

## Annual Report 2004


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## MediClin: the Group at one Sight

| TEUR  | 2004    | 2003    | 2002    |
|---|---------|---------|---------|
| Sales including changes in inventories                | 357,939 | 360,024 | 371,200 |
| Total operating performance                           | -7,770  | -9,617  | -6,324  |
| Results from ordinary activities                      | -13,762 | -16,310 | -12,621 |
| Net profit/net loss for the year                      | -13,581 | -16,825 | -13,545 |
| Cash flow from operating activities                   | 11,002  | 7,583   | 13,757  |
| Additions to property, plant and equipment            | 12,534  | 8,959   | 73,564  |
| Depreciation  | 22,934  | 21,467  | 21,579  |
| Fixed assets  | 256,542 | 268,203 | 280,105 |
| Current assets incl. prepaid expenses                 | 104,881 | 110,816 | 114,576 |
| Cash and cash equivalents incl. short-term securities | 18,180  | 25,512  | 46,493  |
| Equity  | 81,446  | 98,799  | 118,917 |
| Equity ratio in per cent                              | 22.5    | 26.1    | 30.1    |
| Liabilities to banks and insurance companies          | 86,545  | 92,646  | 105,298 |
| Provisions and other liabilities                      | 100,050 | 89,858  | 70,328  |
| Net financial liabilities                             | 68,365  | 69,260  | 58,805  |
| Number of employees (full-time)                       | 5,298   | 5,572   | 5,795   |
| Occupancy rates in per cent                           | 72.6    | 75.0    | 79.2    |
| Earnings per share in Euro                            | -0.43   | -0.53   | -0.43   |
| Cash flow from operating activities per share in Euro | 0.35    | 0.24    | 0.44    |
| Dividend per share in Euro                            | -       | -       | 0.10    |
| Number of shares in million                           | 31.5    | 31.5    | 31.5    |

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**Dr. Ulrich Wandschneider,**  
*Chairman of the Management Board*

Ladies and Gentlemen,  
dear Shareholders, Employees, Partners  
and Friends of MediClin AG,

Although 2004 was a hard year for MediClin, it was also a year of substantial progress for the Company. Despite the difficult market environment, in particular concerning rehabilitation, the Company's earnings situation improved. This means that the course we are taking, namely to reduce costs, increase efficiency and step up sales & marketing has proved to be the right one. At year end, cost of materials and personnel costs were down by approximately 6.4 million Euro from the previous year, whereas sales revenues declined by only 2.1 million Euro. The nursing care segment has developed favourably and the programs developed for private patients are gaining in popularity.

It was precisely this apparent development at MediClin that impressed me when I took over management of the Company as Chairman of the Board in November 2004: our Company is on its way to set the right course. Meanwhile, I have visited almost all clinics and have held intensive discussions with the respective executive staff, employees and works councils. It is quite reassuring to see the high potential of professional and medical expertise that is available locally and the dedication and commitment of staff in the clinics.

For this reason we have the right preconditions for adjusting to the changes on the health care market.

What changes are the most important changes for us?

- The lengths of stay in the acute segment will decline.
- Services in subsequent nursing treatment will grow in importance.
- Services provided in the field of medical rehabilitation will increasingly have to be financed by the patients themselves, except in the psychosomatic disciplines and in relation to serious chronic disease pattern.
- Prevention measures will play an ever more important role.
- Concentration processes in the acute area will accelerate further and the rehabilitation market is also undergoing increasing consolidation.
- The restrictive trends with respect to both public sector expense policy and cost providers will continue.

What does all this mean to us, a provider, offering on the one hand demanding expert medical services in acute care medicine and on the other hand the second largest provider of rehabilitation services on the market? I think it means that we

- will have to continue to focus on subsequent nursing treatment within our service portfolio
- will have to cooperate even more closely than previously with the acute segment, regardless of whether this is with external partners or whether we will have to consolidate this segment increasingly under our roof
- will have to market the products which we have developed to date even more engaged and more targeted
- must grow again after our consolidation process in this year, and,
- above all, must develop very innovative concepts which enable a win-win situation for all those involved: MediClin, partners, patients and coverage providers.

It also means that we (partly with external support) again scrutinize in great detail – and we have already started doing this – local market structures that surround our clinics. What types of services are in demand and what must be done to meet regional demand?

The main point is to ascertain actual or potential market opportunities for the individual clinics. However, optimization in these areas will not be sufficient; a lot must also be done internally:

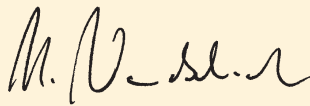
- In order to reduce decision-making channels, the organization will be stream-lined and areas of responsibility will be newly allocated.
- In order to promote an exchange of information and knowledge transfer, an Intranet will be established, including electronic work rooms.
- In order to increase and promote human resources within the Company, we will introduce a new, modern personnel development system.
- In order to strengthen our market position, we will put communication with coverage providers on a partnership footing by being forerunners in demand-oriented solutions in the medical care sector, regardless of whether this is locally or professionally oriented.
- In order to strengthen the MediClin brand we will be actively present on the market – a good name that is associated with features such as quality, consistency, trust and humanitarian aspects is the best visiting card for any company.

All measures addressed here will show effect over the course of the coming months. There have been some changes, and many changes are to come. That will also impact the corporate culture. Although such change takes place only slowly, I am very optimistic that – linked with stability and trust – a powerful Group will emerge where everybody profits from a larger association.

I am certain that the new structures will strengthen the company so that, following a consolidation phase, we will again be able to grow despite a rehabilitation market which, from the current viewpoint, is at best stagnant.

I wish to thank all employees and the works council of MediClin AG for their performance in difficult times. Your commitment has helped to form the basis for a successful future for the company.

Frankfurt am Main, 8 March 2005



Dr. Ulrich Wandschneider  
Chairman of the Management Board



*from left to right:*

**Frank Abele**, Chief Financial Officer  
Controlling, Accounting, Law/Tax, EDP, Internal Organisation and Internal Audit, Purchasing

**Dr. Ulrich Wandschneider**, Chairman of the Management Board, Chief Operating Officer  
Strategic Planning, Sales and Marketing, Operative Clinics Management, Human Resources,  
Cooperations and Acquisitions, Public Relations/Investor Relations

## The MediClin Share

- **Stock Market Year 2004 on a Stable Course of Development**
- **Experts Expect Moderate Upward Tendency for 2005**

### **The Stock Exchange Showed a Brighter Side in 2004**

Following a very changeable stock exchange year in 2003 with the German stock index, DAX, having to cope with a decline below 2,200 points at the beginning of the year, the market picked up significantly over the course of 2004 so that relatively moderate growth could be recorded at year end. The DAX opened at 3,969.04 points on 2 January 2004, and closed at 4,256.08 points with a plus of 7.23 percent on 30 December 2004. The closing price was only marginally below the annual high of 4,272.18 points.

The second line stocks-indices closed the 2004 stock exchange year more successfully than the DAX: MDAX rose by 20.2 percent in comparison with the beginning of the year and, in December 2004, marked a new all-time high at 5,378.74 points. The SDAX also improved by 21.8 percent during the course of the year, whereas the 2004 stock exchange year was not quite satisfactory for the TecDAX. The technology and growth values index closed 4.0 percent below the opening value at the beginning of the year.

The market mood is best reflected by the DAX. The rather stagnant development primarily results from uncertainties associated with rising oil prices, high commodity prices and a low US Dollar exchange rate.

The above factors are presumably expected to have a dampening effect on a positive price performance in 2005.

### **Increase in the MediClin Share Price's Volatility in 2004 in Comparison with 2003**

The MediClin Share's annual low in the 2004 stock exchange year was EUR 1.44; the peak price was EUR 2.55. The EUR 1.90 price at the beginning of the year corresponded almost exactly to the closing price of EUR 1.86 on 30 December 2004.

The share is included in the Prime All Share Index, the German Entrepreneurial Index, and the industry indices of Prime Pharma & Healthcare and Prime IG Health Care.

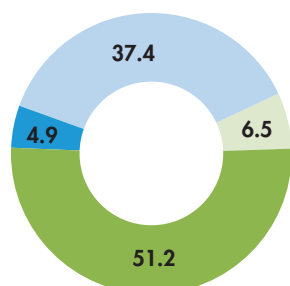
Performance improved slightly in 2005 and has been above the 200-day line since the end of January, with traded volumes slightly up in comparison to previous months.

### **Dividend payment**

The Board of Management has suggested to the Supervisory Board that no dividend be paid for financial year 2004 but that, instead, liquid funds be used mainly for improving the Group's infrastructure.



**Shareholder structure**  
in per cent



|  |             |
|--|-------------|
| Supervisory Board/<br>Management Board | <b>6.5</b>  |
| Main shareholders*                     | <b>51.2</b> |
| Own shares                             | <b>4.9</b>  |
| Free float                             | <b>37.4</b> |

\*Shareholders equal or exceeding  
5 per cent  
as at 28 January 2005

### Buy-back of Own Shares

MediClin meanwhile holds 1,550,000 own shares at an average price of EUR 1.81, or 4.92 percent of nominal capital. No additional shares were purchased in 2004.

It is planned to retain the acquired shares of stock for the time being.

### Conversion to IFRS

At the beginning of financial year 2005 MediClin converted its accounting system to comply with the International Financial Reporting Standards (IFRS) in the future.

### Financial Calendar

|           |  |
|-----------|--|
| 23.02.05: | Publication of preliminary figures for financial year 2004         |
| 23.03.05: | Balance sheet press and analyst conference:<br>financial year 2004 |
| 12.05.05: | Publication of the first quarter 2005                              |
| 25.05.05: | Annual Shareholders' Meeting                                       |
| 12.08.05: | Publication of the Interim Report 2005                             |
| 08.11.05: | Publication of the 9-Month Report 2005                             |

### Key capital market data

(ISIN: DE0006595101; WKN: 659 510; Ticker: MED)

|                                  | in Euro<br>2004 | in Euro<br>2003 |
|----------------------------------|-----------------|-----------------|
| Earnings per share               | -0.43           | -0.53           |
| Cash flow per share <sup>1</sup> | 0.35            | 0.24            |
| Book value per share             | 2.59            | 3.14            |
| Dividend per share               | –               | –               |
| Year-end price                   | 1.86            | 1.95            |
| 52-week-high <sup>2</sup>        | 2.55            |                 |
| 52-week-low <sup>2</sup>         | 1.44            |                 |
| Number of shares                 | 31,500,000      | 31,500,000      |

<sup>1</sup> Cash flow from operating activities

<sup>2</sup> as at 20 February 2005, Xetra closing prices; source: Deutsche Börse AG

## Business Development by Quarters

|  | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | Full year    |
|--|-------------|-------------|-------------|-------------|--------------|
| <b>Sales revenues including changes in inventories</b> |             |             |             |             |              |
| in million Euro  | <b>2004</b> |             |             |             |              |
| Segment Post acute                                     | 49.7        | 52.5        | 52.7        | 52.5        | 207.4        |
| Segment Acute  | 36.0        | 36.3        | 37.8        | 38.7        | 148.8        |
| Segment Nursing care                                   | 0.0         | 0.1         | 0.7         | 0.9         | 1.7          |
| <b>Group</b>   | <b>85.7</b> | <b>88.9</b> | <b>91.2</b> | <b>92.1</b> | <b>357.9</b> |
|  | <b>2003</b> |             |             |             |              |
| Segment Post acute                                     | 51.8        | 56.1        | 55.9        | 51.1        | 214.9        |
| Segment Acute  | 36.1        | 36.0        | 37.1        | 35.9        | 145.1        |
| <b>Group</b>   | <b>87.9</b> | <b>92.1</b> | <b>93.0</b> | <b>87.0</b> | <b>360.0</b> |
| <b>Operating result</b>                                |             |             |             |             |              |
| in million Euro  | <b>2004</b> |             |             |             |              |
| Segment Post acute                                     | -5.6        | -3.6        | -0.9        | -3.4        | -13.5        |
| Segment Acute  | 2.2         | 1.3         | 3.2         | 1.6         | 8.3          |
| Segment Nursing care                                   | -0.5        | 0.0         | -0.2        | -1.9        | -2.6         |
| <b>Group</b>   | <b>-3.9</b> | <b>-2.3</b> | <b>2.1</b>  | <b>-3.7</b> | <b>-7.8</b>  |
|  | <b>2003</b> |             |             |             |              |
| Segment Post acute                                     | -5.4        | -3.2        | -0.6        | -4.8        | -14.0        |
| Segment Acute  | 1.4         | -0.1        | 2.9         | 0.2         | 4.4          |
| <b>Group</b>   | <b>-4.0</b> | <b>-3.3</b> | <b>2.3</b>  | <b>-4.6</b> | <b>-9.6</b>  |
| <b>Occupancy rates</b>                                 |             |             |             |             |              |
| in %   | <b>2004</b> |             |             |             |              |
| Segment Post acute                                     | 69.9        | 76.1        | 76.7        | 73.9        | 73.8         |
| Segment Acute  | 74.8        | 75.6        | 72.5        | 74.1        | 75.2         |
| Segment Nursing care                                   | –           | 8.2         | 32.8        | 46.5        | 36.1         |
| <b>Group</b>   | <b>70.7</b> | <b>73.4</b> | <b>73.8</b> | <b>72.9</b> | <b>72.6</b>  |
|  | <b>2003</b> |             |             |             |              |
| Segment Post acute                                     | 73.5        | 79.5        | 76.9        | 69.8        | 74.9         |
| Segment Acute  | 80.4        | 74.9        | 73.7        | 72.2        | 75.1         |
| <b>Group</b>   | <b>74.8</b> | <b>78.8</b> | <b>76.4</b> | <b>70.2</b> | <b>75.0</b>  |



Summarized Management Report  
and Group Management Report  
of MEDICLIN Aktiengesellschaft for  
Financial Year 2004

## ■ General Economic Conditions and Situation of the Sector of Industry

- Excellent economic perspectives for the global economy
- No resulting benefit for Germany
- Consolidation in the acute care and rehabilitation market continues
- Slight weakening in the drop in demand for rehabilitation services
- Growth potential in the nursing care market

The global economy has growth perspectives such as never before. The opening up of former Eastern block countries and the rapidly growing demand in newly industrializing countries, above all in China, offer economic potential. The extent to which individual industrial countries will profit from this, depends on their ability to adapt to the new balance of power in the markets.

Viewed globally, 2004 was characterized by the highest speed of growth for almost thirty years. In 2005, a weakening in global economic dynamics is awaited; however, this is expected to be very moderate since general global economic conditions continue to be favourable.

Germany was able to profit from this surge in growth only in marginal sectors, and these are mainly related to the export industry. Nevertheless, the strongest rise in the German gross national product (GNP) since 2000 (+2.9 percent) was recorded in 2004. However, domestic demand continues to be weak, private consumption is stagnant, and the rate of savings is growing. According to the Federal Statistical Office's preliminary calculations, in 2004, the German gross national product increased by 1.7 percent in real terms when compared to the previous year. Adjusted for the calendar effect (+ 0.5 percentage points), the national growth rate for 2004 is 1.2 percent<sup>1</sup>.

The job market situation did not improve in 2004. Seasonally adjusted, the number of employees subject to social insurance contributions was retrograde till the end of 2004. The average figure of the unemployment rate was 10.8 percent. The number of jobless rose to approximately 4.64 million in February 2004, compared to 4.46 million in December<sup>2</sup>.

The cost of living was higher than in the previous year; this was mainly a result of higher prices for energy, health service and an increase in the tax on tobacco. According to the Federal Statistical Office's final figures, the consumer price index for Germany rose by an average of 1.6 percent in 2004 in comparison with 2003.

According to preliminary calculations, the national financing deficit amounted to 3.9 percent of the gross national product in 2004 given the respective prices; in 2003, 4.0 percent was achieved<sup>1</sup>.

<sup>1</sup> ifo World Economic Survey (WES); Ifo Institute, Munich

<sup>2</sup> Statistisches Bundesamt Deutschland (Federal Statistical Office)

The general economic and business situation in Germany, which remained almost unchanged in comparison to the previous year, led to a further drop in demand in the health care sector. The number of applications for rehabilitation measures declined further due to the uncertain job market situation. According to the Association of German Social Security Insurance Authority (Verband Deutscher Rentenversicherungsträger), there were 1,317,879 applications for medical rehabilitation services in 2004; this represents 44,318 applications, or 3.3 percent, fewer than in 2003. The approval rate was 62.1 percent in 2003, following 62.8 percent in 2002. The acute care segment is affected by the economy to a certain extent since, in this segment, medical services are not, or only with a delay, called for if treatment is not required immediately. The low sickness ratio level is an indicator of this. According to information provided by the Federal Ministry of Social Affairs, the ratio of illness declined further in 2004. In 2003, employee's absence times due to illness was approximately 3.6 percent of their working time, whereas the respective figure was 3.4 percent in 2004, according to preliminary data.

The privatization process which occurred mainly in the acute care sector (hospitals), accelerated further in 2004. Whereas consolidation in the rehabilitation sector is taking place, but markedly slower since some of the overcapacities had already been eliminated at the end of the Nineties. The price pressure has increased noticeably in the health care industry as a whole.

In addition, a shift in approved services at the expense of medical rehabilitation and in favour of subsequent nursing treatment is making itself felt.

The nursing care market will gain more and more importance in Germany due to the age structure development. In coming years, the group of over 80-year-olds will be one of the most strongly growing population groups in Germany.

## **Corporate Development**

- Measures lead to productivity increases
- Nursing care set up at six post-acute locations
- Capacity utilization still below the 2003 values due to the economic environment
- Sales revenues only slightly below those of the previous year

In financial year 2004, MEDICLIN Aktiengesellschaft (hereinafter MediClin AG or MediClin) successfully adjusted its income and cost structures to the continuing weak demand for rehabilitation services. Cost management and the introduction of new services were able to compensate for part of the retrograde sales development.

In December 2003, the Board of Management decided – with the Supervisory Board's approval – to use some of the existing capacities at six locations to introduce nursing care as a highly qualified supplementary service. Positive effects resulting from improved utilization of already existing administration and service capacities at the respective locations are expected over the medium to long term. Within the course of the reporting year, MediClin developed a series of offers that are directed at private patients, namely the "PlusProgramme". These programs permit clinics to make better use of existing resources. MediClin meanwhile offers eight "PlusProgramme".

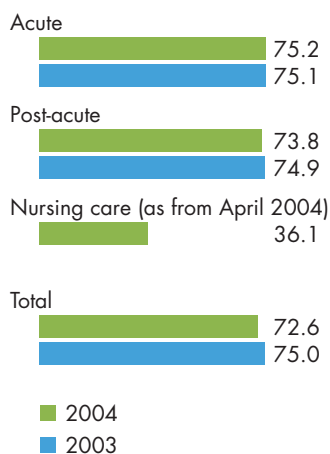
MediClin has pursued the concept of Integrated Medical Service at a very early state, and has already implemented the concept in partitions. The procedure was facilitated in the reporting year through the "Act on Modernization of Statutory Health Insurance Institutions" which came into effect in 2004. MediClin concluded nine contracts with clinics, physicians and coverage providers in 2004, which govern the services provided within the scope of an Integrated Medical Service system. In 2003, two contracts were signed.

Since the majority of clinics operated by MediClin are rehabilitation facilities, only eight Group clinics are affected by conversion to the settlement system of Diagnosis Related Groups (DRG). Even before introduction of the DRG, MediClin billed some of the services provided at its acute clinics on the basis of case-based lump sum. Extension of the convergence phase adopted in 2004 is not relevant for MediClin.

The MediClin Group included thirty clinics and six nursing care facilities in the reporting year.

Compared to 2003, the decline in occupancy was less pronounced in 2004 than in the previous year. The post-acute segment had to cope with a 1.5 percent decline (previous year: 5.5 percent) whereas the acute segment saw a slight increase. In 2004, a total of 2,067,552 nursing days were provided (previous year: 2,144,141). Of these, 1,640,887 nursing days (previous year: 1,756,564) were attributable to the post-acute facilities and 402,807 nursing days (previous year: 387,577) to the acute care clinics. In its start-up year, the nursing care segment recorded 23.858 nursing days.

**Clinic occupancy according to segments**  
in %



In 2004, 64,159 cases (previous year: 69,319 cases) were treated at the post-acute facilities; the average length of stay was 25.6 days (previous year: 25.3 days). In the acute care hospitals, with 37,992 cases (previous year: 38,945 cases), the average length of stay was 10.6 days (previous year: 10.0 days). The case-related billing system is gaining importance in both segments and this levels out the informative value of the nursing day indicator.

In 2004, MediClin earned sales revenues, including changes in inventories, of EUR 357.9 million; this was 0.6 percent less than in the previous year (previous year: EUR 360.0 million). The acute segment was able to improve its sales revenues by EUR 3.7 million to EUR 148.8 million (previous year: EUR 145.1 million); by contrast, the post-acute segment had to accept a decline of EUR 7.5 million to EUR 207.4 million (previous year: EUR 214.9 million). The nursing care segment achieved sales of EUR 1.7 million in its start-up year.

At EUR 8.3 million, the acute sector segment result almost doubled in comparison to the previous year (EUR 4.4 million). The post-acute segment saw a EUR 0.5 million improvement to EUR -13.5 million after EUR -14.0 million in 2003. Nursing care showed a segment result of EUR -2.6 million in 2004.

Quarter for quarter, the Company's sales and income situation improved in 2004. Sales revenues were at almost the previous year's level, and the operating result (earnings before interest and taxes according to the profit and loss account) improved by 18.8 percent or EUR 1.8 million to EUR -7.8 million (previous year: EUR -9.6 million). The operating result includes approximately EUR 0.7 million of scheduled depreciation for the new nursing care segment. Approximately EUR 2.1 million are included in other operating expenses concerning the expansion of nursing care, and also further one-off costs of approximately EUR 1 million for severance pay and the closure of the office in Frankfurt.

The consolidated net loss for the year improved by EUR 3.2 million to EUR -13.6 million in 2004 after being EUR -16.8 million in 2003.

## Group

### Comments on the Consolidated Profit and Loss Account

- Sales revenues 0.6 percent down from the previous year
- Cost of materials and personnel expenses saw an above-proportionate decline

#### Development of sales revenues

The following tables show the composition of sales revenues, and changes in comparison with the previous year:

##### Sales revenues, including inventory changes, according to areas

| in million EUR        | 2004         | 2003         | Change in % |
|-----------------------|--------------|--------------|-------------|
| Acute                 | 137.7        | 135.1        | +1.9        |
| Post-acute            | 188.3        | 200.8        | -6.2        |
| Nursing care          | 1.7          | -            | n.a.        |
| Other revenues        | 29.5         | 23.0         | +28.3       |
| Inventory changes     | 0.7          | 1.1          | -36.4       |
| <b>Sales revenues</b> | <b>357.9</b> | <b>360.0</b> | <b>-0.6</b> |

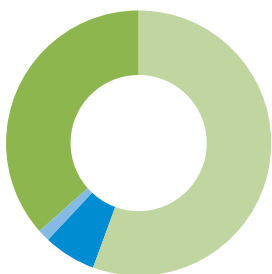
Inventory changes relate to patients who remained in the clinics over the turn of the year; the services provided for these patients could not be billed as of the balance sheet date. Sales revenues excluding these inventory changes amounted to EUR 357.2 million in 2004 compared to EUR 358.9 million in 2003. Other revenues have increased, and EUR 29.5 million (previous year: EUR 23.0 million) were earned in the reporting year. These mainly concern revenues from optional services, usage fees and out-patient services.

##### Sales revenues, including inventory changes, according to region

| in million EUR             | 2004 | 2003 | Change in % |
|----------------------------|------|------|-------------|
| Mecklenburg-West Pomerania | 81.9 | 81.6 | +0.4        |
| North Rhine-Westfalia      | 54.4 | 57.6 | -5.6        |
| Baden-Wurttemberg          | 43.3 | 42.4 | +2.1        |
| Lower Saxony               | 42.8 | 41.6 | +2.9        |
| Saxony                     | 31.9 | 34.8 | -8.3        |
| Saxony-Anhalt              | 30.3 | 29.7 | +2.0        |
| Saarland                   | 23.9 | 23.0 | +3.9        |
| Hesse                      | 22.5 | 22.7 | -0.9        |
| Bavaria                    | 11.8 | 11.2 | +5.4        |
| Brandenburg                | 8.7  | 8.8  | -1.1        |
| Thuringia                  | 6.4  | 6.6  | -3.0        |



**Occupancy days divided up according to coverage provider groups, excluding nursing care in per cent**



|                                      | 2004 | 2003 |
|--------------------------------------|------|------|
| ■ Social security pension funds      | 36.9 | 37.5 |
| ■ Public health insurance funds      | 55.5 | 54.7 |
| ■ Private health insurance companies | 6.4  | 6.5  |
| ■ Other coverage providers           | 1.2  | 1.3  |

Compared to the previous year, it was possible to increase sales revenues, including inventory changes, in the majority of the federal states. This meant that our clinics in Baden-Wurtemberg, Lower Saxony, Saarland and Bavaria have picked up and that the clinics in Saxony-Anhalt and Mecklenburg-West Pomerania were able to increase their revenues further. By contrast, the facilities in North Rhine-Westfalia and Saxony, in particular, recorded declines in proceeds.

With a total of 92.4 percent, the proportion of social security pension funds and public health insurance funds in overall occupancy continues to be predominant. In financial year 2004, the social security pension funds' proportion of overall occupancy declined by 0.6 percentage points (previous year: -5.1 percentage points) to 36.9 percent (previous year: 37.5 percent). This decline in occupancy by social security pension funds mainly continues to affect services for medical rehabilitation.

The proportion of beds occupied by the public health insurance funds has risen by 0.8 percentage points (previous year: +5.0 percentage points) and mainly affects services concerning subsequent nursing treatment.

Furthermore the admittance structure shows a shift in favour of the health insurance funds and thus an increasing demand for treatment within the scope of subsequent nursing treatment.

### Other operating income

In 2004, other operating income amounted to EUR 15.1 million (previous year: EUR 16.1 million). Other operating income includes income from the release of the special item from grants to finance fixed assets pursuant to KHG to a total amount of EUR 8.2 million (previous year: EUR 8.2 million).

### Cost of materials

The cost of materials concerning raw materials and supplies declined by 7.3 percent in comparison with 2003, whereas the cost of purchased services rose by 5.4 percent. Overall, cost of materials is 3.0 percent, or EUR 2.3 million down from the previous year despite price increases in almost all areas, in particular in the energy sector.

#### Cost of materials

|                                  | 2004 | 2003 | Change in % |
|----------------------------------|------|------|-------------|
| Cost of materials in million EUR | 73.2 | 75.5 | -3.0        |
| Cost of materials ratio in %     | 20.5 | 21.0 |             |

### Personnel expenses

Personnel expenses dropped by 1.9 percent, or EUR 4.1 million. The impact of capacity adjustments became apparent mainly in the second half of 2004 and, consequently, personnel expenses were approximately EUR 6 million below the first half-year's value. Personnel expenses include MediClin staff pension expenses to the amount of EUR 1.7 million.

#### Personnel expenses

|                                   | 2004  | 2003  | Change in % |
|-----------------------------------|-------|-------|-------------|
| Personnel expenses in million EUR | 207.0 | 211.1 | -1.9        |
| Personnel expense ratio in %      | 57.8  | 58.6  |             |

### Number of employees

The average number of employees, calculated on the basis of full-time staff, amounted to 5,298 (previous year: 5,572). The post acute segment accounts for most of the jobs. The nursing care segment employed an average of 39 full-time staff in 2004.

#### Number of employees

|                 | 2004  | 2003  | Change in % |
|-----------------|-------|-------|-------------|
| Full-time staff | 5,298 | 5,572 | -4.9        |

### Performance and personnel costs per full-time employee

The realized performance per full-time employee was up by approximately EUR 3,000 in the reporting year; the average cost per full-time employee rose by about EUR 1,200.

#### Performance and personnel costs per full-time employee

| in TEUR                                     | 2004 | 2003 | Change in % |
|---|------|------|-------------|
| Sales revenues, including inventory changes | 67.6 | 64.6 | +4.6        |
| Personnel costs                             | 39.1 | 37.9 | +3.2        |

### Depreciation and amortization

Depreciation increased in comparison with the previous year's value by EUR 1.4 million to EUR 22.9 million (previous year: EUR 21.5 million).

Included in depreciation is the amortization of goodwill from capital consolidation to the amount of EUR 5.1 million (previous year: EUR 4.6 million).

Goodwill is amortized over an estimated useful life of 15 years. Commercial goodwill amortization and the depreciation of differences from capital consolidation have a considerable tax effect.

The goodwill as of 31 December 2004 resulting from the acquisition of MC Pharma GmbH, by contrast, was set off against revenue reserves to the amount of the residual book value of TEUR 3,708 pursuant to Section 309 (1) S. 3 HGB to the extent not yet been subject to scheduled amortization. The different treatment in comparison with other goodwill is due to the deviating business activity of MC Pharma GmbH.

Depreciation of subsidized fixed assets is balanced out in the result by releasing the special item pursuant to KHG.

### Other operating expenses

Other operating expenses remained almost unchanged in comparison with the previous year.

#### Other operating expenses

| in million EUR           | 2004 | 2003 | Change in % |
|--------------------------|------|------|-------------|
| Other operating expenses | 77.7 | 77.7 | -           |
| Expense ratio in %       | 21.7 | 21.6 |             |

### Financial result

The financial result improved by EUR 0.7 million to EUR - 6.0 million (previous year: EUR -6.7 million). Financial income was down by EUR 0.5 million to EUR 0.7 million (previous year: EUR 1.2 million) due to lower interest income and a decline in liquid funds.

Financial expenses dropped by EUR 1.2 million to EUR 6.7 million (previous year: EUR 7.9 million) as a result of the corresponding repayment of liabilities.

### **Taxes on income**

The majority of MediClin's clinic operations are organized in the form of legal partnerships. Exceptions are the general partner, service and holding companies which operate in the form of limited liability companies (GmbH), the Krankenhaus am Crivitzer See GmbH, the Müritz-Klinikum GmbH, the Rehazentrum Essen GmbH i.L., and also MediClin Pflege GmbH, which are all subject to full income tax liability.

Thus, MediClin AG, as the parent company, is the tax subject concerning the major portion of income taxes and corporation taxes to the extent that profit shares are allocated to it within the scope of uniform and separate determination of profits.

The clinics are exempt from trade tax (Section 3, No. 20 Trade Tax Law) and VAT (Section 4 No. 16 VAT Law). Since MediClin AG does not maintain its own business operations and the subsidiaries' results are neutralized on the basis of Sections 8 and 9 of the Trade Tax Law, no trade tax is levied. In financial year 2004, the Group recorded tax refunds from previous years to the amount of EUR 1.3 million.

### **Other taxes**

This item includes off-period expenses to the amount of approximately EUR 1.1 million which compare to the above stated off-period earnings from taxes on income.

### **Consolidated net loss for the year**

The consolidated loss amounted to EUR 13.6 million (previous year: consolidated loss: EUR 16.8 million).

Earnings per share were EUR -0.43 (previous year: EUR -0.53).

### **Profit and loss allocated to minority shareholders**

Minority interests as of 31 December 2004 remained unchanged in comparison with the previous year; they concerned the following companies:

#### **Minority interests**

|  | Participation in % |
|--|--------------------|
| Müritz-Klinikum GmbH, Waren                | 5.980              |
| Rehazentrum Essen GmbH i.L., Essen         | 10.000             |
| Krankenhaus am Crivitzer See GmbH, Crivitz | 31.000             |

## Notes to the Consolidated Balance Sheet

- Equity ratio amounts to 22.5 percent
- Investments in property, plant and equipment rose by EUR 3.6 million to EUR 12.5 million

### **ASSETS**

#### **Intangible assets**

Intangible assets include software, licenses and goodwill from the acquisition of clinic operations. The items are stated at acquisition cost, less scheduled depreciation/amortization. Goodwill is amortized over an estimated useful life of 15 years. Amortization of intangible assets recorded in 2004 amounted to EUR 6.7 million (previous year: EUR 6.1 million).

#### **Property, plant and equipment**

The item includes land, land rights and buildings, which largely relate to the Herz-Zentrum Coswig, the Waldkrankenhaus Bad Döben, the Krankenhaus Plau am See, the Robert Janker Klinik, the Rose Klinik, the Reha-Zentrum Soltau and the Krankenhaus am Crivitzer See, the Müritz-Klinikum and the Fachklinik Rhein/Ruhr.

In all, property, plant and equipment decreased by EUR 6.9 million (previous year: EUR -6.7 million).

#### **Additions to property, plant and equipment**

The subsidies received for investments are accounted for in accordance with Hospital Accounting Rules (KHBV) and recorded as liabilities and special items, respectively. Analogous to the depreciation of subsidised fixed asset items, the special item is released with an effect on the results.

#### **Additions to property, plant and equipment**

| in million EUR                                    | 2004        | 2003       |
|---|-------------|------------|
| Land and buildings                                | 0.4         | 1.6        |
| Technical equipment and machines                  | 0.2         | 0.6        |
| Operating and office equipment                    | 8.1         | 6.3        |
| Payments on account and assets under construction | 3.8         | 0.4        |
| <b>Total</b>                                      | <b>12.5</b> | <b>8.9</b> |

The EUR 3.6 million increase in addition to property, plant and equipment in 2004 in comparison to the previous year mainly results from investments for setting up the nursing care segment, and for the start of new construction at the Müritz-Klinikum in Waren.

### **Inventories**

MediClin inventories mainly include, in addition to necessary inventories of raw materials and supplies, work in process concerning patients whose treatment had not yet been invoiced at the balance sheet date. Inventories rose slightly to EUR 12.0 million (previous year: EUR 11.1 million).

### **Receivables and other assets**

Trade receivables increased to EUR 39.3 million (previous year: EUR 37.2 million). This is primarily due to higher occupancy at the end of 2004 in comparison with the previous year. Most of the receivables concern public and private health insurance funds and social security pension funds. Trade receivables existing for more than one year were subject to adequate value adjustments.

The disclosure of receivables pursuant to the Hospital Financing Act (KHG) is based on the provisions of the Hospital Accounting Rules (KHBV). As at 31 December 2004, receivables existed to the amount of EUR 27.7 million (previous year: EUR 27.9 million). They mainly relate to new building and new construction at the Müritz-Klinikum GmbH.

Other assets rose to EUR 3.4 million (previous year: EUR 2.9 million).

### **Investments held as current assets – own shares**

MediClin AG did not again make use of the authorization of the Shareholders' Meeting held on 27 May 2004 to acquire own shares in 2004. The authorization permits the purchase of own shares once or repeatedly up to 26 November 2005, whereby the amount of capital stock attributable to the shares totals EUR 3,150,000.

MediClin continues to hold 1,550,000 own shares, this represents 4.92 percent of the subscribed capital at an average cost price of EUR 1.81. As of 31 December 2004 the shares are valued at a price of EUR 1.80 per share.

The acquired shares are intended for temporary retention in the Company.

### **Investments held as current assets – other securities**

To the extent allocable to cash and cash equivalents in the cash flow statement, other papers consist of short-term money market funds.

### **Cash on hand, bank balances**

Liquid funds were down from EUR 23.4 million on 31 December 2003 to EUR 18.1 million as at the balance sheet date on 31 December 2004. For further details, please refer to our comments concerning the consolidated cash flow statement.

### **Prepaid expenses**

This item mainly includes prepayments for rents, insurance premiums and other services.

## **EQUITY AND LIABILITIES**

### **Equity**

The MediClin Group's equity as at 31 December 2004 amounted to EUR 81.4 million (previous year: EUR 98.8 million). It comprises of MediClin AG capital stock amounting to EUR 31.5 million, and the capital reserve of EUR 105 million from MediClin AG's stock exchange flotation. Pursuant to Section 309 HGB, the revenue reserve and the goodwill resulting from acquisition of MC Pharma GmbH were accounted for in the consolidated financial statements. The disclosed equity is reduced by the amount of EUR 13.6 million due to the consolidated net loss for the reporting year.

### **Special item from grants to finance fixed assets**

This item includes compensation for subsidized items of fixed assets. It is released in the same manner as depreciation of the subsidized fixed assets. The item is stated in the balance sheet as required under the Hospital Accounting Rules (KHBV).

### **Provisions**

The MediClin Group's provisions amounted to EUR 44.1 million as at 31 December 2004 (previous year: EUR 17.4 million). The increase in provisions mainly resulted from a reclassification from other liabilities.

## **Liabilities**

In 2004, liabilities to banks and insurance companies decreased by EUR 6.1 million to EUR 86.5 million (previous year: EUR 92.6 million). At EUR 61.4 million, liabilities to insurance companies remained unchanged from the previous year and primarily relate to liabilities vis á vis corporate shareholders of MediClin AG. The loan agreements were extended in 2004. Compared with the previous year, there was a significant reduction in liabilities to banks. Interest on liabilities as a whole is based on the respective market conditions or agreed interest rates of 6.9 percent as at the balance sheet date.

Trade payables amounted to EUR 10.5 million (previous year: EUR 9.2 million).

Liabilities pursuant to the Hospital Financing Act exist to the amount of the subsidies granted but not yet utilized in 2004, including the authorized subsidies for Müritz-Klinikum GmbH, and are disclosed in accordance with the accounting requirements of the KHBV.

Other liabilities decreased by EUR 19.2 million to EUR 12.9 million (previous year: EUR 32.1 million), largely due to reclassifications in other provisions.

## **Comments on the Consolidated Cash Flow Statement**

Cash and cash equivalents at the beginning of financial year 2004 amounted to EUR 25.5 million, and dropped to EUR 18.2 million as at the end of the year.

The positive cash flow from operating activities to the amount of EUR 11.0 million (previous year: EUR 7.6 million) compares, on balance, to negative cash flows from investing activities to the amount of EUR 12.2 million (previous year: EUR -12.2 million), and to financing activities amounting to EUR 6.1 million (previous year: EUR -15.7 million).



## MediClin AG

MediClin AG records no sales revenues for the reporting year; in the previous year the item included sales revenues from management services vis à vis third parties.

MediClin generated a net loss for the year of EUR 33.2 million in financial year 2004 compared to a consolidated net loss of EUR 34.9 million in the previous year.

The earnings structure during the reporting year was characterized mainly by write-downs of financial assets, due, in particular, to financing costs amounting to EUR 5.9 million (previous year: EUR 6.8 million), and also by income earned from participations in 2004 to the amount of EUR 3.9 million (previous year: EUR 2.2 million).

In 2004, write-downs of shares in affiliated companies amounted to EUR 33.7 million (previous year: EUR 24.8 million). Taking the expected sustained earning power into consideration, the shares are recorded at the lower fair value. The annual result of MediClin AG in 2004 is thus significantly affected by these write-downs.

A loan receivable which was subject to individual value adjustment in the previous financial year was written up again to the full extent due to reinstatement of value provisions under Section 280 (1) HGB.

Other expenses primarily include costs associated with the selection and analysis of potential acquisitions and cooperations, and of new business segments as well as one-off costs for severance pay and the closure of the office in Frankfurt. In addition, MediClin AG is assuming structural functions within the Group. Since MediClin AG maintains its own business operations only to a limited extent, a loss of EUR 33.2 million is recorded, compared to a loss of EUR 34.9 million in 2003.

With respect to other provisions or other liabilities, reference is made to our comments on the consolidated balance sheet.

## **Outlook**

MediClin AG assumes tasks that arise in a group within the scope of corporate strategic planning, strategic controlling, financing and acquisition as well as cooperation management. MediClin AG, as a company listed on the stock exchange, fulfils all capital market requirements and may also use the capital market to procure capital or within the sense of internal capital market -related incentive models.

As in previous years, the earnings structure of MediClin AG will depend on the economic development of its subsidiaries in 2005.

## **Risk factors and risk management**

The Management Board of a stock corporation is required to set up an internal monitoring system under the provisions of the German Stock Corporation Act (Aktiengesetz = AktG).

Entrepreneurial activity is associated with risks. In order to minimize the latter, risk factors must be defined and a risk management must be set up. The aim of risk management is the early detection and adequate assessment of risks in order to permit early response to the risks identified.

### **External risks**

#### Market

Demographic developments such as multi-morbidity, a disproportionate number of old people and increased life-expectancy exercise a decisive influence on the further development of medical, technical and cost developments in the health care sector. Changes in the demand for rehabilitative services are also to be expected; i.e., curative methods will decrease in favour of subsequent medical nursing treatment. MediClin has already adapted to this shift in demand.

#### General legal conditions

Political, legal and statutory conditions such as government budgeting, hospital planning, case-based DRG rates and the health insurance funds' financial deficit will continue to have an impact on the further development of the health care system. Economic factors such as a shortage of financing at state level and increasing competitive pressure will lead to a change in the clinic market. MediClin is aligned to the changing political conditions and legal requirements and is designing its health care structures concept accordingly.

### Competition

The privatization and consolidation process in the health care system will continue to accelerate and lead to price pressures concerning the services offered.

MediClin's business success mainly depends on whether the Company can react flexibly to legal changes and adapt the services it offers to the changed market conditions and demand structures relating to medical services.

### **Internal risks**

#### General risk

The Board of Management expects improved occupancy rates and an increase in revenues over the long term as a result, inter alia, of the possibility to generate additional revenue and income from the nursing care segment, the programs for private payers and the intensification of cooperations within the context of an Integrated Medical Service supply concept. This also concerns clinics whose present earnings situation falls short of the defined targets. Should, in contrast to expectations, the improvements mentioned not be realised, long term real estate rental contracts could involve risks relating to the net assets, financial position and results of operations if it is not possible to use the real estate otherwise.

#### Operational risks

Operational risks are to be found primarily in increasing seasonality. Due to high fixed costs, capacity fluctuations can be compensated for only to a certain extent by flexibilisation of internal processes. In this respect, MediClin has implemented a number of measures which, on the one hand, reduce the break-even effect at the individual clinics, but which will increase capacity through new service offers on the other. MediClin is minimizing the risk arising from setting up a new segment through professional and comprehensive project management. The introduction of nursing care as a new segment proceeded according to plan.

Risks resulting from clinics operations and dealing with patients are minimised through attested quality measures, these are an important element in risk provision and the early identification of risks in the field of operative performance.

### Financial risks

There are no currency risks or risks from financing transactions. MediClin AG has recorded sufficient provisions concerning claims made by former limited partners within the scope of the take-over of the Hurrle Group and also respecting claims from other acquisitions of participating interests. This may have a negative impact on liquid funds.

In the reporting year there were no risks endangering the going concern assumption; in effect, the overall risk to which MediClin is exposed has not changed in comparison with the previous year.

### **Risk management**

MediClin AG's risk management system is in accordance with the requirements of Section 91 (2) German Stock Corporation Act regarding risk analysis and risk monitoring, and is also a subject of the statutory annual audit. Risk management is system-based and is firmly anchored in a variety of control and steering mechanisms as well as in the corresponding segregation of functions.

Ensuring the quality of medical services and the optimization of organisational structures are central functions of management. MediClin has introduced an extensive certification procedure at its clinics which is the core element of risk prevention, and, most importantly, serves the early detection of risks in the area of operative services. It records and monitors both the internal and external risks in the Group. Due to the inherent nature of the system, there is only limited corresponding documentation of the existence of the risk management system and its measures.

## Events of particular significance after the balance sheet date of 31 December 2004

### Receivables associated with the sale of limited partner's shares

At the beginning of 2005, the regional court of the municipality of Frankfurt am Main informed us that, in addition to the already active plaintiff, a total of 236 other plaintiffs have now made claims in order to achieve an interruption of the period of limitation. The respective claims, as well as those already asserted within the scope of pending proceedings, total EUR 18.67 million, plus interest. At the time when the claims were submitted, the other plaintiffs applied for a suspension of proceedings. The court therefore demanded that MediClin AG provide information as to whether it agreed to a suspension of proceedings. The Board has agreed. Meanwhile the plaintiffs have revoked the suspension of proceedings.

MediClin AG considers all of the alleged enforced claims to be unjustified and will defend itself against enforcement.

### Relief through a decline in rental costs to the amount of EUR 21 million in the next three years

In 1999 within the scope of the acquisition of the Hurre Clinic Group and in 2002, the real estate of twenty-one clinics was integrated into a real estate investment trust. The resulting annual rental obligations amount to approximately EUR 36.3 million. MediClin now has agreed with the fund owners on rent reduction to the amount of EUR 21 million concerning the next three years. Independent of the payments flow, the total volume will have an effect on results within the assessment period 2005 to 2007 amounting to approximately EUR 7 million per year.

As from financial year 2008, a conditional repayment enters into force which is contingent on the achievement of economic income parameters of the clinic included in the funds. The possible maximum repayment amount is limited to the volume of rent reduction. The rental agreements were extended for three years.

## ■ Outlook

According to findings of the ifo World Economic Survey (WES) in cooperation with the International Chamber of Commerce in Paris (ICC), from the first quarter of 2005, the economic climate in the EURO Zone will again deteriorate. The prognosis is that a lasting upswing in Europe can not be expected at present. This means that Germany will see no change since, according to the judgement of experts, the economic situation in Germany, together with Portugal, the Netherlands and Italy, is assessed as being the most negative when compared with other countries.

The ifo business climate index of February 2005 has sunk in comparison to the previous month. This means that the current situation and the business outlook for the next six months are judged as being more unfavourable than previously by the individual economic sectors. In all, not a very promising outlook for the domestic economy and the job market.

This means that there will be no significant change in the general economic conditions respecting our industry in 2005. The continuing tense budget of the public sector and coverage providers will further intensify the pressure on the market and, consequently, also on prices.

In 2005, MediClin will drive the measures already introduced further forward, open up new distribution channels, in particular in connection with cooperations concerning integrative medical care, and synergies within the Group. In November 2004, the first nationwide contract governing the Integrated Medical Service care of stroke patients was signed. The respective regional centre of one of the large public health insurance funds and three clinics in the Rhein Main area concluded a contract with the Neuro-Orthopaedic Rehabilitation Centre in Bad Orb, which governs the interface between acute and rehabilitation care in a patient-oriented and qualified manner.

The acquisition and cooperation policy which, to date, has been oriented towards networking and local market leadership will also be pursued further.

The Board of Management presumes that the incomes situation will improve significantly in financial year 2005 due to foreseeable cost savings potential and through measures aimed at revenue and efficiency increases at the clinic operations. Our efforts are directed towards achieving a balanced group result in 2005.

MediClin AG

Frankfurt am Main  
8 March 2005

The Board of Management

### Development of Nursing Days and Cases 2004 and 2003

| Post acute          | 2004             |                | 2003             |                |
|---------------------|------------------|----------------|------------------|----------------|
|                     | Days             | Cases          | Days             | Cases          |
| Q1                  | 395,618          | 15,299         | 425,024          | 16,212         |
| Q2                  | 414,771          | 16,228         | 465,109          | 18,181         |
| Q3                  | 422,503          | 16,621         | 454,695          | 18,407         |
| Q4                  | 407,995          | 16,011         | 411,736          | 16,519         |
| <b>Total</b>        | <b>1,640,887</b> | <b>64,159</b>  | <b>1,756,564</b> | <b>69,319</b>  |
| <b>Acute</b>        |                  |                |                  |                |
| Q1                  | 103,073          | 9,608          | 102,132          | 10,299         |
| Q2                  | 101,081          | 9,359          | 95,937           | 9,726          |
| Q3                  | 98,201           | 9,477          | 96,370           | 9,737          |
| Q4                  | 100,452          | 9,548          | 93,138           | 9,183          |
| <b>Total</b>        | <b>402,807</b>   | <b>37,992</b>  | <b>387,577</b>   | <b>38,945</b>  |
| <b>Nursing care</b> |                  |                |                  |                |
| Q1                  | 0                |                |                  |                |
| Q2                  | 2,116            |                |                  |                |
| Q3                  | 8,965            |                |                  |                |
| Q4                  | 12,777           |                |                  |                |
| <b>Total</b>        | <b>23,858</b>    |                |                  |                |
| <b>Group</b>        | <b>2,067,552</b> | <b>102,151</b> | <b>2,144,141</b> | <b>108,264</b> |







Consolidated Financial Statements  
and Annual Financial Statements  
of MEDICLIN Aktiengesellschaft for  
Financial Year 2004

## Consolidated Balance Sheet as at 31 December 2004

### ASSETS

|  | 31.12.2004<br>Euro | Previous year<br>TEUR |
|--|--------------------|-----------------------|
| <b>A. FIXED ASSETS</b>   |                    |                       |
| <b>I. Intangible assets</b>  |                    |                       |
| 1. Concessions, licences   | 1,371,029          | 1,535                 |
| 2. Goodwill  | 51,344,057         | 55,366                |
| 3. Payments on account   | 116,557            | 0                     |
|  | <b>52,831,643</b>  | <b>56,901</b>         |
| <b>II. Property, plant and equipment</b>                                   |                    |                       |
| 1. Land, land rights and buildings including buildings on third party land | 176,011,375        | 183,116               |
| 2. Technical equipment and machines  | 5,471,674          | 8,757                 |
| 3. Other equipment, operating and office equipment                         | 16,530,095         | 16,093                |
| 4. Payments on account and assets under construction                       | 5,571,280          | 2,519                 |
|  | <b>203,584,424</b> | <b>210,485</b>        |
| <b>III. Financial assets</b>   |                    |                       |
| 1. Participations  | 24,391             | 25                    |
| 2. Other loans   | 8,996              | 674                   |
| 3. Reinsurance claims from life insurance policies                         | 92,892             | 118                   |
|  | <b>126,279</b>     | <b>817</b>            |
|  | <b>256,542,346</b> | <b>268,203</b>        |
| <b>B. CURRENT ASSETS</b>   |                    |                       |
| <b>I. Inventory</b>  |                    |                       |
| 1. Raw materials and supplies  | 4,519,535          | 4,310                 |
| 2. Work in process   | 7,516,636          | 6,770                 |
| 3. Payments on account   | 0                  | 23                    |
|  | <b>12,036,171</b>  | <b>11,103</b>         |
| <b>II. Receivables and other assets</b>                                    |                    |                       |
| 1. Trade receivables   | 39,325,128         | 37,180                |
| 2. Receivables pursuant to Hospital Financing Act                          | 27,722,290         | 27,904                |
| 3. Other assets  | 3,440,940          | 2,854                 |
|  | <b>70,488,358</b>  | <b>67,938</b>         |
| <b>III. Securities</b>   |                    |                       |
| 1. Own shares  | 2,790,000          | 2,800                 |
| 2. Other securities  | 123,694            | 5,012                 |
|  | <b>2,913,694</b>   | <b>7,812</b>          |
| <b>IV. Cash on hand, bank balances, checks</b>                             | <b>18,056,119</b>  | <b>23,386</b>         |
|  | <b>103,494,342</b> | <b>110,239</b>        |
| <b>C. PREPAID EXPENSES</b>   | <b>1,386,949</b>   | <b>577</b>            |
|  | <b>361,423,637</b> | <b>379,019</b>        |

**EQUITY AND LIABILITIES**

|  |                  | 31.12.2004<br>Euro | Previous year<br>TEUR |
|--|------------------|--------------------|-----------------------|
| <b>A. EQUITY</b>   |                  |                    |                       |
| <b>I. Subscribed capital</b>   |                  | <b>31,500,000</b>  | <b>31,500</b>         |
| <b>II. Capital reserve</b>   |                  | <b>105,000,000</b> | <b>105,000</b>        |
| <b>III. Revenue reserve</b>  |                  |                    |                       |
| 1. Legal reserve   | 2,045,168        |                    | 2,045                 |
| 2. Reserve for own shares  | 2,790,000        |                    | 2,800                 |
|  | <b>4,835,168</b> |                    | <b>4,845</b>          |
| Set-off against goodwill   | -3,708,007       |                    | 0                     |
|  |                  | <b>1,127,161</b>   | <b>4,845</b>          |
| <b>IV. Consolidated net loss</b>   |                  | <b>-57,750,293</b> | <b>-44,179</b>        |
| <b>V. Compensating item for minority interests</b>                                     |                  | <b>1,569,395</b>   | <b>1,633</b>          |
|  |                  | <b>81,446,263</b>  | <b>98,799</b>         |
| <b>B. SPECIAL ITEM FROM GRANTS TO FINANCE FIXED ASSETS</b>                             |                  | <b>90,517,835</b>  | <b>95,369</b>         |
| <b>C. PROVISIONS</b>   |                  |                    |                       |
| 1. Provisions for pensions and similar commitments                                     | 350,761          |                    | 394                   |
| 2. Provisions for taxes  | 1,821,144        |                    | 870                   |
| 3. Other provisions  | 41,945,117       |                    | 16,180                |
|  |                  | <b>44,117,022</b>  | <b>17,444</b>         |
| <b>D. LIABILITIES</b>  |                  |                    |                       |
| 1. Liabilities to banks and insurance companies  | 86,545,247       |                    | 92,646                |
| 2. Payments received   | 137,843          |                    | 180                   |
| 3. Trade payables  | 10,481,760       |                    | 9,234                 |
| 4. Liabilities pursuant to Hospital Financing Act                                      | 32,364,524       |                    | 30,911                |
| 5. Other liabilities   | 12,948,403       |                    | 32,090                |
| – of which from taxes:<br>Euro 2,356,036 (previous year TEUR 2,439)                    |                  |                    |                       |
| – of which in respect of social security:<br>Euro 4,381,854 (previous year TEUR 3,894) |                  |                    |                       |
|  |                  | <b>142,477,777</b> | <b>165,061</b>        |
| <b>E. COMPENSATING ITEM FROM LOAN SUBSIDY</b>  |                  | <b>2,792,221</b>   | <b>2,292</b>          |
| <b>F. DEFERRED INCOME</b>  |                  | <b>72,519</b>      | <b>54</b>             |
|  |                  | <b>361,423,637</b> | <b>379,019</b>        |

## Consolidated Profit and Loss Account for the Financial Year from 1 January to 31 December 2004

|  | 1.1. to 31.12.2004<br>Euro |                    | Previous year<br>TEUR |
|--|----------------------------|--------------------|-----------------------|
| 1. Sales   | 357,192,524                |                    | 358,914               |
| 2. Increase/decrease in work in process  | 746,484                    |                    | 1,110                 |
| 3. Other operating income  | 15,087,409                 |                    | 16,115                |
| <b>4. Aggregate performance</b>  |                            | <b>373,026,417</b> | <b>376,139</b>        |
| 5. Cost of materials   |                            |                    |                       |
| a) Cost of raw materials and supplies and of<br>purchased merchandise  | -46,036,655                |                    | -49,628               |
| b) Cost of purchased services  | -27,164,704                |                    | -25,825               |
|  |                            | -73,201,359        | -75,453               |
| 6. Personnel expenses  |                            |                    |                       |
| a) Wages and salaries  | -172,620,897               |                    | -175,260              |
| b) Social security, pension and retirement<br>of which pension and retirement:<br>Euro 1,671,225 (previous year: TEUR 1,636) | -34,371,899                |                    | -35,833               |
|  |                            | -206,992,796       | -211,093              |
| 7. Depreciation  |                            | -22,934,427        | -21,467               |
| 8. Other operating expenses  |                            | -77,667,923        | -77,743               |
| <b>9. Total operating performance</b>  |                            | <b>-7,770,088</b>  | <b>-9,617</b>         |
| 10. Income from long-term financial investments  | 1,077                      |                    | 3                     |
| 11. Other interest and similar income  | 737,389                    |                    | 1,171                 |
| 12. Interest and similar expenses  | -6,730,673                 |                    | -7,867                |
| 13. Financial result   |                            | -5,992,207         | -6,693                |
| <b>14. Results from ordinary activity</b>  |                            | <b>-13,762,295</b> | <b>-16,310</b>        |
| 15. Refund from/payment for taxes on income  | 1,266,782                  |                    | -607                  |
| 16. Other taxes  | -1,148,592                 |                    | -39                   |
|  |                            | 118,190            | -646                  |
| <b>17. Net loss for the year before minority interests</b>   |                            | <b>-13,644,105</b> | <b>-16,956</b>        |
| 18. Minority interests   |                            | 63,336             | 131                   |
| <b>19. Consolidated net loss for the year</b>  |                            | <b>-13,580,769</b> | <b>-16,825</b>        |
| 20. Loss carried forward from the previous year  |                            | -44,179,252        | -27,119               |
| 21. Release of/transfers to reserve for own shares   |                            | 9,728              | -235                  |
| <b>22. Consolidated net loss</b>   |                            | <b>-57,750,293</b> | <b>-44,179</b>        |
| Earnings per share undiluted (in Euro)   |                            | -0.43              | -0.53                 |
| Earnings per share diluted (in Euro)   |                            | -0.43              | -0.53                 |

## Development of Group Equity and Minority Shares

| Amounts in Euro            | Parent company                     |                    |                        |                        |                    | Minority shareholder |                  | Group equity       |
|----------------------------|------------------------------------|--------------------|------------------------|------------------------|--------------------|----------------------|------------------|--------------------|
|                            | Subscribed capital ordinary shares | Capital reserve    | Reserve for own shares | Group equity generated | Equity             | Minority capital     | Equity           |                    |
| As at 31.12.2003           | 31,500,000                         | 105,000,000        | 2,799,728              | -42,134,084            | <b>97,165,644</b>  | 1,633,471            | <b>1,633,471</b> | <b>98,799,115</b>  |
| Depreciation of own shares |                                    |                    | -9,728                 | 9,728                  |                    |                      |                  |                    |
| Set-off against goodwill   |                                    |                    | -2,790,000             | -918,007               | <b>-3,708,007</b>  |                      |                  | <b>-3,708,007</b>  |
| Other changes              |                                    |                    |                        |                        |                    | -740                 | <b>-740</b>      | <b>-740</b>        |
| Total consolidated result  |                                    |                    |                        | -13,580,769            | <b>-13,580,769</b> | -63,336              | <b>-63,336</b>   | <b>-13,644,105</b> |
| <b>As at 31.12.2004</b>    | <b>31,500,000</b>                  | <b>105,000,000</b> | <b>0</b>               | <b>-56,623,132</b>     | <b>79,876,868</b>  | <b>1,569,395</b>     | <b>1,569,395</b> | <b>81,446,263</b>  |

## Consolidated Cash Flow Statement

|  | 2004<br>Euro       | 2003<br>Euro       |
|--|--------------------|--------------------|
| Period result before extraordinary items<br>(incl. result shares of minority interests)  | -13,644,105        | -16,956,039        |
| Depreciation on fixed asset items  | 22,934,427         | 21,467,261         |
| Increase/decrease in provisions  | 26,673,697         | -2,254,566         |
| Decrease in special items pursuant to Hospital Financing Act   | -4,851,322         | -3,304,138         |
| Other non-cash income  | 9,728              | 0                  |
| Loss/profit from the disposal of fixed asset items   | 136,387            | -50,685            |
| Decrease/increase in inventory, trade receivables and other assets   | -4,474,707         | 9,250,596          |
| Increase/decrease in receivables pursuant to<br>Hospital Financing Act   | 181,371            | -26,004,363        |
| Decrease in trade payables and other liabilities   | -17,417,340        | -539,204           |
| Increase in liabilities pursuant to<br>Hospital Financing Act  | 1,453,835          | 25,974,504         |
| <b>Cash flow from operating activities</b>   | <b>11,001,971</b>  | <b>7,583,366</b>   |
| Payments received from the disposal of fixed asset items   | 3,952,373          | 829,110            |
| Cash used for investments in intangible assets   | -6,518,761         | -1,513,325         |
| Cash used for investments in property, plant and equipment   | -12,533,778        | -8,959,030         |
| Cash used for investments in financial assets  | -18,322            | -3,775             |
| Payments received/made associated with cash and cash equivalent<br>investments within the scope of short-term financial planning | 2,885,700          | -2,594,740         |
| <b>Cash flow from investing activities</b>   | <b>-12,232,788</b> | <b>-12,241,760</b> |
| Payments made to minority interests  | -740               | -28,553            |
| Payments made to shareholders  | 0                  | -3,000,000         |
| Repayment of loans and credits   | -6,100,959         | -12,651,652        |
| <b>Cash flow from financing activities</b>   | <b>-6,101,699</b>  | <b>-15,680,205</b> |
| <b>Changes in cash and cash equivalents</b>  | <b>-7,332,516</b>  | <b>-20,338,599</b> |
| Cash and cash equivalents at beginning of period   | 25,512,329         | 46,493,264         |
| Change in the consolidated group concerning cash<br>and cash equivalents   | 0                  | -642,336           |
| <b>Cash and cash equivalents at end of period</b>  | <b>18,179,813</b>  | <b>25,512,329</b>  |
| – of which cash on hand, bank balances: Euro 18,056,119<br>(previous year: Euro 23,385,863)                                      |                    |                    |
| – of which short-term securities: Euro 123,694<br>(previous year: Euro 2,126,466)  |                    |                    |

## Affiliated Companies 2004

| <b>Companies included in the consolidated financial statements</b>                        | <b>Total equity</b> | <b>Percentage of shares held</b> |
|---|---------------------|----------------------------------|
|   | <b>Euro</b>         | <b>%</b>                         |
| Alphamed Klinik GmbH & Co. KG, Offenburg *)   | 31,336,746          | 100.000                          |
| Cortex Software GmbH, Offenburg   | 156,612             | 100.000                          |
| Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn *)   | 10,641,280          | 100.000                          |
| Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen *)     | 2,846,682           | 100.000                          |
| Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen     | 30,470              | 100.000                          |
| Gesellschaft für Medizinvertrieb und Consulting mbH, Offenburg                            | 110,578             | 100.000                          |
| Hedon Klinik GmbH & Co. KG, Lingen *)   | 4,765,230           | 100.000                          |
| KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Düsseldorf *)                        | 6,023,248           | 100.000                          |
| KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Düsseldorf                         | 28,369              | 100.000                          |
| Krankenhaus am Crivitzer See GmbH, Crivitz  | 2,234,654           | 69.000                           |
| MC Pharma GmbH, Bonn  | 60,603              | 100.000                          |
| MediClin Beteiligungsgesellschaft mbH Objekt Hedon, Frankfurt a.M.                        | 1,871,860           | 100.000                          |
| MediClin GmbH, Offenburg  | 1,287,738           | 100.000                          |
| MediClin Immobilien Verwaltung GmbH, Offenburg  | 99,487              | 100.000                          |
| MediClin Medizinisches Versorgungszentrum GmbH, Offenburg                                 | 25,599              | 100.000                          |
| MediClin Pflege GmbH, Offenburg   | 79,653              | 100.000                          |
| MediLog GmbH, Offenburg   | 305,996             | 100.000                          |
| MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen                     | 39,771              | 100.000                          |
| Müritzklinikum GmbH, Waren  | 14,672,854          | 94.020                           |
| Reha-Klinik GmbH & Co. KG Soltau, Soltau *)   | 6,776,362           | 100.000                          |
| Rehazentrum Essen GmbH i.L., Essen  | -7,847              | 90.000                           |
| <b>Companies not included in the consolidated financial statements</b>                    |                     |                                  |
| KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz (as at 31 December 2003) | 12,011              | 47.769                           |

\*) The personal partnerships included in consolidation within the meaning of Section 264a (1) HGB are exempt from the duty to prepare, audit and disclose their annual financial statements as required by the provisions applicable to corporations and certain partnerships.

## Schedule of Consolidated Fixed Assets

|  | Development of acquisition and manufacturing costs |                   |                                |                   | as at<br>31.12.2004<br>Euro |
|--|--|-------------------|--------------------------------|-------------------|-----------------------------|
|  | as at<br>1.1.2004<br>Euro                          | Additions<br>Euro | Reclassi-<br>fications<br>Euro | Disposals<br>Euro |                             |
| <b>I. Intangible assets</b>  |  |                   |                                |                   |                             |
| 1. Concessions, industrial rights, licenses                                | 7,099,436  | 830,903           | -13,988                        | 1,999             | 7,914,352                   |
| 2. Goodwill  | 74,685,293   | 5,570,760         | 0                              | 5,062,826         | 75,193,227                  |
| 3. Payments on account   | 0  | 117,098           | 13,988                         | 14,529            | 116,557                     |
|  | <b>81,784,729</b>                                  | <b>6,518,761</b>  | <b>0</b>                       | <b>5,079,354</b>  | <b>83,224,136</b>           |
| <b>II. Property, plant and equipment</b>                                   |  |                   |                                |                   |                             |
| 1. Land, land rights and buildings including buildings on third party land | 234,201,195  | 423,202           | 147,149                        | 12,010            | 234,759,536                 |
| 2. Technical equipment and machines  | 30,735,860   | 218,264           | 92,667                         | 3,992,467         | 27,054,324                  |
| 3. Other equipment, operating and office equipment                         | 113,214,661  | 8,117,403         | 328,867                        | 4,765,611         | 116,895,320                 |
| 4. Payments on account and assets under construction                       | 2,607,693  | 3,774,909         | -568,683                       | 153,932           | 5,659,987                   |
|  | <b>380,759,409</b>                                 | <b>12,533,778</b> | <b>0</b>                       | <b>8,924,020</b>  | <b>384,369,167</b>          |
| <b>III. Financial assets</b>   |  |                   |                                |                   |                             |
| 1. Participations  | 25,441   | 0                 | 0                              | 1,050             | 24,391                      |
| 2. Other loans   | 674,042  | 18,322            | 0                              | 22,882            | 669,482                     |
| 3. Reinsurance claims from life insurance policies                         | 117,647  | 0                 | 0                              | 24,755            | 92,892                      |
|  | <b>817,130</b>                                     | <b>18,322</b>     | <b>0</b>                       | <b>48,687</b>     | <b>786,765</b>              |
| <b>Total fixed assets</b>  | <b>463,361,268</b>                                 | <b>19,070,861</b> | <b>0</b>                       | <b>14,052,061</b> | <b>468,380,068</b>          |



| Development of depreciations and amortizations |                   |                                |                   |                             |                                  |                                  |
|--|-------------------|--------------------------------|-------------------|-----------------------------|----------------------------------|----------------------------------|
| as at<br>1.1.2004<br>Euro                      | Additions<br>Euro | Reclassi-<br>fications<br>Euro | Disposals<br>Euro | as at<br>31.12.2004<br>Euro | Book value<br>31.12.2004<br>Euro | Book value<br>31.12.2003<br>TEUR |
| 5,564,275                                      | 981,047           | 0                              | 1,999             | 6,543,323                   | 1,371,029                        | 1,535                            |
| 19,319,138                                     | 5,739,523         | 0                              | 1,209,491         | 23,849,170                  | 51,344,057                       | 55,366                           |
| 0  | 0                 | 0                              | 0                 | 0                           | 116,557                          | 0                                |
| <b>24,883,413</b>                              | <b>6,720,570</b>  | <b>0</b>                       | <b>1,211,490</b>  | <b>30,392,493</b>           | <b>52,831,643</b>                | <b>56,901</b>                    |
| 51,085,281                                     | 7,577,758         | 85,122                         | 0                 | 58,748,161                  | 176,011,375                      | 183,116                          |
| 21,979,068                                     | 1,301,142         | -85,122                        | 1,612,438         | 21,582,650                  | 5,471,674                        | 8,757                            |
| 97,122,120                                     | 6,674,471         | 0                              | 3,431,366         | 100,365,225                 | 16,530,095                       | 16,093                           |
| 88,707   | 0                 | 0                              | 0                 | 88,707                      | 5,571,280                        | 2,519                            |
| <b>170,275,176</b>                             | <b>15,553,371</b> | <b>0</b>                       | <b>5,043,804</b>  | <b>180,784,743</b>          | <b>203,584,424</b>               | <b>210,485</b>                   |
| 0  | 0                 | 0                              | 0                 | 0                           | 24,391                           | 25                               |
| 0  | 660,486           | 0                              | 0                 | 660,486                     | 8,996                            | 674                              |
| 0  | 0                 | 0                              | 0                 | 0                           | 92,892                           | 118                              |
| <b>0</b>                                       | <b>660,486</b>    | <b>0</b>                       | <b>0</b>          | <b>660,486</b>              | <b>126,279</b>                   | <b>817</b>                       |
| <b>195,158,589</b>                             | <b>22,934,427</b> | <b>0</b>                       | <b>6,255,294</b>  | <b>211,837,722</b>          | <b>256,542,346</b>               | <b>268,203</b>                   |

## Balance Sheet MEDICLIN Aktiengesellschaft as at 31 December 2004

| ASSETS  |           | 31.12.2004<br>Euro | Previous year<br>TEUR |
|---|-----------|--------------------|-----------------------|
| <b>A. FIXED ASSETS</b>                          |           |                    |                       |
| <b>I. Intangible assets</b>                     |           |                    |                       |
| Concessions, industrial rights, licences        |           | 4,313              | 2                     |
| <b>II. Property, plant and equipment</b>        |           |                    |                       |
| Other equipment, operating and office equipment |           | 167,371            | 171                   |
| <b>III. Financial assets</b>                    |           |                    |                       |
| Shares in affiliated companies                  |           | 207,505,803        | 275,856               |
|   |           | <b>207,677,487</b> | <b>276,029</b>        |
| <b>B. CURRENT ASSETS</b>                        |           |                    |                       |
| <b>I. Receivables and other assets</b>          |           |                    |                       |
| 1. Trade receivables                            | 1,790     |                    | 18                    |
| 2. Receivables from affiliated companies        | 9,099,837 |                    | 81,827                |
| 3. Other assets                                 | 25,531    |                    | 111                   |
|   |           | <b>9,127,158</b>   | <b>81,956</b>         |
| <b>II. Securities</b>                           |           |                    |                       |
| 1. Own shares                                   | 2,790,000 |                    | 2,800                 |
| 2. Other securities                             | 123,694   |                    | 5,012                 |
|   |           | <b>2,913,694</b>   | <b>7,812</b>          |
| <b>III. Cash on hand, bank balances</b>         |           |                    |                       |
|   |           | <b>10,471,621</b>  | <b>11,697</b>         |
|   |           | <b>22,512,473</b>  | <b>101,465</b>        |
| <b>C. PREPAID EXPENSES</b>                      |           |                    |                       |
|   |           | <b>27,745</b>      | <b>11</b>             |
|   |           | <b>230,217,705</b> | <b>377,505</b>        |

**EQUITY AND LIABILITIES**

|   |            | <b>31.12.2004<br/>Euro</b> | <b>Previous year<br/>TEUR</b> |
|---|------------|----------------------------|-------------------------------|
| <b>A. EQUITY</b>                                |            |                            |                               |
| <b>I. Subscribed capital</b>                    |            | <b>31,500,000</b>          | <b>31,500</b>                 |
| <b>II. Capital reserve</b>                      |            | <b>105,000,000</b>         | <b>105,000</b>                |
| <b>III. Revenue reserve</b>                     |            |                            |                               |
| 1. Legal reserve                                | 2,045,168  |                            | 2,045                         |
| 2. Reserve for own shares                       | 2,790,000  |                            | 2,800                         |
|   |            | <b>4,835,168</b>           | <b>4,845</b>                  |
| <b>IV. Balance sheet loss/profit</b>            |            | <b>-7,987,985</b>          | <b>25,175</b>                 |
|   |            | <b>133,347,183</b>         | <b>166,520</b>                |
| <b>B. PROVISIONS</b>                            |            |                            |                               |
| 1. Provisions for taxes                         | 0          |                            | 656                           |
| 2. Other provisions                             | 25,822,627 |                            | 486                           |
|   |            | <b>25,822,627</b>          | <b>1,142</b>                  |
| <b>C. LIABILITIES</b>                           |            |                            |                               |
| 1. Liabilities to banks and insurance companies | 64,359,452 |                            | 66,805                        |
| 2. Trade payables                               | 531,009    |                            | 139                           |
| 3. Liabilities to affiliated companies          | 5,961,185  |                            | 122,720                       |
| 4. Other liabilities                            | 196,249    |                            | 20,179                        |
|   |            | <b>71,047,895</b>          | <b>209,843</b>                |
|   |            | <b>230,217,705</b>         | <b>377,505</b>                |

## Profit and Loss Account MEDICLIN Aktiengesellschaft for the Financial Year from 1 January to 31 December 2004

|   | 1.1. bis 31.12.2004 |                    | Previous year  |
|---|---------------------|--------------------|----------------|
|   | Euro                |                    | TEUR           |
| 1. Sales  |                     | 0                  | 223            |
| 2. Other operating income   |                     | 4,356,654          | 435            |
| 3. Cost of materials  |                     |                    |                |
| a) Cost of raw materials and supplies and of purchased merchandise  | -334                |                    | 0              |
| b) Cost of purchased services   | -10,200             |                    | -16            |
|   |                     | -10,534            | -16            |
| 4. Personnel expenses   |                     |                    |                |
| a) Wages and salaries   | -1,680,275          |                    | -1,363         |
| b) Social security, pension and retirement of which pension and retirement: Euro 35,941 (previous year: TEUR 35)              | -129,614            |                    | -123           |
|   |                     | -1,809,889         | -1,486         |
| 5. Depreciation of intangible assets and of property, plant and equipment   |                     | -68,637            | -78            |
| 6. Other operating expenses   |                     | -4,156,385         | -6,866         |
| 7. Income from participations of which from affiliated companies: Euro 3,877,803 (previous year: TEUR 2,182)                  |                     | 3,877,803          | 2,182          |
| 8. Income from long-term financial investments of which from affiliated companies: Euro 1,621,805 (previous year: TEUR 1,767) |                     | 2,094,546          | 2,293          |
| 9. Depreciation of financial assets   |                     | -33,700,218        | -24,793        |
| 10. Other interest and similar expenses of which from affiliated companies: Euro 1,027,856 (previous year: TEUR 1,184)        |                     | -5,901,484         | -6,811         |
| <b>11. Results from ordinary activities</b>   |                     | <b>-35,318,144</b> | <b>-34,917</b> |
| 12. Refund from/payment for taxes on income   |                     | 2,147,209          | 0              |
| 13. Other taxes   |                     | -1,484             | -2             |
| <b>14. Net loss for the year</b>  |                     | <b>-33,172,419</b> | <b>-34,919</b> |
| 15. Profit carried forward from previous year   |                     | 25,174,706         | 60,329         |
| 16. Release of/transfers to reserve for own shares  |                     | 9,728              | -235           |
| <b>17. Balance sheet loss/profit</b>  |                     | <b>-7,987,985</b>  | <b>25,175</b>  |

## Shareholdings 2004

|  | Results for<br>2004<br>Euro | Total equity<br>Euro | Percentage of<br>shares held<br>% |
|--|-----------------------------|----------------------|-----------------------------------|
| Alphamed Klinik GmbH & Co. KG, Offenburg   | 621,304                     | 31,336,746           | 100.000                           |
| Cortex Software GmbH, Offenburg  | -25,852                     | 156,612              | 100.000 **)                       |
| Dr. Hoefler-Janker GmbH & Co. Klinik KG, Bonn  | -830,842                    | 10,641,280           | 100.000                           |
| Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem<br>GmbH & Co. KG, Essen    | -1,609,616                  | 2,846,682            | 100.000 *)                        |
| Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem<br>Verwaltungs GmbH, Essen | -343                        | 30,470               | 100.000 *)                        |
| Gesellschaft für Medizinvertrieb und Consulting mbH, Offenburg                           | 5,976                       | 110,578              | 100.000                           |
| Hedon Klinik GmbH & Co. KG, Lingen   | 1,901,813                   | 4,765,230            | 100.000 *)                        |
| KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Düsseldorf                          | -8,907,695                  | 6,023,248            | 100.000                           |
| KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Düsseldorf                        | 556                         | 28,369               | 100.000                           |
| KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz<br>(Stand 31.12.2003)   | 10,882                      | 12,011               | 47.769 *)                         |
| Krankenhaus am Crivitzer See GmbH, Crivitz   | -460,734                    | 2,234,654            | 69.000                            |
| MC Pharma GmbH, Bonn   | -133,044                    | 60,603               | 100.000                           |
| MediClin Beteiligungsgesellschaft mbH Objekt Hedon, Frankfurt a.M.                       | -372,525                    | 1,871,860            | 100.000                           |
| MediClin GmbH, Offenburg   | 13,129                      | 1,287,738            | 100.000                           |
| MediClin Immobilien Verwaltung GmbH, Offenburg   | 11,477                      | 99,487               | 100.000 *)                        |
| MediClin Medizinisches Versorgungszentrum GmbH, Offenburg                                | -3,044                      | 25,599               | 100.000 *)                        |
| MediClin Pflege GmbH, Offenburg  | -1,020,347                  | 79,653               | 100.000 *)                        |
| MediLog GmbH, Offenburg  | -20,122                     | 305,996              | 100.000 *)                        |
| MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig,<br>Essen                 | -11,745                     | 39,771               | 100.000 *)                        |
| Müritzklinikum GmbH, Waren   | 1,037,202                   | 14,672,854           | 94.020                            |
| Reha-Klinik GmbH & Co. KG Soltau, Soltau   | 1,630,759                   | 6,776,362            | 100.000                           |
| Rehazentrum Essen GmbH i.L., Essen   | 167,817                     | -7,847               | 90.000 *)                         |

\*) indirect participation

\*\*\*) of which indirect participation 62.353%

## Schedule of Fixed Assets MEDICLIN Aktiengesellschaft

|   | Development of acquisition and manufacturing costs |                   |                   |                             |
|---|--|-------------------|-------------------|-----------------------------|
|   | as at<br>1.1.2004<br>Euro                          | Additions<br>Euro | Disposals<br>Euro | as at<br>31.12.2004<br>Euro |
| <b>I. Intangible assets</b>                     |  |                   |                   |                             |
| Concessions, industrial rights, licenses        | 10,922   | 4,000             | 0                 | 14,922                      |
|   | <b>10,922</b>                                      | <b>4,000</b>      | <b>0</b>          | <b>14,922</b>               |
| <b>II. Property, plant and equipment</b>        |  |                   |                   |                             |
| Other equipment, operating and office equipment | 561,617  | 77,274            | 82,277            | 556,614                     |
|   | <b>561,617</b>                                     | <b>77,274</b>     | <b>82,277</b>     | <b>556,614</b>              |
| <b>III. Financial assets</b>                    |  |                   |                   |                             |
| Shares in affiliated companies                  | 351,464,873  | 30,322,020        | 64,971,659        | 316,815,234                 |
|   | <b>351,464,873</b>                                 | <b>30,322,020</b> | <b>64,971,659</b> | <b>316,815,234</b>          |
| <b>Total fixed assets</b>                       | <b>352,037,412</b>                                 | <b>30,403,294</b> | <b>65,053,936</b> | <b>317,386,770</b>          |

Development of depreciations and amortizations

| as at<br>1.1.2004<br>Euro | Additions<br>Euro | Disposals<br>Euro | as at<br>31.12.2004<br>Euro | Book value<br>31.12.2004<br>Euro | Book value<br>31.12.2003<br>TEUR |
|---------------------------|-------------------|-------------------|-----------------------------|----------------------------------|----------------------------------|
| 9,226                     | 1,383             | 0                 | 10,609                      | 4,313                            | 2                                |
| <b>9,226</b>              | <b>1,383</b>      | <b>0</b>          | <b>10,609</b>               | <b>4,313</b>                     | <b>2</b>                         |
| 390,208                   | 67,254            | 68,219            | 389,243                     | 167,371                          | 171                              |
| <b>390,208</b>            | <b>67,254</b>     | <b>68,219</b>     | <b>389,243</b>              | <b>167,371</b>                   | <b>171</b>                       |
| 75,609,213                | 33,700,218        | 0                 | 109,309,431                 | 207,505,803                      | 275,856                          |
| <b>75,609,213</b>         | <b>33,700,218</b> | <b>0</b>          | <b>109,309,431</b>          | <b>207,505,803</b>               | <b>275,856</b>                   |
| <b>76,008,647</b>         | <b>33,768,855</b> | <b>68,219</b>     | <b>109,709,283</b>          | <b>207,677,487</b>               | <b>276,029</b>                   |

## Segment Reporting

Our segment reporting is based on German Accounting Standard No. 3 (DRS 3).

The segment result represents the consolidated earnings before interest and taxes (EBIT).

As in the previous year, segment sales are disclosed including inventory changes.

### Segment Data

MEDICLIN AG provides services in the field of medical rehabilitation (subsequent nursing treatment and curative treatment), hospital services and nursing care services: therefore, segment reporting is oriented towards the rehabilitation (post-acute), hospital (acute) and nursing facilities (nursing care) segments.

In addition, segment reporting includes the administrative area which primarily consists of central services such as software support which is provided by Cortex Software GmbH, bookkeeping and controlling activities, quality assurance, PR activities, investment management and purchasing, including the technical organisation of clinics by employees of MediClin GmbH or Alphamed Klinik GmbH & Co. KG and MediClin AG.

In all, the following companies are subsumed under the administrative area:

Alphamed Klinik GmbH & Co. KG, Offenburg branch, MEDICLIN GmbH, Cortex Software GmbH, MEDICLIN Medizinisches Versorgungszentrum GmbH, Gesellschaft für Medizinvertrieb und Consulting mbH, MediLog GmbH, MEDICLIN Beteiligungsgesellschaft Objekt Hedon mbH, MEDICLIN Immobilien Verwaltung GmbH, MEDICLIN AG.

Income and expenses of these companies were coded and allocated on the basis of sales achieved in the post-acute segment (rehabilitation), the acute segment (hospitals) and nursing care facilities. In addition, sales revenues are subdivided in internal and external sales whereby the latter play a subordinated role. A reconciliation calculation pursuant to DRS 3 was waived since the total results are consistent with the balance sheet and the income statement.

| Segment data<br>million Euro      | 2004       |       |              | 2003       |       |              | Total |       |
|-----------------------------------|------------|-------|--------------|------------|-------|--------------|-------|-------|
|                                   | Post acute | Acute | Nursing care | Post acute | Acute | Nursing care |       |       |
| Sales including inventory changes | 207.4      | 148.8 | 1.7          | 357.9      | 214.9 | 145.1        | 0.0   | 360.0 |
| Total sales                       | 209.3      | 150.1 | 1.7          | 361.1      | 216.9 | 145.2        | 0.0   | 362.1 |
| of which internal sales           | 1.9        | 1.3   | 0.0          | 3.2        | 2.0   | 0.1          | 0.0   | 2.1   |
| Segment result                    | -13.5      | 8.3   | -2.6         | -7.8       | -14.0 | 4.4          | 0.0   | -9.6  |
| Thereof non-cash items:           |            |       |              |            |       |              |       |       |
| – Depreciation/Write-ups          | 7.3        | 14.9  | 0.7          | 22.9       | 8.2   | 13.3         | 0.0   | 21.5  |
| – Release of special item         | 0.0        | 8.2   | 0.0          | 8.2        | 0.0   | 8.2          | 0.0   | 8.2   |
| – Release of provision            | 1.2        | 0.8   | 0.0          | 2.0        | 0.4   | 0.1          | 0.0   | 0.5   |
| Assets                            | 148.8      | 209.6 | 3.0          | 361.4      | 156.4 | 222.6        | 0.0   | 379.0 |
| Liabilities                       | 118.1      | 161.6 | 0.3          | 280.0      | 123.0 | 157.2        | 0.0   | 280.2 |
| Investments                       | 5.8        | 2.8   | 2.7          | 11.3       | 7.8   | 1.7          | 0.0   | 9.5   |



# Combined Notes to the Annual Financial Statements and the Consolidated Financial Statements of MEDICLIN Aktiengesellschaft for Financial Year 2004

## **General**

As in the previous year, the annual and the consolidated financial statements of MEDICLIN Aktiengesellschaft, Frankfurt a.M., have been prepared in accordance with the provisions of the German Commercial Code and the special provisions set forth in the Stock Corporation Act. The income statement was prepared in accordance with the cost of production method.

The present combined notes have been prepared with respect to the annual financial statements and the consolidated financial statements. If not otherwise explicitly stated, the notes apply to both the annual financial statements and the consolidated financial statements.

The Group does not trade in derivative instruments. The MEDICLIN Group operates only domestically; foreign currency transactions and other currency risks do not exist.

## **Accounting and Valuation Principles**

The companies included in consolidation apply uniform accounting and valuation principles in accordance with HGB; these principles have remained unchanged in comparison with the previous year. The accounting and valuation methods in the MEDICLIN AG's individual financial statements comply with those used in the consolidated financial statements to the extent applicable.

Receivables, liabilities, special items or compensating items of consolidated subsidiaries reported in accordance with the Hospital Financing Act (KHG) due to specific regulations stipulated in the Hospital Accounting Rules (KHBV), are included in the consolidated financial statements with the exception of the compensation items for subsidies received to strengthen the equity base within the scope of the KHG. Since these compensating items do not qualify as asset items they have been offset against the respective capital reserves at the subsidiaries concerned.

Within the scope of initial consolidation, hidden reserves are recorded in the consolidated financial statements, thereby applying the revaluation method.

The hidden reserves or saleable values of land and buildings of the acquired companies were derived from expert opinions or from actual acquisition or manufacturing costs of the subsidiaries involved.

Intangible assets and property, plant and equipment are stated at costs net of scheduled depreciation and tax-admissible special depreciation. Low value items are written off in full in the year of acquisition. Public investment subsidies are reported on the liabilities side within the scope of the special item from subsidies for fixed assets financing. The special item is released in line with depreciation over the planned useful lives of the subsidised fixed assets.

Concessions, industrial property rights and licenses are generally amortised straight-line over three years. Goodwill is amortised over an estimated useful life of 15 years. The depreciation period for buildings is 25 years, beginning with the date of revaluation within the scope of initial consolidation and applying the straight line method throughout the Group. Other property, plant and equipment were depreciated on the basis of their useful lives, usually applying the declining balance method with transition to the straight line method as soon as the values are in excess of those determined under the declining balance method.

The shares in affiliated companies and participations are recorded at acquisition costs or the lower fair market value as of the balance sheet date to the extent that the inherent values of the companies concerned is expected to have undergone a permanent impairment in values.

Inventories of raw materials and supplies are stated at acquisition cost and, in the event of a decline in prices, in consideration of the lower of cost or market principle. There are no major inventory risks from long storage periods or reduced saleability. Work in process is valued in a uniform manner throughout the Group at the respective capitalisable manufacturing costs which were alternatively determined in a retrograde calculation from revenues, thereby deducting a profit margin.

Receivables are stated at nominal amounts. Doubtful receivables are accounted for by setting up individual flat rate value adjustments. Non-collectible receivables are written down.

Securities are stated at acquisition costs or at stock exchange price respective market price as of the balance sheet date, whatever is lower.

Pension provisions are stated at accrued values in accordance with Section 6a EStG.

Other provisions take into account all recognisable risks and contingent liabilities; they are stated at the amount of their expected utilisation.

Liabilities are reported at the amounts repayable.

The compensating items from loan subsidy which were disclosed in the consolidated financial statements pursuant to the KHG relate to Section 5 of the Hospital Accounting Rules (KHBV).

## **Consolidated Group in the Consolidated Financial Statements**

The consolidated financial statements were prepared in accordance with Section 290 (1) HGB. In addition to the parent company, MEDICLIN Aktiengesellschaft, the consolidated financial statements include all subsidiaries within the meaning of Section 290 (1, 2) HGB, with the exception of the KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH,

which was not consolidated pursuant to Section 296 (2) HGB due to insignificance. All fully consolidated subsidiaries including the respective participation quota are stated in the Schedule "Affiliated Companies".

With respect to the commercial partnerships included in the consolidated group within the meaning of Section 264a (1) HGB, the present consolidated financial statements represent exempt consolidated accounts; these partnerships are therefore not required to prepare, audit and disclose their annual financial statements and are exempt from the respective provisions applicable to corporations and certain commercial partnerships.

As a consequence of the establishment of MEDICLIN Pflege GmbH, Offenburg, in 2004, the subsidiary was included in the consolidated financial statements for the first time by way of full consolidation. Segment reporting was extended correspondingly to include the new Nursing Care segment.

Due to the withdrawal of the general partner, MEDICLIN GmbH, as of 1 January 2004, the Klinik GmbH & Co. KG Roter Hügel, Bayreuth, which was consolidated for the last time in the previous year, was dissolved. Pursuant to § 738 BGB, the assets of this clinic were added to the assets of the sole remaining partner Alphamed Klinik GmbH & Co. KG, in which MediClin AG had previously contributed its shareholdings in the aforementioned companies in return for partnership rights. The asset and liability items recorded in the consolidated financial statements have remained unaffected from this.

### **Consolidation Principles concerning the Consolidated Financial Statements**

In the consolidated financial statements, MEDICLIN Aktiengesellschaft set off the acquisition value of shareholdings against the equity capital shares attributable to it as determined on the basis of the purchase method of accounting at the time of initial consolidation (purchase method of accounting pursuant to Section 301 (1) Sentence 2, No. 2, HGB). For all companies, the date of initial consolidation is the date of acquisition.

The debit balances resulting from these settlements are stated as goodwill on the assets side of the consolidated balance sheet and amortised on schedule over a period of 15 years using the straight-line method.

In deviation from this method, the goodwill resulting from acquisition of MC Pharma GmbH as of 31 December 2004, was netted with revenue reserves to the amount of the residual book value of TEUR 3,708 in accordance with Section 309 (1) No. 3 HGB inasmuch it had not previously been subject to scheduled amortisation. The different treatment of goodwill in comparison with previous years is a consequence of extraordinary impairments in value. If the impairment in value had been amortised on the basis of the income statement, a respective higher consolidated net loss would have resulted for 2004. The different treatment in comparison with the other goodwill item results from the differing business activity of MC Pharma GmbH.

Intra-group receivables and liabilities between companies included in consolidation as well as income and expenses from mutual trade and service transactions and intra-group results have been eliminated. Tax deferrals were not set up or were immaterial in amount. Deferred tax assets on tax losses carried forward have not been recorded.

## Notes to the Consolidated Balance Sheet and the Balance Sheet of MEDICLIN AG

### Fixed Assets

The development of fixed assets in the period from 1 January to 31 December 2004 is shown in the Schedule of Consolidated Fixed Assets and the Schedule of Fixed Assets of MEDICLIN AG.

Of the goodwill recorded, the amount of EUR 48.1 million (previous year: EUR 51.4 million) is attributable to debit balances from capital consolidation. Additions to goodwill result from subsequent acquisition cost of participating interests and disposals are due to the netting of goodwill with reserves.

#### Financial assets of consolidated fixed assets

The participations concern shares in a company with less than 20 percent shareholding and the investment of Krankenhaus am Crivitzer See GmbH in the affiliated company, KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, which is recorded together with the other participations as one balance sheet item under Participations due to its minor significance for the Group pursuant to Section 265 (7) No. 1 HGB.

Alphamed Klinik GmbH & Co. KG withdrew from its participation in F.I.T.A.L.I.S. GbR Bad Peterstal-Griesbach which is an associated company within the meaning of Section 311 (1) HGB. Other loans relate to loans extended to current and former employees.

#### Financial assets included in MEDICLIN AG's fixed assets

The shares in affiliated companies relate to the companies recorded in the List of Shareholdings. Additions concern subsequent acquisition costs and disposals relate to withdrawals at subsidiaries.

### Current Assets

#### Receivables from affiliated companies

The receivables from affiliated companies stated in the individual financial statements of MEDICLIN AG mainly concern receivables within the scope of the cash pool management and trade receivables as well as loans extended and profit transfers. One loan receivables that had been subject to individual value adjustment in the previous year was written up again to the full amount in 2004 on the basis of the requirement to reinstate original values pursuant to Section 280 (1) HGB.

## **Equity Capital**

### Subscribed capital

The subscribed capital (share capital) of the parent company, MEDICLIN AG, is divided into 31,500,000 no-par value bearer shares.

### Authorised capital

By resolution of the Shareholders' Meeting on 13 November 2000, the Board of Management was authorised, with the approval of the Supervisory Board, to increase the share capital by an amount totalling EUR 7,875,000.00 through the one-time or repeated issuance of new ordinary shares against a contribution in cash until five (5) years have passed after registration of the amendment to the Articles of Association in the Commercial Register (Authorised Capital I). The issuance relates to ordinary shares. The shareholders are granted subscription rights. The Board of Management is authorised, however, to exclude fractional amounts from shareholders' subscription rights.

By resolution of the Shareholders' Meeting on 13 November 2000, the Board of Management was authorised, with the approval of the Supervisory Board, to increase the share capital by an amount totalling EUR 7,875,000.00 through the one-time or repeated issuance of new ordinary shares until five (5) years have passed after registration of the amendment to the Articles of Association in the Commercial Register (Authorised Capital II). The issuance relates to ordinary shares. The capital may be increased on the basis of cash contributions and/or contributions in kind.

### Conditional capital

On 13 November 2000, the Shareholders' Meeting passed a resolution on the conditional increase of the share capital by up to EUR 3,150,000.00 (in words: three million, one hundred and fifty thousand euro) through the issuance of up to 3,150,000 no-par bearer shares (ordinary shares). The conditional capital increase is to be carried out only to the extent that convertible bonds are issued and the holders of the convertible bonds exercise their option right to convert the bonds into company shares. The convertible bonds to the nominal amount of EUR 5.00 per convertible bond entitle to the purchase of five shares in the company per convertible bond. In order to purchase a share, an issue amount is to be paid as a cash payment to the amount by which the shares' conversion price exceeds the prorated nominal amount of the bonds to be converted. The new shares will participate in profits from the beginning of the financial year in which they are generated by exercising the conversion right.

### Capital reserve

The capital reserve includes the amount achieved beyond the nominal amount of shares issued within the context of the capital increase in 2000.

### Revenue reserves

On 27 May 2004, the Shareholders' Meeting authorised MEDICLIN AG, in accordance with Section 71 (1) No. 8 AktG, to acquire own shares with share capital amounting to EUR 3,150,000 (10 per cent of the share capital as at the time of the resolution) attributable to these shares through one-off or repeated repurchase up until 26 November 2005. As at 31 December 2004, the Company holds 1,550,000 own shares (4.92 per cent of the share capital) at acquisition costs totalling EUR 2,799,728. MEDICLIN AG recorded a reserve for own shares to this amount in its individual financial statements.

The reserve for own shares to the full amount of TEUR 2,790 and the statutory reserve at an accrued amount of TEUR 918 were set off in the consolidated financial statements against the residual book value of the goodwill of MC Pharma GmbH as of 31 December 2004 in accordance with Section 309 (1) No. 3 HGB.

### Consolidated net loss and balance sheet profit/loss

The consolidated loss includes losses carried forward to the amount of TEUR 44,179 (previous year: TEUR 27,119 after payment of a dividend of TEUR 3,000).

#### **Balance sheet profit/loss MEDICLIN Aktiengesellschaft**

|  | <b>2004<br/>TEUR</b> | <b>2003<br/>TEUR</b> |
|--|----------------------|----------------------|
| Balance sheet profit 2003                      | 25,175               | -                    |
| Balance sheet profit 2002                      | -                    | 63,329               |
| Pay-out of a dividend                          | -                    | -3,000               |
| Profit carried forward                         | 25,175               | 60,329               |
| Release of/transfers to reserve for own shares | 9                    | -235                 |
| Net loss for the year                          | -33,172              | -34,919              |
| <b>Balance sheet profit/loss</b>               | <b>-7,988</b>        | <b>25,175</b>        |

## **Provisions**

### Provisions for pensions

The deficit from possible indirect pension commitments amounts to TEUR 11,174 (previous year: TEUR 11,113) in the consolidated financial statements; a respective provision pursuant to Section 28 of the Introductory Law to the Commercial Code has not been set up. No deficits were recorded in the individual financial statements

### Other provisions

Within the scope of the transfer of the Hurre Group by MEDICLIN AG, former limited partners of the companies of the Hurre Group which had been acquired by MEDICLIN AG in 1998, had asserted disputed residual purchase price claims within the context of the sale of their limited partner's shares to MEDICLIN AG and instituted legal proceedings in financial year 2004. These new claims as well as those asserted within the scope of a pending litigation in the previous year total EUR 18.67 million plus interest. MEDICLIN AG considers these alleged claims as overall unjustified and will defend itself against the assertion. However, as in previous years, MEDICLIN AG recorded sufficient provision to cover any respective risks. Since the proceedings were still pending as of 31 December 2004, the disclosure was made under Other provisions, in the previous year under Other liabilities.

The other provisions concern other purchase price liabilities at uncertain amounts associated with the acquisition of shareholdings as well as other invoices outstanding, personnel-related expenses and rental risks concerning the renting of office rooms, as well as cost of preparation and audit of consolidated and individual financial statements. The consolidated financial statements also include provisions for billing and budget risks, maintenance not carried out and other expense provisions.

## **Liabilities**

The maturities of consolidated liabilities are reflected in the table on the next page.

Of the liabilities to banks, the amount of TEUR 20,467 (previous year: TEUR 25,535) is secured on the basis of real property rights and the amount of TEUR 61,355 (previous year: TEUR 0) through the pledge of shares in an affiliated company.

| Consolidated liabilities                       | Total<br>TEUR  | Remaining term       |                   |                   |
|--|----------------|----------------------|-------------------|-------------------|
|  |                | up to 1 year<br>TEUR | 1-5 years<br>TEUR | > 5 years<br>TEUR |
| Liabilities to banks and insurance companies   | 86,545         | 2,191                | 62,918            | 21,436            |
| Previous year                                  | 92,646         | 41,952               | 27,499            | 23,195            |
| Payments received                              | 138            | 138                  | 0                 | 0                 |
| Previous year                                  | 180            | 180                  | 0                 | 0                 |
| Trade payables                                 | 10,482         | 10,482               | 0                 | 0                 |
| Previous year                                  | 9,234          | 9,234                | 0                 | 0                 |
| Liabilities pursuant to Hospital Financing Act | 32,365         | 7,365                | 25,000            | 0                 |
| Previous year                                  | 30,911         | 5,911                | 25,000            | 0                 |
| Other liabilities                              | 12,948         | 11,736               | 1,212             | 0                 |
| Previous year                                  | 32,090         | 30,535               | 1,555             | 0                 |
| <b>Total</b>                                   | <b>142,478</b> | <b>32,912</b>        | <b>89,130</b>     | <b>21,436</b>     |
| Previous year                                  | 165,061        | 87,812               | 54,054            | 23,195            |

Of liabilities recorded in the individual financial statements of MEDICLIN AG, liabilities to banks and insurance companies to the amount of TEUR 61,955 (previous year: TEUR 23,452) are due in between one and five years, all other liabilities are due within one year.

MEDICLIN AG liabilities to banks and insurance companies, which are shareholders of the Company, amount to TEUR 61,355 (previous year: TEUR 61,355). Collateral for these loans is provided in the form of pledge shares in an affiliated company.

MEDICLIN AG recorded no liabilities secured on the basis of real property liens.

### Contingencies and other Financial Obligations

The total annual obligations on rental and lease agreements amounted to EUR 40.8 million in the reporting year (previous year: EUR 41.4 million). Included in the total were EUR 36.3 million (previous year EUR 36.3 million) concerning real estate sold in 1992 and 2002 and leased back.

MEDICLIN AG issued a guarantee to the buyer and lessor covering the rental amount and operating costs concerning these rental contracts which were concluded by the subsidiaries and which, initially, were due to expire in 2024. In 2004, these rental contracts were extended by three years and are now due to expire on 31 December 2027.

MEDICLIN AG's other financial obligations concern rental contracts for the Company's offices. The rental amount is TEUR 237 per year; the rental contracts are due to expire in 2007 at the latest. A provision to the amount of TEUR 200 was recorded to account for the risks that may arise from the rental relationship.



Within the scope of the acquisition of the Müritz Klinikum GmbH, MEDICLIN AG issued a guarantee that the enterprise would continue as a going concern. Moreover, the buyer was promised a contractually agreed payment of EUR 10 million through an increase of the equity capital of the subsidiary, Müritz-Klinikum GmbH within the scope of investment projects. The subsidiary's equity capital was increased by EUR 6 million in 2002; realisation of the investment project was begun in 2004.

There were no other significant contingencies or financial obligations as at the balance sheet date.

## **Notes to the Consolidated Income Statement and the Income Statement of MEDICLIN AG**

### **Sales Revenues**

Domestic sales revenues were earned from the post-acute (rehabilitation) segment at EUR 188.3 million (previous year: EUR 200.8 million), the acute care segment (hospitals) at EUR 137.7 million (previous year: EUR 135.1 million), the new nursing care segment (nursing facilities) at EUR 1.7 million and other services at EUR 29.5 million (previous year: EUR 23.0 million). The increase in other services is primarily due to the increase in out-patient services.

### **Other Operating Income**

Other operating income in the consolidated financial statements largely relate to subsidies granted under KHG, public subsidies and off-period income from the release of provisions to the amount of approximately EUR 2.0 million (previous year: EUR 0.5 million).

Other operating income in the individual financial statements of MEDICLIN AG include, in addition to income from the reinstatement of value of EUR 4.0 million, in particular income from management services provided within the Group.

### **Amortisation/Depreciation of Intangible Assets and Property, Plant and Equipment**

Amortisation/depreciation recorded in the consolidated financial statements include special depreciation of property, plant and equipment to the amount of EUR 0.5 million associated with the permanent impairment in value concerning one subsidiary and, for the first time, schedule depreciation concerning the new nursing care segment.

### **Other Operating Expenses**

The Group's other operating expenses remained almost constant at EUR 77.7 million (previous year: EUR 77.7 million). They include, in particular, rental costs and incidental rental costs as well as maintenance expense and, in addition to other operating costs, administration and selling expenses. The item also includes one-off expenses for severance pay to the amount of approximately EUR 2.0 million and start-up costs concerning the new nursing care segment of approximately EUR 2.1 million.

The other operating expenses of MEDICLIN AG largely relate to one-off costs for severance pay and close-down of the office in Frankfurt, obligations associated with the stock market listing of MEDICLIN AG and expenses for increased marketing and selling activities.

### **Income from Participations**

The income from MEDICLIN AG participations relate mainly to claims concerning subsidiaries' net income for 2004.

### **Write-downs of Financial Assets**

The Company's individual financial statements included write-downs of shares in affiliated companies to the amount of EUR 33.7 million due to the respective expectations concerning these companies' sustained earnings power.

### **Taxes on Income**

Off period income from tax refunds for previous years accounted for EUR 1.3 million of earnings from taxes on income in the consolidated financial statements, and for the full amount in the individual financial statements.

### **Other Taxes**

Other taxes in the consolidated financial statements include off-period expenses to the amount of approximately EUR 1.2 million which compare to the above stated off-period income from taxes on income.

## Other Disclosures

### Number of employees

The average number of employees at the MEDICLIN Group was 5,298 in the reporting year (previous year: 5,572); as in the previous year, the number of employees at MEDICLIN AG was ten.

### Supervisory Board

The Supervisory Board had the following members in financial year 2004:

**Prof. Dr. Gerhard Schmidt** Chairman, Frankfurt am Main  
Attorney at law and tax consultant

*Supervisory Board mandates:*

Chairman of the Supervisory Board of

- Grohe AG, Hemer
- Grohe Beteiligungs GmbH, Hemer
- Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main\*
- Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main\*
- DIC Asset AG, Frankfurt am Main\*

\* Supervisory board seats in companies that are members of the same group, as defined in § 100 (2), Sentence 2 AktG (German Stock Corporation Act)

Member of the Supervisory Board of

- TTL Information Technology AG, Unterschleißheim
- TTL International AG, Unterschleißheim

**Hans Hilpert**, Deputy Chairman, Kirkel  
Sports therapist Bliestal Clinics

**Gerd Dielmann**, Berlin  
Trade Union Secretary at the Federal Office of ver.di

**Professor Dr. Erich Donauer**, Plau am See  
Chief Physician in the Department for Neurosurgery and Stereotaxy of the Plau am See Clinic

**Peter Erni**, Mannheim  
Trade Union Secretary for the regional office of Baden-Württemberg at ver.di

**Axel Große-Heitmeyer**, Bielefeld  
Physician, Seepark Clinic, Bad Bodenteich  
(until 29 January 2005)

**Dr. Jochen Messemer**, Cologne

Member of the Management Board of DKV Deutsche Krankenversicherung AG

*Supervisory Board and Administrative Board mandates:*

Chairman of the Supervisory Board

- Storebrand Helseforsikring AS, Oslo
- ArztPartner almeda AG, Zurich
- MedWell Gesundheits-AG, Cologne
- Zürich Krankenversicherung AG, Zurich (Vice Chairman)

Chairman of the Administrative Board

- DKV Belgium, Brussels
- DKV Luxemburg S.A.

Member of the Supervisory Board

- Globale Krankenversicherung AG, Cologne

Member of the Administrative Board

- DKV Seguros y Reaseguros S.A.E., Saragossa
- ERGO Vida S.A., Saragossa
- Union Medica la Fuencisla S.A. Compania de Seguros, Saragossa
- VICTORIA MERIDIONALI Compania Anonima de Seguros y Reaseguros S.A., Madrid

**Klaus Müller**, Oberthal

Sports and recreational therapist, Bosenberg Clinics

**Prof. Dr. Peter Reichling**, Biederitz

Holder of the Chair for financing and banks, University of Magdeburg

*Supervisory Board mandates:*

Chairman of the Supervisory Board

- LinusContent AG, Frankfurt am Main

Member of the Supervisory Board

- Wohnungsbaugenossenschaft Otto von Guericke eG, Magdeburg
- icubic AG, Magdeburg

**Bernd W. Schirmer**, Frankfurt am Main

Entrepreneur

*Supervisory Board mandates:*

Member of the Supervisory Board

- Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main
- LinusContent AG, Frankfurt am Main

**Günter Schlatter**, Cologne

Chairman of the Board of Management of Provinzial Rheinland Versicherung AG,  
Düsseldorf

*Supervisory Board mandates:*

Member of the Supervisory Board

- Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main
- Oppenheim Immobilien-KAG mbH, Wiesbaden

**Frank-Rainer Vaessen**, Meerbusch

Managing Director of ERGO Trust GmbH

*Supervisory Board mandates:*

Chairman of the Supervisory Board

- Ideenkapital AG, Düsseldorf

Member of the Supervisory Board

- AEDES S.p.A., Milan
- Dolmen Securities Ltd., Dublin
- TMW Property Fund AG, Munich

## **Board of Management**

The Board of Management of MEDICLIN Aktiengesellschaft had the following members in the 2004 financial year:

Dr. Ulrich Wandschneider, Hamburg

Chairman of the Board of Management (from 1 November 2004)

Rainer J. Räscher, Frankfurt am Main

Chairman of the Board of Management  
(until 31 October 2004)

Frank Abele, Gerlingen

Gerhard Becker, Frankfurt am Main

(until 31 December 2004)

## **Management Remuneration**

Overall management remuneration for 2004 was as follows:

|                      |     |           |
|----------------------|-----|-----------|
| Board of Management: | EUR | 1,642,039 |
| Supervisory Board:   | EUR | 89,220    |
| Advisory Board:      | EUR | 20,460    |

**Investments in the Parent Company of which the Parent Company has been notified pursuant to Section 21 (1) or (4) WpHG.**

MEDICLIN AG received no such notifications in 2004.

**Report concerning Related Parties**

The Chairman of the Supervisory Board of MEDICLIN AG, Prof. Dr. Gerhard Schmidt, is a partner in the law firm of Weil, Gotshal & Manges, Frankfurt, which provides consulting services for MEDICLIN AG.

Insurance companies, which are shareholders of MEDICLIN AG, extended loans for the financing of MEDICLIN AG participating interests.

**Directors' Dealings**

The members of the Supervisory Board and the Board of Management, as well as their spouses and first degree relatives are legally required to disclose any significant purchases or significant sales of stock shares, stock options, or derivatives of MEDICLIN AG pursuant to Section 15a WpHG. In 2004 no reportable transactions were disclosed.

**Conformity Declaration concerning the German Corporate Government Code in accordance with Section 161 AktG**

The conformity declaration of MEDICLIN Aktiengesellschaft pursuant to Section 161 AktG is accessible to the shareholders on a permanent basis in the respective updated version on the Company's Internet pages.

**Proposed Appropriation of Earnings**

It is proposed that the balance sheet loss of MEDICLIN AG as at 31 December 2004 in the amount of EUR 7,987,985.09 be carried forward to the new accounting period.

Frankfurt am Main, 8 March 2005



Dr. Ulrich Wandschneider



Frank Abele

## Auditors' Report

We have audited the annual financial statements, together with the bookkeeping system, of the MEDICLIN Aktiengesellschaft, Frankfurt am Main, as well as the consolidated financial statements and its report on the position of the Company and the Group prepared by the Company for the business year from January 1, 2004 to December 31, 2004.

The preparation of these documents in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, as well as on the consolidated financial statements prepared by the Company and the report on the position of the Company and the Group, based on our audit.

We conducted our audit of the annual and consolidated financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual and the consolidated financial statements in accordance with principles of proper accounting and in the report on the position of the Company and the Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual and consolidated financial statements and the report on the position of the Company and the Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual and the consolidated financial statements and the report on the position of the Company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual and the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Company and the Group, respectively, in accordance with principles of proper accounting. On the whole the report on the position of the Company and the Group provides a suitable understanding of the Company's and the Group's position and suitably presents the risks of future development.

Frankfurt am Main, 9 March 2005

BDO Deutsche Warentreuhand Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft



(zu Inn- u. Knyphausen)  
Wirtschaftsprüfer



(Philipp)  
Wirtschaftsprüfer

## Reconciliation of the Consolidated Result for the Year 2004 and the Group Equity as at 31 December 2004 from HGB to US GAAP

The consolidated financial statements of MEDICLIN Aktiengesellschaft as at 31 December 2004 have been prepared in accordance with the provisions set out in the German Commercial Code (HGB) and the provisions defined in the Stock Corporation Law. The German commercial accounting rules differ in some significant aspects from US GAAP provisions.

The following provides an overview of the adjustments necessary to reconcile the consolidated net loss for the 2004 financial year as well as the consolidated equity as at 31 December 2004 with US GAAP principles.

| Transition of the consolidated results for the year                  | 2004<br>TEUR   | 2003<br>TEUR   |
|--|----------------|----------------|
| <b>Consolidated net loss for the year pursuant to HGB</b>            | <b>-13.581</b> | <b>-16.825</b> |
| General allowances for receivables                                   | -531           | -466           |
| General allowances for inventories                                   | 31             | 46             |
| Elimination of setting up provisions for maintenance not carried out | 177            | -92            |
| Pro-rata transfers to/release of pension provisions                  | -752           | -605           |
| Deferred taxes on differences between US GAAP and HGB                | 284            | 295            |
| <b>Consolidated net loss pursuant to US GAAP</b>                     | <b>-14.372</b> | <b>-17.647</b> |

| Transition of group equity              | 31.12.2004<br>TEUR | 31.12.2003<br>TEUR |
|---|--------------------|--------------------|
| <b>Group equity pursuant to HGB</b>     | <b>81.446</b>      | <b>98.799</b>      |
| General allowances                      | 1.848              | 2.172              |
| Pension provisions                      | -15.508            | -14.756            |
| Deferred taxes                          | 3.604              | 3.319              |
| <b>Group equity pursuant to US GAAP</b> | <b>71.390</b>      | <b>89.534</b>      |



**Notes:**

1. Differences in results from downward valuation of inventory and receivables relate to flat rate deductions in valuation which are not admitted under US GAAP.
2. Provisions for maintenance not carried out and carried as a liability in the consolidated financial statements in accordance with HGB were released for the purpose of reconciliation with US GAAP.
3. Deferred taxes on differences in results between US GAAP and HGB

Pursuant to FAS 109 "Accounting for income taxes", deferred tax assets or, respectively, deferred tax liabilities are to be recognized to account for future expected differences in results between accounting and valuation principles under German Commercial Law and US GAAP. The determination of deferred taxes is to be based on the tax rate expected at the date of the reversal of the timely difference. A corporation tax rate of 25 per cent, in addition to a solidarity surcharge of 5.5 per cent was calculated for 2004, together 26.375 per cent.

Deviations in results are attributable to the different treatment of pensions, maintenance and the general allowance concerning valuation of inventories and receivables.

4. A so-called indirect pension commitment exists as retirement benefit for clinic employees. It grants employees retirement benefits as well as payments in case of emergency, provided they meet certain time-based and personal requirements. These services are provided by the employee support fund of associated clinic operations (Mitarbeiterunterstützungskasse der Vereinigten Klinikbetriebe e.V.). According to US GAAP, the corresponding pensions and similar commitments are to be calculated pursuant to SFAS 87 "Employers accounting for pensions".

# Report of the Supervisory Board for the Financial Year from 1 January to 31 December 2004

## **Dear Shareholders,**

The Supervisory Board exercised its duties, as mandated by law and the Articles of Incorporation. He commissioned periodic written and verbal reports of the Management Board on the economic position and development of the Company as well as on important business transactions; the Supervisory Board continuously monitored and advised the Company's Management Board. At eight Supervisory Board meetings, the Supervisory Board made the decisions required of it by law, the Articles of Incorporation, and the Rules of Procedure.

At these meetings the Board of Management informed the Supervisory Board in detail about the course of business and the Company's performance in the individual quarters, about finance, investment and human resources planning, the corporate strategy and also about special issues. The Board of Management provided the Supervisory Board with timely and comprehensive information.

Outside the meetings, the Chairman of the Supervisory Board has kept himself regularly informed by the Board of Management about corporate development and significant events.

## **Corporate Governance**

In accordance with Section 161 of the Stock Corporation Act, the Board of Management and the Supervisory Board of MediClin AG clearly defined the extent to which they comply with the recommendations of the German Corporate Governance Code in the Conformity Statement. Any exceptions and deviations are published on the Company's Internet page in the respective updated version. There has been no change in comparison with the statement for financial year 2003.

The Supervisory Board has reviewed the efficiency of the work performed at regular intervals.

## **Work of the Committees**

The committees appointed by the Supervisory Board are engaged in the professional preparation of the topics and resolutions to be discussed at the meetings. As far as legally admissible, the committees may also make decisions for reasons of efficiency.

The Audit Committee met two times during the reporting year.

The Permanent Committee met three times and was involved in the change to MediClin's Board of Management. After the Board Chairman, Mr. Rainer J. Räsch, informed the Supervisory Board that he wished to be released from his duties prematurely if a suitable successor could be found, Dr. Ulrich Wandschneider was appointed as the new Chairman of the Management Board and, in addition, is responsible for the duties of the Chief Operative Officer. Mr. Gerhard Becker, Chief Operative Officer, left the Company on 31 December 2004 at his own request.

## **Annual Financial Statements and Consolidated Financial Statements**

The annual financial statements and the consolidated financial statements prepared by the Board of Management for financial year 2004, including the accounting records and the combined management report and group management report of the Company, were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. The accounting firm was elected by the Annual General Meeting on 27 May 2004, and subsequently commissioned with the annual audit by the Supervisory Board. The annual auditors issued an unqualified auditors' report on the annual financial statements and the consolidated financial statements for the year 2004.

The audit documents, the Management Board's proposal on profit appropriation and the auditor's reports were presented to the Supervisory Board for inspection in good time. The auditors attesting to the report as signatories attended the Supervisory Board meeting which approved the annual financial statements. They reported on significant audit findings and answered questions. Subsequent to the audit committee's examination, the Supervisory Board examined the combined annual financial statements, the consolidated financial statements and the combined management report and the group management report issued by the Board of Management, as well as the Board's proposed appropriation of profits. Based on their examination, the audit committee and the Supervisory Board concurred with the audit findings issued by the annual auditor with respect to the annual financial statements and the consolidated financial statements. In accordance with their own examination, they did not raise any objections. The Supervisory Board endorsed the individual and consolidated financial statements prepared by the Board of Management. The annual financial statements are thereby approved.

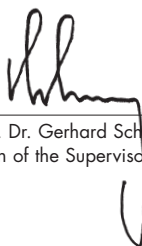
The Supervisory Board concurs with the Board of Management on the appropriation of profits.

## **Changes in the Supervisory Board and the Board of Management**

There have been no changes in the Supervisory Board during financial year 2004. At the beginning of financial year 2005, Axel Grosse-Heitmeyer departed from the Supervisory Board. Changes in the Board of Management have already been reported.

The Supervisory Board wishes to thank the Company management, and, in particular, all the staff, for their commitment and their performance during the past financial year.

Frankfurt am Main, 1 April 2005



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Prof. Dr. Gerhard Schmidt  
Chairman of the Supervisory Board

## Decision-making Bodies of the Company

### MANAGEMENT BOARD

**Dr. Ulrich Wandschneider**

Chairman of the Management Board  
(from 01.11.2004)

**Rainer J. Räsch**

Chairman of the Management Board  
(until 31.10.2004)

**Frank Abele**

**Gerhard Becker**

(until 31.12.2004)

### SUPERVISORY BOARD

**Prof. Dr. Gerhard Schmidt**, Chairman

Attorney at Law and Tax Consultant

**Hans Hilpert**, Vice-Chairman

Sports therapist at Bliestal Kliniken

**Gerd Dielmann**

Trade Union Secretary at the Federal Office of ver.di

**Prof. Dr. Erich Donauer**

Chief Physician in the Department for Neurosurgery and Stereotaxy of the  
Plau am See Clinic

**Peter Erni**

Trade Union Secretary for the regional office of Baden-Württemberg at ver.di

**Axel Große-Heitmeyer**

Physician, Seepark Clinic, Bad Bodenteich  
(until 29.01.2005)

**Dr. Jochen Messemer**

Member of the Management Board of DKV Deutsche Krankenversicherung AG  
(from 09.02.2004)

**Klaus Müller**

Sports and recreational therapist, Bosenberg Clinics

**Prof. Dr. Peter Reichling**

Holder of the Chair for financing and banks, University of Magdeburg

**Bernd W. Schirmer**

Entrepreneur

**Günter Schlatter**

Chairman of the Board of Management of Provinzial Rheinland Versicherung AG

**Frank-Rainer Vaessen**

Managing Director of ERGO Trust GmbH

**ADVISORY BOARD**

The Advisory Board consisted as stated below until the end of 2004 and will be reconstituted in 2005.

**Dr. Jörg W. Knorn, Chairman**

Chief Physician in the Department for Orthopaedy of the Reha-Zentrum Soltau

**Irmtraut Gürkan**

Administrative Director of University Medical Center and Medical Faculty of the Ruprecht-Karls-University, Heidelberg

**Prof. Dr. Ludwig Kuntz**

Chair for General Business Administration and Management in the Health Sector at the University of Cologne

**Prof. Dr. Reiner Leidl**

Chair for Health Economics and Health Care Management at the Ludwig-Maximilians-University of Munich

Director of the Institute of Health Economics and Health Care Management, GSF-National Research Center for Environment and Health

**Dr. Klaus-Jürgen Preuß**

Department Manager Health Management of DKV Deutsche Krankenversicherung AG

**Prof. Dr. rer. pol. Gerhard F. Riegl**

Professor at the Augsburg Senior Technical College, Business Administration Department and Head of the Research Institute of Prof. Riegl & Partner, Institut für Management im Gesundheitsdienst

**Prof. Dr. Edgar Silber**

Chief Physician in the Department for Thoracic and Cardiovascular Surgery of Herz-Zentrum Coswig (until 10.05.2004)

## **MEMBERS OF THE MANAGEMENT OF AFFILIATED COMPANIES**

### **Frank Abele**

MediClin GmbH

MediLog GmbH

Cortex Software GmbH

MediClin Medizinisches Versorgungszentrum GmbH (former Pro.San Verwaltungs GmbH)

### **Gerhard Becker**

MediClin GmbH

(until 31.12.2004)

### **Mario Biewers**

MediClin Immobilien Verwaltung GmbH

### **Heinz-Jürgen Hempel**

Rehazentrum Essen GmbH i.L. (as liquidator)

Klinik auf der Rötsch Verwaltungs-GmbH (until 30.06.2004)

KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH (until 30.06.2004)

Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem

Verwaltungsgesellschaft mbH (until 30.06.2004)

### **Berthold Müller**

MediClin GmbH

### **Christine Neu**

MediClin GmbH

### **Rainer J. Räsch**

MediClin Beteiligungsgesellschaft mbH Objekt Hedon

MediClin Pflege GmbH (from 13.01.2004 until 31.10.2004)

### **Irmgard Raschka-Halberstadt**

MediClin GmbH

### **Joachim Richter**

MC Pharma GmbH

### **Christian Röhl**

MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen

(former Klinik auf der Rötsch Verwaltungs-GmbH) (from 01.07.2004)

KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH (from 01.07.2004)

Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem

Verwaltungsgesellschaft mbH (from 01.07.2004)

**Dirk Schmitz**  
MediClin GmbH

**Bernd Schulz**  
Gesellschaft für Medizinvertrieb und Consulting mbH  
MediClin Immobilien Verwaltung GmbH

**Dr. Gerhard Sontheimer**  
MediClin GmbH  
Krankenhaus am Crivitzer See GmbH  
Müritz-Klinikum GmbH

**Hermann Steppe**  
Cortex Software GmbH

**Dr. Hans Heinrich Uhlmann**  
Krankenhaus am Crivitzer See GmbH

**Dr. Joachim Wilbers**  
MediClin Pflege GmbH  
(from 13.01.2004)

# Glossary

**Break Even**

Point of reaching profit

**Cases**

Number of treated patients

**Diagnosis Related Groups (DRGs)**

Compensation system categorizing medical services on the basis of diagnosis in order to ensure uniform compensation rates within individual compensation categories wherever possible

**Fixed costs**

Costs which are arising independently from the number of nursing days

**Full-time jobs**

Number of jobs based on full-time employees, part-time employees are included partially

**HGB**

German Commercial Code

**Integrated Medical Service**

Health insurance companies and medical service providers draw up stand-alone agreements about medical services which are spanned over different service sectors or which are interdisciplinary

**Medical Care Center (MVZ)**

The Medical Care Center is a cross-discipline facility where physicians listed in the Medical Register work either as employees or as contracted physicians. In addition to medical management, a feature of such a center is the interdisciplinary character of the health care services that are provided by a single organisation.

**Medical rehabilitation**

If a hospital treatment was a long time ago, the general practitioner applies for a medical treatment at the respective health insurance company or at the BfA (Bundesversicherungsanstalt für Angestellte), the Federal Insurance Office for Salaried Employees

**Nursing days**

Total number of in-patients per day; patients who come and leave or who are transferred at the same day are not accounted for



**Optional services**

Additional services offered to patients like telephone or TV

**PlusProgramme**

Specially targeted medical service packages developed by MediClin for private patients

**Rehabilitation**

Measures to restore or significantly improve the ability to deal with daily life or job requirements after a serious acute disease or chronic diseases

**Segment**

Part of the total medical and other services provided: acute care, post acute care/medical rehabilitation, nursing care

**Subsequent nursing treatment (AHB)**

In-patient, as well as partial in- and out-patient rehabilitation services immediately or soon after hospital treatment

**The Health Sector**

The health sector is a new branch of industry with approximately five million employees in Germany; it accounts for thirteen percent of the total number of jobs. Sales revenues are estimated at EUR 500 billion, which represents one tenth of the gross domestic product. It comprises the sum of all companies and institutions that, either directly or indirectly, work on solutions for or take care of persons who are ill or in poor health. The health industry comprises all health care providers, physicians, hospitals, pharmacies, rehabilitation facilities, nursing care services and homes, producers of medical equipment, pharmaceutical companies, health insurance funds, non-medical research facilities etc.

**Therapeutic offers**

Medical treatments which enable patients to master further on their professional tasks and to play their roles in family and society despite physical or health-related handicaps; they are based on the principle of personal responsibility

**Usage fee**

Allowance for using clinic equipment

**US GAAP**

International accounting standard

## Addresses and Imprint

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This annual report is also available in German.  
Dieser Geschäftsbericht liegt auch in deutscher Sprache vor.

This is a translation of the German annual report. In case of divergence  
from the German version, the German version shall prevail.



