltung Bad Neustadt GmbH, Bad Neustadt a. d. Saale	40.0	40.0

7.10 Financial Debt

	31 Dec. 2007		31 Dec. 2006	
	Residual term > 1 year	Residual term up to 1 year	Residual term > 1 year	Residual term up to 1 year
	€ million	€ million	€ million	€ million
Non-current financial debt, bond	109.6	1.9	109.4	1.9
Liabilities to banks	546.9	12.0	457.2	26.3
Total non-current financial debt	**656.5**	**13.9**	**566.6**	**28.2**
Current financial debt				
Liabilities due to banks	0.0	5.4	0.0	20.3
Negative market values of derivative financial instruments	0.0	0.3	0.0	0.7
Total current financial debt	**0.0**	**5.7**	**0.0**	**21.0**
Total financial debt	**656.5**	**19.6**	**566.6**	**49.2**

RHÖN-KLINIKUM AG issued a bond on the capital market in the amount of € 110.0 million in financial year 2005. The term of the bond runs from 7 July 2005 until 7 July 2010. The coupon will pay a nominal rate of 3.5%. Interest will be paid in arrears on 7 July of each year, for the first time on 7 July 2006. The transaction costs totaled € 0.8 million and are written back using the effective interest method.

In financial year 2006, a syndicated loan was taken out by RHÖN-KLINIKUM AG under the lead management of Dresdner Bank AG, Luxembourg branch, for financing investments. The minimum term of the agreement is six years, with a credit limit of € 400.0 million. As of the reference date 31 December 2007, € 285.0 million of the total volume had been drawn down. The term-linked interest rate is between 4.19% p.a. and 5.52% p.a. in the year under review. Interest is charged on the credit volume which has not been drawn down at a rate of 0.20% p.a.

In financial 2007, two fixed-interest loans with a total volume of € 90 million and a term until 2017 were taken out in order to reschedule existing floating-rate liabilities; interest is charged on these loans at a rate of 5.23% and 5.13% per annum respectively.

The decline in current bank liabilities is due to rescheduling of non-current debt.

Of the non-current financial debt, variable interest (based on EURIBOR) is charged on € 334.8 million (previous year: € 259.5 million). In order to limit the interest rate risk, we have taken out rate cap agreements which limit the interest rate to 4.0% until the year 2012. The interest fluctuation risks and contractual interest adjustment dates relating to the interest bearing-liabilities are shown as follows:

Interest fluctuation risks and contractual interest adjustment dates

	31 Dec. 2007			31 Dec. 2006		
Duration of fixed interest agreements	Interest rate[1]	Original value	Carrying amount of loans	Interest rate[1]	Original value	Carrying amount of loans
	%	€ million	€ million	%	€ million	€ million
Bond	3.65	110.0	111.5	3.65	110.0	111.3
Liabilities to banks						
2007				4.41	377.1	335.4
2008	5.36	374.9	348.5	4.36	23.1	15.0
2009	4.45	56.0	49.5	4.45	56.0	50.3
2010	3.50	27.8	24.0	4.27	52.3	49.1
2011	4.45	50.9	37.8	3.32	50.4	14.6
2012	5.35	3.6	3.1	5.35	3.6	3.2
2013	0.00	0.0	0.0	4.66	19.6	15.9
>2014	3.60	97.1	96.0			
		610.3	**558.9**		**582.1**	**483.5**
Other liabilities						
		720.3	**670.4**		**692.1**	**594.8**

[1] *Weighted interest rate*

The effective interest rates at the balance sheet date are:

	31 Dec. 2007	31 Dec. 2006
	%	%
Bond	3.65	3.65
Liabilities to banks	5.10	4.24
Liabilities on current accounts to banks	6.31	4.67

The remaining terms of the financial debt are as follows:

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Up to 1 year	19.6	49.2
Between 1 and 5 years	485.2	466.9
More than 5 years	171.3	99.7
Total	**676.1**	**615.8**

Of the financial debt stated, € 55.9 million is secured by registered charges on real property and € 7.0 million is secured by assignment of receivables. The assignment of receivables is attributable to the early disbursement of government grants extended by the Free State of Saxony for financing the new hospital building in Pirna. The receivables were assigned to the Sächsische Aufbaubank.

7.11 Deferred Tax Liabilities

Deferred tax assets and liabilities are netted if there is a recoverable 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. 2007		31 Dec. 2006	
	Assets	Liabilities	Assets	Liabilities
	€ million	€ million	€ million	€ million
Tax loss carry forwards	5.0	0.0	7.6	0.0
Property, plant and equipment	0.0	16.8	0.0	29.5
Interest-bearing debt	0.0	0.7	0.0	0.6
Tax liabilities	0.0	0.6	0.0	0.9
Other assets and liabilities	3.3	3.1	5.1	5.1
Total	**8.3**	**21.2**	**12.7**	**36.1**
Balance		**12.9**		**23.4**

In connection with the Corporate Tax Reform in Germany, which also envisages a reduction in the corporation tax rate from 25.0% to 15.0% starting in 2008, it was necessary to take account of the reduced tax rate for calculating the deferred taxes in the annual financial statements for 2007. The revaluation of deferred taxes in relation to temporary differences, which will be reversed starting 1 January 2008, was recognized in an amount of € 10.0 million in the third quarter of 2007, and had the effect of increasing earnings by € 8.6 million in the whole of 2007.

Deferred tax assets for tax loss carry-forwards are recognized at the amount at which the realization of the tax benefits in connection therewith is probable as a result of future taxable profits. Tax loss carry-forwards in connection with previous hospital take-overs are included in the calculation base for accruing deferred tax assets if they are sufficiently determinable for tax purposes. The tax base used for tax accruals is € 31.4 million (previous year: € 30.6 million). On the balance sheet date, tax losses carried forward which have so far not been utilized amounted to € 39.4 million (previous year: € 35.6 million); no deferred tax assets were recognized in relation to € 8.0 million of this figure. Tax loss carry-forwards can in future reduce in full the current tax result in Germany up to an amount of € 1.0 million without any restriction in terms of time. However, above this amount, only 60.0% of the remaining current tax result can be netted against tax loss carry-forwards. As a result of changes in the law, there will be no further tax loss carry-forwards resulting from hospital acquisitions in future.

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

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

Deferred tax liabilities for non-distributed profits of subsidiaries totaling € 67.3 million, which at the parent company led to non-tax-deductible expenditures amounting to 5.0% of the dividend total, were stated in the consolidated financial statements.

Changes in deferred taxes are shown as follows:

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Deferred tax liability at the beginning of the year	23.4	18.2
Liabilities acquired on company acquisitions	0.0	2.8
Income from revaluation in the income statement	-8.6	0.0
Income from current netting in the income statement	-1.9	2.4
Deferred tax liability at end of year	**12.9**	**23.4**

7.12 Provisions for Post-Employment Benefits

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

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

The obligations arising from defined-benefit plans relate to benefit commitments for five Group companies. These obligations comprise commitments relating to retirement pensions, invalidity pensions and pensions for surviving dependants. Provisions cover commitments to existing eligible employees as well as former employees with vested benefits and pensioners. Benefits are determined on the basis of length of service and pensionable salaries.

Apart from general pension plans, the members of the Board of Management are covered by a plan providing for post-employment compensation benefits. In addition to their regular remuneration, the members of the Board of Management, on termination of their employment as Board members, receive a severance payment depending on the length of service and level of remuneration and not exceeding 1.5 times the last annual remuneration. The scope of the obligation was calculated based on the individual contract terms and not on a uniform retirement age as with the other pension plans.

The cost of defined-benefit plans recognized in the result is broken down as follows:

	2007	2006
	€ million	€ million
Current service cost	0.7	0.6
Interest cost	0.4	0.4
Netted actuarial gains and losses	0.3	0.1
	1.4	1.1

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

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Defined benefit obligation	9.6	9.6
Actuarial gains and losses not yet netted	-1.4	-2.3
Provisions for pensions (defined benefit liability)	**8.2**	**7.3**

	2007	2006
	€ million	€ million
Balance 1 January	**7.3**	**12.9**
Current service cost	0.7	0.6
Interest cost	0.4	0.4
Netted actuarial gains and losses	0.3	0.1
Payments rendered	-0.5	-6.7
Balance 31 December	**8.2**	**7.3**

The calculation is based on the following assumptions:

	31 Dec. 2007	31 Dec. 2006
	%	%
Rate of interest	5.40	4.25
Projected increase in wages and salaries	2.50	1.50
Projected increase in pensions	1.00	1.00

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

	2007	2006	2005
	€ million	€ million	€ million
Defined benefit obligation 31 December	9.6	9.6	14.5
Fair value of plan assets	0.0	0.0	0
Shortfall 31 December	9.6	9.6	14.5
Experience adjustment for plan liabilities	0.3	-0.7	-0.7
Experience adjustment for plan assets	0.0	0.0	0.0

The development in the defined benefit obligation in 2007 is shown in the following:

	2007
	€ million
Balance 1 January	**9.6**
Service time cost	0.7
Interest cost	0.4
Pension payments	-0.5
Actuarial profit/losses	-0.6
Balance 31 December	**9.6**

The pensions which are expected to be payable in 2008 amount to € 0.5 million.

The 2005G mortality tables of Prof. Dr. Klaus Heubeck were again used as the basis of biometric calculations (unchanged compared with last year).

7.13 Other Provisions

Other provisions developed in the financial year as follows:

	1 Jan. 2007	Change in scope of consoli-dation	Con-sump-tion	Write-back	Addition	31 Dec. 2007	of which < 1 year	of which > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	4.8	0.0	0.3	0.5	0.0	4.0	4.0	0.0
Liability risks	18.0	0.0	0.1	0.5	1.5	18.9	18.9	0.0
Provisions for onerous contracts	1.0	0.0	0.6	0.0	0.2	0.6	0.6	0.0
Other provisions	0.4	0.0	0.0	0.0	0.6	1.0	1.0	0.0
	24.2	**0.0**	**1.0**	**1.0**	**2.3**	**24.5**	**24.5**	**0.0**

The provisions for demolition obligations are attributable to contractually agreed services within the framework of company purchase agreements.

The provisions for liability risks relate to claims for damages of third parties. They are opposed by repayment claims of € 4.0 million with regard to insurers; these are shown under other receivables.

Provisions for onerous contracts relate mainly to rental guarantees.

All provisions were utilized in 2008. Compared with the previous year, their maturities are as follows:

	31 Dec. 2007	Thereof < 1 year	Thereof > 1 year	31 Dec. 2006	Thereof < 1 year	Thereof > 1 year
	€ million	€ million	€ million	€ million	€ million	€ million
Demolition obligations	4.0	4.0	0.0	4.8	0.3	4.5
Liability risks	18.9	18.9	0.0	18.0	18.0	0.0
Provisions for onerous contracts	0.6	0.6	0.0	1.0	1.0	0.0
Other provisions	1.0	1.0	0.0	0.4	0.4	0.0
	24.5	**24.5**	**0.0**	**24.2**	**19.7**	**4.5**

Two of the hospitals included in the consolidated financial statements have negotiated with the payers and have agreed budgets which have been approved by the approval authorities on condition that legal action taken by the payers under administrative law does not result in the reversal of the approved budgets for 2004. We do not believe at present that the payers are likely to prevail, and have therefore not recognized possible repayment obligations as liabilities. It is not possible to make a reliable assessment of the impact of this issue. There are no contingent obligations.

7.14 Accounts payable

	31 Dec. 2007		31 Dec. 2006	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Accounts payable	108.0	0.0	166.0	0.0

Accounts payable existed with regard to third parties. Of the total amount of € 108.0 million (previous year: € 166.0 million), € 108.0 million (previous year: € 166.0 million) is due within one year.

7.15 Other Liabilities

	31 Dec. 2007		31 Dec. 2006	
	< 1 year	> 1 year	< 1 year	> 1 year
	€ million	€ million	€ million	€ million
Personnel liabilities	121.3	33.3	114.7	39.8
Deferrals	7.0	0.0	3.9	0.0
Operating taxes and social security contributions	15.8	0.0	19.7	0.0
Payments received	1.4	0.0	1.0	0.0
Other	0.6	2.0	9.0	6.7
Other liabilities (non-financial instruments)	**146.1**	**35.3**	**148.3**	**46.5**
Liabilities under the Hospital Financing Act	129.3	8.4	112.7	6.5
Purchase prices	10.0	2.9	10.0	5.5
Other financial liabilities	63.9	26.2	42.8	23.5
Other liabilities (financial instruments)	**203.2**	**37.5**	**165.5**	**35.5**
Other liabilities (total)	**349.3**	**72.8**	**313.8**	**82.0**

Personnel liabilities mainly relate to performance-linked remuneration, obligations arising from still outstanding vacation entitlement, semi-retirement obligations as well as severance payment obligations.

The liabilities under the German Hospital Financing Act relate to public grants not yet spent in accordance with the conditions for their use granted under state legislation as well as repayment obligations under the Federal Hospital Compensatory Schemes (Federal Hospital Nursing Rate Ordinance – Bundespflegesatzverordnung) and Hospital Remuneration Act (Krankenhaus Entgelt Gesetz).

The purchase prices relate to contractually stipulated obligations subject to conditions.

The carrying amounts of the current monetary liabilities recognized under these items correspond to their fair values. The long-term obligations arising from purchase price payments as well as the long-term other liabilities have been discounted on the basis of historical market rates.

Of the figure stated for other non-current liabilities, € 23.4 million is attributable to obligations arising from research grants due to the University of Gießen and Marburg.

Other liabilities with a residual term of more than five years amount to € 0.2 million (previous year: € 0.2 million).

7.16 Current Income Tax Liabilities

Current income tax liabilities in the amount of € 10.6 million (previous year: € 18.4 million) comprise corporate tax and solidarity surcharge not yet assessed for the past financial year and previous years.

7.17 Derivative Financial Instruments

The Group is exposed to fluctuations of market interest rates with respect to its financial debt and interest-bearing investments. Our long-term financial debt totalled € 670.4 million (previous year € 594.8 million); of this figure, € 335.6 million (previous year: € 335.3 million) was subject to fixed interest rates and terms running until 2029. Interest caps with a volume of € 235.0 million (previous year: € 39.4 million) exist in relation to the other long-term debt which is financed at a variable rate in order to utilize the level of market interest rates. Interest rate swaps in a volume of € 17.0 million (previous year: € 12.5 million) are in place for long-term financial debt.

Financial derivatives measured at fair value in profit or loss resulted in profits of € 1.6 million (previous year: loss of € 0.3 million).

Financial derivatives are stated at market values (as measured on the balance sheet date on the basis of recognized valuation models using current market data).

Financial derivatives are monitored and controlled directly by the Board of Management.

2007	Fair value	Term from	Term until	Reference interest rate 31 Dec. 2007	Interest rate cap or fixed rate	Reference amount 31 Dec. 2007
	€ million			%	%	€ million
Interest rate swaps, assets	0.0	04/05/2004	31/12/2011	9.49	5.70	3.1
Interest rate swaps, liabilities	0.1	02/01/2007	30/09/2018	4.68	3.94	5.5
	-0.3	28/02/2002	28/02/2012	4.68	5.99	6.7
	-0.1	28/02/2002	28/02/2012	4.68	6.30	1.8
Interest rate caps, assets	0.0	02/01/2006	30/09/2009	4.68	4.00	4.6
	0.1	02/01/2006	30/06/2009	4.68	4.00	10.2
	0.0	02/01/2006	30/06/2009	4.68	4.00	3.4
	0.0	02/01/2006	30/09/2009	4.68	4.00	2.1
	0.1	28/02/2006	26/02/2010	4.68	4.00	2.9
	0.1	30/06/2006	31/03/2010	4.68	4.00	12.0
	2.5	02/01/2007	01/01/2012	4.71	4.00	100.0
	2.3	02/01/2007	31/12/2011	4.71	4.00	100.0

2006	Fair value	Term from	Term until	Reference interest rate 31 Dec. 2006	Interest rate cap or fixed rate	Reference amount 31 Dec. 2006
	€ million			%	%	€ million
Interest rate swaps, assets	0.0	04/05/2004	31/12/2011	8.01	5.70	3.8
Interest rate swaps, liabilities	0.7	28/02/2002	28/02/2012	5.99/6.30	5.99/6.30	8.7
Interest rate caps, assets	3.1	02/01/2006	30/06/2009	3.74/4.00	4.00	15.3
		02/01/2006	30/09/2009	3.74/4.00	4.00	8.0
		28/02/2006	26/02/2010	3.74/4.00	4.00	3.4
		30/06/2006	31/03/2010	3.74/4.00	4.00	12.7

7.18 Additional Disclosures Regarding Financial Instruments

7.18.1 Carrying Amounts, Recognized Figures and Fair Values According to Valuation Categories

	Valuation category under IAS 39	2007	Thereof: Financial instrument Carrying amount	Thereof: Financial instrument Fair value	2006	Thereof: Financial instrument Carrying amount	Thereof: Financial instrument Fair value
ASSETS		€ million	€ million	€ million	€ million	€ million	€ million
Non-current assets							
Other assets	Loans + receivables	**1.6**	0.7	0.7	**1.4**	0.5	0.5
Current assets							
Trade accounts receivable, other receivables and other assets		**358.5**	353.4	353.4	**339.9**	337.4	337.4
Thereof: Trade accounts receivable, other receivables	Loans + receivables	**338.9**	338.9	338.9	**327.4**	324.9	324.9
Thereof: Securities (HfT)	Financial assets measured at fair value through profit or loss	**9.5**	9.5	9.5	**9.4**	9.4	9.4
Thereof: Derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**5.0**	5.0	5.0	**3.1**	3.1	3.1
Cash and cash equivalents	Loans + receivables	**170.1**	170.1	170.1	**176.1**	176.1	176.1
LIABILITIES							
Non-current debt							
Debt	Financial liabilities measured at residual carrying amount	**656.5**	656.5	549.7	**566.6**	566.6	537.2
Other liabilities	Financial liabilities measured at residual carrying amount	**72.8**	37.5	37.5	**82.0**	35.5	35.4
Thereof: From finance leases	n. a.	**2.0**	2.0	2.0	**4.3**	4.3	4.3
Current debt							
Trade accounts payable	Financial liabilities measured at residual carrying amount	**108.0**	108.0	108.0	**166.0**	166.0	166.0
Debt	Financial liabilities measured at residual carrying amount	**19.6**	19.6	19.6	**49.2**	49.2	49.2
Thereof: Derivative financial instruments (HfT)	Financial assets measured at fair value through profit or loss	**0.3**	0.3	0.3	**0.7**	0.7	0.7
Other liabilities	Financial liabilities measured at residual carrying amount	**349.3**	203.2	203.2	**313.8**	165.5	165.5
Thereof: From finance leases	n. a.	**2.5**	2.5	2.5	**2.4**	2.4	2.4

Aggregated according to valuation categories; the above figures are broken down as follows:

	Loans + receivables		509.6	509.6		501.5	501.5
	Financial assets measured at fair value through profit or loss		14.5	14.5		12.5	12.5
	Financial liabilities measured at residual carrying amount		1,024.8	918.0		982.8	953.3
	Financial assets measured at fair value through profit or loss		0.3	0.3		0.7	0.7

Trade accounts receivable, other receivables, other financial assets as well as cash and cash equivalents in general mainly have short remaining terms. Their carrying amounts as of the closing reference date accordingly correspond to the fair value.

There are no published prices for the securities. The prices on the last trading day of last year have been used for determining the fair value.

Financial derivatives are stated at market values (as measured on the balance sheet date on the basis of recognized valuation models using current market data).

The figure shown for debt includes loans from credit institutions as well as a bond. The fair value of the loans from credit institutions is calculated on the basis of the discounted cash flow. A risk- and maturity-related rate appropriate for RHÖN-KLINIKUM AG has been used for discounting purposes. The fair value of the bond is calculated as the nominal value multiplied by the price on the final trading day of the year under review.

The trade accounts payable and the other liabilities normally have short remaining terms. Accordingly, their carrying amounts correspond to their fair values on the closing date.

7.18.2 Net Result According to Valuation Categories

		From subsequent measurement			Net result	
	From capital gains	At fair value	Impairment	From disposal	2007	2006
	€ million	€ million	€ million	€ million	€ million	€ million
Loans and receivables			0.5	3.4	3.9	6.4
Financial assets measured at fair value through profit or loss	-1.3	-2.3			-3.6	-0.9
Total	**-1.3**	**-2.3**	**0.5**	**3.4**	**0.3**	**5.5**

* *+ = Cost - = Income*

The net result from the subsequent measurement of loans and receivables is calculated on the basis of the income and expenses relating to impairments of trade accounts receivable. The disposal includes the final write-off of receivables netted with income from payments received in relation to receivables which have been impaired in the past.

The financial assets measured at fair value through profit or loss comprise the market valuation of derivative financial instruments recognized in the income statement as well as income from short-term securities.

7.18.3 Financial Liabilities (Maturity Analysis)

The following table sets out the contractually agreed (undiscounted) interest payments and redemption payments of the original financial liabilities and of the derivative financial instruments:

	Outflows		
	2008	2009 – 2014	> 2014
	€ million	€ million	€ million
Debt	-19.3	-673.4	-131.7
Trade accounts payable	-108.0	0.0	0.0
Derivatives	-0.3	0.0	0.0
Other liabilities	-201.0	-35.4	-0.2
Liabilities due to finance leases	-2.9	-2.4	0.0
	-331.5	**-711.2**	**-131.9**

The above table includes all financial instruments which were held as of the balance sheet date and for which payments had been contractually agreed. Planned payments for new liabilities in the future have not been included in the calculations. Interest payments were included in the future cash flow payments in the agreements which were valid as of the balance sheet date. Current liabilities and liabilities which can be terminated at any time have been included in the shortest time scale.

8 NOTES ON THE CASH FLOW STATEMENT

The cash flow statement shows how the item “cash and cash equivalents” of the RHÖN-KLINIKUM Group has changed in the year under review as a result of cash inflows and outflows. The impact of acquisitions, divestments and other changes in the scope of the consolidation has been eliminated. In accordance with IAS 7 (Cash Flow Statements), a distinction is made between cash flows from operating activities, investing activities and financing activities. The liquidity shown in the financing statement includes cash in hand, cheques as well as cash with banks. For the purposes of the cash flow statement, bank overdrafts are deducted from cash and cash equivalents. Reconciliation is provided in the Notes on cash and cash equivalents. The cash flow statement has included a figure of € 2.9 million (previous year: € 8.8 million) for outstanding construction invoices as well as a figure of € 1.4 million (previous year: € 7.1 million) for additions from finance leases as non-cash transactions.

The cash flow statement sets out the change in cash and cash equivalents between two reference dates. In the RHÖN-KLINIKUM Group, this item exclusively comprises cash flows attributable to continuing operations, because we have not discontinued any operations.

9 SHAREHOLDINGS

9.1 Companies Included in the Consolidated Financial Statements

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Hospital companies			
Amper Kliniken AG, Dachau	74.9	61,621	3,069
Aukamm-Klinik für operative Rheumatologie und Orthopädie GmbH, Wiesbaden	100.0	1,259	166
Fachkrankenhaus für Psychatrie und Neurologie Hildburghausen GmbH, Hildburghausen	100,0	32,546	4,753
Frankenwaldklinik Kronach GmbH, Kronach	94.9	19,146	2,024
Haus Saaletal GmbH, Bad Neustadt a. d. Saale	100.0	183	73
Herz- und Gefäß-Klinik GmbH, Bad Neustadt a. d. Saale	100.0	7,928	0
Herzzentrum Leipzig GmbH, Leipzig	100.0	25,014	18,514
Klinik »Haus Franken« GmbH, Bad Neustadt a. d. Saale	100.0	549	22
Klinik für Herzchirurgie Karlsruhe GmbH, Karlsruhe	100.0	13,428	6,310
Klinik Kipfenberg GmbH Neurochirurgie und Neurologische Fachklinik, Kipfenberg	100.0	5,304	2,204
Klinik Herzberg und Osterode GmbH, Herzberg am Harz	100.0	16,058	1,056
Kliniken Miltenberg-Erlenbach GmbH, Erlenbach	100.0	9,891	1,150
Kliniken München Pasing und Perlach GmbH, Munich	93.7	34,221	3,727
Klinikum Uelzen GmbH, Uelzen	100.0	29,109	1,220
Klinikum Frankfurt (Oder) GmbH, Frankfurt (Oder)	100.0	95,349	5,914
Klinikum Hildesheim GmbH, Hildesheim	100.0	10,977	3,932
Klinikum Meiningen GmbH, Meiningen	100.0	22,849	11,166
Klinikum Pforzheim GmbH, Pforzheim	94.9	48,570	3,911
Klinikum Pirna GmbH, Pirna	100.0	27,469	1,868
Klinikum Salzgitter GmbH, Salzgitter	94.9	24,212	1,876
Krankenhaus Cuxhaven GmbH, Cuxhaven	100.0	11,930	539
Krankenhaus St. Barbara Attendorn GmbH, Attendorn	100.0	11,532	260
Krankenhaus Waltershausen-Friedrichroda GmbH, Friedrichroda	100.0	18,341	1,071
Kreiskrankenhaus Gifhorn GmbH, Gifhorn	96.0	22,340	2,873
Krankenhaus Köthen GmbH, Köthen	100.0	9,707	-286
Mittelweser Kliniken GmbH Nienburg Hoya Stolzenau, Nienburg	100.0	22,313	16
Neurologische Klinik GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale	100.0	2,103	898
Park-Krankenhaus Leipzig-Südost GmbH, Leipzig	100.0	10,138	2,424
Soteria Klinik Leipzig GmbH, Leipzig	100.0	3,729	1,592
Städtisches Krankenhaus Wittingen GmbH, Wittingen	96.0	916	53
St. Elisabeth-Krankenhaus GmbH, Bad Kissingen	98.5	15,677	956
Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden	100,0	21,190	1,652
Universitätsklinikum Gießen und Marburg GmbH, Gießen	95.0	40,626	1,053
Weißeritztal-Kliniken GmbH, Freital	100.0	34,306	3,211
Zentralklinik Bad Berka GmbH, Bad Berka	87.5	88,777	22,461

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
MVZ companies			
MVZ Management GmbH Attendorn, Attendorn	100.0	192	-1
MVZ Management GmbH Baden-Württemberg, Pforzheim	100.0	190	-3
MVZ Management GmbH Brandenburg, Frankfurt (Oder)	100.0	190	1
MVZ Management Franken GmbH, Bad Neustadt a.d. Saale	100.0	197	-433
MVZ Management GmbH Hessen, Wiesbaden	100.0	202	-55
MVZ Management GmbH Niedersachsen, Nienburg	100.0	189	-4
MVZ Management GmbH Sachsen, Pirna	100.0	139	3
MVZ Management GmbH Sachsen-Anhalt, Köthen	100.0	193	0
MVZ Management GmbH Thüringen, Bad Berka	100.0	373	175
MVZ Service Gesellschaft mbH, Bad Neustadt a.d. Saale	100.0	1,489	-187
MVZ Universitätsklinikum GmbH, Gießen	95.0	183	14
MVZ Universitätsklinikum Marburg GmbH, Marburg	95.0	87	58
MVZ Vorratsgesellschaft mbH, Bad Neustadt a.d. Saale	100.0	191	1

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Research and training companies			
ESB-Gemeinnützige Gesellschaft für berufliche Bildung mbH, Bad Neustadt a.d. Saale	100.0	1,690	-12
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	49	-31
Mittelhessische Medizin-Stiftung am Universitätsklinikum Gießen und Marburg, Gießen	100.0	1,000	0

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Property companies			
Altmühltalklinik-Leasing GmbH, Kipfenberg	51.0	4,794	477
BGL Grundbesitzverwaltungs-GmbH, Bad Neustadt a.d. Saale	100.0	24,117	535
GPG Gesellschaft für Projekt- und Grundstücksentwicklung GmbH, Leipzig	100.0	282	19
Grundstücksgesellschaft Park Dösen GmbH, Leipzig	100.0	6,584	-1
GTB Grundstücksgesellschaft mbH, Leipzig	100.0	38,254	1,348

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Service companies			
RK-Cateringgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	48	-20
RK-Reinigungsgesellschaft Nord mbH, Bad Neustadt a. d. Saale	51.0	103	10
RK-Cateringgesellschaft Nord mbH, Bad Neustadt a. d. Saale	51.0	37	-30
RK-Reinigungsgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	64	21
RK-Cateringgesellschaft Süd mbH, Bad Neustadt a. d. Saale	51.0	48	2
RK-Reinigungsgesellschaft West mbH, Bad Neustadt a. d. Saale	51.0	57	14
RK-Cateringgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	8	-17
RK-Reinigungsgesellschaft Mitte mbH, Bad Neustadt a. d. Saale	51.0	110	85
RK-Reinigungsgesellschaft Ost mbH, Bad Neustadt a. d. Saale	51.0	84	34
RK-Reinigungsgesellschaft Zentral mbH, Bad Neustadt a. d. Saale	51.0	57	6
SGHi-Service Gesellschaft Hildesheim mbH, Hildesheim	51.0	45	20

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Shell companies/other companies			
Amper Medico Gesellschaft für medizinische Dienstleistungen mbH, Dachau	74.9	76	1
Dienstleistungs- und Servicegesellschaft Kronach mbH, Kronach	100.0	58	5
Heilbad Bad Neustadt GmbH, Bad Neustadt a. d. Saale	100.0	1.922	404
KDI Klinikservice GmbH, Dachau	74.9	61	-17
Kinderhort Salzburger Leite gGmbH, Bad Neustadt a. d. Saale	100.0	383	17
Klinik Feuerberg GmbH, Bad Neustadt a. d. Saale	100.0	31	-4
Krankenhaus Einrichtungs- und Ausstattungsverwaltungsgesellschaft mbH Bad Kissingen, Bad Kissingen	100.0	121	1
Krankenhausreinigungsgesellschaft Bad Kissingen mbH, Bad Kissingen	100.0	43	-2
Kurverwaltung Bad Neustadt GmbH, Bad Neustadt a. d. Saale	60.0	56	-13
Psychosomatische Klinik GmbH, Bad Neustadt a. d. Saale	100.0	40	-4
RK-Bauträger GmbH, Bad Neustadt a. d. Saale	100.0	141	-19
RK Klinik Betriebs GmbH Nr. 11, Bad Neustadt a. d. Saale	100.0	108	-2
RK Klinik Betriebs GmbH Nr. 16, Bad Neustadt a. d. Saale	100.0	29	-4
RK Klinik Betriebs GmbH Nr. 20, Bad Neustadt a. d. Saale	100.0	30	-12
RK Klinik Betriebs GmbH Nr. 21, Bad Neustadt a. d. Saale	100.0	38	-4
RK Klinik Betriebs GmbH Nr. 28, Bad Neustadt a. d. Saale	100.0	42	-3
RK Klinik Betriebs GmbH Nr. 29, Bad Neustadt a. d. Saale	100.0	42	-3
RK Klinik Betriebs GmbH Nr. 30, Bad Neustadt a. d. Saale	100.0	42	-3
RK Klinik Betriebs GmbH Nr. 31, Bad Neustadt a. d. Saale	100.0	42	-3
Wolfgang Schaffer GmbH, Bad Neustadt a. d. Saale	100.0	536	14

9.2 Other Companies in Accordance with Section 313 (2) (2) et seq. HGB

	Interest held	Equity	Result for the year
	%	€ '000	€ '000
Hospiz Mittelhessen GmbH, Wetzlar[1]	15.9	175	-15
Imaging Service AG, Niederpöcking[1]	18.8	328	52
IVM GmbH Gesellschaft für integrative Versorgung in der Medizin, Gießen	48.5	56	-4
miCura Pflegedienste Dachau GmbH, Dachau[1]	36.7	-105	-89
Seniorenpflegeheim GmbH Bad Neustadt a. d. Saale, Bad Neustadt a. d. Saale[1]	25.0	-916	-235
Soemmering GmbH, Bad Nauheim[1]	31.7	-42	4

[1] *According to the financial statements for the period ending 31 December 2006*

10 OTHER DISCLOSURES

10.1 Annual Average Number of Employees

	2007	2006	Change	
	Number[1]	Number[1]	Number[1]	%
Medical services	2,966	2,805	161	5.7
Nursing services	10,248	10,190	58	0.6
Medical-technical services	4,197	4,266	-69	-1.6
Functional	3,024	2,872	152	5.3
Supply and misc. services	3,450	2,572	878	34.1
Technical	550	568	-18	-3.2
Administrative	2,094	2,022	72	3.6
Other personnel	358	370	-12	-3.2
	26,887	**25,665**	**1,222**	**4.8**

[1] *Headcount, excl. board members, managing directors, apprentices, trainees, students on work experience programmes, and persons performing alternative national service.*

10.2 Other Financial Obligations

	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Order commitments	**39.4**	**36.1**
Operating leases		
Maturity subsequent year	5.0	5.1
Maturity 2 to 5 years	6.7	7.3
Maturity after 5 years	0.5	1.1
Other		
Maturity subsequent year	48.6	61.2
Maturity 2 to 5 years	18.2	22.4
Maturity after 5 years	0.5	4.9

The other financial obligations are mainly attributable to service agreements (maintenance agreements, agreements concerning the sourcing of products, agreements relating to laundry services, etc.).

Company purchase agreements which have been completed and which are fully effective have resulted in purchase price and investment obligations totalling € 546.9 million (previous year: € 596.0 million); most of these obligations have to be settled within a period of up to 60 months. As of the balance sheet, there are no additional obligations attributable to completed company purchase agreements which have not yet become effective (previous year: € 10.0 million).

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 opportunities and risk associated with ownership are treated as finance leases. This is applicable particularly with regard to Universitätsklinikum Gießen und Marburg GmbH and RK Reinigungsgesellschaft Nord mbH. Accordingly, the Group capitalizes the assets at the present value of the minimum leasing payments of € 10.2 million, and subsequently depreciates the assets over the estimated economic useful life or the shorter term of the contract. At the same time, a corresponding liability is shown; this is subsequently amortized and redeemed 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 recognized as expense on a straight-line basis.

10.3.1 Obligations as Lessee of Operating Leases

The Group rents medical equipment as well as residential and office space; these are classified as cancellable operating leases. Under these lease agreements, the Group has a maximum termination notice of 12 months. The leases generally have a term of two to 15 years.

10.3.2 Obligations as Lessee of Finance Leases

The Group mainly rents medical equipment within the framework of finance leases. In the Group, there is a principle of always acquiring ownership of operating assets. The leases which also have to be acquired within the framework of acquiring hospitals are serviced as planned; however, when they have expired, they are replaced by investments.

Liabilities from finance leases – minimum payments	**2007**	**2006**
	€ million	**€ million**
Maturity in subsequent year	2.9	2.4
Maturity 2 to 5 years	2.4	4.2
Maturity after 5 years	0.0	0.1
	5.3	**6.7**
Future financing costs from finance leases	**0.8**	**0.9**
Present value of liabilities from finance leases	**4.5**	**5.8**

Present value of liabilities from finance leases:	**2007**	**2006**
	€ million	**€ million**
Maturity in subsequent year	2.5	2.3
Maturity 2 to 5 years	2.0	3.4
Maturity after 5 years	0.0	0.1
	4.5	**5.8**

The leases generally have a term of three years and in certain cases include purchase and extension options.

10.3.3 Investment Property

The Group lets residential space to employees, office and commercial space to third parties (e.g. cafeteria), as well as premises to doctors co-operating with the hospital and to joint laboratories as part of cancellable operating leases.

The most significant operating lease contracts by amount stem from the letting of property to third parties.

The largest item in absolute terms is the letting of a building to a nursing home operator. On the basis of income valuations, we see no material differences between the fair value of the properties and the carrying amounts shown below:

	Total
	€ million
Cost	
1 January 2007	5.0
31 December 2007	5.0
Cumulative depreciation and impairments	
1 January 2007	0.6
Depreciation	0.2
31 December 2007	0.8
Value 31 December 2007	4.2

	Total
	€ million
Cost	
1 January 2006	5.0
31 December 2006	5.0
Cumulative depreciation and impairments	
1 January 2006	0.4
Depreciation	0.2
31 December 2006	0.6
Value 31 December 2006	4.4

Depreciation is recognized on a straight-line basis over a useful life of 33 ⅓ years. Rental income of € 0.4 million (previous year: € 0.4 million) was received in 2007. The operating costs for these investment properties amounted to € 0.2 million in the financial year (previous year: € 0.2 million).

Other spaces let under operating leases are insignificant and dependent partial areas of building sections. We have therefore not shown them separately.

The minimum lease payments to be received in future (up to one year) are stated as € 0.8 million. The minimum lease payments for the period of up to five years are stated as € 1.8 million. The corresponding figure for the period in excess of five years is € 0.2 million.

10.4 Related Parties

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

Companies in the RHÖN-KLINIKUM Group enter into transactions with related parties in certain cases. Such service or lease relations are arranged on an arm's length basis.

Related companies are accordingly defined as all companies in which we own a participating interest of between 20.0% and 50.0% and which we have not included in the consolidated financial statements on the grounds of materiality (with regard to the companies of the Group, please refer to the list of shareholdings in these Notes). From the point of view of the Group, there was the following volume of services with related companies in financial year 2007:

	Expense 2007	Income 2007	Receivables 31 Dec. 2007	Liabilities 31 Dec. 2007
	€ '000	€ '000	€ '000	€ '000
Imaging Service AG, Niederpöcking	0.0	0.0	0.0	0.0
IVM GmbH Gesellschaft für integrative Versorgung in der Medizin, Gießen	0.0	0.0	0.0	0.0
miCura Pflegedienste Dachau GmbH, Dachau	125.0	0.0	0.0	0.0
Seniorenpflegeheim GmbH Bad Neustadt a.d. Saale, Bad Neustadt a.d. Saale	173.3	367.2	0.0	3.0
Soemmering GmbH, Bad Nauheim	0.0	0.0	0.0	0.0
	298.3	**367.2**	**0.0**	**3.0**

We define related persons as the members of management in key positions as well as their first degree relations and their spouses in accordance with section 1589 BGB. We have included the Board of Management of RHÖN-KLINIKUM AG, the second management tier as well as the members of the Supervisory Board among the members of management in key positions.

Members of the Supervisory Board of RHÖN-KLINIKUM AG or companies and entities related to them, have provided the following services subject to arms' length conditions:

Related party	Companies as defined by IAS	Nature of service	€ '000
Professor Dr. Gerhard Ehninger	AgenDix – Applied Genetic Diagnostics – Gesellschaft für angewandte molekulare Diagnostik mbH	Laboratory services	164,3
	DKMS – Deutsche Knochenmarkspenderdatei gemeinnützige Gesellschaft mbH, Tübingen	Transplants/removals	331,6

As of the balance sheet date 31 December 2007, all trade accounts receivable and trade accounts payable were settled.

The expenses are recognized in the income statement under other operating expenses. No impairments were recognized in financial year 2007.

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

	Fixed	Profit-linked	Total
	€ '000	€ '000	€ '000
Dr. Bernhard Aisch	63	3	66
Gisela Ballauf	29	2	31
Bernd Becker	30	4	34
Helmut Bühner	43	5	48
Ursula Harres	39	2	41
Werner Prange	43	2	45
Joachim Schaar	48	33	81
	295	**51**	**346**

The above costs are shown under employee benefit expenses in the income statement.

10.5 Total Remuneration of the Supervisory Board, the Board of Management and Advisory Board

	2007	2006
	€ '000	€ '000
Remuneration of the Supervisory Board	1,635	1,347
Remuneration of the Board of Management	6,601	6,543
Remuneration of the Advisory Board	14	18

No loans were granted to members of the Supervisory Board, the Board of Management, or the Advisory Board. The members of the Board of Management and the members of the Supervisory Board – except the Chairman of the Supervisory Board, Mr. Eugen Münch – together have a shareholding interest in RHÖN-KLINIKUM AG which does not exceed 1.0% of total equity capital. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, holds 16.07% of shares of RHÖN-KLINIKUM AG.

In the period under review, there was one notifiable transaction pursuant to section 15a WpHG of members of the Board of Management or of the Supervisory Board (directors' dealings) at RHÖN-KLINIKUM AG. This was the acquisition of 20,000 ordinary shares on 1 February 2007 at a price of € 40.00 (before the stock split) with a total volume of € 800,000 of the chairman of our Supervisory Board Mr. Eugen Münch.

The costs (excl. turnover tax) for members of the Board of Management are broken down as follows:

	Fixed	Performance-linked	Total 2007	Total 2006[1]	Total 2006[2]
	€ '000	€ '000	€ '000	€ '000	€ '000
Eugen Münch	53	244	297	172	142
Wolfgang Mündel	53	187	240	154	126
Bernd Becker	38	53	91	115	95
Dr. Bernhard Aisch	20	18	38	42	35
Gisela Ballauf	20	18	38	42	35
Sylvia Bühler	20	18	38	42	35
Helmut Bühner	21	20	41	42	35
Prof. Dr. Gerhard Ehninger	21	20	41	39	33
Ursula Harres	24	26	50	54	45
Casper von Hauenschild	29	55	84	77	63
Detlef Klimpe	31	63	94	77	63
Dr. Heinz Korte	31	63	94	77	63
Prof. Dr. Dr. sc. (Harvard) Karl W. Lauterbach	20	18	38	29	25
Joachim Lüddecke	28	42	70	54	45
Michael Mendel	31	63	94	75	62
Dr. Brigitte Mohn	21	19	40	35	29
Jens-Peter Neumann	17	9	26	0	0
Timothy Plaut (until 31 May 2007)	4	3	7	32	27
Werner Prange	31	48	79	68	56
Joachim Schaar	23	24	47	44	36
Michael Wendl	29	59	88	77	63
	565	**1,070**	**1,635**	**1,347**	**1,113**

[1] *Compensation with a one-off tax effect*
[2] *Compensation without a one-off tax effect*

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

	Fixed	Performance-linked	Total 2007	Total 2006[1]	Total 2006[2]
	€ '000	€ '000	€ '000	€ '000	€ '000
Andrea Aulkemeyer	201	600	801	798	640
Heinz Falszewski (until 31 March 2006)	0	0	0	133	109
Wolfgang Kunz	206	600	806	666	538
Gerald Meder	302	1,576	1,878	1,847	1,434
Dietmar Pawlik	175	360	535	533	438
Wolfgang Pföhler	397	1,649	2,046	2,033	1,598
Dr. Brunhilde Seidel-Kwem	175	360	535	533	438
	1,456	**5,145**	**6,601**	**6,543**	**5,195**

[1] *Compensation with a one-off tax effect*
[2] *Compensation without a one-off tax effect*

In accordance with the compensation arrangement for the Supervisory Board and the service agreements for the Board of Management, the one-off tax effect which was not cash effective, due to the capitalization of corporate tax netting credits, was not eligble for the purpose of calculating directors' fees in 2006. The Supervisory Board and Board of Management have waived their entitlement ot the corresponding compensation in 2007.

On termination of their service contracts, the board members receive severance compensation when certain conditions are met. This compensation amounts to 12.5% of the annual remuneration owed on the date of termination of the service contract for each full year (12 full calendar months) of service as a member of the Board of Management, but not exceeding 1.5 times such latter remuneration. For such post-termination entitlements of the members of the Board of Management, the following provisions have been formed for severance compensation:

	Provisions as at 31 Dec. 2006	Increase in severance claims	Provision as at 31 Dec. 2007	Nominal amount[1]
	€ '000	€ '000	€ '000	€ '000
Andrea Aulkemeyer	306	147	453	990
Wolfgang Kunz	264	129	393	990
Gerald Meder	1,492	443	1,935	2,797
Dietmar Pawlik	49	56	105	330
Wolfgang Pföhler	288	242	530	1,271
Dr. Brunhilde Seidel-Kwem	49	56	105	330
	2,448	**1,073**	**3,521**	**6,708**

[1] *Entitlement after the planned expiry of the Board of Management agreement on the basis of the emoluments of the previous financial year*

The Group does not have any long-term incentive plans (e.g. stock options) for executives.

The members of the Board of Management each hold fewer than 1.0% of the shares in RHÖN-KLINIKUM AG. The total holdings of these members of the Board of Management of shares issued by the company is also less than 1.0%. The entire shareholding of all members of the Supervisory Board – except Mr. Eugen Münch – amounts to less than 1.0% of the shares in issue. There are no options or other derivatives. The family of the chairman of the Supervisory Board, Mr. Eugen Münch, holds 16.07% of the shares of RHÖN-KLINIKUM AG.

It was not necessary to create provisions for current pensions and entitlements to pensions for former members of the Supervisory Board, Board of Management and Advisory Board or their surviving dependants.

10.6 Statement of Compliance with the German Corporate Governance Code

By joint resolutions of the Supervisory Board and the Board of Management of RHÖN-KLINIKUM AG of 24 October 2007, the company made the corresponding declarations pursuant to section 161 of the German Stock Corporation Act (AktG) regarding the application of the German Corporate Governance Code in financial year 2007. These have been published on the web site of RHÖN-KLINIKUM AG and thus made available to the general public.

10.7 Disclosure of the Fees Recognized as Expenses (incl. Reimbursement of Outlays and VAT) for the Statutory Auditor of the Consolidated Financial Statements

	2007
	€ '000
Audit of the annual financial statements	1,471
Other auditing or valuation services	243
Tax advice	508
Other services	320
	2,542

11 CORPORATE BODIES AND ADVISORY BOARD OF RHÖN-KLINIKUM AG

1. The Supervisory Board of RHÖN-KLINIKUM AG consists of the following:

EUGEN MÜNCH
Bad Neustadt a.d. Saale
Chairman of the Supervisory Board
Further supervisory board mandate:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen

BERND BECKER (NÉ HÄRING)
Leipzig
1st Deputy Chairman
Nurse in Herzzentrum Leipzig GmbH, Leipzig, Betriebswirt (VWA)

WOLFGANG MÜNDEL
Kehl
2nd Deputy Chairman,
Wirtschaftsprüfer (German public auditor) and tax consultant in own practise
Further mandate:
– Jean d'Arcel Cosmétique GmbH & Co. KG, Kehl (Chairman of the Advisory Board)

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

GISELA BALLAUF
Harsum
Childrens' nurse in Klinikum Hildesheim GmbH, Hildesheim
Further supervisory board mandate:
– Klinikum Hildesheim GmbH, Hildesheim (Deputy Chair)

SYLVIA BÜHLER
Düsseldorf
Regional director and secretary of ver.di
Further mandates:
– MATERNUS-Kliniken AG, Bad Oeynhausen (Deputy Chairwoman of Supervisory Board)

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

PROFESSOR DR. GERHARD EHNINGER
Dresden
Medical practitioner
Further mandates:
– DKMS Deutsche Knochenmarkspenderdatei gemeinnützige Gesellschaft mbH, Tübingen (Chairman of the Administrative Board)
– DKMS Stiftung Leben spenden, Tübingen (Foundation Board)
– DKMS America, New York (Board member)
– Universitätsklinikum Gießen und Marburg GmbH, Gießen (Supervisory Board)

URSULA HARRES
Wiesbaden
Medical-Technical Assistant at the Stiftung Deutsche Klinik für Diagnostik, Wiesbaden

CASPAR VON HAUENSCHILD
München
Management Consultant in own practice
Further supervisory board mandate:
– St. Gobain ISOVER AG, Ludwigshafen

DETLEF KLIMPE
Aachen
Commercial Director of Universitätsklinikum Aachen, Aachen
Further supervisory board mandate:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen

DR. HEINZ KORTE
München
Notary in own practice
Further supervisory board mandate:
– Universitätsklinikum Gießen und Marburg GmbH, Gießen

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

JOACHIM LÜDDECKE
Hanover
Regional Division Director ver.di, Trade-Union Secretary
Further supervisory board mandate:
– Klinikum Region Hannover (Deputy Chairman), member of the Mediation and Executive Committee of this Supervisory Board

MICHAEL MENDEL
Munich
Merchant
Further supervisory board mandates:
– Altium AG, Munich
– Aveco AG, Frankfurt am Main
– German Incubator GI Ventures AG, Munich

DR. BRIGITTE MOHN
Gütersloh
Member of the Board of Management of Bertelsmann Stiftung
Further mandates:
– Bertelsmann AG, Gütersloh (member of the Supervisory Board)
– Stiftung Deutsche Schlaganfall-Hilfe, Gütersloh (Chairmwoman of the Board of Management)
– MEDICLIN AG, Offenburg (member of the Advisory Board)
– Deutsche Kinderturnstiftung, Frankfurt am Main (member of the Board of Trustees)

JENS-PETER NEUMANN
Frankfurt am Main
Bank Director (after 31 May 2007)

TIMOTHY PLAUT
London
Investment Banker (until 31 May 2007)

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

JOACHIM SCHAAR
Wasungen
Administrative Director of Klinikum Meiningen GmbH, Meiningen

MICHAEL WENDL
Munich
Trade-Union Secretary ver.di, Regional District Bavaria
Further mandates:
– Städtisches Klinikum München GmbH, Munich (Supervisory Board)
– Zusatzversorgungskasse Bayer. Gemeinden, Munich (Advisory Board)

2. The Board of Management of RHÖN-KLINIKUM AG consists of the following persons:

WOLFGANG PFÖHLER
business address Bad Neustadt a. d. Saale
Chairman of the Board of Management
temporarily responsible for North East Germany
(Berlin, Brandenburg, Mecklenburg-West-Pomerania , Saxony, Saxony-Anhalt)
Further mandates:
– Deutsche Krankenhausgesellschaft e.V., 1st Vice President
– Baden-Württembergische Bank AG (Advisory Board)
– Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden (Supervisory Board)
– gemeinnützige Diakoniekrankenhaus Mannheim GmbH (Deputy Chairman of the Supervisory Board)
– gemeinnützige Heinrich-Lanz-Stiftung, Mannheim (Chairman of the Supervisory Board)

GERALD MEDER
business address Bad Neustadt a. d. Saale
Deputy Chairman of the Board of Management
Director responsible for Hesse/Bavaria South,
Director responsible for Group Personnel Affairs
Further Supervisory Board mandates:
– Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden (Chairman)
– Amper Kliniken AG, Dachau (Chairman)

ANDREA AULKEMEYER
business address Bad Neustadt a. d. Saale
Director responsible for Personal Affairs in the parent company, Southern Germany, Thuringia

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

DIETMAR PAWLIK
business address Bad Neustadt a. d. Saale
Deputy member of the Board of Management
Director responsible for Finance,
Investor Relations, Group IT
Further Supervisory Board mandate:
– Amper Kliniken AG, Dachau

DR. BRUNHILDE SEIDEL-KWEM
business address Hamburg
Deputy member of the Board of Management
responsible for Western and Northern Germany (Bremen, Hamburg, Lower Saxony, Northrhine-Westfalia, Schleswig-Holstein)
Further supervisory board mandates:
– Klinikum Hildesheim GmbH, Hildesheim
– Klinikum Salzgitter GmbH, Salzgitter

3. Advisory Board

WOLF-PETER HENTSCHEL
Bayreuth (Chairman)

HEINZ DOLLINGER
Dittelbrunn

MINISTERIALRAT A.D. HELMUT MEINHOLD
Heppenheim

PROF. DR. MICHAEL-J. POLONIUS
Dortmund

HELMUT REUBELT
Dortmund

DR. KARL GUSTAV WERNER
Düsseldorf

FRANZ WIDERA
Duisburg

PROF. DR. DR. H.C. KLAUS D. WOLFF
Bayreuth (died on 22 November 2007)

Bad Neustadt a. d. Saale, 29 February 2008

The Board of Management

Andrea Aulkemeyer   Wolfgang Kunz   Gerald Meder

Dietmar Pawlik   Wolfgang Pföhler   Dr. Brunhilde Seidel-Kwem

ASSURANCE OF THE STATUTORY REPRESENTATIVES

To the best of our knowledge, we hereby confirm that a true and fair view of the net assets, financial position and results of operations of the Group is provided in accordance with the accounting principles applicable for the consolidated financial statements of RHÖN-KLINIKUM AG, and that the Group management report presents the business development, including the business result and position of the Group, in such a way that the picture which is provided reflects the actual circumstances, and that the main risks and opportunities of the probable development of the Group of RHÖN-KLINIKUM AG are described.

Bad Neustadt a. d. Saale, 29 February 2008

The Board of Management

Andrea Aulkemeyer	Wolfgang Kunz	Gerald Meder
Dietmar Pawlik	Wolfgang Pföhler	Dr. Brunhilde Seidel-Kwem

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by RHÖN-KLINIKUM Aktiengesellschaft, Bad Neustadt a.d. Saale, comprising the consolidated balance sheet, income statement, statement of changes in shareholders' equity, cash flow statement and the notes to the consolidated financial statements together with the Group management report, for the financial year ended 31 December 2007. The preparation of the consolidated financial statements and the Group management report in accordance with the IFRS as adopted by the EU and the additional requirements of section 315a (1) HGB of the German Commercial Code (Handelsgesetzbuch – HGB) is the responsibility of the Board of Management of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit. We were also instructed to give an opinion on whether the consolidated financial statements also comply with the IFRS as a whole.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and German generally accepted accounting standard for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW) as well as the International Standards on Auditing (ISA). The standards require an audit to be planned and performed in such a way that misstatements having a material impact on the view of the assets, financial and earnings position as presented by the consolidated financial statements in compliance with the applicable accounting principles and by the Group management report are identified with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of the audit procedures. We have examined, primarily on a test basis, the effectiveness of the accounting-related internal control system as well as evidence supporting the disclosures in the consolidated financial statements and management report. Our audit also included an assessment of the annual financial statements of those companies included in the scope of consolidation, the determination of the companies included in the scope of consolidation, the accounting and consolidation principles applied and significant estimates made by the Board of Management, as well as an evaluation of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not given rise to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted in the EU, the additional requirements of section 315a (1) HGB, as well as the IFRS as a whole, and give a true and fair view of the asset, financial and earnings position of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and presents a true and fair view of the Group's overall position and the potential risks and rewards for its future development.

Frankfurt am Main, 3 March 2008

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

(Harald Schmidt)	(Michael Burkhart)
Wirtschaftsprüfer	*Wirtschaftsprüfer*

SUMMARY REPORT OF RHÖN-KLINIKUM AG

BALANCE SHEET

ASSETS	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Intangible assets	3.9	1.3
Tangible assets	65.9	40.0
Financial assets	938.2	850.3
Fixed assets	1,008.0	891.6
Inventories	3.8	3.3
Receivables and other assets	141.8	101.0
Securities, cash and cash equivalents	19.2	2.6
Current assets	164.8	106.9
Prepaid expenses	2.7	3.1
	1,175.5	1,001.6

EQUITY AND LIABILITIES	31 Dec. 2007	31 Dec. 2006
	€ million	€ million
Subscribed capital	259.2	51.8
Capital reserve	37.6	37.6
Retained earnings	118.1	287.1
Net distributable profit	29.0	37.3
Equity	443.9	413.8
Contributions to finance fixed assets	0.1	0.0
Tax provisions	2.5	2.5
Other provisions	29.8	31.0
Provisions	32.3	33.5
Liabilities	699.2	554.3
	1,175.5	1,001.6

INCOME STATEMENT

	2007	2006
	€ million	€ million
Revenues	131.7	129.2
Changes in services	0.3	-0.1
Other operating income in progress	18.5	13.8
Material and consumables used	35.2	34.9
Personnel costs	71.3	69.7
Depreciation	5.9	5.4
Other operating expenses	35.9	34.9
Operating earnings	2.2	-2.0
Investment result	73.9	74.4
Financial result	-20.1	-16.8
Earnings from ordinary operations	56.0	55.6
Taxes	0.0	-19.0
Net profit for the year	56.0	74.6
Allocation to retained earnings	27.0	37.3
Net distributable profit	29.0	37.3

The annual financial statements of RHÖN-KLINIKUM AG, which have been audited and certified by PricewaterhouseCoopers Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, will be published in the Federal Gazette (Bundesanzeiger) and deposited with the Commercial Register.

Should you wish to receive a full copy, please write to RHÖN-KLINIKUM AG.

PROPOSED APPROPRIATION OF PROFIT

The annual financial statements of RHÖN-KLINIKUM AG for the year ended 31 December 2007, 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 € 29,030,400.00. The Board of Management will propose to shareholders at the forthcoming annual general meeting that this profit be appropriated as follows:

Distribution of a dividend of € 0.28 per ordinary share (DE 0007042301)

and to carry forward the dividend on treasury shares.

Bad Neustadt a. d. Saale, 29 February 2008

RHÖN-KLINIKUM Aktiengesellschaft

The Board of Management

Andrea Aulkemeyer	Wolfgang Kunz	Gerald Meder
Dietmar Pawlik	Wolfgang Pföhler	Dr. Brunhilde Seidel-Kwem

Phases of construction up to completion of new teleportal clinic in Wittingen

MILESTONES

1973

Takeover of management of Kur- und Therapiezentrum Bad Neustadt a.d. Saale comprising 1,500 condominium units as a rehabilitation centre

1975

Opening of psychosomatic hospital Psychosomatische Klinik Bad Neustadt a.d. Saale

1977

Development of a training concept for ethnic German immigrants in partnership with a non-profit associated company providing room and board

1984

Opening of the cardiovascular hospital Herz- und Gefäß-Klinik Bad Neustadt a.d. Saale

1988

Inception of RHÖN-KLINIKUM AG with an initial capital of DM 10 million (€ 5.11 million), through conversion of the share capital of Rhön-Klinikum GmbH (limited liability company) into ordinary share capital. Resolution on approved capital

1989

Increase in share capital of RHÖN-KLINIKUM AG by DM 5 million (€ 2.56 million) to DM 15 million through issuance of 100,000 non-voting preference shares

Takeover of majority of condominium rights; on 27 November 1989 IPO of first German hospitals group: listing of preference shares for official trading on the stock exchanges in Munich and Frankfurt am Main

Takeover of 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik GmbH, Wiesbaden

Takeover of all shares of Heilbad Bad Neustadt GmbH & Co. Sol- und Moorbad

1991

Opening of neurological hospital Neurologische Klinik Bad Neustadt a.d. Saale

Founding and takeover of 75% of shares in Zentralklinik Bad Berka GmbH, Bad Berka

Listing of the ordinary shares and placement of 25% of ordinary shares

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 15 million (€ 7.67 million) by DM 15 million (€ 7.67 million) to DM 30 million (€ 15.34 million); admission of all ordinary and preference shares to the stock exchanges in Munich and Frankfurt am Main

Commissioning of the extension of Herz- und Gefäß-Klinik Bad Neustadt a.d. Saale

1992

Opening of the hand surgery clinic Klinik für Handchirurgie in Bad Neustadt a.d. Saale

1993

Opening of a specialist centre for addictive diseases as temporary solution until the opening of a planned new facility (opened in January 1997)

Opening of specialist hospital for neurology Neurologische Klinik in Kipfenberg

Increase in the share capital of RHÖN-KLINIKUM AG against cash contributions from DM 30 million (€ 15.34 million) by DM 6 million (€ 3.07 million) to DM 36 million (€ 18.41 million)

1994

Opening of operative and intensive care centre of Zentralklinik Bad Berka with 14 operating rooms and 88 intensive care beds

Opening of Herzzentrum Leipzig with the status of a university hospital

1995

Opening of Klinikum Meiningen, with 532 beds

Opening of replacement bed facility of Zentralklinik Bad Berka with 488 beds

Opening of heart surgery clinic Klinik für Herzchirurgie in Karlsruhe with 65 beds

Reduction in nominal value of RHÖN-KLINIKUM shares from DM 50.00 to DM 5.00

Increase in the share capital of RHÖN-KLINIKUM AG against cash contribution from DM 36 million (€ 18.41 million) by DM 7.2 million (€ 3.68 million) to DM 43.2 million (€ 22.09 million)

1996

Takeover of a further 50% of the shares of DKD – Stiftung Deutsche Klinik für Diagnostik in Wiesbaden, making us sole shareholder

Commissioning of reconstructed central facility of Zentralklinik Bad Berka

1997

Opening of Soteria Klinik in Leipzig-Probstheida

Takeover of Krankenhaus Waltershausen-Friedrichroda with 248 beds

1998

Takeover of Kliniken Herzberg und Osterode with 279 beds

Opening of west wing of Zentralklinik Bad Berka including centre for paraplegia (66 beds), central diagnostics, PET and low-care ward

Commissioning of vascular centre at Herz- und Gefäß-Klinik Bad Neustadt

1999

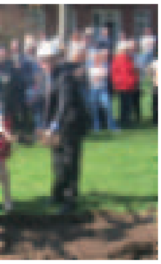
Takeover of Kreiskrankenhaus Freital (near Dresden) with 301 beds

Opening of world's first robot-assisted operation wing in Herzzentrum Leipzig-Universitätsklinik

Takeover of Städtische Klinik Leipzig Süd-Ost (Park-Krankenhaus) with 526 beds

Takeover of Städtisches Krankenhaus St. Barbara Attendorn GmbH with 297 beds

Increase in share capital of RHÖN-KLINIKUM AG from own funds to € 25.92 million as well as 1:3 stock split





2000

Takeover of Kreiskrankenhaus Uelzen and Hamburgisches Krankenhaus Bad Bevensen with 410 beds

Takeover of Krankenhaus in Dippoldiswalde (near Freital and Dresden) with 142 beds

2001

Commissioning of extension of Kliniken Herzberg und Osterode GmbH/ amalgamation of Herzberg and Osterode locations

2002

Takeover of hospitals in Nienburg/Weser, Hoya and Stolzenau with a total of 388 beds

Takeover of Klinikum Frankfurt (Oder) with 910 beds

Takeover of Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen with 405 beds

Takeover of Aukamm-Klinik für operative Rheumatologie und Orthopädie in Wiesbaden with 63 beds

Takeover of Klinikum Pirna (near Dresden) with 342 beds

2003

Takeover of Johanniter-Krankenhaus in Dohna-Heidenau (near Pirna, today amalgamated with Pirna) with 142 beds

Opening of new facility of Kliniken Uelzen und Bad Bevensen GmbH/amalgamation of Uelzen and Bad Bevensen locations

Takeover of 12.5% interest of Free State of Thuringia in Zentralklinik Bad Berka GmbH

Takeover of Stadtkrankenhaus Cuxhaven with 270 beds

2004

Takeover of Carl von Heß-Krankenhaus in Hammelburg with 130 beds

Takeover of St. Elisabeth-Krankenhaus in Bad Kissingen with 196 beds

Opening of new facility for neurology, child and youth psychiatry, extension of adult psychiatry – at Fachkrankenhaus in Hildburghausen

Commissioning of extension and refurbishment at St. Barbara Krankenhaus in Attendorn

Takeover of Stadtkrankenhaus in Pforzheim with 602 beds

2005

Takeover of Stadtkrankenhaus in Hildesheim with 570 beds

Takeover of Kreiskrankenhaus in Gifhorn with 360 beds (interest of 95%)

Takeover of Städtisches Krankenhaus in Wittingen with 71 beds (interest of 95%)

Takeover of Kreiskrankenhaus in München-Pasing with 442 beds

Takeover of Kreiskrankenhaus in München-Perlach with 180 beds

Takeover of Klinikum in Dachau with 443 beds (interest of 74.9%)

Takeover of Klinik Indersdorf with 50 beds (interest of 74.9%)

Takeover of Kreiskrankenhaus in Salzgitter-Lebenstedt with 258 beds (interest of 94.9%)

Takeover of Kreiskrankenhaus in Salzgitter-Bad with 192 beds (interest of 94.9%)

Takeover of Kreiskrankenhaus in Erlenbach with 220 beds

Takeover of Kreiskrankenhaus in Miltenberg with 140 beds

Capital increase from company funds from 25,920,000 shares to 51,840,000 shares

Conversion of preference shares into ordinary shares

Opening of the first two teleportal clinics: in Dippoldiswalde (refurbishment and extension) and Stolzenau (new construction)

Takeover of 25.27% interest of Free State of Thuringia in Fachkrankenhaus für Psychiatrie und Neurologie Hildburghausen GmbH

2006

Takeover of Frankenwaldklinik in Kronach with 282 beds

Takeover of Heinz Kalk-Krankenhaus in Bad Kissingen with 86 beds

Takeover of Universitätsklinikum Gießen und Marburg GmbH with 2,262 beds (interest of 95%)

Opening of new building for forensic unit at Fachkrankenhaus Hildburghausen

Opening of new building in Nienburg/Weser

2007

Takeover of Kreiskrankenhaus in Köthen with 264 beds

Opening of new hospital building in Pirna

Groundbreaking ceremony for construction of new multi-storey car park of Universitätsklinikum Gießen und Marburg GmbH – Gießen site

Topping-out ceremony for construction of new teleportal clinic in Hammelburg

Cornerstone-laying ceremony for particle therapy centre of Universitätsklinikum Gießen und Marburg GmbH – Marburg site

Topping-out ceremony for extension construction of St. Elisabeth Krankenhaus GmbH in Bad Kissingen

Topping-out ceremony for new functional building of Frankenwaldklinik Kronach GmbH

Topping-out ceremony for construction of new paediatric clinic of Universitätsklinikum Gießen und Marburg GmbH – Gießen site

Increase in share capital of RHÖN-KLINIKUM AG from own funds to € 259.2 million as well as 1:2 stock split (103,680,000 non-par shares at € 2.50 each)

2008

Opening of new teleportal clinic in Miltenberg

Topping-out ceremony of newly constructed building of Krankenhaus Cuxhaven GmbH

Opening of new teleportal clinic in Hammelburg

Opening of new teleportal clinic in Wittingen

THE ADDRESSES OF RHÖN-KLINIKUM AG

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For further information on our hospitals, visit our website at www.rhoen-klinikum-ag.com under the section “Hospitals”.

Green, glass-covered "feel-well oasis" to be enjoyed all year round at Zentralklinik Bad Berka

FINANCIAL CALENDAR 2008

DATES FOR RHÖN-KLINIKUM SHAREHOLDERS AND FINANCIAL ANALYSTS

13 February 2008	Publication of preliminary results for financial year 2007
24 April 2008	Results Press Conference - Presentation of 2007 Financial Report
24 April 2008	Publication of Interim Report for the quarter ending 31 March 2008
17 June 2008	Annual General Meeting
7 August 2008	Publication of Half-Year Financial Report as at 30 June 2008
30 October 2008	Publication of Interim Report for the quarter ending 30 September 2008
6 November 2008	Analyst Conference

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