

ANNUAL REPORT 2007
MEDICLIN AKTIENGESELLSCHAFT



MediClin **Key data business development** ►

Quarterly development of the Group in 2007 ►

About MediClin

MediClin is a nationwide operator of hospitals and a large provider in the areas of the neuro- and psychosciences as well as orthopaedics. With 30 hospital operations, eight nursing care facilities and three medical care centres in eleven German federal states, at the end of 2007 MediClin had a total capacity of approximately 7,400 beds. The hospitals are acute-care hospitals providing basic, standard and specialised care, as well as specialist clinics for medical rehabilitation. MediClin had approximately 7,100 employees at year-end.

MediClin: Key data business development

In thousands of €	2007	2006	2005
Sales	391,965	377,811	370,434
Operating result (EBIT)	18,866	16,723	16,096
EBITDA margin in %	7.0	6.7	6.3
EBIT margin in %	4.8	4.4	4.3
Financial result	- 5,067	- 5,552	- 6,466
Result attributable to shareholders of MediClin	5,729	9,509	7,667
Cash flow from operating activities	11,347	7,836	17,524
Balance sheet total	269,913	268,399	268,572
Non-current assets incl. tax refund claims	180,924	179,053	182,079
Current assets incl. tax refund claims and deferred tax assets	88,989	89,346	86,492
Thereof cash and cash equivalents	21,377	29,063	26,991
Equity	105,997	100,226	86,150
Equity ratio in %	39.3	37.3	32.1
Non-current liabilities incl. deferred tax liabilities	52,080	112,795	121,503
Current liabilities incl. tax liabilities	111,836	55,378	60,919
Gross capital expenditure	28,623	18,818	16,514
Net financial liabilities	69,381	61,090	64,691
Number of full-time employees (annual average)	5,277	5,252	5,248
Sales per full-time employee in €	74,278	71,937	70,586
Staff costs per full-time employee in €	41,244	40,465	39,942
Occupancy rates in %	84.2	78.1	76.2
Earnings per share undiluted in €	0.18	0.30	0.26
Earnings per share diluted in €	0.18	0.30	0.25
Cash flow from operating activities per share in €	0.36	0.25	0.56
Dividend per share in €	-	-	-
Number of shares in millions	31.5	31.5	31.5

Quarterly development of the Group in 2007

In millions of €	Q1	Q2	Q3	Q4
Sales	94.7	97.1	100.6	99.5
Operating result	1.5	4.2	7.7	5.5
EBIT margin in %	1.6	4.3	7.6	5.5
Result attributable to shareholders of MediClin	0.2	2.1	0.3	3.1
Return on sales in %	0.2	2.1	0.4	3.1
Cash flow from operating activities	0.6	- 1.6	9.0	3.2
Equity ratio in %	37.3	38.0	37.8	39.3
Gross capital expenditure	4.3	6.8	8.3	9.2
Net financial liabilities	59.3	66.7	68.1	69.4
Number of full-time employees (quarterly average)	5,230	5,251	5,298	5,330
Occupancy rates in %	81.4	84.6	86.7	84.3
Result per share in €	0.00	0.07	0.01	0.10
Cash flow per share in €	- 0.03	- 0.14	- 0.02	- 0.05

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Development of nursing days, cases and occupancy rates
The presence of MediClin

FACES OF MEDICLIN



> Let staff members guide you through selected work areas.

Dear Ladies and Gentlemen, Dear Shareholders, Staff, Partners and Friends of MediClin AG,



DR. ULRICH WANDSCHNEIDER
Chairman of the
Management Board

At the end of the 2007 financial year, we announced that we were acquiring a majority interest in Kraichgau-Klinik AG from Landesbank Baden-Württemberg AG. This has strengthened our position in the acute segment through the Herzzentrum Lahr, and in the rehabilitation segment through the facilities in Gernsbach, Bad Rappenau and Bad Hersfeld, although we may seek a solution for Bad Hersfeld outside of the Group. We are currently implementing the concepts developed for the acquisition efforts with regard to the new facilities and pressing ahead with their integration.

Let us now take a look at the past year. From an economic viewpoint, 2007 was for Germany a year marked by a business upturn, sinking unemployment and a positive mood in the country – despite the value added tax hike and the rapid rise in prices, particularly energy costs. So, economic conditions were quite favourable.

Although several federal states abstained from voting, the long-debated health care reform was approved by the Bundesrat in February, and went into effect on 1 April 2007. However, the most significant changes, for example, the health fund (Gesundheitsfonds) will not be implemented until 2009. The health fund is again under discussion, mainly because the CDU/CSU-governed federal states and the business community are in favour of postponing the establishment of the fund until the financial ramifications are clarified. Studies have found that the contribution rates will rise significantly. It is difficult to assess at present what consequences the reform will have for our sector.

Satisfied with business development – post-acute reports a positive result

In the 2007 financial year, we increased sales by EUR 14.2 mill. to EUR 392.0 mill. The post-acute segment alone contributed EUR 11.0 to sales. We were able to achieve an operating result of EUR 18.9 mill. This is an increase of EUR 2.2 mill. or 12.8 % as compared to the previous year – despite the value added tax hike and higher costs as a result of the German Working Time Act that went into effect on 1 January 2007. The acute segment also had to absorb a budget cut of 0.5 % and reduced compensation for deficiency in proceeds. We are pleased that the post-acute segment achieved the turnaround. The result in this segment rose from EUR –1.7 mill. to EUR +3.2 mill.

The result attributable to shareholders totals EUR 5.7 mill. and is EUR 4.1 mill. less than the result of the previous year of EUR 9.5 mill., due to a one-off, non-cash effective tax burden caused by the reduction of the corporate tax rate.

We accomplished our goals in 2007

Quality and transparency was our motto in 2007.

In addition to submitting the legally required quality reports for our acute clinics on schedule, we also prepared quality reports for our rehabilitation clinics. These have formed part of the basis for the first quality report standards in Germany. The standards are issued by the Federation of German Private Clinics (Bundesverband deutscher Privatkliniken e.V., BDPK) and the Institute for Quality Management in Health Care (Institut für Qualitätsmanagement im Gesundheitswesen GmbH, IQMG). We have established an internal system that records the outcome quality in real time, thus making monitoring possible.

We have invested in the certification of our present quality standards. A number of our clinics have been newly certified or re-certified according to DIN ISO 9001:2000 and IQMP-Reha.

Following our announcement that we were going to optimise the services in our clinics in 2007, this has been successfully achieved. We have outsourced particular services such as cleaning, catering and cafeteria in separate companies. These offer their services nationwide or regionally, depending on their organisation and location, and at a high standard throughout the Group. MediClin Therapie GmbH was founded to standardise the processes in the therapy segment. This includes a guideline-driven and cost-effective use of therapy resources, defining basic therapy packages and corresponding practicable performance reporting.

We have also pushed forward with concept management. New rehabilitation concepts in conformity with the requirements of the German Pension Fund (Deutsche Rentenversicherung) have been prepared for orthopaedics, neurology and internal medicine. Here, we will work towards even more intensive cooperation and exchange of information within the Group.

The MediClin Academie has developed positively, with the courses enjoying brisk demand. Some 1,340 participants have received training in over 120 seminars and events.

Several construction works were completed in 2007. In the acute segment, we opened the functional wing of the MediClin Krankenhaus am Crivitzer See in November, which included the construction of a new surgical wing and the conversion of the admission and recovery room. In the MediClin Hedon Klinik, Lingen, we opened a new wing of beds with accompanying therapy areas in May 2007. The annex became necessary

due to the high demand in neurological rehabilitation for measures encompassing early rehabilitation. Capacity utilisation in the new wing has been very satisfactory from the start. The MediClin Robert Janker Klinik in Bonn is currently developing into an innovative stereotaxis centre, with state-of-the-art radiation technology. From the beginning of 2008, a new linear accelerator will offer cancer patients significantly more precise treatment through millimetre-exact, individually controlled radiation. In May 2007, we opened the MediClin Baar-Zentrum in Donaueschingen. Its core competency is leisure offerings, with a focus on sports, health and nutrition. These have been very well received.

We have also become more transparent towards the public, as the name MediClin is now before the name of each individual clinic. Each clinic contributes to the image building and increased awareness of the Group through its competence and know-how.

What is in store for us in 2008?

Our acute clinics will again face a budget cut of 0.5 %, this time as a result of an invoice reduction declared as solidarity tax. In addition, the compensation for deficiency in proceeds will be lowered from 40 % to 20 %.

Agreed upon in 2004, MediClin's three-year rent reduction of approximately EUR 7 mill. a year will end. The rental payments in 2008 will be approximately EUR 39.0 mill., nearly EUR 8 mill. higher than in the previous year.

What do we want to achieve in 2008?

First and foremost, we want to press ahead with the integration of our new facilities. Our aim is to consistently improve our organisation and cost structures. We also want to push forward with activities that can be summarised by the motto "Pool our knowledge – shape our future". This includes establishing medical specialist groups that can develop guidelines, elaborate on therapy concepts and exchange knowledge. In addition, we want to increase MediClin's attractiveness as an employer.

One goal has already been achieved. At the end of January 2008, we launched our new, highly informative and accessible website.

In addition, we also want to continue to promote the optimal collaboration between the acute and the post-acute segments. However, ambulant care is becoming increasingly important and, as a result, will be integrated more heavily into the treatment chain.

Discussions at trade associations and coverage providers show that we are on the right track.

Within the scope of the concept of the Working Group of the Supreme Regional Public Health Authorities (Arbeitsgemeinschaft der Obersten Landesgesundheitsbehörden, AOLG) on the “Further Development of Hospital Supply under Consideration of Financing Issues”, the appropriate topics are being discussed; for example, the further development of hospitals as “health care centres” and thus expanding their range of services to include cross-sector medical care, or the development of quality criteria for the licensing and assessment of hospital services. These are all practices that MediClin has been using for some time now, or has already implemented.

Growth is also important for us. Internal growth can be generated by consistently following the course we have set upon. We plan to boost external growth through acquisitions. Naturally, a set of preconditions must first be fulfilled. In this process, priority will always be given to the realisation of our integrative strategy. The market developments fit well in our objectives; the experts are confident of this.

In the opinion of experts in the field, it is foreseeable that demographics will drive growth in the health care market. The market share of private operators will also increase, as the privatisation efforts in the area of in-patient hospitals and nursing are continuing. The pace of privatisation may have slowed as a result of full coffers in cities and municipalities in 2007; however, the financial situation of public bodies did not really improve, due to the value added tax hike and rising staff costs. If the German physicians association Marburger Bund succeeds in its demands for higher pay rates, public hospitals will find themselves under even greater financial pressure.

The rehabilitation sector is also a growth market. According to the German Pension Fund Federation (Deutsche Rentenversicherung Bund, DRV Bund), the demand for medical rehabilitation services will increase massively in the coming years, as the number of older employees will increase over the same time period. Today, approximately 48 % of Germans between 55 and 64 years old are employed. If the positive development on the labour market of the last 18 months continues, there will be a premium on skilled employees, in particular, those with experience. Without considering the impact of this development, the German Federal Ministry of Health and Social Security currently forecasts the employment rate of over-55-year-olds will be 55 % in 2010. If these assumptions prove accurate, this means the demand for premium services in the medical rehabilitation sector will increase.

DRV Bund anticipates that in-patient rehabilitation will grow by 5 % over the next four years. The area of subsequent nursing treatment is expected to see the most growth. For years now, we have been concentrating on offering medically sophisticated subsequent nursing treatment. This type of treatment already makes up more than 60 % of our nursing days. Nonetheless, curative procedures play a central role in our cooperation with the German Pension Fund. DRV Bund projects that outpatient rehabilitation will grow, and estimates that its share of the entire rehabilitation services will rise from the current 11 % to 15 % by 2011.

So, prospects are positive overall, particularly since MediClin stands to benefit from these trends.

Special thanks go to the employee representatives for their excellent collaboration in 2007. I would also particularly like to thank, on behalf of my colleague Frank Abele as well, all employees for their hard work and commitment. We ask you to continue to fully support the further development of MediClin as you have done so far.

Frankfurt am Main, 28 February 2008



Dr. Ulrich Wandschneider
Chairman of the Management Board



MANAGEMENT BOARD

right: **Dr. Ulrich Wandschneider**, CHAIRMAN OF THE MANAGEMENT BOARD, is responsible for strategy and product development, operative clinics management, marketing/sales, contract management, public relations/investor relations, personnel and for quality/risk management.

left: **Frank Abele**, CHIEF FINANCIAL OFFICER, is responsible for controlling, finance and accounting, legal affairs/tax, IT, internal audit and procurement/technique.

The MediClin share

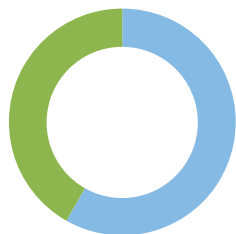
The DAX index has been rising without interruption since 2003. Also in 2007, the leading index of the German stock exchange, which comprises Germany's 30 largest companies, was, at 8,067 points, 22 % above its value at the beginning of the year. This made the German stock market the most resilient European exchange – particularly towards the end of the year – in the face of the uncertainties resulting from the US mortgage crisis. The MDAX and the SDAX did not perform as well in 2007; at year-end, the indices were +4 % and –7 % of their values at the beginning of the year, respectively.

The stock market took a big slide at the start of 2008. The DAX has already fallen as low as 6,384 points, a 21 % drop compared to its high of 8,100 points earlier this year. This means last year's gains have effectively been erased. Stock market experts agree that further developments are difficult to forecast, and that the risks are also greater than in the previous five years. The possibility of the US economy slipping into a recession is seen as the greatest risk for the markets. The strong euro and high commodity prices pose additional risks for the German stock market. Both factors could have a negative impact on the already diminishing growth prospects of Company profits. A favourable sign for the German stock market is that experts, despite the ongoing growth in profits and the sharp price gains, see stock market valuations as moderate. With a P/E ratio of 12.5, based on consensus forecasts for 2008, the DAX may still have the potential to rise to 8,800 points.

Unlike the previous year, institutional investors were not keen on second-tier stocks in 2007. The MediClin share started the reporting year at EUR 4.35 (opening rate on 2 January 2007) in the reporting year and closed at EUR 2.80 on 28 December 2007, despite reporting a better operative result in each quarter over the course of the year.

Shareholder structure

in %



■ Main shareholders*	58.2
Thereof:	
Insurance companies	46.9
Private shareholders	11.3
■ Free float	41.8

* Share property of 5 % or more

As of May 2007

Share indicators

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

in €	2007	2006
Earnings per share, undiluted	0.18	0.30
Earnings per share, diluted	0.18	0.30
Cash flow per share ¹	0.36	0.25
Book value per share ²	3.31	3.13
Dividend per share	–	–
Year-end price ³	2.80	4.28
52-week high (23.04.2007) ³	4.90	–
52-week low (22.01.2008) ³	2.00	–
Market capitalisation (year-end price) in mill. €	88.2	134.8
Number of shares in million	31.5	31.5

¹ Cash flow from operating activities² Equity less minority shares³ Source: Deutsche Börse AG; as of 22 February 2008, Xetra closing prices



UWE BOROWSKI Head of Occupational Therapy

OCCUPATIONAL THERAPY

Since April 2001, Uwe Borowski has been in charge of occupational therapy at the MediClin Klinik an der Lindenhöhe, a clinic for psychiatry, psychotherapy and psychosomatic medicine. Together with his colleagues he treats up to 100 patients a day. Besides administering therapy he is responsible for drawing up therapy plans, documenting the course of the therapy and ordering work materials.

Occupational therapy helps patients regain control of their life



Mr Borowski, what role does occupational therapy play in a psychiatric clinic?

> We support our patients in recovering certain abilities and thus in becoming more independent and self-confident. In a nutshell: occupational therapy should help patients regain control of their life. Our focus is always placed on working with a tool or a medium; occupational therapy is a practical-oriented form of therapy. We observe patients perform activities and help them, for example, to better deal with their frustration. Progress happens mostly in small steps. If favourable progress is achieved, patients, after leaving the clinic, can carry out things of daily relevance, like being active in their career or in a workshop for the handicapped.

Does the therapy differ according to the psychiatric illness?

> Absolutely. With people suffering from depression, the main thing is to reawaken a zest for life. This succeeds when the patient, step by step, regains self-confidence in their own abilities. A definite sign of recovery is when a depres-

sive patient, who, for a long time, could only be motivated to carry out the same task, suddenly has the desire to try out something totally new. As for patients with a psychosis, it's imperative to reduce fear and mistrust, as well as reactivating abilities through relationship building. With us, patients learn to deal with failures, to learn from them and to deal with new situations flexibly.

Do you spend more time with therapy or with organising your department?

> Firstly, I'm a therapist. My speciality is office training. I work with my patients on a PC and enable them to manage the patient library, among other tasks. In small steps, the patients also learn to take on responsibilities again, and to come to terms with people and new situations. Besides organising the department's internal workflow, as head of occupational therapy, I am also the intermediary with other departments, such as social services, the physio- and psychotherapists or the physicians. We meet weekly within the scope of our teams at a joint meeting.

Summarised management report and Group management report of MEDICLIN Aktiengesellschaft for the 2007 financial year

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General economic conditions

According to the first calculations of the German Federal Statistics Office, the price-adjusted gross domestic product (GDP) rose by 2.5 % in 2007. Despite the continued favourable economic climate, this represents a slight decline compared to 2006 (GDB: + 2.9 %). Foreign trade accounted for + 1.4 % of growth, despite the strong euro and the somewhat weakening global economic condition. The domestic market benefited from a positive investment climate due to high industrial capacity utilisation as well as the bring-forward effects related to the discontinuation of the favourable depreciation regulations at the end of 2007. Private consumer spending fell by 0.3 % compared to 2006, due to the value added tax hike and an accelerated rise in prices since September 2007.

The labour market had its most positive development in years. The unemployment rate, based on the civilian labour force, averaged 9.0 % in 2007, and was 1.8 percentage points lower than the level of the previous year.

The tax increases and the favourable economic development generated more tax revenue. This was offset, however, by a decreasing social security contribution so that the consolidation of governmental budgets could only be achieved by reduced spending.

The public sector share of GDP fell again in 2007, and accounts for about 43.9 % of GDP. According to the preliminary calculations of the German Federal Statistics Office, the public sector could be able to post a balanced budget in 2007.

Development of the health care sector

The demand for medical services rose in 2007. The general sick-leave rate did not show a further decline in 2007, and due to the stable labour-market situation, the hesitancy to miss work due to illness for longer periods saw a slight decline. In the acute-care sector, this holds true for treatments that can be postponed. According to the Association of German Pension Insurance Institutions, the number of applications submitted for medical rehabilitation services totalled 1,504,640 in 2007, up 8.8 % compared to 2006 (1,382,569 applications). The share of outpatient health care increased in both the acute-care sector as well in medical rehabilitation.

The continued economic tensions in the governmental budgets, along with cost pressures, have pushed forward the privatisation process in the acute-sector in 2007. Consolidation in the rehabilitation sector is progressing more slowly as the structures are supported by the private sector.

MediClin in 2007

In the 2007 reporting year, MediClin included 30 clinics, eight nursing care facilities and three medical care centres. Seven of the 30 clinics are dedicated acute-care hospitals; in three clinics we provide particular acute services in addition to medical rehabilitation measures.

Through the acquisition of a majority interest in Kraichgau-Klinik AG in January 2008, the Group includes an additional heart centre and three rehabilitation facilities.

The emphasis of the medical offers continues to lie on neuromedicine, with neurology, neurological early rehabilitation, neurosurgery and neuroradiology, as well as the psychosciences (psychosomatic medicine and psychiatry) and orthopaedics. Furthermore, there are certain sites with competencies in the areas of cardiology, oncology, ENT and internal medicine.

We offer full-time and short-term nursing care in our nursing care facilities. These facilities are located – with the exception of the short-term nursing care facility Klinikum Offenbach near Frankfurt – on the sites of post-acute clinics, and can thus benefit from their infrastructure.

MediClin's strategic objective continues to centre on providing cross-sector integrated medical patient care. This means that the Company attaches great importance to offering acute medical care and rehabilitation as complementary services.

A valuable factor in 2007 proved to be the three medical care centres, MediClin MVZ Plau am See, specialising in urology, neurology and psychiatry; MediClin MVZ Leipzig, focusing on general medicine, internal medicine and orthopaedics, and MediClin MVZ Bad Dübren, specialising in general medicine and orthopaedics. These give MediClin access to the market for acute outpatient services.

Cortex Software GmbH is the IT subsidiary of MediClin. In 2007, three service companies were founded for catering, cleaning and therapy.

Agreed upon in 2005, with the beneficial owners of the real estate funds, the three-year rent reduction of approximately EUR 7 mill. per year for primarily the real estate of the post-acute facilities will end in 2007. The rental expenses relief benefited the results in the post-acute segment. Starting in 2008, the rental charge will total approximately EUR 39 mill.

In 2007, the number of beds decreased by 231 beds or 3 % due to a change of location and the reclassification of double beds as single beds to 31 December 2007.

The allocation of beds to the segments is as follows:

Number of beds as of 31.12.	2007	2006	Change in %
Post-acute	5,689	5,908	- 3.7
Acute	1,302	1,341	- 2.9
Nursing care	422	395	+ 6.8
Group	7,413	7,644	- 3.0

Business development in 2007

MediClin continued to improve its revenues and operating result in 2007. The post-acute segment achieved the turnaround.

Sales development in the Group and the segments

In the 2007 financial year, MediClin's consolidated sales revenues of EUR 392.0 mill. were approximately EUR 14.2 mill. or 3.8 % up on those of the previous year.

Sales in the Group and in the segments

In millions of €	2007	2006	Change in %
Post-acute	225.6	214.6	+ 5.1
Acute	156.1	154.5	+ 1.0
Nursing care	10.3	8.7	+ 18.4
Group	392.0	377.8	+ 3.8

Revenues in the post-acute segment rose significantly by EUR 11.0 mill. to EUR 225.6 mill. The PlusPrograms developed for self-paying patients achieved revenues of approximately EUR 1 mill. in the current year and previous year. In the acute segment, revenues increased slightly by EUR 1.6 mill. to EUR 156.1 mill., as they also did in the nursing care segment to EUR 10.3 mill.

Development of nursing days and case numbers in the Group and the segments

The number of **nursing days** provided in 2007 increased Group-wide by 4.5 %, or 96,671 days more than provided in the previous year.

Nursing days in the Group and in the segments

In days	2007	2006	Change in %
Post-acute	1,759,206	1,681,494	+ 4.6
Acute	374,055	373,420	+ 0.2
Nursing care	135,536	117,212	+ 15.6
Group	2,268,797	2,172,126	+ 4.5

The number of nursing days in the post-acute facilities rose by 77,712 or 4.6 %. The length of stay fell from 25.0 days in 2006 to 24.6 days in 2007. Despite the trend towards outpatient health care, the number of nursing days in the acute facilities increased slightly to 635 days. The length of stay in this segment totalled 10.0 days, compared to 9.9 days in 2006. Not including patients in the psychiatric clinics in which significantly longer stays are common, the average amount of time spent in the acute facilities in 2007 remained unchanged, in comparison to the previous year, at 8.2 days.

The number of **cases** in the Group rose by 3,936. The increase of 4,199 cases or 6.2 % in the post-acute segment was particularly favourable. The number of cases in the acute segment fell slightly due to the trend towards outpatient health care. The nursing care segment is not included in this reporting.

Cases in the Group and in the segments

In cases	2007	2006	Change in %
Post-acute	71,592	67,393	+ 6.2
Acute	37,402	37,665	- 0.7
Group (without Nursing care)	108,994	105,058	+ 3.7

Occupancy rates in the Group and the segments

In the past three years, occupancy rates in the Group have consistently improved in all three segments. In 2004, occupancy rates were still at 72.6 %.

Occupancy rates and their changes in the Group and the segments

in %

Post-acute **+8.9**



Acute **+3.1**



Nursing care **+6.9**

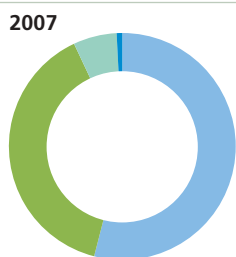


Group **+7.8**



■ 2007 ■ 2006

Breakdown of occupancy days by coverage provider groups without nursing care in %



2007	2006
39.0	37.5
Social security pension funds	
54.0	55.3
Public health insurance funds	
6.2	6.5
Private health insurance companies	
0.8	0.7
Other coverage providers	

2007 2006

Development of the coverage provider structure

As in the previous year, social security pension funds and public health insurance funds accounted for more than 90 % of the total occupancy days.

The social security pension funds and the public health insurance funds are the two largest funding agencies for medical rehabilitation. The social security pension funds finance occupational and medical rehabilitation measures for persons in dependent employment, and thus pursue the objective of restoring the ability to work and avoidance of early retirement. The goal of the public health insurance funds' services is to prevent disabilities and to reduce the need for nursing care, or to prevent deterioration of existing disabilities through rehabilitation measures.

The public health insurance funds are the main funding agencies in the acute segment.

Development of earnings in the Group and the segments

MediClin achieved a **consolidated operating result** (earnings before interest and taxes) of EUR 18.9 mill. in 2007, which was 12.8 % or EUR 2.2 mill. above the previous year's level, despite clearly increased costs. As in 2006, the result for the reporting year benefited from the rental expenses relief of approximately EUR 7 mill. annually agreed-on for the period from 2005 to 2007.

Group and segment results from operating activities

In millions of €	2007	2006
Post-acute	3.2	- 1.7
Acute	16.1	18.6
Nursing care	- 0.4	- 0.2
Group	18.9	16.7

The **post-acute segment** achieved the turnaround and improved its result by approximately EUR 5 mill. compared to the previous year. The **segment result for the acute segment** was EUR 2.5 mill. below the previous year's level, as the slightly higher revenues could not absorb the increased costs.

A **result attributable to shareholders of MediClin** of EUR 5.7 mill. was generated in 2007, after recording profits of EUR 9.5 mill. in the previous year. The reason for the decline compared with the previous year was a one-off non-cash effective tax burden of EUR 4.1 mill., due to the reduction of the corporate tax rate.

Net assets, financial position and results of operation

Development of net assets

Balance-sheet structure

In millions of €	31.12.2007	in % of balance sheet total	31.12.2006	in % of balance sheet total
Assets				
Non-current assets	180.9	67.0	179.1	66.7
Current assets	89.0	33.0	89.3	33.3
	269.9	100.0	268.4	100.0
Equity and liabilities				
Equity	106.0	39.3	100.2	37.3
Non-current liabilities	52.1	19.3	112.8	42.0
Current liabilities	111.8	41.4	55.4	20.7
	269.9	100.0	268.4	100.0

The **balance sheet total** rose slightly by 0.6 % or EUR 1.5 mill., as compared to the previous year.

Non-current assets, including deferred tax assets, increased by EUR 1.8 mill. to EUR 180.9 mill. (previous year: EUR 179.1 mill.). Intangible assets saw a marginal rise from EUR 46.1 mill. to EUR 46.2 mill. These include concessions, licences and goodwill from the acquisition of clinic operations, as well as payments on account. The additions totalling nearly EUR 0.9 mill. relate with EUR 0.6 mill. to concessions and licences, with EUR 0.1 mill. to the doctors' practice value of MVZ Bad Düben and with EUR 0.2 mill. to the payments on account. The scheduled depreciation amounts to EUR 0.6 mill. and the change in consolidation scope nearly –0.1 mill. due to the disposal of MC Pharma GmbH. Goodwill totalled EUR 45.2 mill. (previous year: EUR 45.0 mill.). There was no need for impairment of value in the financial year.

Property, plant and equipment increased by EUR 7.9 mill. to EUR 128.5 mill. (previous year: EUR 120.6 mill.). The land, land rights and buildings included in property, plant and equipment related mainly to the MediClin Herzzentrum Coswig, MediClin Waldkrankenhaus Bad Düben, MediClin Krankenhaus Plau am See, MediClin Robert Janker Klinik, MediClin Rose Klinik, MediClin Klinikum Soltau, MediClin Krankenhaus am Crivitzer See, MediClin Müritzklinikum and MediClin Fachklinik Rhein/Ruhr.

Additions to property, plant and equipment amount to EUR 18.7 mill. and primarily relate to construction measures in nine clinics, medical equipment as well as the modernisation and upgrading of the EDP and telecommunication systems. The scheduled depreciation amounts to EUR 8.1 mill. and the change in consolidation scope to EUR – 2.7 mill. due to the disposal of MC Pharma GmbH.

Other financial assets primarily relate to receivables from related parties totalling EUR 0.3 mill. (previous year: EUR 0.3 mill.).

Deferred tax assets decreased from EUR 11.4 mill. to EUR 5.3 mill., although the change was, besides temporary differences, primarily related to the lowering of the corporation tax from 25 % to 15 % due to the corporate tax reform 2008.

Current assets fell by EUR 0.3 mill. to EUR 89.0 mill. (previous year: EUR 89.3 mill.). Inventories remained nearly constant with EUR 4.6 mill. (previous year: EUR 4.7 mill.). Trade receivables increased by EUR 6.0 mill. to EUR 52.7 mill. (previous year: EUR 46.7 mill.). Other assets rose by EUR 1.3 mill. to EUR 10.2 mill. (previous year: EUR 8.9 mill.). The recognition of receivables pursuant to the hospital financing law is in accordance with the provisions of the Hospital Accounting Rules. As of 31 December 2007, receivables totalling EUR 2.9 mill. were reported, in accordance with the hospital financing law (previous year: EUR 4.3 mill.).

Cash and cash equivalents totalled EUR 21.4 mill. (previous year: EUR 29.1 mill.) in the financial year and dropped in comparison with the previous year, primarily as a result of higher investments in fixed assets.

The **equity** of the MediClin Group, as of 31 December 2007, amounted to EUR 106.0 mill. (previous year: EUR 100.2 mill.). It included the subscribed capital of MediClin AG amounting to EUR 31.5 mill. (unchanged) as well as capital reserves of EUR 106.7 mill., which resulted, primarily, from MediClin AG's stock market flotation. Further disclosures are presented in the notes to the consolidated financial statements of MEDICLIN Aktiengesellschaft in the statement of changes in equity.

Non-current liabilities decreased to EUR 52.1 mill. (previous year: EUR 112.8 mill.), almost solely due to a total of EUR 61.4 mill. (previous year: 61.4 mill.) from non-current liabilities to banks and insurance companies (shareholder companies of MediClin AG) being reclassified as other current liabilities. Disclosures on provisions are presented in the notes to the consolidated financial statements.

In accordance with the reassessment of deferred tax assets, the deferred tax liabilities must also be adjusted to the new relevant tax rate of 15.825 % (corporation tax, solidarity surcharge). They dropped from EUR 1.2 mill. to EUR 1.1 mill.

Current liabilities increased by EUR 56.4 mill. to EUR 111.8 mill. (previous year: EUR 55.4 mill.), primarily as a result of the reason mentioned above in non-current liabilities, that is, due to the increase of liabilities to banks and insurance companies disclosed under other current liabilities. Trade payables fell slightly to EUR 11.9 mill. (previous year: EUR 12.4 mill.). Further disclosures on other current liabilities as well as disclosures on provisions are presented in the notes to the consolidated financial statements. Tax liabilities amounting to EUR 2.3 mill. (previous year: EUR 2.9 mill.) include the amounts for corporation tax and the solidarity tax to be paid to the fiscal authorities.

Development of the financial position

The **cash flow from operating activities** increased to EUR 11.3 mill. in 2007 (previous year: EUR 7.8 mill.) and was affected in the previous year by, among other things, changes to the maturity date of social insurance contributions.

The **cash flow from investing activities** totalled EUR –19.5 mill. (previous year: EUR –8.3 mill.). Investments of EUR 27.6 mill. were made in property, plant and equipment (previous year: EUR 17.7 mill.), of these subsidies were received for EUR 8.5 mill. (previous year: EUR 10.3 mill.). The cash flow from investing activities concerning property, plant and equipment (CAPEX) was EUR –19.1 mill. (previous year: EUR –7.4 mill.).

The **cash flow from financing activities** amounted to EUR 0.4 mill. (previous year: EUR 2.6 mill.). The cash flow from financing activities in the previous year included an inflow of funds resulting from the sale of treasury stock totalling EUR 4.4 mill.

Cash and cash equivalents at the end of the period decreased by EUR 7.7 mill. to EUR 21.4 mill. (previous year: EUR 29.1 mill.) primarily as a result of significantly higher investments in comparison to the previous year.

Development of results of operation

MediClin was able to further improve its revenues and operating result in the reporting year. Revenues rose from EUR 377.8 mill. to EUR 392.0 mill., with revenue increasing in all three business segments. The operating result rose from EUR 16.7 mill. to EUR 18.9 mill., which corresponds to an EBIT margin (earnings before interest and taxes) of 4.8 %, after 4.4 % in the previous year.

Other operating income fell by EUR 3.4 mill. to EUR 6.2 mill. (previous year: EUR 9.6 mill.). The other operating income in the consolidated financial statements primarily consists of subsidies in accordance with the hospital financing law, public grants and off-period income from the release of provisions and rental income.

Raw materials and consumables used rose by EUR 4.1 mill. to EUR 84.4 mill. in 2007, with particularly the cost of purchased services, including energy costs, increasing significantly and comprising nearly 60 % of the cost increase. The costs of raw materials and supplies increased by 3.5 %, as compared to 2006, to EUR 48.7 mill. (previous year: EUR 47.1 mill.). The cost of purchased services, including energy costs, rose by 7.3 % to EUR 35.7 mill. (previous year: EUR 33.2 mill.). The cost of materials ratio climbed 0.2 percentage points due to a substantial rise in sales.

Raw materials and consumables used

	2007	2006	Change in %
Raw materials and consumables used in millions of €	84.4	80.3	+ 5.1
Cost of materials ratio in %	21.5	21.3	

Staff costs also rose by EUR 5.1 mill. to EUR 217.6 mill. The size of the workforce in 2007, as calculated in full-time employees, was 25 full-time employees above the average for 2006. The increase in costs is thus primarily attributable to the hiring of new staff and a general increase in wage costs, which a reduction of the social security contributions and the pension and retirement expenses failed to offset by a large margin. The staff costs ratio decreased by 0.8 percentage points due to increased sales.

Staff costs

	2007	2006	Change in %
Staff costs in millions of €	217.6	212.5	+ 2.4
Staff costs ratio in %	55.5	56.3	

Depreciation and amortisation increased to EUR 8.7 mill. (previous year: EUR 8.5 mill.). For further details, please see the notes.

The **financial result** of EUR – 5.1 mill. was EUR 0.5 mill. above the previous year's level (previous year: EUR – 5.6 mill.). Other financial revenues amounted to EUR 1.0 mill. (previous year: EUR 0.7 mill.), and other financial costs totalled EUR 6.1 mill. (previous year: EUR 6.3 mill.). EUR 4.2 mill. of interest expenses (previous year: EUR 4.2 mill.) concerns payments to related parties in accordance with IAS 24. An overview of future interest expenses is provided in the section on non-current liabilities in the notes.

The **consolidated result attributable to shareholders of MediClin** in 2007 was EUR 5.7 mill. (previous year: EUR 9.5 mill.). Undiluted earnings per share were EUR 0.18 (previous year: EUR 0.30). Diluted earnings per share were EUR 0.18 (previous year: EUR 0.30).

Capital expenditure

The gross addition to property, plant and equipment relate with EUR 15.2 mill. to substantial construction measures in nine facilities, whereby the new construction of the MediClin Müritzklinikum in Waren made up the major part with EUR 10.6 mill., EUR 2.6 mill. was invested in the acquisition of a linear accelerator for cancer treatment, as well as EUR 3.3 mill. for further medical equipment and devices. Expenditures of EUR 1.4 mill. were made for the modernisation and extension of IT and telecommunication facilities. EUR 0.4 mill. was invested in the furnishings for patient rooms.

The item payments on account and assets under construction relates mainly to reconstruction and new construction of the Müritzklinikum in Waren.

Gross addition to property, plant and equipment

In thousands of €	2007	2006
Land, buildings	90	512
Technical equipment, EDP	674	551
Operating and office equipment	8,070	6,665
Payments on account and assets under construction	18,747	9,926
Total	27,581	17,654

Strategy

The objectives of MediClin's strategic positioning have not changed. The Company specialises in post-acute treatment and offers cross-sector services in connection with the acute treatment clinics and nursing care facilities belonging to the Group. Only good, close cooperation between all partners in the health care sector will enable medical services providers to operate in a profitable manner and offer optimum patient care. The Company's strategy, therefore, remains to:

- Create regional supply networks and thus to facilitate cooperation between its own clinics in the respective region, and registered physicians, hospitals and specialist clinics, thereby guaranteeing integrated medical care.
- Continue to improve cooperation and the exchange of knowledge within the Group, in order to offer a Group-wide quality standard, which guarantees the best possible treatment and process quality.
- Pursue cooperation with health insurance funds and insurance companies on a proactive basis, in order to reduce costs and further improve the quality of patient care through new therapy methods.
- Optimise cooperation with health insurance providers, insurance companies, clinics and doctors, in order to push forward with integrated medical care.
- Strengthen MediClin's position as clinic operator. In addition to internal growth, this also means increases in revenue and profitability through the acquisition of public and private clinics. A significant aspect in this process is that such acquisitions increase regional market penetration, enabling the Group to achieve its profit targets in the mid-term future.

In implementing its strategy, MediClin focuses on innovative treatment concepts in the high-volume indication areas, such as orthopaedics, neurology and psychosomatics, as well as on areas, such as strokes, diabetes and tinnitus, where the number of cases is increasing as a result of man-made causes or demographic shifts.

Organisation

MediClin is active as a nationwide operator of clinics. The strategic aim is to provide integrated medical services, and to network MediClin's own clinics within the Group and with external cooperation partners.

As a Group holding company, MediClin AG is dedicated to strategic management, corporate planning and the acquisition and integration of clinics and other service areas in the health care segment. The Group includes 30 clinics, eight nursing care facilities and three medical care centres (MVZ).

The central administration office for the clinics, MediClin GmbH & Co. KG Offenburg, offers intra-Group service functions relating to accounting, personnel, quality management, training and further education, as well as logistics and facility management. In addition, certain services are offered by the Group companies:

- Cortex Software GmbH
Dataflow and process optimisation, software development in the areas of clinical workplace and therapy planning, installation of network technology, user support
- MediClin Immobilienverwaltung GmbH
Real estate management, investment management, cost and income management in the real estate segment
- MC Catering GmbH
Catering and cafeteria services
- MC Service GmbH
Cleaning services
- MC Therapie GmbH
Therapy services

MediClin achieves cost depression effects (economies of scale) through the cross-clinic integration of services. This eases the strain on clinic management and leads to more efficient allocation of resources at the clinics.

Employees

The average number of employees in 2007, calculated on the basis of full-time staff, was 5,277 (previous year: 5,252 full-time staff).

Shown in full-time employees	2007	2006	Change
Post-acute	3,332	3,399	- 67
Acute	1,579	1,599	- 20
Nursing care	140	121	+ 19
Service (including administration)	226	133	+ 93
Group	5,277	5,252	+ 25

In the reporting year, sales per full-time employee rose by EUR 2,341, and thus significantly more sharply than average staff costs per full-time employee (EUR + 779) and bed (EUR + 1,557).

in €	2007	2006
Sales per full-time employee	74,278	71,937
Staff costs per full-time employee	41,244	40,465
Staff costs per bed	29,360	27,803

The Group employed an average of 147 trainees in 2007 (previous year: 117 trainees).

Segment reporting

MediClin was able to increase sales revenues in all segments in 2007. The result particularly improved in the post-acute segment, which clearly achieved the turnaround thanks to a EUR 11.0 mill. increase in sales – the result improved by approximately EUR 5.0 mill. The result in the acute segment was EUR 2.5 mill. below the previous year's level, due to budget cuts and higher cost pressures in 2007. Both of the other segments also had to absorb higher material and staff costs. The share of sales in total revenue was allocated as follows: post-acute 57.6 % (previous year: 56.8 %), acute 39.8 % (previous year: 40.9 %) and nursing care 2.6 % (previous year: 2.3 %).

In millions of €	Sales			Segment result	
	2007	2006	Change in %	2007	2006
Post-acute	225.6	214.6	+ 5.1	3.2	- 1.7
Acute	156.1	154.5	+ 1.0	16.1	18.6
Nursing care	10.3	8.7	+ 18.4	- 0.4	- 0.2
Group	392.0	377.8	+ 3.8	18.9	16.7

Sales in the **post-acute segment** rose by 5.1 % or EUR 11.0 mill. The result improved from EUR -1.7 mill. to EUR 3.2 mill. The segment EBIT margin totalled 1.4 %. The PlusPrograms developed for self-paying patients achieved revenues of approximately EUR 1 mill. in the current year and previous year.

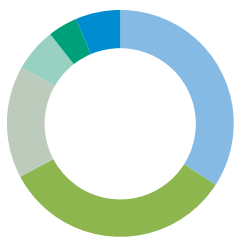
In its **post-acute segment**, MediClin offers services in both the fields of subsequent nursing treatment and curative procedures. Subsequent nursing treatment includes all medical measures required to facilitate the healing process, and return the patient to a functioning state immediately after acute care treatment. The curative treatment includes prophylactic measures against the occurrence of (possible) illnesses or reoccurrence of illnesses. The curative procedures also include all treatments in the field of psychosomatics.

In nursing days	2007	2006	Change in %	Share 2007 in %
Subsequent nursing treatment	1,086,936	1,074,899	+ 1.1	61.8
Curative treatment	579,144	513,588	+ 12.8	32.9
Other	93,126	93,007	+ 0.1	5.3
Post-acute segment	1,759,206	1,681,494	+ 4.6	100.0

In 2007, the share of subsequent nursing treatment totalled 62 % (previous year: 64 %) of all rehabilitative services in the post-acute segment, calculated in nursing days.

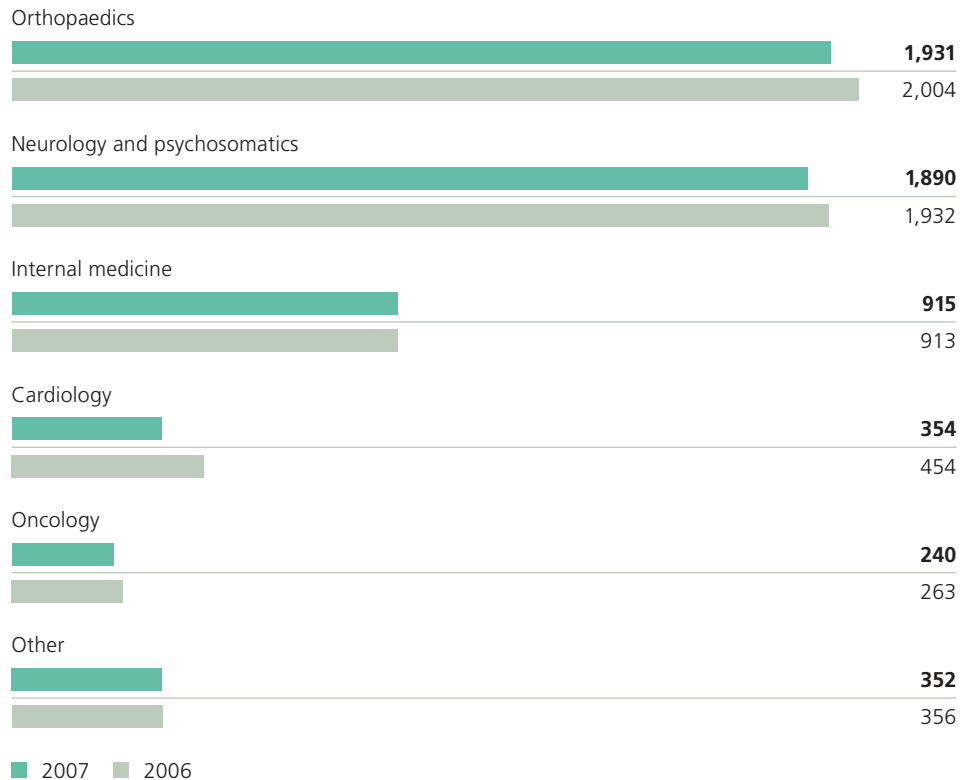
The average number of beds in the post-acute segment fell by 240, due to a change of location and the reclassification of double beds as single beds. The share of MediClin's three largest medical fields (orthopaedics, neurology, including psychosomatic medicine, and internal medicine) of the total average number of beds (5,682 beds) amounted to 83.4 % (previous year: 81.9 %).

Yearly average of number of beds in %



Orthopaedics	34.0
Neurology and psychosomatics	33.3
Internal medicine	16.1
Cardiology	6.2
Oncology	4.2
Other	6.2

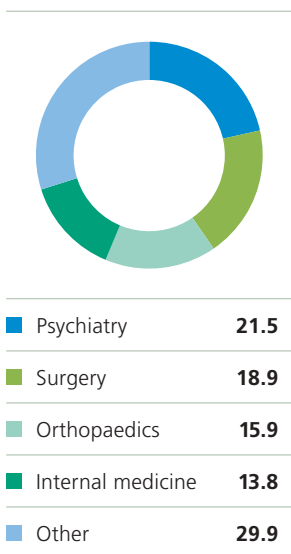
Yearly average of number of beds



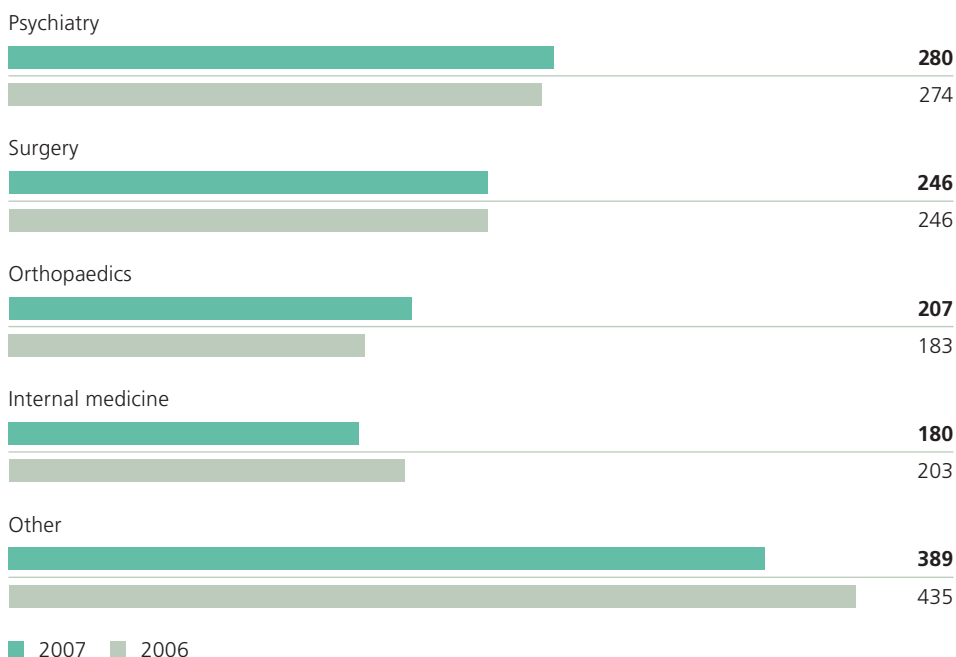
An annual average of 3,332 full-time staff was employed in the post-acute segment (previous year: 3,399 full-time staff). A total of EUR 5.9 mill. (previous year: EUR 6.5 mill.) was invested in this segment.

Sales in the **acute segment** rose by 1.0 % or EUR 1.6 mill. At EUR 16.1 mill., the result was EUR 2.5 mill. below the previous year's level (previous year: EUR 18.6 mill.). The segment EBIT margin totalled 10.3 %.

Yearly average of number of beds in %



Yearly average of number of beds



The psychiatry, surgery, internal medicine and orthopaedic departments are the largest units in the acute segment in terms of number of beds. Their share increased to 70.1 % (previous year: 67.6 %).

An annual average of 1,579 full-time staff was employed in the acute segment (previous year: 1,599 full-time staff). A total of EUR 22.3 mill. (previous year: EUR 11.9 mill.) was invested in the segment in 2007.

In its third full financial year, the **nursing care segment** generated sales of EUR 10.3 mill. (previous year: EUR 8.7 mill.) and thus accounted for 2.6 % of consolidated sales. The segment result totalled EUR –0.4 mill., as the costs for the establishment of a leisure centre focusing on health aspects strained the result.

An annual average of 140 full-time staff was employed in the nursing care segment (previous year: 121 full-time staff). Investments totalled EUR 0.4 mill. (previous year: EUR 0.4 mill.).

MediClin AG

The annual financial statements of MEDICLIN Aktiengesellschaft, Frankfurt am Main, were prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch) and the special provisions of the German Stock Corporation Act (Aktiengesetz).

MediClin AG handles the functions arising in the Group within the framework of strategic corporate planning, strategic controlling, financing and acquisition and cooperation management. As a listed company, MediClin AG meets all the requirements of the capital market and can use the latter for capital procurement or in the context of internal capital market-oriented incentive models.

MediClin AG recorded no sales for the reporting year. Other operating income of MediClin AG, totalling EUR 0.2 mill. (previous year: EUR 2.2 mill.), includes mainly income from management services (2007: EUR 0.2 mill.; 2006: EUR 0.2 mill.) and, in the previous year, capital gains from the sale of treasury stock (EUR 1.6 mill.). Staff costs increased by EUR 0.1 mill. to EUR 2.0 mill. (previous year: EUR 1.9 mill.).

Other operating expenses to the amount of EUR 2.0 mill. (previous year: EUR 1.8 mill.) are mainly related to auditing and consultancy costs (2007: EUR 771 thou.; 2006: EUR 726 thou.), rent and leaseback (2007: EUR 233 thou.; 2006: EUR 268 thou.), insurance costs (2007: EUR 133 thou.; 2006: EUR 131 thou.), administration costs (2007: EUR 250 thou.; 2006: EUR 230 thou.) and other costs.

Income from participation amounting to EUR 17.1 mill. (previous year: EUR 9.8 mill.) relates mainly to advanced distribution concerning the annual results for 2007, of subsidiaries.

Income from financial investments and similar income decreased by EUR 0.7 mill. to EUR 0.5 mill. (previous year: EUR 1.2 mill.). Other interest and similar expenses also decreased by EUR 0.8 mill. to EUR 4.7 mill. (previous year: EUR 5.5 mill.).

The Company recorded depreciation totalling EUR 3.7 mill. on shares in affiliated companies due to changed expectations regarding sustained earnings power.

MediClin AG reported a net profit for the year of EUR 4.3 mill. in the 2007 financial year (previous year: EUR 3.7 mill.).

The number of staff was seven (calculated in full-time employees) on annual average (previous year: seven full-time staff).

Disclosures concerning the balance sheet and the schedule of fixed assets of MEDICLIN Aktiengesellschaft are provided in the annual financial statements and the notes to the annual financial statements of MEDICLIN Aktiengesellschaft.

Outlook

As in the previous years, the income structure of MediClin AG in 2008 will continue to depend on the economic development of the subsidiaries and thus also of the Group as a whole.

Report on compensation

The report on compensation is oriented towards the recommendations of the German Corporate Governance Code and includes information which, pursuant to the requirements of the German Commercial Code (HGB) extended by the Law on the Disclosure of Board Remuneration (VorstOG) enacted on 11 August 2005, is a component of the notes pursuant to Section 314 HGB or the management report, pursuant to Section 315 HGB. The new provisions are to be applied for the first time in the annual and consolidated financial statements for the financial years, as from 1 January 2006. MediClin did not make use of the opting-out clause.

Management Board compensation

The General and Personnel committee is responsible for determining compensation for members of the Management Board and the annual profit-sharing bonus for the Management Board. In so doing, it orients itself to the enterprise's financial condition and the achievement of the defined goals.

The compensation of the Management Board is comprised of a fixed salary and a variable profit-sharing bonus determined by the General and Personnel committee, as well as shared-based compensation and a pension commitment. The fixed component is paid out monthly. The profit-sharing bonus is contingent on the achievement of certain goals, which are defined by the General and Personnel committee at the beginning of the financial year. Share-based compensation on the basis of a convertible bond was possible up to the end of November 2005. At present, there is no programme in place which permits shared-based compensation.

Compensation of the Management Board in the 2007 financial year totalled EUR 1.4 mill. (previous year: EUR 1.2 mill.) and was structured as follows:

In €	Dr. Ulrich Wandschneider	Frank Abele	2007 Management Board (total)
Fixed remuneration	420,000	300,000	720,000
Variable remuneration inclusive change in provisions for variable remuneration	470,000	200,000	670,000
Share-based compensation	3,958	0	3,958
Pension commitment	17,000	17,000	34,000
Other remuneration components	9,104	8,757	17,861
Total	920,062	525,757	1,445,819

In €	Dr. Ulrich Wandschneider	Frank Abele	2006 Management Board(total)
Fixed remuneration	350,000	266,250	616,250
Variable remuneration inclusive change in provisions for variable remuneration	300,000	180,000	480,000
Share-based compensation	23,750	0	23,750
Pension commitment	17,000	17,000	34,000
Other remuneration components	9,104	10,046	19,150
Total	699,854	473,296	1,173,150

The Group also granted the Management Board shared-based compensation in the form of convertible bonds. The Management Board was given the right to acquire options to MEDICLIN Aktiengesellschaft shares within the context of the subscription of a convertible bond. The conversion rights granted are based on non-transferable convertible bonds of EUR 5.00 each, with a term of five years. Each convertible bond entitles the bond owner to conversion into five shares of stock for each EUR 5.00 convertible bond, at certain specified times of the year, following a 24-month waiting period. This entitlement is subject to the proviso that the share price upon conversion is at least 50 % above the defined conversion price. In addition, if the conversion right is exercised, a cash payment is to be made to the amount by which the shares' conversion price exceeds the prorated nominal amount of the bond to be converted.

The key data for the convertible bonds granted in 2005, as well as the accompanying option rights, are as follows:

Bond:	
Nominal interest	2.5 %
Term	22.02.2005 to 21.02.2010
Blocking period	22.02.2005 to 21.02.2007
Conversion price	EUR 1.88
of which cash payment	EUR 0.88
Price of MediClin share as of 31.12.2005	EUR 2.50
Price of MediClin share as of 31.12.2007	EUR 2.80
	(closing price Xetra 28.12.2007)
Existing option rights as of 31.12.2007/2006	250,000
Exercisable options rights as of 31.12.2007/2006	0
Exercised options rights as of 31.12.2007/2006	0

Option:	
Expected volatility	38.60 %
Risk-free investment interest rate	2.00 %
Expected duration until execution	2 years
Present value per option right (five ordinary shares each)	EUR 0.95
Total value	EUR 47,500.00

The Management Board received EUR 6 thou. (previous year EUR 6 thou.) in interest for the bond. The volatility of the shares on which it is based was calculated using the timeframe from 2003 to 2005. This resulted in a price range of between EUR 1.47 and EUR 2.70, with an average of EUR 1.95. The prior years were not included because of strong price fluctuations. Due to the share's low liquidity, weekly return intervals were applied.

The Management Board was granted a loan of EUR 250 thou. for purchasing the convertible bond. The loan is subject to 5.0 % interest p.a. and will be paid off upon conversion. It accrued interest of EUR 13 thou. (previous year: EUR 13 thou.).

MediClin assumes the social security pension fund policies concluded for the members of the Management Board as a result of corresponding retirement benefit guarantees. MediClin covers insurance payments of up to EUR 17 thou., respectively, including fees.

Other includes non-cash compensation from the provisioning of company cars, travel cost allowances and other reimbursement of costs incurred for job-related reasons.

The Management Board contracts do not contain an express guarantee of severance payment in the case of preliminary termination of the employment relationship. Severance payment may result from individual severance contracts, however.

Supervisory Board compensation

The Articles of Incorporation govern compensation for the Supervisory Board. The currently valid compensation regulation concerning the Supervisory Board was adopted by the General Meeting of Shareholders on 21 June 2000.

In addition to a fixed salary, compensation includes components linked to the Company's performance. After the close of the financial year, each member is paid compensation amounting to EUR 6,391.15. In addition, every member receives the amount of EUR 2,556.46 for each per cent of the dividend that is distributed above a percentage rate of 4 %, calculated on the amount of capital stock not exceeding EUR 6,391.15. The Chairman of the Supervisory Board receives twice the amount of compensation. There is no additional compensation for the Vice Chairman, or for work performed within the scope of committees. Total compensation for 2007, including VAT, amounts to EUR 87,132.68 (previous year: EUR 86,152.69).

No performance-based (variable) compensation was paid in 2007 or 2006, since no dividends were distributed.

As in the 2006 financial year, there were no loans extended to members of the Supervisory Board in 2007. No advanced payments were made, nor were the members of the Supervisory Board paid for individual performance, in particular, consulting and mediation services, nor were they granted benefits.

Risk and opportunity report

Risk factors and risk management

Under the provisions of the German Stock Corporation Act (AktG), the board of management of a stock corporation is required to set up an internal monitoring system.

Entrepreneurial activities are associated with risks. In order to minimise these risks, risk factors must be defined and a risk management system established. The task 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 a disproportionate number of old people and increased life-expectancy, and factors such as multi-morbidity, will have a decisive influence on future medical, technical and cost developments in the health care sector. Changes in the demands for stationary rehabilitative services are also to be expected. MediClin has already adapted to this shift in demand.

The increasing scarcity of employees in certain health care professions, particularly in certain regions, must be taken into account in the future.

General legal conditions

Political, legal and statutory conditions, such as governmental budgeting, hospital planning, case-based DRG rates and the financial deficit among the health insurance funds, will continue to have an impact on the further development of the health care system.

In the acute area, the case-based flat-fee system (DRG system) was introduced in 2003 and 2004, without any budget effects. Starting in 2005 till 2009, basic case values specific to the individual clinics will be aligned to the basic case values of the federal states in a so-called conversion phase. The effects on MediClin's seven acute clinics are clinic-specific and may have positive, as well as negative, effects on the earnings situation of the acute care segment. MediClin is monitoring this development in the framework of its controlling function.

Economic factors, such as a shortage of funds at the German federal state level and rising competitive pressure, will lead to a change in the clinic market. MediClin is aligned to changing political conditions and legal requirements and is designing its health care structures concept accordingly.

Competition

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

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

Internal risks

General risk

The Management Board expects to see an improvement in occupancy and an accompanying increase in revenues in the long-term future. It also sees a possibility to achieve additional revenues and increases in income through services related to nursing care, self-payment programmes and the promotion of partnerships in connection with the integrated medical care model. This also applies to the clinics whose present earnings situation falls short of the defined targets. If, contrary to expectations, the noted improvements should not be realised, long-term real estate rental contracts could involve risks relating to the net assets, financial position and results, if it is not possible to use the real estate otherwise.

Operating risks

Operating risks are to be sought mainly in high fixed costs, which can only be offset through flexibilisation of internal operating procedures to a certain extent. MediClin has implemented a number of measures, which will reduce the break-even level of the individual clinics on the one hand, and increase occupancy rates through new service offers, on the other.

Risks resulting from the operation of clinics and the handling of patients are minimised through certified quality measures. They are an important element in risk provision and early identification of risks in the field of operation performance.

Financial risks

At present, there are no discernable currency risks or financing risks for the Group.

Loans totalling EUR 61,355 thou. to insurance companies, which are shareholders of MEDICLIN Aktiengesellschaft, are due and payable on 31 July 2008.

Risk management

MediClin AG's risk management is in accordance with the provisions of Section 91 (2) of the AktG concerning risk analysis and risk monitoring, and is also the subject of a statutory annual audit.

Ensuring the quality of medical services and the optimisation of organisational structures are central functions of management. MediClin has introduced an extensive certification procedure at its clinics. This 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 internal and external risks in the Group. In 2005, the risk management system and the measures to be introduced were recorded in detail and systematically compiled in comprehensive documentation, which is continually reviewed to determine if updating is necessary. The risk inventory conducted in the 2007 financial year revealed no outstanding risks or agglomeration of individual risks.

Opportunity report

Growth prospects

MediClin anticipates that growth in the health care market will, primarily, be driven by demographics. This applies to the acute sector as well as to the post-acute and nursing care sectors. As a result of the strained financial situation in governmental budgets, the market share of private operators will also increase, particularly in the acute sector, but in the nursing care sector, too. According to German Pension Fund Federation (Deutsche Rentenversicherung Bund, DRV Bund), the demand for medical rehabilitation services will increase in the coming years, as the number of older employees will increase over the same time period. The German Federal Ministry of Health and Social Security currently forecasts the employment rate of over-55-year-olds will be 55 % in 2010. If these assumptions prove accurate, this means the demand for premium services in the medical rehabilitation sector will increase.

There is a window of opportunity to take MediClin to a new level of growth. MediClin's opportunity management plans to boost sales revenues through internal growth and acquisitions in such a way that provides for qualitative growth, while ensuring sustainable earnings power.

Competition

MediClin is one of the largest providers of rehabilitation services in the German market. Although the market is still very heterogeneous, our nationwide presence and integrative medical care concept gives us competitive advantages in negotiations with coverage providers.

Financial opportunities

Due to the listing on the stock market it is possible to finance growth through the capital market, which provides us with the financial flexibility to take advantage of acquisition opportunities.

Report on related-party transactions

In the 2007 financial year, business relationships with related parties remained unchanged from the individuals and companies disclosed in the Annual Report 2006.

The respective transactions are processed at normal market conditions and in the 2007 financial year totalled:

In millions of €	2007	2006
Leasing expenses	31.1	30.8
Real estate management costs	0.8	0.8
Real estate management income	0.4	0.4
Repayment claims from the preliminary financing of clinic expansions/building measures	0.6	1.1
Interest expenses	4.2	4.2

Disclosures pursuant to Section 315 (4) and Section 289 (4) of the German Commercial Code (HGB)

The subscribed capital of MEDICLIN Aktiengesellschaft remains unchanged at 31,500,000 no-par bearer shares. Restrictions on the voting rights of the shares may arise on the basis of the regulations of the German Stock Corporation Act (AktG). For example, under certain conditions, shareholders are prohibited from voting (Section 136 German Stock Corporation Act [AktG]). Furthermore, the Company has no voting rights from its own shares (Section 71b German Stock Corporation Act [AktG]). The Supervisory Board is not aware of any contractual restrictions relating to the voting right or transfer of shares. Those with a direct shareholding in MediClin of larger than 10 %, are the Provinzial Rheinland Lebensversicherung AG, the ERGO Versicherungsgruppe AG and the DKV Deutsche Krankenversicherung AG. Shares with privileges that grant powers of authorisation do not exist. Employees who participate in MediClin's capital exercise their control rights like other shareholders. In the 2007 financial year, the authorisation to purchase own shares was not used. The authority of the Management Board to issue or repurchase shares is comprehensively stated in the authorisations approved by the Annual General Meeting. The regulations regarding the appointment and withdrawal of members of the Management Board is in accordance with the statutory regulations. The same applies to the information on amendments to the Articles of Incorporation. The Supervisory Board is not aware of any material agreements that are contingent on a change of control following a takeover offer. There are no compensation agreements in existence in the case of a change in control following a takeover, neither with the Management Board members nor with the employees.

Subsequent events and future prospects

MediClin acquired a majority in Kraichgau-Klinik AG from Landesbank Baden-Württemberg AG at the beginning of January. Kraichgau-Klinik AG has four clinics in operation – a heart centre and three rehabilitation facilities. In 2006, the Kraichgau Group achieved revenues of about EUR 55 mill., of which approximately 70 % were generated by the acute clinic. The Group reported profits in 2006. As a part of the purchase price, the assumption of debts to the amount of EUR 30 mill. was agreed.

As of 1 July 2007, MediClin AG divested its investment in MC Pharma GmbH.

The introduction of the interest barrier means that, starting in 2008, the interest expense will be fully deductible up to the amount of interest income earned in the same tax year. The deduction of interest expense in excess of that amount will be limited to an amount of 30 % of the earnings before interest, taxes, depreciation and amortisation (EBITDA). The interest expense subject to a restriction on tax deduction can be transferred as interest carried forward to the following year.

Due to MediClin AG's trade tax exemption, the changes in the Trade Tax Law (GewStG) will not produce any significantly adverse tax effects.

The experts forecast that the German economy will remain stable in 2008, and point to economic indicators which suggest the upturn will continue despite less favourable conditions in the world economy. In its monthly report for January 2008, the German Federal Ministry of Finance (BMF) forecast a real increase of the gross domestic product (GDP) of 1.7 % for 2008. Estimates of national and international economic institutions correspond to the BMF forecast or are slightly higher. This makes the GDP growth of 2.5 % in 2007 significantly higher than the forecasts for 2008. The BMF anticipates, however, that the unemployment rate will continue to drop. Rising wages and a reduction of the unemployment insurance contribution rate should stimulate private consumption in 2008, despite significant price increases across the board. For 2008, this means, a despite a slowdown in macroeconomic forces, prospects for the German labour market will continue to be as favourable as they have been for some time. Therefore, if conditions do not worsen, this could have a positive impact on the health care sector – positive in the sense that the demand for medical services will rise as well as the willingness to make a private financial contribution. This does not mean, however, that the strains in the financial situation of governmental budgets and coverage providers will see sustained relief, but rather that the consolidation process will continue.

A positive development, particularly in the area of medical rehabilitation, is expected in the medium and long term. According to the German Pension Fund Federation (DRV Bund), the demand for medical rehabilitation services will rise in the coming years, due to an increasing number of older employees, and even more so if favourable economic conditions persist, with their attendant impact on the labour market. The nursing care market will also continue to gain in importance due to development of the age structure in Germany. In the coming years, over-80-year-olds will be one of the fastest-growing age groups in Germany.

MediClin continued to improve its revenues and result in 2007. In terms of number of beds, the Group is one of the largest providers of rehabilitation services in Germany, and the only clinic operator to offer a relevant range of acute care facilities in addition to post-acute clinics. Moreover, the field of stationary nursing care has become an established supplementary business. The medical service offer is highly qualified, with emphasis on orthopaedics, psychosomatics/psychiatry and internal medicine, as well as special fields such as tinnitus and diabetes. The three medical care centres (Leipzig, Plau and Bad Döben) give MediClin access to the market for acute outpatient services, and ensure occupancy of both acute and post-acute facilities at the sites.

Product development will be successively expanded. This also relates to projects with coverage providers. The aim is to be the leading provider of attractive, patient-oriented concepts, which enjoy broad market acceptance in Germany.

In view of the general conditions and the framework established in the Group, MediClin believes that it is well equipped to capture additional market share in the post-acute sector, and to facilitate external growth through acquisitions in the acute sector in the next two years. The nursing care segment will be expanded as opportunities arise; for instance, when location optimisation is possible.

For the 2008 financial year, MediClin assumes a moderate growth of sales (without the Kraichgau Group) and results on the previous year's level. However, results in 2008 will again be strained by the increase in rental expenses of about EUR 8 mill., which could be compensated only partially through the earnings contribution of the Kraichgau-Klinik Group.

MEDICLIN Aktiengesellschaft

Frankfurt am Main, 28 February 2008

The Management Board



KERSTIN ROSTEK Service Attendant

SERVICE

Kerstin Rostek is a trained hotel professional and has worked in the MediClin Reha-Zentrum Bad Orb since February 2005. As a service attendant in the dining-hall, she and her colleagues make sure that everything runs smoothly with the serving of breakfast, lunch and dinner. Her special responsibility is to receive motor-impaired patients at the entrance of the dining-hall, to help put their meals together and to serve them at their tables.

In a hotel the guest is king, in the rehabilitation centre, the patient is



How much of what you learned in your hotel training can you use at the rehabilitation centre?

> Actually, quite a lot. Service is becoming more and more important within the rehabilitation centre. Patients whose freedom of movement is strongly limited accept this support gladly, especially in their first days here at the clinic. The contact with hotel guests is considerably more superficial. For me personally, in large hotels a sense of familiarity was lacking; the atmosphere was simply too anonymous. Here, it is totally different.

What is so special about the service you offer the patients?

> When I compare the hotel trade and the rehabilitation centre, there are lots of things in common. In both branches one has to have a keen sense for the wishes and needs of others. This service mentality was instilled in me during my training. In a hotel the guest is king, in the rehabilitation centre, the patient is. Now I'm far more informed about the patients than I ever was about the hotel guests. I know the

name of every patient I receive, put together meals for and serve at the table, and this makes for a personal atmosphere. I'm acquainted with the patients' handicaps, so I'm able to offer good service.

What is so important about personal contact with patients?

> I work with people who are recovering from serious injuries or illnesses and who are trying to perform daily tasks. Sometimes that works out, sometimes it doesn't. So I always ask my patients how they are doing and how I can best support them. The service team in a rehabilitation centre needs more empathy and social competence than a worker in the hotel trade. For many patients, it's part of the recovery process just to hold a conversation and to chat with staff at the cafeteria. We are also the first to notice when a patient doesn't like the taste of something, or if there isn't enough of something. A part of offering good service is passing on the wishes of the patients to the kitchen and making arrangements with the cook.

Consolidated financial statements of MEDICLIN Aktiengesellschaft for the 2007 financial year

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Consolidated balance sheet as of 31 December 2007

ASSETS

	Appendix		31.12.2007 in €	Previous year in thousands of €
NON-CURRENT ASSETS				
Intangible assets	(1)			
Concessions, licences		965,903		1,023
Goodwill		45,154,226		45,014
Payments on account		88,425		66
			46,208,554	46,103
Property, plant and equipment	(2)			
Land, land rights and buildings including buildings on third-party land		90,231,106		89,981
Technical equipment and machines		2,422,007		4,146
Operating and office equipment		15,563,243		12,562
Payments on account and assets under construction		20,301,973		13,948
			128,518,329	120,637
Other financial assets	(3)			
Investment in stock of subsidiaries		43,500		50
Other loans		290,719		278
			334,219	328
Tax refund claims	(4)		586,175	560
Deferred tax assets	(5)		5,276,359	11,425
			180,923,636	179,053
CURRENT ASSETS				
Inventories	(6)		4,599,080	4,659
Trade receivables	(7)		52,708,570	46,710
Other assets				
Prepaid expenses		994,861		824
Receivables pursuant to hospital financing law	(8)	2,916,451		4,294
Other assets	(9)	6,312,882		3,796
			10,224,194	8,914
Tax refund claims	(10)		79,736	0
Cash and cash equivalents	(11)		21,377,292	29,063
			88,988,872	89,346
			269,912,508	268,399

EQUITY AND LIABILITIES

	Appendix		31.12.2007 in €	Previous year in thousands of €
EQUITY				
Shares MediClin Group				
Subscribed capital	(12)	31,500,000		31,500
Capital reserve	(13)	106,683,544		106,680
Revenue reserve	(14)	303,089		303
Consolidated balance sheet loss	(15)	- 34,314,605		- 40,044
			104,172,028	98,439
Minority interests	(16)		1,824,530	1,787
			105,996,558	100,226
NON-CURRENT LIABILITIES				
Non-current liabilities				
Liabilities to banks	(17)	22,381,422		82,979
Bond issues	(18)	250,000		250
Other financial liabilities	(19)	1,813,260		1,999
			24,444,682	85,228
Provisions				
Provisions for pensions and similar commitments	(20)	16,811,889		15,598
Other provisions	(21)	9,767,330		10,730
			26,579,219	26,328
Deferred tax liabilities	(22)		1,056,272	1,240
			52,080,173	112,796
CURRENT LIABILITIES				
Trade payables				
			11,893,698	12,393
Other current liabilities				
Liabilities to banks and insurance companies	(23)	68,376,658		7,175
Liabilities pursuant to hospital financing law	(24)	11,842,150		11,804
Other liabilities	(25)	14,557,060		19,456
			94,775,868	38,435
Provisions	(26)		2,847,317	1,657
Tax liabilities	(27)		2,318,894	2,892
			111,835,777	55,377
			269,912,508	268,399

Consolidated profit and loss account

for the financial year from 1 January to 31 December 2007

	Appendix	Jan. – Dec. 2007 in €	Previous year in thousands of €
Sales	(28)	391,965,034	377,811
Other operating income	(29)	6,240,706	9,639
Total operating performance		398,205,740	387,450
Raw material and consumables used	(30)		
a) Cost of raw materials and supplies		– 48,731,571	– 47,063
b) Cost of purchased services		– 35,673,288	– 33,248
		– 84,404,859	– 80,311
Staff costs	(31)		
a) Wages and salaries		– 182,889,586	– 177,396
b) Social security, pension and retirement		– 34,755,569	– 35,128
		– 217,645,155	– 212,524
Depreciation and amortisation	(32)	– 8,716,615	– 8,531
Other operating expenses	(33)	– 68,573,515	– 69,361
Operating result		18,865,596	16,723
Financial result	(34)		
a) Other financial revenues		1,040,890	677
b) Other financial costs		– 6,107,561	– 6,229
		– 5,066,671	– 5,552
Result before tax		13,798,925	11,171
Taxes on income	(35)	– 8,032,002	– 1,556
Result after tax		5,766,923	9,615
Result attributable to minority interests		– 38,030	– 106
Result attributable to shareholders of MediClin		5,728,893	9,509
Earnings per share	(36)		
Earnings per share undiluted (in €)		0.18	0.30
Earnings per share diluted (in €)		0.18	0.30

Statement of changes in equity

In €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Treasury stock	Shares MediClin Group	Minority interests	Total equity
As of 01.01.2005	31,500,000	105,000,000	3,102,817	-60,019,859	-2,799,728	76,783,230	1,570,686	78,353,916
Total consolidated result	-	-	-	7,667,451	-	7,667,451	108,453	7,775,904
Change in consolidation scope	-	-	-	-	-	-	785	785
Allocation to reserves for option rights	-	19,792	-	-	-	19,792	-	19,792
As of 31.12.2005	31,500,000	105,019,792	3,102,817	-52,352,408	-2,799,728	84,470,473	1,679,924	86,150,397

In €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Treasury stock	Shares MediClin Group	Minority interests	Total equity
As of 01.01.2006	31,500,000	105,019,792	3,102,817	-52,352,408	-2,799,728	84,470,473	1,679,924	86,150,397
Total consolidated result	-	-	-	9,509,182	-	9,509,182	106,576	9,615,758
Sale of treasury stock	-	1,636,044	-2,799,728	2,799,728	2,799,728	4,435,772	-	4,435,772
Allocation to reserves for option rights	-	23,750	-	-	-	23,750	-	23,750
As of 31.12.2006	31,500,000	106,679,586	303,089	-40,043,498	0	98,439,177	1,786,500	100,225,677

In €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Treasury stock	Shares MediClin Group	Minority interests	Total equity
As of 01.01.2007	31,500,000	106,679,586	303,089	-40,043,498	0	98,439,177	1,786,500	100,225,677
Total consolidated result	-	-	-	5,728,893	-	5,728,893	38,030	5,766,923
Allocation to reserves for option rights	-	3,958	-	-	-	3,958	-	3,958
As of 31.12.2007	31,500,000	106,683,544	303,089	-34,314,605	0	104,172,028	1,824,530	105,996,558

Consolidated cash flow statement

	Jan. – Dec. 2007 in €	Jan. – Dec. 2006 in €
Operating result (EBIT)	18,865,596	16,723,227
Result of finance activities	– 5,066,671	– 5,551,758
Result of income taxes	– 8,032,002	– 1,555,711
Total consolidated result	5,766,923	9,615,758
Depreciation on fixed asset items	8,716,615	8,530,571
Change in deferred taxes	5,965,715	1,303,581
Change in non-current provisions	251,440	1,833,326
Change in current provisions	734,659	– 486,486
Result from the disposal of fixed asset items	– 6,965	– 74,825
Other non-cash income	3,958	23,750
Change in non-current tax refund claims	– 26,175	– 560,000
Change in current assets	– 7,949,731	– 780,870
Change in current liabilities	– 2,109,605	– 11,568,558
Cash flow from operating activities	11,346,834	7,836,247
Payments received from the disposal of fixed assets	489,226	189,326
From the disposal of property, plant and equipment	392,256	189,326
From the disposal of fully consolidated companies	96,970	0
Payments received from investment subsidies	8,682,628	10,296,355
From intangible assets	158,039	47,632
From property, plant and equipment	8,524,589	10,248,723
Cash used for investments in fixed assets	– 28,622,869	– 18,818,152
In intangible assets	– 1,029,040	– 1,138,636
In property, plant and equipment	– 27,581,329	– 17,654,266
In financial assets	– 12,500	– 25,250
Cash flow from investing activities	– 19,451,015	– 8,332,471
Sales of treasury stock	0	4,435,772
Addition of financial liabilities	2,541,781	403,205
Repayment of financial liabilities	– 2,123,746	– 2,270,034
Cash flow from financing activities	418,035	2,568,943
Cash flow for the period	– 7,686,146	2,072,719
Cash and cash equivalents at beginning of period	29,063,438	26,990,719
Cash and cash equivalents at end of period	21,377,292	29,063,438

Basic information

MEDICLIN Aktiengesellschaft (MediClin) is active as a nationwide clinic operator. With 30 clinics, eight long-term care facilities and three medical care centres in eleven German federal states, MediClin offers an overall capacity of approximately 7,400 beds. The clinics are divided into acute-care hospitals for basic, standard and specialised care, as well as specialised clinics for medical rehabilitation. MediClin operates exclusively on the domestic market. The Company is registered in Germany and has been listed on the stock exchange since December 2000 (official market/Prime Standard). The place of business of the Company is in Frankfurt am Main. The head office for the clinics is located at Okenstrasse 27, 77652 Offenburg.

The present notes were prepared for the consolidated financial statements of MEDICLIN Aktiengesellschaft, Frankfurt am Main, for the 2007 financial year. The underlying consolidated financial statements were approved for publication by the Management Board on 28 February 2008. The annual financial statements of MediClin AG and the consolidated financial statements of MediClin AG, on which an unqualified auditor's report was issued by BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, Hamburg, have been published in the electronic German Federal Gazette (Bundesanzeiger). The compulsory declaration concerning the German Corporate Government Code, pursuant to Section 161 AktG, was issued and made accessible to the shareholders.

The present consolidated financial statements were prepared in accordance with Section 315a (1) of the German Commercial Code (HGB), pursuant to the regulations of the International Accounting Standards Board (IASB) as valid in the EU on the balance sheet date, as well as the supplementary commercial provisions. The present consolidated financial statements were also prepared in accordance with the International Financial Reporting Standards (IFRS) as valid on the balance sheet date, including the International Accounting Standards (IAS) still in force and the supplementary interpretations of the International Financial Reporting Interpretation Committee (IFRIC) – formerly Standing Interpretations Committee (SIC). The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted a new standard, as well as new interpretations, which must be applied as of the 2007 financial year:

- IFRS 7 "Financial Instruments: Disclosures"
- Amendments to IAS 1 "Presentation of Financial Statements: Capital Disclosures"
- IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
- IFRIC 8 "Scope of IFRS 2"
- IFRIC 9 "Reassessment of Embedded Derivatives"
- IFRIC 10 "Interim Financial Reporting and Impairment"

With the exception of the application of IFRS 7 and the amended IAS 1, which has resulted in further disclosures in the notes, no substantial effects or changes in the accounting principles have resulted from the interpretations to IFRIC 7 to 10.

Standards and interpretations of the IASB, which were not yet obligatory for the 2007 financial year, have not been utilised; here, as well, no substantial effects or changes in the accounting principles are anticipated.

Otherwise, the same financial accounting standards have been used as in the 2006 consolidated financial statements.

With the application of the reporting and evaluation methods stated by the IFRS and IFRIC, the Company was forced to make numerous **estimates and assumptions**, which relate to future business and, naturally, do not necessarily correspond with the conditions that will occur at a later date. All underlying estimates and assumptions undertaken in the context of the reporting and evaluation will, however, be re-examined on a regular basis and are based either on historical experiences and/or on expectations regarding the occurrence of future events, which appear reasonable from a commercial viewpoint under the given circumstances.

These assumptions and estimates relate to, among other things, the accounting and valuation of provisions, whereby the discounting factor concerning pension provisions and similar commitments represents a significant estimation factor. Since actuarial gains and losses are recorded only if they are in excess of 10 % of the higher amount of the obligation volume, and the present value of the plan assets, future changes in the discounting factor concerning the pension systems existing within the MediClin Group usually do not have an effect on the book value of provisions in the following financial year.

The yearly impairment test concerning goodwill is based on future-oriented key assumptions. From the present point of view, changes in these key assumptions will not lead to a devaluation of book values of the cash generating units above their achievable amount, and thus to an adjustment of the book values in the next financial year.

Furthermore, the valuation adjustments of receivables, including the receivable pursuant to the hospital financing law, the deferred tax assets on loss carried forward, the valuation of options from the convertible bond, as well as the valuation of other provisions, are based on adequate assumptions and estimates by Management and have been derived from the most recently available reliable information.

Estimates are also particularly necessary for recording provisions for taxes, as well as for assessing the impairment of deferred tax assets on loss carried forward, whereby uncertainties could arise regarding the amount as well as the time of future taxable income, due to the interpretation of complex tax regulations.

The financial and assets position of MediClin AG is subject to risks and uncertainties. All factors that influence the future financial and assets position, and thereby could possibly cause a divergence from expectations, include, among other factors: changes to the legal framework conditions, budget cuts or changes in the hospital requirements planning within social insurance agencies, cost increases in the area of personnel and materials, the entrance of new competitors or consolidation processes with existing competitors, decreases in patient occupancy rates due to seasonal fluctuations, and substantial legal proceedings, as well as further structural changes in the health care market.

All assumptions and estimates are based on the conditions and assessments as of the balance sheet date. Moreover, expectations regarding future business development have taken into account assumptions of future developments of the economic environment in the industry sector as well as the regions in which the Group is engaged, which appeared to be realistic at the time. The development of these general underlying conditions may deviate from the assumptions made, and this may lead to actual amounts not being consistent with the estimated values. In such cases, the assumptions and, if necessary, the book values of the assets and debts concerned will be adjusted accordingly. At the time of preparation of the consolidated financial statements, no significant changes respecting the underlying assumptions and estimates were expected. Accordingly, from the present point of view, no significant adjustment to the book values of reported assets and debts is to be expected for the 2008 financial year.

The consolidated financial statements are prepared in euro currency. All amounts are stated in thousand euros (EUR thou.) to the extent not otherwise specified. Within the individual components of the consolidated financial statements, as well as for data specified in the notes, rounding-off differences may result due to figures with decimal places. The designated amounts correspond in each case to the rounded-off amount. The designated amounts for the previous year are calculated using the same reporting and evaluation principles, in order to ensure the comparability of the disclosed data. For comparability reasons, the individual items in the profit and loss account, the cash flow statement and the segment reporting, as well as the corresponding key data, were adjusted. This had no impact on the net assets, financial position and results of operation of the Group.

Derivative financial instruments do not exist. The MEDICLIN Group is engaged in domestic activities only. Foreign currency transactions were not carried out, nor do other currency risks exist. The profit and loss account was prepared using the total expenditure format.

Consolidation principles

The consolidation of investment in subsidiaries is carried out based on the purchase method, in which MEDICLIN Aktiengesellschaft sets off the acquisition values of shares in affiliated companies against the equity capital shares attributable to it at the date of acquisition. The debit balances resulting from these settlements are stated as goodwill on the assets side if the subsidiary's current value is greater than the book value. Goodwill resulting from initial consolidations is reported as intangible assets. In accordance with IFRS 3 (Business Combinations), goodwill is now no longer amortised according to schedule over the useful life, but is subjected to an impairment test, which is required to be performed at annual intervals at least. The impairment test may lead to a devaluation requirement (impairment-only approach). Within this context, the individual permanent facilities are defined as "cash-generating units", pursuant to IAS 36. Goodwill resulting from the purchase of further shares in already fully consolidated subsidiaries is also reported as intangible assets.

Receivables and liabilities between companies included in the consolidated financial statements, as well as expenses and income from mutual service and supply transactions, were eliminated. Transactions with companies in which a minority stake exists are treated as transactions with parties external to the Group.

Company acquisitions, divestments and newly founded companies

Within the scope of a stock purchase agreement as of 1 January 2008, MediClin AG acquired the majority of shares (75.58 %) of Kraichgau-Klinik AG in Bad Rappenau, including the associated facilities in Baden-Württemberg and Hessen. Kraichgau-Klinik AG operates the Herzzentrum Lahr/Baden, the Rehabilitationszentrum Gernsbach/Schwarzwald, the Kraichgau-Klinik Bad Rappenau as well as the Vitalisklinik, Bad Hersfeld. Altogether, the Kraichgau Group employs some 800 people and achieved sales of approximately EUR 55 mill. in 2006.

	Type of clinic	Beds	Segment	Shares acquired in %
Herzzentrum Lahr/Baden	Specialty clinic for heart, chest and vascular surgery, as well as internal medicine, cardiology and anaesthesiology	75	Acute	75.58
Rehabilitationszentrum Gernsbach/Schwarzwald	Rehabilitation centre for cardiovascular, vascular and orthopaedic diseases; private clinic for orthopaedic rehabilitation	226	Post-acute	75.58
Kraichgau-Klinik Bad Rappenau	Specialty clinic for rehabilitation, preventive medicine, oncological subsequent nursing treatment and chronic pain disorders	216	Post-acute	75.58
Vitalisklinik Bad Hersfeld	Clinic and rehabilitation centre for digestive and metabolic diseases; teaching clinic for nutritional medicine	196	Post-acute	68.11

The purchase price agreement included the assumption of liabilities totalling EUR 30 mill. Interim additional acquisition expenses amount to EUR 0.2 mill.

It has not yet been possible to disclose information on assets and liabilities, as well as on contingent claims or liabilities, as the annual financial statements of the clinics were not available at the time of release of the consolidated financial statements, and a corresponding purchase price allocation could not yet be determined.

The consolidation, including the purchase price allocation, will be presented in the interim report for the period from 1 January to 31 March 2008.

As of 1 July 2007, MC Pharma GmbH was divested at net asset value. The business purpose of MC Pharma GmbH is the manufacture and sale of radio nuclides. MediClin AG wants to focus its operating activities on its core business, the operation of clinics and related activities, and thus pull out of this company's field of activity by selling it. MC Pharma GmbH was assigned to the acute segment. The shareholding in the Institut für Tinnitus Forschung und Therapie GmbH was likewise divested. Both engagements were of immaterial importance for the Group.

MC Therapie GmbH, Offenburg, was newly founded and recorded in the Commercial Register in August 2007. The company's stock capital totals EUR 100,000.00; the sole shareholder is MediClin GmbH & Co KG. The business purpose of the company is the provision of therapy services as well as a complete range of supplementary services for clinics, other facilities, physicians as well as patients, including the provision of services related to the supply of temporary workers. The company began operative business activities in 2008. MediServ GmbH, Essen, was founded with Memorandum and Articles of Association on 17 December 2007. The stock capital totals EUR 25,000.00, of which the Fachklinik Rhein/Ruhr für Herz/ Kreislauf- und Bewegungssystem GmbH & Co KG holds EUR 12,750.00 (51.0 %). The business purpose is the provision of cleaning and a complete range of related services for hospitals, rehabilitation clinics, medical care centres as well as other health care facilities, particularly within the Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co KG.

Consolidated companies

All companies under the control of the Group, with respect to their finance and business policies and in which the Group holds more than 50 % of the voting rights, qualify as subsidiaries. The existence and impact of potential voting rights, which can be exercised or converted, are taken into account in the assessment of whether the criterion of control applies.

In accordance with the principles of full consolidation, the consolidated financial statements include, in addition to the parent company, MEDICLIN Aktiengesellschaft, all subsidiaries under the economic control of MEDICLIN Aktiengesellschaft, with the exception of KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Müritz-Klinikum Service GmbH, Medusplus GmbH and MediServ GmbH. The four companies were not consolidated and they were not valued at equity due to their immaterial importance for the Group. The companies continue to be reported at their acquisition costs.

The fully consolidated subsidiaries included in the consolidated financial statements are listed together with their respective participation percentage under the table "Shareholdings".

The present consolidated financial statements have an exempting effect, in accordance with Section 264b HGB, for all commercial partnerships included in the consolidated Group pursuant to Section 264a (1) HGB. Consequently, these commercial partnerships are exempt from the duty to prepare, audit and publish their annual financial statements, in accordance with the provisions defined for corporations and certain commercial partnerships.

Shareholdings 2007

Companies included in the consolidated financial statements	Percentage of shares held
MediClin AG, Frankfurt a. M.	
Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.000
Reha-Klinik GmbH & Co. KG Soltau, Soltau	100.000
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	69.000
MediClin GmbH & Co KG, Offenburg	100.000
MediClin Müritz-Klinikum GmbH, Waren	94.020
MVZ-Müritz GmbH, Waren	94.020 ¹
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co KG, Essen	100.000 ¹
MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen	100.000 ¹
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen	100.000 ¹
KB Krankenhausbeteiligungsgesellschaft mbH & Co KG, Essen	100.000
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.000
MediClin Pflege GmbH, Offenburg	100.000 ¹
MediClin Geschäftsführungs-GmbH, Offenburg	100.000
Cortex Software GmbH, Offenburg	100.000 ²
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.000 ¹
MC Catering GmbH, Offenburg	100.000 ¹
MC Service GmbH, Offenburg	100.000 ¹
MC Therapie GmbH, Offenburg	100.000 ¹
MediClin Immobilien Verwaltung GmbH, Offenburg	100.000 ¹

Companies not included in the consolidated financial statements in €	Results for 2007	Total equity	Percentage of shares held
KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz (as of 31.12.2006)	301.79	34,303.45	47.769 ¹
MediServ GmbH i. Gr., Essen	–	25,000.00	51.000 ¹
Medusplus GmbH, Essen	844.21	25,844.21	51.000 ¹
Müritz-Klinikum Service GmbH, Waren	37,499.18	63,680.88	47.950 ¹

¹ Indirect participation

² Of which indirect participation 62.353 %

Accounting and valuation principles

The companies included in consolidated financial statements 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 principles at Group level have been adjusted to comply with IFRS regulations.

To the extent that, as a result of specific regulations of the Hospital Accounting Rules (Krankenhausbuchführungsverordnung or KHBV), receivables, liabilities, special or compensating items of consolidated subsidiaries are to be reported in conformity with the hospital financing law (Krankenhausfinanzierungsrecht or KHG), these are eliminated at Group level in as much as they do not meet IFRS standards. For example:

- Receivables and liabilities pursuant to the hospital financing law arising from pending transactions are set off against one another, and
- The special item from grants to finance non-current assets is deducted from non-current assets, in keeping with the option provided for under IAS 20 (book value reduction).

With the exception of goodwill, the **intangible assets** have limited useful lives. They are reported at depreciated acquisition costs and are amortised according to schedule on a straight-line basis. The software developed for the Group by a subsidiary does not represent an internally developed intangible asset since the IAS 38.57 recognition criteria are not met. The respective research and development expenses are immaterial for the Group.

The **goodwill** resulting from corporate acquisitions prior to transition to IFRS was transferred from the previous HGB accounts and reviewed with respect to impairment at that date. Goodwill amortised according to schedule under HGB regulations has been carried forward as of 1 January 2004, pursuant to the IFRS 1 transition regulations, by deducting the accumulated depreciation from the previous acquisition costs, and the amortisation according to schedule has been terminated.

The value of goodwill is reviewed every year as of 31 December, based on the underlying cash-generating units (CGU) using the discounted cash flow method. CGUs are regularly defined as business premises (clinics/facilities) that use a separate company code.

In this process, the expected cash flows from the latest management planning are used as a basis, adjusted for assumptions on the development of the business results and discounted with the capital costs of the unit, allowing for an alternative interest charge of 9.0% (previous year: 8.5%). Based on a detailed planning for one year, a projection is carried out for the following two years. Starting from the fourth subsequent year, it is assumed that the cash flow for these years is no longer predictable in detail. The calculation of cash values

is based on the formula of perpetuity, in which the cash flow is based on the projection. The interest rate remains unchanged for this process. Indications of a depreciation in value are taken into account by recording respective, non-scheduled amortisation on the recoverable amount. This planning is based on past experience as well as on expectations concerning future market development. This procedure is utilised for all the business premises.

Property, plant and equipment, as well as intangible assets, are reported at depreciated acquisition and manufacturing costs. This includes non-deductible value added tax, net of acquisition cost deductions. Borrowing costs are not capitalised. Acquisition and manufacturing costs also include the estimated costs for restoration obligations assumed. If property, plant and equipment consist of meaningful, identifiable and significant components, these will be reported and depreciated as separate accounting items.

The useful lives of scheduled **depreciation and amortisation** of consolidated property, plant and equipment and intangible assets are principally as follows:

Concessions, licences	3 to 5 years
Buildings	25 years
Technical equipment and machines	6 to 30 years
Operating and office equipment	3 to 15 years

Depreciation concerning technical equipment and machines, as well as business and office equipment, is based on the useful life expectancy under application of the straight-line method. Contrary to this method, for technical equipment and machines, designated medical technology equipment is depreciated to a minimal extent using the declining balance method, if the projected respective amounts are in excess of those achieved when applying the straight-line method.

Non-scheduled depreciation and amortisation of property, plant and equipment, and of intangible assets with defined useful lives, is recorded in compliance with IAS 36 if the recoverable amount of the asset has fallen below the book value. The recoverable amount is the higher of the net selling price and its value in use. A verification of the recoverability will be carried out upon good cause shown.

In contrast to IAS 16, property, plant and equipment with acquisition costs up to a value of EUR 410 in each individual case are fully depreciated for the year of acquisition and not over the useful life expectancy. The amount of such depreciations at MediClin is negligible. These amounts are disclosed in the notes to the profit and loss account under depreciation and amortisation.

State allocations mainly relate to grants received in accordance with the hospital financing law and under respective state hospital regulations. They are reported as receivables pursuant to the hospital financing law at the actual cash value, if it can be reasonably assumed that the allocations will be granted. This is generally recorded at the time of the incoming subsidy grant notification. Allocations which have not yet been adequately used are recorded under other current liabilities.

Government **subsidies and grants** are deducted from acquisition costs. In accordance with the reduction of acquisition costs of the subsidised property, plant and equipment, the depreciation write-downs are limited to the amount of utility depletion of the non-subsidised non-current assets. Off-period netting, for example, from the refinancing of formerly self-financed investments from previous years, is not netted with depreciation in the profit and loss account, but disclosed under other operating income. **Subsidies for running costs** are included in accordance with the accruals concept.

The compensating items for the promotion of own funds pursuant to KHG were set off against the respective capital reserves at the subsidiaries concerned, and were thus eliminated at the time of initial consolidation of the respective company.

In accordance with IAS 17, a **finance lease** is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. They are recognised at the commencement of the lease term as assets at the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are only of immaterial importance for the Group. Capitalised leased property is depreciated over the useful life expectancy according to the depreciable assets under ownership of the Group. Calculation of this present value is based on the interest rate of the overall lease agreement. Lease payments are apportioned between the finance charge and the redemption of the outstanding liability. A finance lease gives rise to depreciation expense for the depreciable asset as well as financial costs for each accounting period.

If the economic ownership of the leased asset remains with the lessor (operating leases), the leased property is recognised in the balance sheet of the lessor. The leasing expenses incurred for these are recognised straight-line, as leasing or rental expenses over the remaining term of the contract.

On the basis of criteria in accordance with IAS 17.10 and IAS 17.11, an examination of the real estate leased on a long-term basis from a real estate company led to the result that no financing leasing is currently in effect. Finance leasing is assumed, among other situations, if the cash value of minimum lease payments is below the fair value of the lease asset. The lower limit is considered to be 90 % of the fair value. A present value test concerning the real estate leased revealed that this threshold of 90 % was achieved neither relative to the

sum total of the purchase price, nor relative to the sum total of the building's earnings powers. These leasing contracts are classified as operating leases and thus generally treated as income over the term of the respective lease. Reductions in the rent, or the waiving of rent granted by the lessor, are allocated to the pertaining economic periods and distributed on a straight-line basis over the period of reduced benefit for the Company resulting from the rental reduction. In accordance with IAS 17.33, a deviation from the method of straight-line lease payments over the entire term of the contract was possible, as another systematic distribution was more appropriate and suitable for the lessee.

Inventories are recorded at acquisition costs. The acquisition costs do not include costs of debt. As the inventories are of minor importance for the Group and are only subject to slight changes in their value, amount and composition, these inventories were stated with a fixed value. Routine purchases are immediately treated as an expense. Inventories are reviewed every three years.

Financial instruments encompass, first and foremost, liquid assets, receivables and current and non-current liabilities. Receivables are non-derivative financial assets with fixed or assignable payments, which are not listed on an active market. They develop once the Company makes money, goods or services directly available to a debtor, without the intention of negotiating on these receivables. They are assigned to current assets, in as far as their maturity does not lie any more than twelve months after the balance sheet date. Receivables which mature in more than twelve months are recorded as non-current assets. The book values of the current financial assets and the current liabilities essentially correspond to their present values.

Receivables are specified as the respective amounts at the current market value; due to their short-term nature, receivables are evaluated as non-interest bearing at depreciated acquisition costs. When uncertainty about collectability arises, a lump-sum allowance for bad debts is recorded; the respective amounts are recorded as an expense, rather than as an adjustment of the amount of revenue originally recognised.

Liquid assets encompass cash, sight deposits, other short-term, highly liquid financial assets with original terms of not more than three months, and current account balances. Current account credits drawn upon are disclosed under short-term debt as liabilities to banks. Liquid assets as well as current financial liabilities are valued at depreciated acquisition costs.

Long-term financial debts are recorded at acquisition costs on the liabilities side and accounted for at depreciated acquisition costs in the following periods. Loans recorded for the first time are stated at the fair value of the consideration received less borrowing costs. In the following periods, the interest-bearing loans are stated at depreciated acquisition costs using the effective interest rate method. Gains and losses are recorded in the period result to the extent the debts are derecognised, value-adjusted or amortised.

Pension and long-service award commitments are stated applying the projected unit credit method, taking into account future salary and pension developments and biometric probabilities pursuant to IAS 19. Profits and losses from unplanned changes in the present value of benefits and from changes to actuarial assumptions remain unconsidered within a corridor of 10 % of the present value of benefits. Only if the threshold is underrun or exceeded are these gains/losses distributed over the remaining term of service and included in the provision.

Payments for defined **contribution plans** are recorded as expense as they fall due.

In accordance with IAS 37, **other provisions** are recorded to the extent that a current commitment vis-à-vis a third party exists which will probably lead to an outflow of resources and which can be reliably estimated. The provisions for recognisable risks and contingent liabilities are recognised at the amount of their probable occurrence. They are not offset against recourse claims. The fulfilment amount also includes the cost increases to be accounted for as of the balance sheet date. Discounts are applied if the respective interest effect is significant.

Liabilities are stated at their repayable amounts – provided that they are not evaluated as depreciated acquisition costs using the effective interest rate method.

Prepayments received from customers and deferred income items are disclosed under **other liabilities**.

Income taxes are recognised and reported in accordance with IAS 12. **Deferred taxes** are recorded for temporary differences between the values according to IFRS and tax values. Deferred tax assets are recorded for temporary differences which will lead to tax deductions in future periods to the extent that it is probable that sufficient taxable profits will be available against which these differences can be set off. The deferred tax assets also included tax deduction claims resulting from the expected utilisation of existing losses carried forward in subsequent years. Under consideration of the current business results and company planning, these are only capitalised if their realisation seems secured. The tax rate applied for deferred tax assets and tax liabilities was 26.375 % (25 % corporation tax plus 5.5 % solidarity surcharge) through to 30 September 2007. In accordance with IAS 12.48, deferred tax assets are to be measured using the tax laws that are currently effective. Due to the decrease of the corporation tax from 25 % to 15 % from 2008 onwards, pursuant to the 2008 corporate tax reform, deferred tax assets through to 30 September 2007 was re-evaluated accordingly. The tax rate applied for deferred tax assets was reduced from 26.375 % to 15.825 % (corporation tax, solidarity surcharge). Tax accruals and deferrals on the assets side and on the liabilities side are recorded as separate entries.

In accordance with IFRS 2, **share-based payments** are recorded as assets at the time when the option is exercised and when IFRS recognition criteria have been fulfilled. If a blocking period has been agreed upon, the expense to be recorded is distributed over this period of time. As a general rule, valuation is based on fair value. The decisive criterion for determining the fair value is the time of granting the equity capital instrument. The valuation is performed using a modified Black-Scholes option price model.

Sales revenues encompass the fair value received for the sale of services and merchandise excluding value added tax, rebates and price deductions, and after elimination of intra-Group sales. The sales revenues from the sale of services are recorded in accordance with the stage of performance relative to the service already provided and the overall service in the financial year in which the services are provided. As a general rule, revenues are realised when the respective service is provided. Revenues from flat rate payments are recorded in keeping with the stage of performance. **Receivables from services not yet invoiced** are reliably estimated pursuant to IAS 18.20. The services are charged either on the basis of daily rates or flat rates, which can be translated into fictitious daily rates.

Operating expenses are charged to expenditure at the time of the provision of services or their cause. In essence, pre-tax deduction is not applied and the expenses, therefore, mainly relate to statutory value added tax.

Write-ups, gains from the disposal of non-current assets, income from the release of provisions and other off-period income are disclosed under **other operating income**. Non-scheduled depreciation, losses from the sale of non-current assets and other expenses unrelated to the accounting period are recorded under **other operating expenses**.

Notes to the consolidated cash flow statement

The cash flow statement was prepared in accordance with IAS 7, and broken down in to three main sections: operating, investing and financing activities. Cash and cash equivalents encompass cash in hand and bank credit balances. The cash flow from operating activities is prepared using the indirect method and comprises the interest received and paid as well as income taxes. The cash flow from investing activities is stated using the gross method. This means that investment subsidies accrued in the reporting year will be completely booked as net cash and set against the full investments.

The cash flow from operating activities increased by EUR 3.5 mill., from EUR 7.8 mill. to EUR 11.3 mill. This includes interest received totalling EUR 1.0 mill. (previous year: EUR 0.7 mill.) and interest paid totalling EUR 5.7 mill. (previous year: EUR 5.5 mill.). Tax payments amounted to EUR 2.6 mill. following tax refunds (previous year: EUR 2.2 mill.).

The change in the non-current provisions relate, with EUR 1.3 mill., to the allocation of the provisions for pensions and similar commitments, and with EUR 0.6 mill. to the additions to the other provisions, as well as with EUR 1.6 mill. to other provisions used appropriate to their purpose.

The cash flow from investing activities relates to EUR 0.9 mill. for the acquisition of intangible assets, as well as EUR 19.1 mill. for the acquisition of property, plant and equipment. Payments received from asset disposal contributed EUR 0.5 mill. to financing, of which EUR 0.1 mill. was related to the sale of MC Pharma GmbH after the deduction of the transferred cash and cash equivalents.

The cash flow from investing activities increased from EUR –11.1 mill. to EUR –19.4 mill. (previous year: EUR –8.3 mill.). Roughly 44 % of the investments remaining after the deduction of subsidies could be financed from the depreciation and amortisation of EUR 8.7 mill., which led to, among others things, a decrease in liquid assets.

The presentation of the cash flow from financing activities was changed in the financial year. The reclassification of financial liabilities from non-current to current are no longer disclosed, as this has no impact on the amount of liquid assets. The previous year's figures were adjusted accordingly. The cash flow from financing activities is, therefore, a result of the balance of the new borrowing and the redemption of financial liabilities in net borrowing, totalling EUR 0.4 mill. (previous year: EUR 2.6 mill.).

Cash and cash equivalents at the end of the period decreased by EUR 7.7 mill. to EUR 21.4 mill. (previous year: EUR 29.1 mill.), which was primarily due to the investing activities.

Segment reporting

With respect to the determination of reportable segments, IAS 14 provides only for sectoral segmenting (Business Segments) and regional segmenting (Geographical Segments). In accordance with the risk and rewards approach in IAS 14, the segment is to be defined as a primary reporting format, which mainly influences the risk and return on equity of a company.

MediClin AG primarily provides services in the field of medical rehabilitation (subsequent nursing treatment and curative treatment) and hospital services. Nursing care services are also reported as a separate segment. MediClin AG has, therefore, opted for a reporting format that includes the rehabilitation (post-acute), hospital (acute) and nursing facilities (nursing care) segments.

In addition, segment reporting includes the service area, which also encompasses the administration and consists of the central services, such as software support, which is provided by Cortex Software GmbH, as well as bookkeeping and controlling activities, quality assurance, PR activities, investment management and purchasing, and the technical organisation of clinics by employees of MediClin GmbH & Co. KG, as well as MEDICLIN Aktiengesellschaft.

Altogether, the following companies are organised under the service area: MediClin GmbH & Co. KG, Offenburg branch office, MEDICLIN Geschäftsführungs-GmbH, Cortex Software GmbH, MC Catering GmbH, MC Service GmbH, MC Therapie GmbH, MediClin Immobilien Verwaltung GmbH, MEDICLIN Aktiengesellschaft. The income and expenses, which cannot be directly allocated, were coded and distributed in accordance with their respective share in revenue to the segments: post-acute (rehabilitation), acute (hospitals) and nursing care. Moreover, revenues are broken down into internal sales and external sales. Internal sales play a subordinated role. The total results are consistent with the balance sheet and the profit and loss account figures. Transactions between the segments are in line with market conditions.

Sectoral segmenting

In millions of €	January – December 2007				January – December 2006			
	Post-acute	Acute	Nursing care	Total	Post-acute	Acute	Nursing care	Total
Sales	225.6	156.1	10.3	392.0	214.6	154.5	8.7	377.8
Thereof total sales	229.2	158.5	10.3	398.0	218.3	157.0	8.7	384.0
Thereof internal sales	3.6	2.4	0.0	6.0	3.7	2.5	0.0	6.2
Segment result	3.2	16.1	-0.4	18.9	-1.7	18.6	-0.2	16.7
There of non-cash items:								
Scheduled depreciations/write-ups	4.9	9.8	0.4	15.1	4.7	9.7	0.4	14.8
Unscheduled depreciations/write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Release of special item	0.0	-6.4	0.0	-6.4	0.0	-6.3	0.0	-6.3
Allowance	0.2	0.1	0.0	0.3	0.2	0.2	0.0	0.4
Allocation of provisions/liabilities	7.2	6.0	0.3	13.5	6.4	5.2	0.2	11.8
Release of provision	-1.1	-0.7	0.0	-1.8	-1.4	-1.4	0.0	-2.8
Operational assets	104.0	137.6	1.1	242.7	103.0	123.6	0.8	227.4
Non-operational assets	-	-	-	27.2	-	-	-	41.0
Assets	104.0	137.6	1.1	269.9	103.0	123.6	0.8	268.4
Operational liabilities	43.9	25.1	0.5	69.5	49.5	23.7	0.4	73.6
Non-operational liabilities	-	-	-	94.4	-	-	-	94.5
Liabilities	43.9	25.1	0.5	163.9	49.5	23.7	0.4	168.1
Gross capital expenditure	5.9	22.3	0.4	28.6	6.5	11.9	0.4	18.8

Of the gross investments in the post-acute and acute sectors, EUR 0.6 mill. (previous year: EUR 0.3 mill.) and EUR 8.4 mill. (previous year: EUR 10.0 mill.) were financed by subsidies, respectively.

In addition to segmenting according to business fields, IAS 14 also requires segmenting according to geographical segments, which are characterised by different opportunities and risks and which must have a defined minimum size. MediClin AG operates solely on the German market which, due to uniform legal regulations that are valid for all federal states, presents a uniform economic environment. Businesses are, therefore, exposed to the same opportunities and risks regardless of their location, so that the preconditions for further regional segmenting are not met.

Notes to the consolidated balance sheet

Non-current assets

(1) Intangible assets

In thousands of €	Concessions, licences	Goodwill	Payments on account	Total
Acquisition costs as at 01.01.2006	6,579	74,966	150	81,695
Additions	683	200	208	1,091
Reclassifications	291	0	- 291	0
Change in consolidation scope	0	0	0	0
Disposals	103	1,950	0	2,053
Acquisition costs as at 31.12.2006	7,450	73,216	67	80,733
Cumulated depreciation as at 01.01.2006	5,931	28,202	0	34,133
Change in value because of revaluation	0	0	0	0
Scheduled depreciation	600	0	0	600
Change in consolidation scope	0	0	0	0
Disposals	103	0	0	103
Cumulated depreciation as at 31.12.2006	6,428	28,202	0	34,630
Balance sheet value 31.12.2006	1,022	45,014	67	46,103
Acquisition costs as at 01.01.2007	7,450	73,216	67	80,733
Additions	571	140	163	874
Reclassifications	141	0	- 141	0
Change in consolidation scope	- 139	- 4,635	0	- 4,774
Disposals	2	0	0	2
Acquisition costs as at 31.12.2007	8,021	68,721	89	76,831
Cumulated depreciation as at 01.01.2007	6,428	28,202	0	34,630
Change in value because of revaluation	0	0	0	0
Scheduled depreciation	636	0	0	636
Change in consolidation scope	- 7	- 4,635	0	- 4,642
Disposals	2	0	0	2
Cumulated depreciation as at 31.12.2007	7,055	23,567	0	30,622
Balance sheet value 31.12.2007	966	45,154	89	46,209

Capitalised, internally developed intangible assets are not in existence.

Of the goodwill disclosed, a total of EUR 41.0 mill. (previous year: EUR 41.0 mill.) is attributable to debit differences from capital consolidation. The additions to goodwill relate to the medical practice value of the MediClin MVZ Bad Döben. The disposals to goodwill relate to the divestment of MC Pharma GmbH. The significant book values of the goodwill assigned to the cash-generating units (permanent establishments) are related to four acute clinics. There was no need for an impairment of value in the financial year.

(2) Property, plant and equipment

In thousands of €	Land, land rights including buildings on third- party land	Technical equipment and machines	Operating and office equipment	Payments on account and assets under construction	Total
Acquisition costs as at 01.01.2006	117,495	17,291	84,813	13,398	232,997
Additions	651	177	4,683	1,828	7,339
Reclassifications	442	519	301	-1,262	0
Change in consolidation scope	0	0	0	0	0
Disposals	0	292	1,396	4	1,692
Acquisition costs as at 31.12.2006	118,588	17,695	88,401	13,960	238,644
Cumulated depreciation as at 01.01.2006	25,267	13,349	73,093	12	111,721
Change in value because of revaluation	0	0	0	0	0
Scheduled depreciation	3,340	492	4,098	0	7,930
Change in consolidation scope	0	0	0	0	0
Disposals	0	292	1,352	0	1,644
Cumulated depreciation as at 31.12.2006	28,607	13,549	75,839	12	118,007
Balance sheet value 31.12.2006	89,981	4,146	12,562	13,948	120,637

In thousands of €	Land, land rights including buildings on third- party land	Technical equipment and machines	Operating and office equipment	Payments on account and assets under construction	Total
Acquisition costs as at 01.01.2007	118,588	17,695	88,401	13,960	238,644
Additions	90	513	4,678	13,414	18,695
Reclassifications	3,481	438	3,141	-7,060	0
Change in consolidation scope	0	- 3,060	- 1,679	0	- 4,739
Disposals	61	5	2,980	- 398	2,648
Acquisition costs as at 31.12.2007	122,098	15,581	91,561	20,712	249,952
Cumulated depreciation as at 01.01.2007	28,607	13,549	75,839	12	118,007
Change in value because of revaluation	0	0	0	0	0
Scheduled depreciation	3,324	451	4,300	0	8,075
Reclassifications	- 3	- 18	21	0	0
Change in consolidation scope	0	- 819	- 1,207	0	- 2,026
Disposals	61	4	2,955	- 398	2,622
Cumulated depreciation as at 31.12.2007	31,867	13,159	75,998	410	121,434
Balance sheet value 31.12.2007	90,231	2,422	15,563	20,302	128,518

The change in the consolidation scope relates to the divestment of MC Pharma GmbH. Gross additions to property, plant and equipment relate to extensive construction measures in nine facilities totalling EUR 15.2 mill., whereby the bulk is attributable to the new construction of the MediClin Müritzklinikum in Waren (EUR 10.6 mill.).

EUR 2.6 mill. was invested in the acquisition of a linear accelerator for cancer treatment, as well as EUR 3.3 mill. for further medical equipment and devices. This included EUR 0.5 mill. for acquisitions through instalment purchase agreements. Expenditures of EUR 1.4 mill. were made for the modernisation and extension of IT and telecommunication facilities. EUR 0.4 mill. was invested in the furnishing for patient rooms.

In accordance with IAS 20, public **subsidies and grants** for the financing of investments are deducted from acquisition and manufacturing costs of the assets subsidised or granted with a reducing effect on current depreciation and amortisation. The item largely relates to purpose-bound funds granted pursuant to the hospital financing law; the depreciated book value is EUR 89.9 mill. (previous year: EUR 87.6 mill.). Additions to subsidised assets amount to EUR 9.0 mill. (previous year: EUR 10.4 mill.). Depreciation and amortisation were reduced by the deduction of subsidies totalling EUR 6.4 mill. (previous year: EUR 6.3 mill.) of the acquisition costs. Circumstances do not exist which would give rise to the repayment of subsidies.

(3) Other financial assets

Other financial assets primarily relate to receivables from related parties totalling EUR 286 thou. (previous year: EUR 273 thou.).

The loan disclosed under **other loans** is allocated to the category of loans and receivables in accordance with IAS 39.9, and stated at depreciated acquisition cost, which corresponds to the nominal value. Interest rates are in line with market conditions. The item relates to a loan extended to the Management Board (EUR 250 thou.) and interest accrued up to the balance sheet date (EUR 36 thou.; previous year: EUR 23 thou.). The loan is used to acquire the convertible bond issued by MediClin AG. The loan is subject to an annual interest rate of 5.0 % which, as with repatriation of the loan, falls due on the date of exercising the convertible right, or by February 2010, at the latest. Recognition in the balance sheet is largely similar to the fair value of the loan.

The **investments in stock of subsidiaries** relate to shareholdings in KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH (EUR 18 thou.), Müritz-Klinikum Service GmbH (EUR 13 thou.) and Medusplus GmbH (EUR 13 thou.). The shareholding in the Institut für Tinnitus Forschung und Therapie GmbH was divested (EUR 6 thou.).

(4) Tax refund claims

This item relates to the discounted receivable from the payment of the remaining corporation tax credit, resulting due to the switch from the imputation system to the "half-income" rule. In accordance with the German Act on the Tax Features for the Introduction of the European Company and Amendment of Other Tax Rules (SEStEG), the receivables from the credit were capitalised in the annual financial statement to 31 December 2006. The payment of the corporation tax credit occurs over a payment period from 2008 to 2017, using a discount rate of 4.25 %, which accrues to the Group starting in 2009.

(5) Deferred tax assets

Deferred tax assets result from temporary differences between the balance sheet values according to IAS and the tax values applied for the assets and debts. In accordance with IAS 12.53, deferred tax assets are not to be discounted. Up to 30 September 2007, the relevant tax rate was 26.375 % (corporation tax, solidarity surcharge). In accordance with IAS 12.48, deferred tax assets are to be measured using the tax laws that are currently effective. Due to the decrease of the corporation tax from 25 % to 15 % from 2008 onwards, pursuant to the 2008 corporate tax reform, deferred tax assets to 30 September 2007 must be re-evaluated accordingly. The tax rate applied for deferred tax assets was reduced from 26.375 % to 15.825 % (corporation tax, solidarity surcharge).

Deferred tax assets decreased from EUR 11.4 mill. to EUR 5.3 mill., whereby the change is, in addition to the temporary differences, primarily attributable to the revaluation pursuant to the new applicable tax rate.

They result from:

In thousands of €	Difference		Tax		
	31.12.2007	31.12.2006	31.12.2007 ²	31.12.2006 ²	31.12.2006 ¹
Pension obligation	16,636	15,399	2,633	2,437	4,061
Tax loss carried forward	15,519	26,351	2,456	4,170	6,950
Interim profits of non-current assets	940	1,425	148	225	376
Current liabilities	248	144	39	23	38
			5,276	6,855	11,425

¹ Tax rate: 26.375 %

² Tax rate: 15.825 %

The change in the difference amount resulted mainly from the adjustment of the tax loss carry-forward for the profits already offset in the 2007 financial year.

The Company calculated preliminary losses carried forward of EUR 15.5 mill. in 2007 (previous year: EUR 37.1 mill.). The resulting deferred tax assets are fully capitalised in 2007.

Current assets

(6) Inventories

Raw materials and supplies totalling EUR 3.5 mill. (previous year: EUR 3.7 mill.) are largely attributable to inventories concerning medical supplies.

(7) Trade receivables

In thousands of €	31.12.2007	31.12.2006
Receivables stock	55,310	49,388
Allowance	– 2,601	– 2,678
Disclosure	52,709	46,710
thereof from receivables not yet charged	15,508	13,605
invoiced trade receivables	37,201	33,105
thereof from related-party disclosures	0	0

The residual term of receivables is less than one year.

Trade receivables are non-interest bearing and are stated at depreciated acquisition costs, which correspond to the nominal value, less an adequate estimated amount for losses on receivables. Additions to the value adjustments during the financial year are disclosed in the income statement under other operating expenses; releases and write-ups are disclosed under other operating income. Write-ups (reinstatement of original values) are recorded only when the reason for the individual value adjustment no longer applies. The Company is of the opinion that the book value of trade receivables and other receivables corresponds approximately with their fair value. Receivables not yet charged relate to work in process on patients whose treatment was not yet invoiced to the cut-off date.

The valuation adjustments of trade receivables developed as follows:

In thousands of €	2007	2006
Allowance as of 01.01.	2,678	2,996
Allocation		
Specific bad debts allowances	77	155
General bad debts allowances	141	350
Release	– 295	– 823
Allowance as of 31.12.	2,601	2,678

The balance from expenses resulting from the full derecognition of receivables, as well as income from the receipt of derecognised receivables, total EUR 0.3 mill. in the financial year (previous year: EUR 0.4 mill.).

In thousands of €	2007	2006
Expenses for full write-off of receivables	– 381	– 984
Recoveries of written-off receivables	117	579
	– 264	– 405

The following table presents information about delinquent receivables for which a valuation adjustment is not yet required:

Invoiced trade receivables

In thousands of €	Book value	Thereof neither value-adjusted nor delinquent to the cut-off date	Thereof not value-adjusted but delinquent for the following time-frames to the cut-off date				
			less than 1 month	between 1 and 3 months	between 3 and 6 months	between 6 and 12 months	over 12 months
As of 31.12.2007	37,201	18,565	7,015	9,589	563	482	987
As of 31.12.2006	33,105	17,920	5,106	7,428	687	627	1,337

Concerning receivables that are neither value-adjusted nor delinquent, there is no information at hand that indicates that the parties liable to pay will not satisfy their obligations.

(8) Receivables pursuant to hospital financing law

In thousands of €	31.12.2007	31.12.2006
Receivables stock	3,265	5,043
Allowance	– 349	– 749
Disclosure	2,916	4,294

Receivables in terms of the hospital financing law relate to claims according to the hospital financing law and compensation claims stipulated in the Federal Directive on Nursing Care Rates or the Hospital Compensation Act, respectively. According to management's assessments and past experience, the receivables were subject to adequate value adjustments. Receivables from a pending contract involving a total of EUR 13.2 mill. (previous year: EUR 18.4 mill.) associated with promised investment grants, pursuant to Section 9 of the hospital financing law, were set off against the corresponding liabilities.

The following table presents information about delinquent receivables:

Receivables pursuant to hospital financing law

In thousands of €	Book value	Thereof neither value-adjusted nor delinquent to the cut-off date	Thereof not value-adjusted but delinquent for the following time-frames to the cut-off date				
			less than 1 month	between 1 and 3 months	between 3 and 6 months	between 6 and 12 months	over 12 months
As of 31.12.2007	2,916	0	682	1,469	741	19	5
As of 31.12.2006	4,294	0	332	694	25	3,243	0

Concerning receivables that are not value-adjusted, the Company assumes that the debtors will satisfy their obligations to pay.

(9) Other assets

In thousands of €	31.12.2007	31.12.2006
Receivables stock	6,313	3,796
Allowance	0	0
Disclosure	6,313	3,796
thereof from related-party disclosures	598	1,095

This item discloses financial assets, which are stated at depreciated acquisition costs. Value adjustments to account for recognisable risks were not accumulated. The residual term of the receivables is less than one year. The amounts reported are approximately equal to the present value. Receivables from related companies and parties relate to repayment claims against IVG Institutional Funds GmbH (formerly Oppenheim Immobilien Kapitalanlage-gesellschaft mbH) from the preliminary financing of clinic expansions through MediClin. The increase includes EUR 3.1 mill. for a short-term loan resulting from the divestment of the former MC Pharma GmbH (now Eckert & Ziegler EURO-PET Köln/Bonn GmbH). The bulk of the receivables are not delinquent, and there is no information at hand that indicates that the parties liable to pay will not satisfy their obligations.

(10) Tax refund claims

This item includes the portion of the receivables disclosed under item (4), which will accrue to the Group in the following year.

(11) Cash and cash equivalents

In the reporting year, the item only includes cash and bank credit balances.

The following table presents a summarised overview of the additional disclosures on financial instruments concerning book value, balance sheet recognition and fair value pursuant to the respective category in accordance with IAS 39:

In thousands of €	Category in accordance with IAS 39	Book value 31.12.2007	Balance sheet recognition in accordance with IAS 39	Fair Value 31.12.2007	
			Depreciated acquisition costs		
ASSETS					
Other loans	HtM	291	291	291	
Tax refund claims	LaR	586	586	586	
Trade receivables	LaR	52,709	52,709	52,709	
Prepaid expenses	LaR	995	995	995	
Receivables pursuant to hospital financing law	LaR	2,916	2,916	2,916	
Other assets	LaR	6,313	6,313	6,313	
Tax refund claims	LaR	80	80	80	
Cash and cash equivalents (cash, bank)	LaR	21,377	21,377	21,377	
EQUITY AND LIABILITIES					
Non-current liabilities					
Liabilities to banks	FLAC	22,381	22,381	22,381	
Bond issues	FLAC	250	250	250	
Other finance liabilities	FLAC	1,813	1,813	1,813	
Current liabilities					
Trade payables	FLAC	11,894	11,894	11,894	
Liabilities to banks and insurance companies	FLAC	68,377	68,377	68,377	
Liabilities pursuant to hospital financing law	FLAC	11,842	11,842	11,842	
Other liabilities	FLAC	14,557	14,557	14,557	
Tax liabilities	FLAC	2,319	2,319	2,319	
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39					
Loans and receivables (LaR)	Total	LaR	84,976	84,976	84,976
Held-to-maturity Investments (HtM)	Total	HtM	291	291	291
Available-for-sale Financials Assets (AfS)	Total	AfS	0	0	0
Financial Assets Held for trading (FAHfT)	Total	FAHfT	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)	Total	FLAC	133,433	133,433	133,433

In thousands of €	Category in accordance with IAS 39	Book value 31.12.2006	Balance sheet recognition in accordance with IAS 39	Fair Value 31.12.2006	
			Depreciated acquisition costs		
ASSETS					
Other loans	HtM	278	278	278	
Tax refund claims	LaR	560	560	560	
Trade receivables	LaR	46,710	46,710	46,710	
Prepaid expenses	LaR	824	824	824	
Receivables pursuant to hospital financing law	LaR	4,294	4,294	4,294	
Other assets	LaR	3,796	3,796	3,796	
Tax refund claims	LaR	0	0	0	
Cash and cash equivalents (cash, bank)	LaR	29,063	29,063	29,063	
EQUITY AND LIABILITIES					
Non-current liabilities					
Liabilities to banks and insurance companies	FLAC	82,979	82,979	82,979	
Bond issues	FLAC	250	250	250	
Other finance liabilities	FLAC	1,999	1,999	1,999	
Current liabilities					
Trade payables	FLAC	12,393	12,393	12,393	
Liabilities to banks	FLAC	7,175	7,175	7,175	
Liabilities pursuant to hospital financing law	FLAC	11,804	11,804	11,804	
Other liabilities	FLAC	19,456	19,456	19,456	
Tax liabilities	FLAC	2,892	2,892	2,892	
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39					
Loans and receivables (LaR)	Total	LaR	85,247	85,247	85,247
Held-to-maturity Investments (HtM)	Total	HtM	278	278	278
Available-for-sale Financials Assets (AfS)	Total	AfS	0	0	0
Financial Assets Held for trading (FAHfT)	Total	FAHfT	0	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)	Total	FLAC	138,948	138,948	138,948

Equity

(12) Subscribed capital

The subscribed capital (capital stock) of the parent company, MediClin AG, is split up into 31,500,000 no-par value bearer shares and is paid up in full. MediClin AG is not subject to any external minimum capital requirements.

Capital management

By resolution of the Annual General Meeting on 25 May 2007, the Management Board has been authorised pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) to buy, with the approval of the Supervisory Board, on or before 24 November 2008, treasury stock in a total volume of up to 3,150,000 shares (10 % of the share capital of the Company). The treasury stock may be bought through the stock market or by means of a public purchase offer to all shareholders.

The Management Board has also been authorised, pursuant to Section 186 (3) sentence 4 AktG, to sell, with the approval of the Supervisory Board, treasury stock if the purchase price is not substantially lower than the price of the shares of the Company on the stock market at the time of sale. This option of selling reacquired Company shares to the exclusion of subscription rights for a cash payment serves the interests of the Company to attain the best possible price when selling treasury stock. The option of excluding subscription rights in accordance with Section 186 (3) sentence 4 AktG enables the Company to take advantage of opportunities arising from any given situation on the stock market to place shares quickly, flexibly and cost-effectively.

The amount realised by setting a price close to market levels results in a considerably higher inflow of cash than would be the case if shareholders were able to exercise their subscription rights, and, therefore, brings about the largest possible addition of capital resources. Moreover, the elimination of the need to spend time and money processing subscription rights makes it possible for the Company to take advantage of short-term market opportunities to quickly raise shareholders' equity and also to attract new groups of shareholders in Germany and abroad. Although Section 186 (2) sentence 2 AktG permits the announcement of the subscription price no later than three days before the expiry of the subscription period, this also entails a risk given the volatility of the stock markets, particularly a risk of a price change over several days, which can lead to safety margins being deducted when fixing the sales price and thus to conditions which are not in line with those of the market. In addition, the Company is unable to respond quickly to favourable market conditions if a subscription right is granted, due to the length of the subscription period. This option of selling treasury stock under the best possible conditions and without a significant subscription rights markdown is, therefore, important for the Company. This authorisation is limited to a maximum of up to 10 % of the share capital stock of the Company. The share stock of the Company on the date the resolution is adopted at the Annual General Meeting on 25 May 2007, is decisive. Should the share capital be reduced, the amount of share capital on

the date of the sale of the shares is decisive. The authorised volume of 10 % should be decreased by the proportion of share capital. The sale of treasury stock shall be counted against the 10 % capital limit insofar as it takes place during the term of this authorisation to the exclusion of subscription rights. Shares issued to service bonds with conversion and/or option rights and conversion obligations shall, likewise, be counted against the 10 % capital limit insofar as the bonds are issued during the term of this authorisation to the exclusion of subscription rights analogously applying Section 186 (3) sentence 4 AktG. Due to the fact that the authorisation is limited to this level and the sales price for the Company's shares to be granted has to be oriented to the market price, shareholders' financial interests and voting rights are suitably safeguarded when Company shares are sold to third parties and shareholders' subscription rights excluded on the basis of the provision in Section 71 (1) No. 8 sentence 5 AktG, in conjunction with Section 186 (3) sentence 4 AktG.

It will also be possible to use the purchased shares to grant holders of warrants or convertible bonds that were, or will be, issued by the Company and/or its subsidiaries the right to subscribe for new shares to the extent that they are entitled to do so after option or conversion rights have been exercised or conversion obligations fulfilled. It may be more appropriate for the Company to use shares instead of a capital increase to fully or partly service the rights arising from these warrants or convertible bonds to subscribe for the Company's shares. This option increases the Company's scope for action. The authorisation, therefore, provides for the Company's treasury stock to be used in such a way. In this respect, the shareholders' subscription rights are also to be excluded.

Another objective of the authorisation is to enable the Company to offer the treasury stock purchased as non-cash consideration for mergers, the acquisition of companies, business units or shareholdings in other companies. This gives the Company the necessary freedom of having its treasury stock at its disposal so that it can offer and grant these as a consideration in these cases. International competition and economic globalisation increasingly demand this form of consideration. The proposed authorisation is designed to achieve the leeway it requires to flexibly exploit opportunities for mergers or the acquisition of companies, business units or shareholdings in other companies. The Management Board will examine each case carefully to decide whether to apply this authorisation to repurchase own shares, to the exclusion of subscription rights. The Management Board shall only use the authorisation if the Management Board and the Supervisory Board are convinced that this is reasonable and in the best interests of the Company, and hence, its shareholders.

The Management Board shall report to the next Annual General Meeting of any utilisation of the authorisation to buy back treasury stock.

By resolution of the Annual General Meeting on 25 May 2005, the Management Board was authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 7,875,000.00, through the one-time or repeated issuance of up to 7,875,000 new bearer shares (**Authorised Capital I**) up to 31 May 2010. The issuance relates to ordinary shares. The shareholders are granted subscription rights; the Management Board is authorised, however, to exclude fractional amounts from shareholders' subscription rights. Moreover, with the approval of the Supervisory Board, the Management Board is authorised to define the further contents of share rights and details concerning the execution of capital increases from the Authorised Capital I.

By resolution of the Annual General Meeting on 25 May 2005, the Management Board was authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 7,875,000.00, through the one-time or repeated issuance of up to 7,875,000 new bearer shares (**Authorised Capital II**) up to 31 May 2010. The issuance relates to ordinary shares. The capital may be increased on the basis of cash contributions and/or contributions in kind. The shareholders' statutory subscription right is excluded to the extent that the acquisition of additional companies, business units or shareholdings in companies (acquisition of shares and/or asset items through contribution in kind), in individual cases in exchange for the issue of shares, or one or several cash capital increases, pursuant to Section 186 (3) sentence 4 AktG, whose total amount does not exceed 10 % of the share capital at the time of the utilisation resolution, is to be financed or executed at an issue amount which is not significantly lower than the stock exchange price (simplified subscription right exclusion pursuant to Section 186 (3) sentence 4 AktG). Furthermore, the Management Board is authorised, with the approval of the Supervisory Board, to exclude the subscription right in order to exclude any fractional amounts from the shareholders' subscription right. In addition, the Management Board is authorised, with the approval of the Supervisory Board, to define the further contents of share rights and details concerning the execution of capital increases from the Authorised Capital II.

On 13 November 2000, the Annual General Meeting passed a resolution on a conditional increase of the share capital by up to EUR 3,150,000.00, through the issuance of up to 3,150,000 no-par bearer shares (ordinary shares). The **Conditional Capital** was registered in the Commercial Register of the Frankfurt am Main local court on 1 December 2000. The conditional capital increase is to be carried out only to the extent that convertible bonds are issued and the holders of convertible bonds exercise their option right to convert the bonds into Company shares. The convertible bonds, at a nominal amount of EUR 5.00 per convertible bond, entitle the holder to purchase five shares in the Company per convertible bond. In order to purchase as 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.

In the 2005 financial year, 50,000 convertible bonds were issued. Following a two-year blocking period, these convertible bonds entitle their holders to purchase 250,000 MediClin AG no-par value bearer shares. In accordance with Section 9 (2) of the issuing terms, the conversion right may also be exercised through treasury stock rather than through the issue of new shares.

(13) Capital reserve

In thousands of €	31.12.2007	31.12.2006
Capital reserve pursuant to Sect. 272 (2) No.1 HGB and Sect. 150 AktG	105,000	105,000
Reserve pursuant to IFRS 2	48	44
Gains from the sale of treasury stock	1,636	1,636
	106,684	106,680

The capital reserve includes the amount achieved beyond the nominal amount of shares issued. The increase in equity capital from the issue of a convertible bond was added in accordance with IFRS 2. Additional details concerning the benchmark data on the convertible bond and options rights are in the chapter on "Other disclosures" under "Report on compensation". The sale of treasury stock was recorded in the first quarter of 2006.

(14) Revenue reserve

The consolidated revenue reserves are structured as follows:

In thousands of €	31.12.2007	31.12.2006
Legal reserve pursuant to Sect. 150 AktG	2,045	2,045
– Result of the first IAS consolidation	– 1,742	– 1,742
	303	303

(15) Consolidated balance sheet loss

The consolidated balance sheet loss developed as follows:

In thousands of €	31.12.2007	31.12.2006
Loss carried forward	– 40,044	– 52,353
Release of reserve for treasury stock	0	2,800
Result after tax	5,729	9,509
Consolidated balance sheet loss	– 34,315	– 40,044

(16) Minority interests

Interests of other shareholders totalling EUR 1.8 mill. (previous year: EUR 1.8 mill.) include shares of outside parties in the equity capital of the following consolidated subsidiaries:

Percentage of minority interests

In %	31.12.2007	31.12.2006
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	31.000	31.000
MediClin Müritz-Klinikum GmbH, Waren	5.080	5.080

Non-current liabilities

(17) Liabilities to banks and insurance companies

In thousands of €	31.12.2007	31.12.2006
Liabilities to banks	22,381	21,624
Liabilities to insurance companies	0	61,355
	22,381	82,979
thereof to related companies and parties	0	61,355

Liabilities to banks are as follows:

In thousands of €	31.12.2007	31.12.2006
Liabilities to banks	29,260	28,421
less current repayment share	6,879	6,797
	22,381	21,624

Loan repayments that are expected to be due in the next 12 months were allocated to current liabilities to banks.

Of the liabilities to banks, a total of EUR 15,571 thou. (previous year: EUR 17,254 thou.) is secured through real property liens (book value: EUR 36,279 thou.; previous year: EUR 38,318 thou.). Interest rates were between 0.8 % and 7.1 %. Based on the full loan amount, interest paid totalled EUR 1,434 thou. (previous year: EUR 1,307 thou.), which averages out to an annual interest rate of 5.0 % (previous year: 4.5 %).

Liabilities to three insurance companies were reclassified under current liabilities as a result of the due date of the payment in 2008.

Interest and loan repayments on liabilities are as follows:

In thousands of €	2007	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on bank loans		5,410	1,269	781	1,477	1,883
		5,410	1,269	781	1,477	1,883
thereof to related companies and parties		0	0	0	0	0

In thousands of €	2007	Total	1 year or less ¹	1 to 2 years	3 to 5 years	more than 5 years
Bank loan repayments		29,260	6,879	9,358	5,647	7,376
		29,260	6,879	9,358	5,647	7,376

In thousands of €	2006	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on bank loans		6,603	1,258	1,173	1,863	2,309
Interest on insurance loans		6,704	4,234	2,470	0	0
		13,307	5,492	3,643	1,863	2,309
thereof to related companies and parties		6,704	4,234	2,470	0	0

In thousands of €	2006	Total	1 year or less ¹	1 to 2 years	3 to 5 years	more than 5 years
Bank loan repayments		28,421	6,797	7,382	5,151	9,091
Insurance loan repayments		61,355	0	61,355	0	0
		89,776	6,797	68,737	5,151	9,091

¹ For information only

(18) Bond issues

This item discloses the convertible bond issued to the Management Board within the framework of share-based remuneration pursuant to IFRS 2. Reference is made in this respect to the comments on management remuneration. The bond is subject to an annual interest rate of 2.5 % (EUR 6,250.00 per year). It is to be repaid on 21 February 2010 at the latest, if not converted and lapsed. The bond is recorded as a financial debt at a nominal value which corresponds to the issue amount. Owing to the presumed earlier date of conversion and, from the Company's point of view, lower bond volume of EUR 250 thou., the amount does not significantly deviate from the fair value, despite the lower rate of interest. This item represents a liability to related parties.

(19) Other financial liabilities

In thousands of €	31.12.2007	31.12.2006
Loans from social insurance for occupational accidents	169	226
Loans from public corporations	1,644	1,773
	1,813	1,999

Other financial liabilities relate to five loans granted by the employers' liability insurance companies and two loans extended by public corporations. Interest paid totalled EUR 49 thou. (previous year: EUR 64 thou.).

Other financial liabilities are as follows:

In thousands of €	31.12.2007	31.12.2006
Other financial liabilities	1,993	2,174
Less current repayment share		
Loans from social insurance for occupational accidents	57	55
Loans from public corporations	123	120
	1,813	1,999

Future interest and loan repayments resulting from these are as follows:

In thousands of €	2007	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on loans from social insurance for occupational accidents		20	9	6	5	0
Interest on loans from public corporations		259	35	33	82	109
		279	44	39	87	109

In thousands of €	2007	Total	1 year or less ¹	1 to 2 years	3 to 5 years	more than 5 years
Repayments on loans from social insurance for occupational accidents		226	57	59	110	0
Repayments on loans from public corporations		1,767	123	126	374	1,144
		1,993	180	185	484	1,144

In thousands of €	2006	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on loans from social insurance for occupational accidents		31	11	8	12	0
Interest on loans from public corporations		303	38	36	91	138
		334	49	44	103	138

In thousands of €	2006	Total	1 year or less ¹	1 to 2 years	3 to 5 years	more than 5 years
Repayments on loans from social insurance for occupational accidents		281	55	57	169	0
Repayments on loans from public corporations		1,893	120	123	381	1,269
		2,174	175	180	550	1,269

¹ For information only

Provisions

(20) Provisions for pensions and similar commitments

In thousands of €	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Provident fund	16,553	15,342	14,164	13,189
Others	259	256	261	258
	16,812	15,598	14,425	13,447

Employee Support Fund

Some of the employees were granted post-employment benefits within the scope of the Group's retirement benefit plans on the basis of ongoing pension payments. The benefits relate to post employment, invalidity and surviving dependents' pensions on the basis of defined contribution and benefit plans.

Up until 31 December 2001, the defined benefit commitments were processed through the Employee Support Fund of the Combined Clinics Operations (MAUK). The retirement benefits accumulated by active employees up to 31 December 2001 were frozen at this status so that the calculation of pension provisions does not include current service expense.

The pension commitments are fully allocated and were remeasured for the purpose of preparing the IFRS balance sheet. The Group's commitments encompass both current pensions and future pensions benefits. As a rule, pensions are assessed on the basis of time of service in the Company and remuneration relevant to retirement benefits. The pension provisions are subject to actuarial assessment in accordance with IAS 19 (Employee Benefits), taking future developments into account.

The following table presents the essential parameters for the calculation of the defined benefit commitments:

	2007	2006	2005	2004
Discount rate (%)	5.00	4.25	4.25	4.75
Annual rate of pension increases (%)	2.00	1.50	1.50	1.50
Expected income from plan assets (%)	3.00	4.19	3.38	2.72
Average remaining working life (years)	18	19	19	19

The 2005 mortality tables of Dr. Klaus Heubeck were used for the biometric calculations.

Actuarial gains and losses are recognised as income pursuant to the “10 % corridor approach” only if the accumulated balances of unrecognised actuarial gains and losses, at the end of the previous reporting period, exceed 10 % of the present value of the defined benefit liability at that time (before deduction of the plan assets), or 10 % of the fair value of any plan assets at that time (IAS 19.92). These limits are calculated and applied separately for each defined benefit plan. Amounts outside these limits are written down over the average remaining time of service of the persons entitled to benefits.

The development of the Employee Support Fund pension provisions during the financial year is reflected in the following tables:

In thousands of €	2007	2006	2005	2004
Actuarial defined benefit obligation as at 31.12.	22,212	23,795	23,130	19,239
Plan assets as at 31.12.	- 1,063	- 1,384	- 1,598	- 1,754
Funded status	21,149	22,411	21,532	17,485
Unamortised net loss	- 4,596	- 7,069	- 7,368	- 4,296
Defined benefit liability as at 31.12.	16,553	15,342	14,164	13,189

The following table presents the change in the present value of the total commitment in the years 2004 to 2007:

In thousands of €	2007	2006	2005	2004
Actuarial defined benefit obligation as at 01.01.	23,795	23,130	19,239	14,275
Interest cost	1,011	983	914	856
Benefit payments	- 258	- 218	- 196	- 189
Settlement rate of benefit payments	- 5	- 4	- 4	- 6
Actuarial result from non-disclosure	- 2,331	- 96	3,177	4,303
Market value of the defined benefit obligation as at 31.12.	22,212	23,795	23,130	19,239

The pertaining plan assets developed as follows:

In thousands of €	2007	2006	2005	2004
Plan assets at fair value as at 01.01.	1,384	1,598	1,754	1,885
Expected return	42	67	60	51
Benefit payments	- 258	- 218	- 196	- 189
Expected value of assets	1,168	1,447	1,618	1,747
Actuarial result of the financial year according to assets	- 105	- 63	- 20	7
Market value of assets as at 31.12.	1,063	1,384	1,598	1,754

The actual benefit payments were EUR 325 thou. in 2007 (2006: EUR 258 thou.; 2005: EUR 228 thou.; 2004: EUR 194 thou.). Pursuant to Section 12 of the Byelaws of MAUK e.V., the assets are to be invested profitably. Interest received totalled EUR 38 thou. (2006: EUR 47 thou.; 2005: EUR 43 thou.; 2004: EUR 57 thou.).

Overview of the composition of the plan assets to the cut-off date:

In %	31.12.2007	31.12.2006	31.12.2005	31.12.2004
Real estate funds	2.00	5.20	4.50	4.00
Fixed income funds	12.10	15.00	20.70	13.40
Money market funds	8.60	6.70	13.10	12.30
Equity funds	5.50	4.30	6.50	10.00
Umbrella funds	7.40	5.60	4.90	4.00
Fixed interest securities	21.20	23.60	23.70	21.60
Fixed deposits	28.30	21.70	18.80	28.50
Current accounts	14.90	17.90	7.80	6.20
Plan assets	100.00	100.00	100.00	100.00

The pension expense of the Employee Support Fund is structured as follows:

In thousands of €	2007	2006	2005	2004
Settlement rate of current service cost	0	0	0	0
Interest cost	1,011	983	914	856
Return of plan assets	- 42	- 67	- 60	- 51
Expected settlement rate of benefit payments	- 5	- 4	- 4	- 6
Amortisation cost of actuarial result	247	266	125	0
	1,211	1,178	975	799

The total pension expense is posted to personnel expenses.

Other pension commitments

In thousands of €	as at 01.01.2007	Additions	Consumption	Reversal	as at 31.12.2007
Other pension provisions	392	53	25	0	420
Claim from reinsurance cover	- 136	- 25	0	0	- 161
	256	28	25	0	259

Other pension provisions relate to pension commitments for six other individuals, two of whom are already recipients of retirement benefits. The respective amount was EUR 25 thou., unchanged from the previous year's figure.

The provision concerning the remaining six commitments (previous year: five) was based, pursuant to the provisions for Employee Support Fund on an interest rate of 5.00 %, an annual pension increase rate of 2.0 % and the individual remaining working life. The present value of the total commitment totals EUR 420 thou. (previous year: EUR 392 thou.) and corresponds to the pension provision. There are no substantial unrealised insurance-based gains or losses.

The present value developed as follows:

In thousands of €	2007	2006
Present value of total obligations as of 01.01.	392	374
Settlement rate of current service cost	11	10
Interest cost	9	5
Expected pension payments	- 25	- 25
Actuarial gains/losses	- 12	0
Adjustments due to changeover to IAS	45	28
Present value of total obligations as of 31.12.	420	392

There are no remaining pension commitments which have not been calculated in accordance with IAS principles (previous year: EUR 167 thou.).

As a contribution-oriented pension commitment, MediClin pays an annual contribution totalling EUR 200.00 into a pension scheme (basic retirement benefit) for its active employees up to the 65th year of age, who have served the Company for five years (cut-off date 31 December of the respective year) and who have completed their 28th year of age. The amount is adjusted to the rising cost of living (by an annual maximum of 1.5 %). Furthermore, MediClinRent offers entitled employees the possibility to build up a private pension (additional retirement benefit) consisting of portions of their gross salary (maximum EUR 2,496.00 per year).

MediClin transfers these amounts directly to the MediClin Support Fund. Recover insurance taken out with a life insurance company secures the Support Fund payments. MediClinRent honours employees' own initiatives respecting their future pensions and increases the pension contribution by 20 % (or at least by an annual amount of EUR 50.00 and a maximum annual amount of EUR 100.00), as long as the contributions are not subject to social security (retirement provision bonus). As a precondition, the annual gross salary must fall below the income threshold of the statutory pension insurance.

These defined contribution plans do not involve the recording of a provision. The respective expenses in the reporting year totalled EUR 618 thou. (previous year: EUR 628 thou.).

Employees at the Krankenhaus am Crivitzer See GmbH are entitled to retirement benefits (additional pension benefits) from the Federal Pension Fund (VBL). Pursuant to IAS 19, the retirement benefits on the basis of independent public supplementary pension funds are to be classified as defined benefit plans, since individual benefits of pension fund to former employees of the member companies are not contingent on the amounts paid in. As the employees of a large number of member companies are insured through the VBL, this form of retirement benefit is regarded as a multi-employer plan to which the special regulations of IAS 19 apply.

As the information required for detailed calculation of the share of future payment commitments attributable to the MediClin Krankenhaus am Crivitzer See GmbH is not in place, the recording of a provision is not admissible pursuant to IAS 19. Consequently, in accordance with IAS 19.30, the commitments are to be accounted for analogous to defined contribution plans.

Current contribution payments are disclosed as retirement benefit expenses in the operative result for the respective years. Contribution payments to VBL total approximately EUR 26 thou. (previous year: EUR 25 thou.). If membership in the VBL continues, upon payment of current contributions, no further commitments arise respecting the Krankenhaus am Crivitzer See GmbH.

(21) Other provisions

In thousands of €	as at 01.01.2007	Addition	Consumption	Reversal	as at 31.12.2007
Provisions for renewal of lease agreements	2,174	126	0	0	2,300
Provisions for partial retirement	937	155	288	2	802
Provisions for anniversary grants	1,129	148	92	14	1,171
Provisions for archival storage	433	0	0	0	433
Provisions for insurance and other risk costs	6,057	199	1,195	0	5,061
	10,730	628	1,575	16	9,767

The provision for the renewal of lease agreements relates to the costs for the commitment concerning the renewal as well as the maintenance and repair of a clinic's leased items and premises. The outflow is anticipated following the expected expiration of the long-term rental contracts in 2011 – unless future contract extensions occur. Additions totalled EUR 24 thou. in 2007 (previous year: EUR 27 thou.).

The remaining additions relate to EUR 102 thou. in conjunction with the leasing of MVZ Leipzig. The future reinstatement costs were discounted with an interest rate of 5.5 % and capitalised as incidental acquisition costs.

The increase in amounts relating to provisions for partial retirement is accrued at the time of the agreement in the amount of their utilisation. The amounts accrued within the scope of the block model, during the employment phase, are accrued and carried as a liability to the amount of the discounted unpaid amount. An anticipated total of EUR 275 thou. will be drawn upon in 2008, EUR 442 thou. in 2009 to 2011 and EUR 85 thou. in the two following years.

Of the provisions for anniversary bonuses, an anticipated total of EUR 122 thou. will be consumed in the 2008 financial year, and EUR 1,049 thou. in the subsequent years.

The provisions for archival storage relate to the accrued costs for the legal obligation to retain business records. These will not be discounted, as the legal obligation to retain business records begins with the creation of these records, and thus, from the outset, there is no time period for which a discount is to be applied. On balance, consumption of this provision is not anticipated for the 2008 financial year, or the subsequent years, as consumption and new additions will total about the same amount.

It is not anticipated that the remaining provisions will be consumed in the coming year.

(22) Deferred tax liabilities

Pursuant to the revaluation of the deferred tax assets, the deferred tax liabilities must also be re-evaluated based on the new relevant tax rate of 15.825 % (corporation tax, solidarity surcharge). As with the deferred tax assets, the change largely results from the revaluation pursuant to the new applicable tax rate. They result from:

In thousands of €	Difference		Tax		
	31.12.2007	31.12.2006	31.12.2007 ²	31.12.2006 ²	31.12.2006 ¹
Allowances of anniversary pensions	150	102	24	16	27
Tax goodwill depreciation	6,525	4,495	1,032	711	1,186
Elimination cost provisions	0	102	0	16	27
			1,056	743	1,240

¹ Tax rate: 26.375 %

² Tax rate: 15.825 %

Current liabilities

The current liabilities disclosed under this item are due in less than one year and are stated at their repayment amount or depreciated acquisition costs, which substantially correspond to the present values.

Other current liabilities

(23) Current liabilities to banks and insurance companies

Current liabilities to banks and insurance companies relate almost exclusively to the reclassification, in the reporting year, of redemption payments expected in the coming 12 months, from non-current to current.

Liabilities to insurance companies represent maturity loans with fixed-interest rates to three insurance companies, which themselves are shareholders or subsidiaries of shareholders of the Company and, hence, are included under related-party disclosures. Collateral for these loans totalling EUR 61,355 thou. exists in the form of a pledge of shares in an affiliated company (book value: unchanged at EUR 161,971 thou.). The loans are subject to annual interest rates of 6.9%. They are due to expire on 31 July 2008. In the reporting year, interest paid totalled EUR 4,233 thou. (previous year: EUR 4,233 thou.). In 2008, interest paid will total an estimated EUR 2,470 thou. until repayment is complete.

(24) Liabilities pursuant to the hospital financing law

Liabilities pursuant to the hospital financing law relate to flat rate subsidiaries, pursuant to the local provisions on hospital financing, which have not yet been used for this purpose, as well as compensation obligations pursuant to the Federal Nursing Rate Regulation or the Hospital Compensation Act. Liabilities from a pending contract involving a total of EUR 13.2 mill. (previous year: EUR 18.4 mill.) associated with promised investment grants, pursuant to Section 9 of the hospital financing law, were set off against the corresponding receivables.

(25) Other liabilities

They mainly relate to the following:

In thousands of €	31.12.2007	31.12.2006
Staff costs	7,927	7,271
Rent accrual	12	5,224
Wage and value-added taxes payable	2,992	2,247
Public charges and fees	688	798
Energy costs	85	212
Payments received	137	111
Restructured loan repayments	180	175
Other liabilities	2,536	3,418
	14,557	19,456

(26) Provisions

In thousands of €	as at 01.01.2007	Addition	Consumption	Reversal	as at 31.12.2007
Provisions for costs of annual financial statement	848	805	603	147	903
Provisions for billing risks and litigation	809	1,503	68	300	1,944
	1,657	2,308	671	447	2,847

Provisions for costs incurred for the annual financial statements take into account the anticipated costs (auditing, printing and publication costs) of the Group and the subsidiaries.

Provisions for billing risks and litigation are due to, among other things, inspections by the Medical Review Board of the Statutory Health Insurance Funds, pursuant to Section 275 of the German Social Security Code V (SGB) and Section 17c of the hospital financing law.

(27) Tax liabilities

Tax liabilities totalling EUR 2.3 mill. (previous year: EUR 2.9 mill.) include corporation tax and solidarity surcharge payable to the tax authorities. They cover the commitments of the current financial year and of the previous years.

Notes to the consolidated profit and loss account

(28) Sales

All sales of the Group were generated domestically. They are distributed among the individual segments as follows:

In millions of €	2007	2006
Post-acute	211.8	200.8
Acute	143.1	142.4
Nursing care	10.2	8.7
Others	26.9	25.9
Sales revenues	392.0	377.8
thereof against related parties	0.4	0.4

The development of revenues in the segments is presented in the management report.

The divestment of MC Pharma GmbH resulted in a decline of EUR 0.7 mill. in revenues from the sale of radio nuclides. The revenues from this activity still totalled EUR 1.4 mill. (previous year: 2.1 mill.) in the 2007 financial year.

In addition to revenues from services, other sales include revenues from the sale of pharmacy merchandise totalling EUR 1.1 mill. (previous year: EUR 1.1 mill.), from private accommodation totalling EUR 3.1 mill. (previous year: EUR 3.3 mill.) and from cafeterias, kiosks and meals totalling EUR 3.6 mill. (previous year: EUR 3.4 mill.).

Revenues from related parties relate to compensation for the real estate management of rented clinics.

(29) Other operating income

Other operating income disclosed in the consolidated financial statements mainly relates to grants received in accordance with the KHG, public grants received, off-period income from the release of provisions totalling approximately EUR 0.5 mill. (previous year: EUR 0.7 mill.) and rental income.

(30) Raw material and consumables used

Costs concerning raw materials and supplies increased by 3.5 %, in comparison with 2006. Costs of purchased services rose by 7.3 %. Overall, costs were up 5.1 % on the previous year's total. The ratio is 21.5 %, in comparison to 21.3 % in the previous year.

(31) Staff costs

Staff costs of EUR 217.6 mill. increased by 2.4 % as compared to the previous year's total of EUR 212.5 mill. The ratio improved to 55.5 %, following 56.3 % in the previous year. Pension expenses incurred in addition to those for statutory pension insurance, including contribution payments to external provider facilities, totalled EUR 2.8 mil. (previous year: EUR 2.7 mill.).

(32) Depreciation and amortisation

Depreciation and amortisation includes EUR 636 thou. (previous year: EUR 600 thou.) for intangible assets and EUR 8,075 thou. (previous year: EUR 7,930 thou.) for property, plant and equipment, of which the depreciation and amortisation concerning immaterial items (low-value assets) within the meaning of IAS 1.29, to which the IFRS/IAS standards are not applied, totalled EUR 921 thou. (previous year: EUR 991 thou.). The depreciation and amortisation ratio decreased slightly from 2.3 % to 2.2 %.

(33) Other operating expenses

Other operating expenses are primarily attributable to rental and leasing expenses for real estate and medical equipment (2007: EUR 37.1 mill.; previous year: EUR 36.7 mill.). EUR 31.9 mill. (previous year: EUR 31.5 mill.) thereof concern payments to related parties pursuant to IAS 24, of which EUR 31.1 mill. (previous year: EUR 30.8 mill.) relate to rental payments for 21 clinics transferred to a real estate fund and leased back during the years 1999 and 2002. EUR 0.8 mill. (previous year: EUR 0.8 mill.) is attributable to real estate management. An overview of future rental payments is presented under other financial obligations.

Altogether, other operating expenses decreased by EUR 0.8 mill. to EUR 68.6 mill. as compared to the previous year (previous year: EUR 69.4 mill.). The expense ratio improved from 18.4 % to 17.5 %. In addition to rental costs, other operating expenses include primarily maintenance and repair costs totalling EUR 10.9 mill. (previous year: EUR 11.9 mill.), insurance expenses totalling EUR 2.4 mill. (previous year: EUR 2.6 mill.), legal and advisory costs totalling EUR 3.1 mill. (previous year: EUR 2.8 mill.), public charges and fees totalling EUR 1.0 mill. (previous year: EUR 1.2 mill.), as well as other expenses totalling EUR 14.1 mill. (previous year: EUR 14.2 mill.), which include numerous expenses with values which are only of immaterial importance in each individual case.

(34) Financial result

The financial result is structured as follows:

In thousands of €	2007	2006
Other financial revenues	1,041	677
Other financial costs	– 6,108	– 6,229
	– 5,067	– 5,552

The underlying financial instruments for interest income and interest expenses are evaluated at depreciated acquisition costs and assigned to the category “Loans and receivables” pursuant to IAS 39.

In thousands of €	2007	2006
Income from participations	26	0
Interest and similar revenues	1,015	677
Thereof from		
Receivables	320	101
Current account balances, fixed deposits, overnight money	695	576
Other financial revenues	1,041	677

In thousands of €	2007	2006
Interest on loans	5,723	5,613
Interest cost for litigation expenses	232	450
Commitment fees	23	22
Interest on convertible bonds	6	6
Other interest-related expenses	124	138
Other financial costs	6,108	6,229

EUR 4,240 thou. of interest on loans (previous year: EUR 4,240 thou.) relates to payments to related parties in accordance with IAS 24. An overview of future interest expenses is presented in the section on non-current liabilities.

(35) Taxes on income

This item is structured as follows:

In thousands of €	2007	2006
Actual taxes on income	2,066	252
Deferred taxes on income	5,966	1,304
	8,032	1,556

On balance, the result after tax was affected by the reduction of the corporation tax pursuant the 2008 corporate tax reform, to a total of EUR 4.1 mill. in non-cash expenses in 2007, of which EUR 4.6 mill. is attributable to deferred tax assets and EUR 0.5 mill. to deferred tax liabilities, respectively.

Reconciliation of earnings before taxes on income to tax expense is as follows:

In thousands of €	2007	2006
Result before tax	13,799	11,171
thereof calculational tax charge	3,639	2,946
Tax effect of:		
Change of tax rate	4,144	0
Corporation tax credit SEStEG	- 106	- 560
Loss carried forward	0	629
Non-deductible expenses	26	94
Taxes of previous years and others	329	- 1,553
Actual tax expenses	8,032	1,556

(36) Earnings per share

The undiluted earnings per share are calculated by dividing the profit attributable to equity holders by the average number of shares issued during the financial year, with the exception of treasury stock held by the Company.

	2007	2006
Result attributable to equality holders (in thousands of €)	5,729	9,509
Average number of shares issued (in thousands of €)	31,500	31,371
Earnings per share undiluted (in €)	0.18	0.30

The diluted earnings per share take into account the potentially diluted number of shares from the convertible bonds issued. The calculation assumes the exercising of subscription rights at the beginning of the financial year, at the price most favourable for the executing party, whereby the net profit is adjusted for interest expense and the tax effect.

In thousands of €	2007	2006
Result attributable to equity holders	5,729	9,509
Interests of convertible bond	6	6
Current or rather deferred taxes on interests	- 2	- 2
Result to define earnings per share diluted	5,733	9,513
Average number of shares issued (in thousands)	31,500	31,371
Stock option (in thousands)	250	250
Adjustment for assumed conversion of convertible bond (in thousands)	250	250
Average number of shares for the earnings per share diluted (in thousands)	31,750	31,621
Earnings per share diluted (in €)	0.18	0.30

Other disclosures

Number of employees

The average number of employees, based on full-time staff and excluding the Management Board, managing directors and trainees, is as follows:

Shown in full-time employees	2007	2006	Change
Medical	607	581	26
Nursing care	1,665	1,668	- 3
Medical-technical	1,182	1,214	- 32
Functional	298	287	11
Medical services	3,752	3,750	2
Support functions	796	799	- 3
Technical	180	175	5
Administration	422	418	4
Other	68	58	10
Non-medical services	1,466	1,450	16
	5,218	5,200	18

Contingencies and other financial obligations

The Group's total obligations arising from rental and leasing contracts, as well as fixed incidental expenses, totalled EUR 36.6 mill. in the reporting year (previous year: EUR 36.2 mill.). Of this amount, a total of EUR 31.1 mill. (previous year: EUR 30.8 mill.) is attributable to real estate rented over the long term. Due to contractual design, the respective 21 long-term leasing contracts qualify as operating leases pursuant to IAS 17. The underlying rental contracts are due to expire on 31 December 2027. The annual leasing payments, as stipulated in the respective contracts, totalled EUR 38.4 mill. (unreduced) in the reporting year. The contracts provide for an annual adjustment of rents in accordance with changes in the German consumer pricing index (i.e. a maximum of 2 % per year). Up to 2007, rental reductions of approximately EUR 7 mill. per year were granted for ten for the leased properties. In connection with these rent reductions, a performance-based repayment (rental allowance) was agreed upon which is contingent on the achieving of certain economic performance parameters on the part of the clinics included in the fund. The performance parameter is the sum total of audited earnings before interest and tax (EBIT) of all 21 rented clinics during a financial year. The amount of the rental allowance is 50 % of the amount by which the EBIT total of the respective financial year exceeds a critical value. In all, the

maximum potential rental allowance is limited to rent reductions of EUR 21 mill. MediClin AG issued a payment guarantee, vis-à-vis the acquirer and lessor, concerning the rental payments plus operating costs relating to these rental contracts, which were initially concluded by the subsidiaries up to 2024, and in 2004 extended by another three years up to 31 December 2027. The obligation in connection with the land-use management agreements made in the rental contracts totalled EUR 0.8 mill. in the financial year (2008: EUR 0.8 mill.; 2009–2012: EUR 3.1 mill.; 2013–2027: EUR 11.8 mill.). The expenses for other rentals and leases totalled EUR 2,525 thou. (previous year: EUR 2,593 thou.).

In all, future obligations concerning significant rental and lease contracts for real estate are as follows:

In millions of €	Nominal value 31.12.2007	Nominal value 31.12.2006
Remaining term up to 1 year	40.8	33.2
Remaining term 1–5 years	160.8	160.1
Remaining term > 5 years	588.2	612.9
	789.8	806.2

Leasing expenses relating to movable property, such as vehicles, office equipment and medical technology, totalled EUR 2,196 thou. (previous year: EUR 2,031 thou.) in the financial year. The terms of leasing agreements are between two and a maximum of five years. As the agreements were renewed on a revolving basis, MediClin assumes that the Group will incur total obligations from these rental and leasing agreements at respective comparable amounts in the coming years.

Within the scope of acquisition of the Müritz-Klinikum GmbH, MediClin has provided the seller with a continuation guarantee. In addition, the seller was contractually promised that, within the framework of investment projects, a total of EUR 10 mill. would be paid within the scope of an increase in the equity capital of the MediClin Müritz-Klinikum GmbH subsidiary. In 2002, the subsidiary's equity capital was increased by EUR 6 mill. The realisation of the investment project was commenced in 2004.

Should the option right be exercised, issuance of the convertible bond involves an obligation to deliver up to 250,000 ordinary shares at EUR 1.88 each by 21 February 2010, at the latest. The obligation concerning the convertible bond interest totals EUR 6 thou. per year (2.5 % annual interest rate).

The financial obligations resulting from the acquisition of Kraichgau-Klinik AG are presented in company acquisitions, divestments and newly founded companies under consolidation principles.

There were no other significant contingencies or financial obligations as of the cut-off date.

External tax audit

An external tax audit for the time period 1999–2003 related to corporation and trade tax, as well as separate determination and value-added tax, was completed in the 2007 financial year. All administrative decisions have been rendered. A final conference didn't take place as agreement was reached on all substantial issues. An appeal against one determination was filed at the local tax office. This issue has no significant impact on the assessment of the results of operation.

Financial risk management

Within the framework of its business activities, the Group is primarily exposed to **credit risk**, as well as to **liquidity and refinancing risks**. A **credit risk** means the risk of a contracting partner's inability to pay, or deterioration of the contracting party's credit standing. As MediClin generates almost all of its sales (approximately 98 %) with pension insurance institutions, as well as with statutory and private health insurance funds, this risk is considered to be low. The **liquidity risk** relates to the risk of MediClin not being able to meet its current or future payment obligations to the full extent or within the time stipulated. A **refinancing risk** is a special form of the liquidity risk, which arises when the liquidity required cannot be provided at the expected terms and conditions. Prudent liquidity management comprises maintaining sufficient liquid assets resources, in addition to an adequate volume of approved lines of credit, as well as, in the medium term, the ability to issue securities on the market.

As the business environment in which the Group operates has seen increased dynamics in the past years, management aims to retain the required flexibility in financing capacity through an adequate volume of unused lines of credit. A further measure to cover these risks is the Group-wide liquidity provision based on central cash pool management. Available liquid assets are invested in the form of short-term time deposits. In addition, there exists an **interest rate risk** due to the potential changes in market interest rates. This risk is counteracted by purchasing appropriate maturities.

The **maximum exposure to default risk** is represented by the book value of each financial asset as reported in the balance sheet. Because the counterparties to the receivables are prime financial institutions, the Group does not expect any counterparties to fail to meet their obligations. Consequently, the Group considers that its maximum exposure to default risk is reflected by the amount of trade receivables and other current assets, net of valuation adjustments, recognised as of the cut-off date. Loans totalling EUR 61,355 thou. to insurance companies, which are shareholders of MEDICLIN Aktiengesellschaft, are due and payable on 31 July 2008.

Supervisory Board

The follow persons were members of the Supervisory Board during the 2007 financial year:

Günter Schlatter (Chairman), Cologne

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

Supervisory Board mandates:

Member of the Supervisory Board

- DIC Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main
- Litos Immobilien AG, Munich
- IVG Institutional Funds GmbH, Wiesbaden

Hans Hilpert¹ (Vice Chairman), Kirkel

Sports Therapist, MediClin Bliestal Kliniken

Dipl.-Kfm. Michael Bock, Düsseldorf

Member of the Management Board of Provinzial Rheinland Versicherung AG

Supervisory Board mandates:

Member of the Supervisory Board

- KDV Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG, Düsseldorf
- DIC Asset AG, Frankfurt am Main
- DIC Capital Partners Beteiligungs GmbH, Munich
- MUK Kapitalbeteiligungsgesellschaft mbH, Cologne

Dr. Daniel von Borries, Munich

Member of the Management Board of ERGO Versicherungsgruppe AG

Supervisory Board mandates:

Chairman of the Supervisory Board

- Ideenkapital AG, Düsseldorf (until October 2007)
- KarstadtQuelle Versicherungs AG, Nuremberg (from October 2007)
- KarstadtQuelle Lebensversicherungs AG, Nuremberg (from October 2007)
- KarstadtQuelle Krankenversicherungs AG, Nuremberg (from October 2007)
- Vorsorge Lebensversicherung AG, Hilden (from October 2007)

Member of the Supervisory Board

- BHS tabletop AG, Selb (until November 2007)
- GFKL Financial Services AG, Essen
- Jenoptik AG, Jena (until December 2007)
- KarstadtQuelle Bank AG, Neu-Isenburg
- MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich
- VICTORIA Volksbanken AG, Vienna
- iii Internationales Immobilieninstitut GmbH, Munich (until November 2007)
- Österreichische Volksbanken AG, Vienna

¹ Employee representative on the Supervisory Board

Gerd Dielmann¹, Berlin

Trade Union Secretary at the Federal Office of ver.di

Prof. Dr. Erich Donauer¹, Plau am See

Medical Director, MediClin Krankenhaus Plau am See

Walburga Erichsmeier¹, Blomberg (from 13 September 2007)

Medical Technical Assistant, MediClin Rose Klinik, Horn-Bad Meinberg

Peter Erni¹, Mannheim (until 13 September 2007)

Trade Union Secretary at the Baden-Württemberg Regional Office of ver.di

Carsten Heise, Neuss

Lawyer and Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

Member of the Advisory Board:

- Institut für Vermögensaufbau (IVA) AG, Munich

Member of the Creditor's Committee:

- WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main
- WCM Beteiligungs- und Verwaltungs GmbH & Co. KG, Frankfurt am Main
- WCM Beteiligungs- und Verwaltungs GmbH, Frankfurt am Main
- WAPME Systems AG, Düsseldorf

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, Munich
- MedWell Gesundheits-AG, Cologne

Chairman of the Administrative Board

- DKV Belgium, Brussels
- DKV Luxembourg S.A., Luxembourg
- DKV Globality S.A., Luxembourg

Member of the Advisory Board

- MEDCOM GmbH, Montabaur

Member of the Administrative Board

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

¹ Employee representative on the Supervisory Board

Klaus Müller¹, Oberthal

Sports and Recreational Therapist, MediClin Bosenberg Kliniken

Udo Rein¹, Frankfurt am Main (from 13 September 2007)

Lawyer and Managing Director of Marburger Bund, Landesverband Hessen, Frankfurt am Main

Dr. Hans Rossels, Kall

Managing Director of Kreiskrankenhaus Mechernich

Chairman of the Supervisory Board

■ Gemeinnützige Gesellschaft der Franziskanerinnen zu Olpe mbH, Olpe

Member of the Supervisory Board

■ Katholische Kranken- und Altenhilfe Rhein-Sieg gGmbH, Olpe

Member of the Administrative Board

■ Deutsche Krankenhausverlagsgesellschaft (DKVG), Düsseldorf

Gero Schlagelambers¹, Andervenne (until 13 September 2007)

Nursing Assistant, MediClin Hedon Klinik, Lingen

Supervisory Board Committees

General and Personnel Committee

Günter Schlatter (Chairman)

Gerd Dielmann (from 9 November 2007)

Hans Hilpert

Dr. Jochen Messemer

Gero Schlagelambers (until 13 September 2007)

Mediation Committee pursuant to Section 27 (3) MitbestG

Günter Schlatter (Chairman)

Hans Hilpert

Dr. Jochen Messemer

Gero Schlagelambers (until 13 September 2007)

Udo Rein (from 9 November 2007)

Audit Committee

Dr. Daniel von Borries (Chairman)

Michael Bock

Prof. Dr. Erich Donauer

Walburga Erichsmeier (from 9 November 2007)

Carsten Heise

Klaus Müller

¹ Employee representative on the Supervisory Board

Advisory Board

The Advisory Board of MediClin deals with questions concerning development in the health care sector, in particular, relating to future health policy and the economic organisation of medical care in acute-care hospitals and medical rehabilitation facilities. The Advisory Board is made up of seven members.

Dr. Jörg W. Knorn (Chairman)

Prof. Dr. Axel Ekkernkamp, Medical Director and Managing Director of the Unfallkrankenhaus Berlin

Irmtraut Gürkan, Business Director of the Universitätsklinikum Heidelberg

Dr. Brigitte Mohn, Chairwoman of the Management Board of Stiftung Deutsche Schlaganfallhilfe

Prof. Dr. Werner Müller-Fahrnow, Chair for Supply System Research and Fundamentals of Quality Assurance in Rehabilitation, Humboldt-Universität zu Berlin

Prof. Dr. Günter Neubauer, Director of the Institute for Health Economics, Universität der Bundeswehr, Munich

Dr. Andreas Tecklenburg (Spokesman), Vice President and Member of the Presidium responsible for the Division of Patient Care at the Medizinische Hochschule Hannover

Management Board

The following persons were members of the MEDICLIN Aktiengesellschaft Management Board during the 2007 financial year:

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

Frank Abele, Chief Financial Officer, Gerlingen

Management remuneration

In the 2007 financial year, remuneration for the Management Board totalled EUR 1,446 thou. (previous year: EUR 1,173 thou.), for the Supervisory Board EUR 87 thou. (previous year: EUR 86 thou.) and for the Advisory Board EUR 76 thou. (previous year: EUR 75 thou.). Within the scope of a convertible bond subscription, one member of the Management Board is also entitled to acquire options for up to 250,000 ordinary shares at EUR 1.88 each (EUR 0.88 thereof as a cash payment) until 21 February 2010, at the latest. The fair value of the option rights at the time they were granted totalled EUR 47,500.

Disclosures pursuant to Section 314 (1) No. 6a sentence 5–9 of the German Commercial Code (HGB), and further disclosures on management remuneration and loans to members of the Management Board and Supervisory Board, as well as the structure of the remuneration system and individual remuneration, are presented in the “Summarised management report and Group management report of MediClin AG” under “Report on compensation”.

Participations in MEDICLIN Aktiengesellschaft notified to the Company pursuant to Section 21 (1) Securities Trading Act (WpHG)

On 20 April 2007, Julius Bär Holding AG, Zurich, Switzerland, announced that it owns 1,582,979 shares or 5.03 % of the share capital of MediClin AG. The voting rights are entirely attributable to Julius Baer Investment Management LLC, New York, USA, and the Julius Baer Americas Inc., New York, USA, in accordance with Section 22 (1) Sent. 1 No. 6 of the Securities Trading Act (WpHG) in conjunction with Section 22 (1) Sent. 2 of the Securities Trading Act (WpHG). No further notifications were received in 2007. On 27 April 2007, Provinzial Rheinland Versicherung AG, Düsseldorf, announced, in accordance with Section 41 (4a) Sent. 1–4 of the Securities Trading Act (WpHG), that it owned 18.51 % of share capital of MediClin AG on 20 January 2007.

Report concerning related parties pursuant to IAS 24

Günter Schlatter, Chairman of the Supervisory Board, is also a member of the Supervisory Board of IVG Institutional Funds GmbH, Wiesbaden, with whom extensive leasing transactions have been made, as well as two contracts for land-use management and real estate management.

The respective sales revenues are processed at normal market conditions and totalled:

In millions of €	2007	2006
Leasing expenses	31.1	30.8
Land-use management costs	0.8	0.8
Real estate management income	0.4	0.4

In addition, MediClin retains repayment claims against IVG Institutional Funds GmbH from the preliminary financing of clinic expansions and other building measures (EUR 598 thou.; previous year: EUR 1.095 thou.).

The respective expenses and income are posted in the profit and loss account under other operating expenses or sales; liability items still open are posted in the balance sheet under trade payables or trade receivables and other assets.

The Supervisory Board members, Dr. Daniel von Borries, Member of the Management Board of ERGO Versicherungsgruppe AG, and Dr. Jochen Messemer, Member of the Management Board of DKV Deutsche Krankenversicherung AG, are executive officers of subsidiaries of Münchner Rückversicherungs-Gesellschaft AG, which hold indirect voting rights in MediClin AG. Financial and credit relationships with the subsidiaries of Münchner Rückversicherungs-Gesellschaft AG exist at normal market conditions.

The Supervisory Board members, Günter Schlatter, Chairman of the Management Board of Provinzial Rheinland Versicherung AG (up to 31 March 2006), and Michael Bock, Member of the Management Board of Provinzial Rheinland Versicherung AG, are executive officers of the Provinzial Rheinland Versicherung AG, which holds direct voting rights in MediClin AG. Financial and credit relationships with Provinzial Rheinland Versicherung AG exist at normal market conditions.

Interest expense recorded in the profit and loss account for the aforementioned loans totalled EUR 4,233 thou. (previous year: EUR 4,233 thou.); the corresponding liability items are posted in the balance sheet under current (previous year: non-current) financial liabilities. Interest totalling EUR 6 thou. was paid to a member of the Management Board for the loan resulting from the convertible bond.

Directors' dealings

The members of the Supervisory Board and the Management Board, 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.

No disclosable transactions were reported in 2007.

Conformity declaration concerning the German Corporate Governance Code in accordance with Section 161 AktG

The conformity declaration of MediClin AG, pursuant to Section 161 AktG, is accessible to the shareholders on a permanent basis in the respective updated version on the Company's website.

Auditor's fees

The fees paid to the auditing firm for financial statements, auditing activities and other services were recorded as expense in the financial year at the following amounts:

In thousands of €	2007	2006
Annual audit	480	496
Other attestation or validation services	0	0
Tax consulting services	0	0
Other services	5	41
	485	537

Proposed appropriation of earnings

It is proposed that the balance sheet profit of MEDICLIN Aktiengesellschaft as at 31 December 2007, to the amount of EUR 6,037,140.22 be carried forward to the new accounting period.

Frankfurt am Main, 28 February 2008



Dr. Ulrich Wandschneider



Frank Abele

Responsibility statement by the Management Board

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements of MEDICLIN Aktiengesellschaft give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the combined management report and Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 28 February 2008



Dr. Ulrich Wandschneider



Frank Abele

Auditor's report

We have audited the consolidated financial statements prepared by the MEDICLIN Aktiengesellschaft, Frankfurt am Main, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statement, together with the combined management report and Group management report for the business year from 1 January 2007 to 31 December 2007. The preparation of the consolidated financial statements and the combined management report and Group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs (paragraph) 1 HGB, are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the combined management report and Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (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 consolidated financial statements, in accordance with the applicable financial reporting framework and in the combined management report and Group management report, are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 consolidated financial statements and the combined management report and Group management report, are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

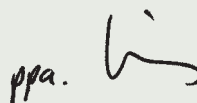
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group, in accordance with these requirements. The combined management report and Group management report is consistent with the consolidated financial statements and, as a whole, provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt, 29 February 2008

BDO Deutsche Warentreuhand AG
Wirtschaftsprüfungsgesellschaft



(Philipp)
Wirtschaftsprüfer



(ppa. Wieckenberg)
Wirtschaftsprüfer



MATEUSZ MUSZEWSKI Assistant Physician

ASSISTANT PHYSICIAN

Mateusz Muszewski studied in Breslau and has been an assistant physician in the internal medicine department at MediClin Krankenhaus Plau am See since February 2007. His daily routine consists of making the rounds in the ward, analysing laboratory results, examining patients and arranging their further treatment together with colleagues. In addition, he administers discharge letters and patient records as well as communicates with general practitioners.

Here, I have the best possibilities for development



Mr Muszewski, after your studies in Poland you took a brave step by choosing to work in a German hospital. What led you to make this decision?

> Here, in Plau am See, I have the best possibilities for development, in a form which I didn't have in Poland. For me, it's important to be an assistant physician in a hospital that provides me with an overview of many medical fields; and the chief physician here has the power to authorise medical training. I want to become an internist – but I'm not certain what my special emphasis will be. Plus, I can work here relatively independently and conduct, for example, ultrasound examinations on my own. This isn't even normal in larger German hospitals. There's definitely a great atmosphere here – another reason why it's fun to work here.

Was it difficult to make the transition from the lively student town of Breslau to Plau am See?

> Actually, it wasn't. I may have studied in Breslau, but I grew up in a rural area. I prefer living in a small town. For me, it was important that my wife – who meanwhile is also an assistant physician in the hospital here – and my daughter could accompany me.

Did the language transition go just as smoothly?

> My biggest worry at the start was that my patients weren't going to be able to understand me – and vice versa. Particularly in internal medicine you have frequent contact with patients; good knowledge of the language is a must here. Fortunately, I already began to learn German while I was in school. So I didn't have any difficulties dealing with colleagues and patients – even though everything certainly wasn't, and still isn't, grammatically perfect.

Were you supported in your integration in the new environment?

> The clinic already had experience integrating foreign physicians. They completely took care of formal things such as bureaucratic red tape and filling out forms. In the ward itself, my colleagues familiarised me with the daily operation – this all went well. In addition, there are German courses twice a week for foreign physicians who have major language deficiencies.

Report of the Supervisory Board



GÜNTER SCHLATTER
Chairman of the
Supervisory Board

Dear Shareholders,

In the 2007 financial year, the Management Board regularly provided the members of the Supervisory Board with timely and comprehensive information about the economic situation and development of the Company, as well as on important business transactions, by means of written and verbal reports. At five meetings, the Management Board reported, in detail, on the course of business and earnings, the risk management as well as about finance, investment and human resources planning. We supervised and advised the Company's management on a continuous basis. We fully performed our duties and made the required decisions as mandated by law, the Articles of Incorporation and the Rules of Procedure. We did not exercise the option of using our inspection right according to section 111(2) German Stock Corporation Act (AktG) as the reporting of the Management Board gave no reason to do so. There were no decisions made with written consent in lieu of a meeting in 2007. Outside of the meetings, the Management Board kept us informed in writing and verbally about important events. Moreover, important topics and upcoming decisions were dealt with in regular discussions between the Chairman of the Management Board and the Chairman of the Supervisory Board. The Chairman of the Management Board regularly informed the Chairman of the Supervisory Board about significant events outside of the meetings.

At its meeting on 14 December 2007, the Supervisory Board approved the recommendation of the Management Board to submit an offer for the purchase of the Kraichgau-Klinik AG. The Supervisory Board congratulates the Management Board on this successful acquisition. It is confident that the new facilities, which fit in MediClin's regional and medical services concept, can be successfully integrated into the Group.

We would like to thank the Management Board and all MediClin employees for their performance and personal commitment during the 2007 financial year.

Meetings of the Supervisory Board

Within the planning for the 2008 financial year, the Supervisory Board has dealt with measures that are introduced in order to lead to improved capacity utilisation at the clinics. In addition, together with the Management Board, the Supervisory Board has reviewed, in detail, the future development of the sector and the resulting development potentialities at MediClin.

The Supervisory Board held five meetings in the 2007 financial year.

At the first meeting of the year on 23 March 2007, the Supervisory Board discussed, in detail, the 2006 annual financial statements and consolidated financial statements, in the presence of the auditors and endorsed it. The annual financial statements were thereby approved. Furthermore, we discussed and approved the resolution proposals for the agenda of the 2007 Annual General Meeting, including the dividend proposal, and we adopted the 2007 conformity declaration. The Supervisory Board approved the Management Board's

recommendations regarding the outsourcing of cleaning to a service company and organising the therapy area independently due to process optimisation reasons. In addition, the Supervisory Board authorised the purchase of a new linear accelerator for the MediClin Robert Janker Klinik, Bonn, in order to increase its capacity utilisation. In his function as Chairman of the General and Personnel Committee, the Chairman of the Supervisory Board informed the Supervisory Board about the resolutions regarding the payment and the amount of the profit-sharing bonuses for the Management Board for 2006, as well as recommended the extension of the Management Board contract for Dr. Ulrich Wandschneider. The Supervisory Board appointed Dr. Ulrich Wandschneider to the Management Board and to serve as its Chairman for three further years, starting 1 January 2008.

As the agenda of the Annual General Meeting on 25 May 2007 provided for new elections for Supervisory Board members Günter Schlatter and Dr. Jürgen Messemer, the Supervisory Board's meeting following the Annual General Meeting included the re-election of Günter Schlatter as Chairman of the Supervisory Board, and the confirmation of the members of the committees in their positions. The Management Board informed us of the current course of business at the meeting. Furthermore, the Management Board informed us of its intention to divest of MC Pharma GmbH, Bonn. The Supervisory Board approved the divestment.

At the meeting on 10 August 2007, the Supervisory Board received information on the development of business in the first half of 2007. The Management Board reported on the impact of the corporate tax reform on MEDICLIN Aktiengesellschaft and the current status of the restructuring measures, and, in particular, the newly founded service companies. In addition, the Management Board reported that in the future, all clinics will integrate the Group's name MediClin in their own name. The operating company Alphamed Klinik GmbH & Co. KG changed its name to MediClin GmbH & Co. KG.

At the meeting on 9 November 2007, by-elections were held due to new election of employee representatives in the Supervisory Board. The Vice Chairman of the Supervisory Board and the members of the employee representatives in the committees were elected. The Management Board reported on the current course of business and its activities with regard to potential acquisitions. The Supervisory Board approved the activities in general, subject to a final authorisation once the details of the project are concrete. In addition, the Management Board informed the Supervisory Board of the successful divestment of MC Pharma GmbH, Bonn.

At the last Supervisory Board meeting of the year on 14 December 2007, the Audit Committee informed the Supervisory Board of the audit planning adopted for 2007, the internal audit schedule and the submission of the risk management report. The Management Board reported, in detail, on measures planned for 2008, regarding the individual clinics as well as the entire Group. In-depth discussions were held on MediClin's further strategic development and growth potential. The Supervisory Board approved the purchase of the remaining shares of MediClin Müritz-Klinikum GmbH totalling 5.98 % of equity capital. In relation to the acquisition projects overseen by the Management Board, the Supervisory Board authorised the submission of an offer for the purchase of the Kraichgau-Klinik AG and approved a potential acquisition of its shares.

All members of the Supervisory Board participated, with only a few exceptions, in all of the Supervisory Board meetings in 2007.

The Supervisory Board also underwent an efficiency assessment of its work in 2007.

Changes in the Supervisory Board and the Management Board

In November 2007, elections took place for the employee representatives on the Supervisory Board. Walburga Erichsmeier and Udo Rein were elected to the Supervisory Board; Peter Erni and Gero Schlagelambers departed from the Supervisory Board.

During the 2007 reporting year, no changes in the Management Board took place.

Corporate governance

On 7 March 2008, we once again adopted the conformity declaration pursuant to Section 161 of the German Stock Corporation Act (AktG) for the 2007 financial year, including the statement on the 12 June 2006 version of the German Corporate Governance Code, valid from 24 July 2006. The current conformity declaration is published on the MediClin website, as are all previous declarations.

Work of the committees

The committees appointed by the Supervisory Board are engaged in the professional preparation of the issues and resolutions to be discussed at the meetings. For reasons of efficiency, the committees are authorised to reach decisions within the legally permitted scope. In the reporting year, this occurred in the General and Personnel Committee, in relation to the profit-sharing bonuses for the Management Board.

The Audit Committee convened three times during the reporting year. On 26 February 2007 and 23 March 2007, it held intensive consultations with the Management Board and the auditors on the preliminary financial statements for 2006. It gave particular attention to cash flow development, financing structure and segment reporting. After conducting its own audit, and under consideration of statements from the Management Board and auditors, it decided to recommend the Supervisory Board to approve the annual financial statements. At its meeting on 9 November 2007, the Audit Committee adopted the audit planning for 2007, including emphases of the audit, and the internal audit schedule. The result report on risk management was submitted to the members of the Audit Committee and discussed in the Audit Committee.

The General and Personnel Committee convened on 23 March 2007, and dealt with matters of the Management Board. It established and approved the payments and amount of profit-sharing bonuses for the Management Board, as well as recommended the extension of the Management Board contract for Dr. Ulrich Wandschneider. The General and Personnel Committee assesses the reasonableness of the Management Board compensation each year.

The Mediation Committee did not convene in the year under review.

The chairpersons of the committees reported regularly to the Supervisory Board on the work of the committees.

Annual financial statements and consolidated financial statements

The annual financial statements of MediClin AG and the consolidated financial statements prepared by the Management Board for the 2007 financial year, including the accounting records and the combined management report and Group management report of the Company, were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Hamburg. The auditing firm was elected at the Annual General Meeting on 25 May 2007, and commissioned with the annual audit by the Supervisory Board. The annual auditors issued an unqualified auditor's report on the annual financial statements of MediClin AG and the consolidated financial statements for the year 2007.

The audit documents and the auditor's reports, as well as the reports of the Audit Committee, were presented to the Supervisory Board for inspection in a timely manner.

The Supervisory Board intensively discussed and examined the annual financial statements of MediClin AG, the consolidated financial statements, and the combined management report and Group management report issued by the Management Board, under consideration of the results of the Audit Committee. The auditors attesting to the report as signatories attended the Supervisory Board meeting, at which the annual financial statements were approved. They reported on significant audit findings and answered questions. Based on their own examination, the Audit Committee and the Supervisory Board concurred with the results of the audit issued by the annual auditor, with respect to the annual financial statements of MediClin AG and the consolidated statements. In accordance with the final result of their own examination, they did not raise any objections. The Supervisory Board endorsed the individual and consolidated financial statements, the combined management report and Group management report prepared by the Management Board. The annual financial statements are thereby approved and released for publication. The Supervisory Board extensively discussed the Management Board's proposal on the allocation of the unappropriated

profits, and likewise concluded no dividends should be paid for 2007, in order to strengthen the Company's financial position. It will, therefore, propose to carry forward the profit of EUR 6,037,140.22 by 31 December 2007.

Düsseldorf, 7 March 2008

On behalf of the Supervisory Board

A handwritten signature in black ink, appearing to read 'G. Schlatter', written in a cursive style.

Günter Schlatter
Chairman of the Supervisory Board

Corporate governance report

Corporate governance is of high priority to both the Supervisory Board and the Management Board at MediClin. For this reason, the Company complies with the recommendations issued by the German Corporate Governance Code ("Code"), with only one exception.

Conformity declaration

At their meeting on 7 March 2008, the Management Board and Supervisory Board of MediClin AG adopted the following conformity declaration concerning the Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG):

MEDICLIN Aktiengesellschaft complies with the recommendations of the 14 July 2007 version of the "Government Commission: German Corporate Governance Code", valid from 20 July 2007, with one exception:

- The Vice Chairman of the Supervisory Board and the members of the Supervisory Board committees do not receive separate remuneration (Item 5.4.7 [1] Sent. 3).

MediClin AG has complied with the recommendations of the 12 June 2006 version of the "Government Commission: German Corporate Governance Code", valid from 24 July 2006, with the aforementioned exception. From 20 July 2007 to 7 March 2008, MediClin AG also did not comply with the recommendation to establish a nominating committee (Item 5.3.3).

Management and controlling bodies of MediClin

In accordance with the requirements specified in the German Stock Corporation Act, MediClin's Management Board consists of two persons, and its Supervisory Board consists of twelve persons. Pursuant to the German Co-Determination Law, the Supervisory Board is made up in equal parts of representatives of the shareholders and the employees.

Independence of the corporate body

In accordance with the rules of internal procedure, the principle of independence applies to the representatives of the shareholders in the Supervisory Board.

Some members of the Supervisory Board hold, or held, leading positions at other companies with which MediClin maintained business relationships during the past year. The business transactions were, and are, performed applying the arm's length principle and, therefore, do not affect the independence of the Supervisory Board members, in the opinion of MediClin.

There is more information about business connections in the notes to the consolidated annual financial statement under disclosures, which reports about links to other persons in accordance with IAS 24.

Tasks of the Supervisory Board

The Supervisory Board supervises and regularly advises the Management Board on management of the enterprise and periodically discusses the Company's business development, business planning, strategy and their implementation with the Management Board. The Supervisory Board adopts the annual financial statements of MEDICLIN Aktiengesellschaft and the Group, taking into account the audit reports of the annual auditor and the results of the audit by the Audit Committee. The Supervisory Board appoints the members of the Management Board. Significant decisions of the Management Board are subject to approval by the Supervisory Board.

The Supervisory Board's internal rules of procedure provide for the establishment of committees and the definition of their authorisations.

Mediation Committee (Vermittlungsausschuss) pursuant to Section 27 (3) of the German Co-Determination Law (MitbestG.)

The Mediation Committee comprises the Chairman of the Supervisory Board, the Vice Chairman, elected pursuant to Section 27 (1 and 2) MitbestG, as well as one member respectively elected by the shareholders' representatives and the employees' representatives on the basis of a majority vote. The committee is headed by the Chairman of the Supervisory Board.

General and Personnel Committee (Präsidialausschuss)

The General and Personnel Committee comprises the Chairman of the Supervisory Board, the Vice Chairman, and respectively one member elected by recommendation of the shareholders' representatives and one member elected by recommendation of the employees' representatives. The General and Personnel Committee is headed by the Chairman of the Supervisory Board. The General and Personnel Committee prepares personnel-related decisions for the Supervisory Board.

Audit Committee

The Audit Committee comprises at least two members of the Supervisory Board, elected by recommendation of the shareholders' representatives and the employees' representatives. The Audit Committee need not necessarily be appointed on an equal representation basis. The Chairman of the Audit Committee is elected by recommendation of the shareholders' representatives.

In particular, the Audit Committee is involved in negotiations and resolutions of the Supervisory Board concerning issues related to accounting, risk management and compliance, as well as the required independence of the annual auditor, placement of the audit engagement, the determination of audit emphasis and the respective fee agreement.

Tasks of the Management Board

The Management Board is responsible for independently managing the enterprise. In doing so, it is obliged to act in the enterprise's best interests. The Management Board defines the strategic orientation of the enterprise and is responsible for management planning and control. The Management Board is responsible for preparation of quarterly financial statements and the annual financial statements of MEDICLIN Aktiengesellschaft and the consolidated financial statements. The Management Board works closely with the Supervisory Board. In a timely manner, it informs the Supervisory Board, comprehensively and at regular intervals, about all issues relevant to MediClin with respect to strategy, strategy implementation, planning, business development, the financial and earnings position and business risks.

Share transactions performed by the Management Board and the Supervisory Board

The members of the Management Board and the Supervisory Board are obliged, pursuant to Section 15a of the Securities Trading Act (WpHG), to disclose the acquisition or sale of securities of MEDICLIN Aktiengesellschaft if the value of the transactions performed by the members or a related party achieves or exceeds the amount of EUR 5,000 within one calendar year.

In the 2007 financial year, there were no transactions reported.

Communication with shareholders

In its quarterly reports, MediClin reports on the development of the current financial year and the financial position and results of operations. The ordinary Annual General Meeting usually takes place in May. The annual financial statements are presented to the public at the financial statements press and analysts' conference.

MediClin also fulfils the new regulations of the Transparency Directive Implementation Act (TUG) as well as the Law on Electronic Trade, Cooperative, Partnership and Association Registers (EHUG). Within the investor relations activities, individual talks are held with investors and relevant conferences are attended.

Convertible bonds

At the Annual General Meeting on 13 November 2000, a programme was adopted governing the issue of convertible bonds. The respective authorisation was valid for five years and expired in November 2005. A new programme has not been presented to the shareholders to date.

At the beginning of the 2005 financial year, 50,000 convertible bonds were subscribed for by the Chairman of the Management Board, Dr. Ulrich Wandschneider. These entitle to the subscription of 250,000 MEDICLIN Aktiengesellschaft shares following a 2-year blocking period, and with the provision that certain hurdles are exceeded. Pursuant to Section 9 (2) of the issuing terms, the conversion right may also be fulfilled through the issue of treasury

stock, rather than through the issue of new shares. A comprehensive account to the convertible bond key data, and the respective option rights, can be found in the "Management report" under "Management Board compensation".

Treasury stock

MediClin holds no treasury stock at present.

Report on compensation

The report on compensation is oriented on the recommendations of the German Corporate Governance Code and includes information which, pursuant to the requirements of the German Commercial Code extended by the Law on the Disclosure of Board Remuneration enacted on 11 August 2005, is a component of the notes pursuant to Section 314 HGB or the management report, pursuant to Section 315 HGB.

As a major part of the information to be disclosed is already shown in the "Summarised management report and Group management report of MEDICLIN Aktiengesellschaft", the "Notes to the consolidated financial statements of MEDICLIN Aktiengesellschaft" and the "Notes to the annual financial statements of MEDICLIN Aktiengesellschaft", another account is forgone at this stage.

The main features of the remuneration system for the Supervisory Board are presented in the "Management report" in the details under "Report on compensation". The individual remuneration of the Supervisory Board members, pursuant to Section 5.4.7 (3) Sent. 1 of the German Corporate Governance Code, was as follows in the 2007 financial year:

in €	2007	2006
Günter Schlatter (Chairman)	15,210.94 ¹	14,827.47 ¹
Hans Hilpert (Vice Chairman)	6,391.15	6,391.15
Dipl.-Kfm. Michael Bock	6,391.15	6,391.15
Dr. Daniel von Borries	7,605.47 ¹	7,413.73 ¹
Gerd Dielmann	6,391.15	6,391.15
Prof. Dr. Erich Donauer	6,391.15	6,391.15
Walburga Erichsmeier (from 13.09.2007)	2,130.38	–
Peter Erni (until 13.09.2007)	4,260.77	6,391.15
Carsten Heise	6,391.15	6,391.15
Dr. Jochen Messemer	6,391.15	6,391.15
Klaus Müller	6,391.15	6,391.15
Udo Rein (from 13.09.2007)	2,535.15 ¹	–
Dr. Hans Rossels	6,391.15	6,391.15
Gero Schlagelambers (until 13.09.2007)	4,260.77	6,391.15
	87,132.68	86,152.69

¹ Including value-added tax

Shareholdings of the Management Board and the Supervisory Board

In accordance with a recommendation of the German Corporate Governance Code, the holding of shares in the Company, or related financial instruments, is to be reported by Management Board and Supervisory Board members if the shareholding is directly or indirectly in excess of 1% of the shares issued by the enterprise. This is not the case with respect to MediClin.

D&O insurance

MediClin took out an assets liability group insurance for the members of the Management Board and the Supervisory Board on behalf of the Company's interest. The insurance covers the liability risk in the event that the group of persons is made liable for assets losses incurred in the performance of its activities. Should such an event occur, a deductible to the amount of EUR 15,000.00 applies for the members of the Management Board, and of EUR 15,000.00 for the members of the Supervisory Board.

Remuneration of the Advisory Board

The MediClin Advisory Board is engaged in matters concerning development in the health care sector, in particular, regarding the future design of the medical supply in acute-care hospitals and post-acute facilities, in terms of health policy and economy. Seven members belong to the Advisory Board that was founded in 2006. The Advisory Board's attendance fees were agreed in the Management Board meeting on 8 June 2006, at EUR 10,000.00 per year and per member. Furthermore, all expenses occurring from executing the mandate and also the VAT payable for the fees are being compensated. The allowance accounted for EUR 75,700.00 in the 2007 financial year (previous year: EUR 74,800.00).



MARTINA KAISER Speech Therapist

SPEECH THERAPY

Martina Kaiser has worked as a speech therapist in the MediClin Reha-Zentrum Reichshof since 2002. She and her colleagues attend to about 700 patients a year, who suffer from language, speech, voice or swallowing disorders due to neurological or oncological illness.

I have to act not only with professional, but also with social, competence



Which abilities does a speech therapist working in a rehabilitation centre need to have?

> As a result of a stroke, most of our patients are heavily impaired in their ability to communicate or eat. This often leads to a large loss in the quality of life and social skills, and causes high psychological strain. Besides using a range of appropriate diagnosis and therapy methods, it's part of my job to support the patients in this situation, to make them aware of the abilities they still have, to motivate and encourage them, to demonstrate to them their progress and to express joy at their achievements. This calls for a large portion of empathy, patience and a knowledge of human nature, as well as professional expertise.

How do you proceed with therapy? Where do you start?

> First, we analyse which abilities the patients still have, and where, for example, the comprehension or production of speech is damaged. From there, we try to reactivate or reconstruct their lost abilities. The road back to speech is often long and hard. We have to treat patients with swallowing

disorders with special haste and, if possible, carry out a diagnostic of their swallowing to find out whether the patient can be fed safely. Exactly this treatment of patients with swallowing disorders requires close cooperation between doctors and therapists, as well as nursing staff, co-workers in diagnostics and the kitchen and service staff. A good organisational structure and a quick exchange of information is indispensable in these cases.

What, in your opinion, is the key to successful therapy?

> As a speech therapist, I have to act not only with professional, but also with social, competence. So I always try to build mutual trust between the patient and myself. This only succeeds when I respond to each individual personality. Information about their lifestyle, interests or preferences are, for example, well suited for stimulating speech activity. Finding these out sometimes only works with the help of relatives, whom I then invite to take part in the therapy, or sometimes phone at home.

Corporate decision-making bodies

Management Board

Dr. Ulrich Wandschneider

Chairman of the Management Board

Frank Abele

Chief Financial Officer

Supervisory Board

Günter Schlatter

Chairman

Former Chairman of the Management Board of Provinzial Rheinland Versicherung AG

Hans Hilpert¹

Vice Chairman

Sports Therapist, MediClin Bliestal Kliniken

Dipl.-Kfm. Michael Bock

Member of the Management Board of Provinzial Rheinland Versicherung AG

Dr. Daniel von Borries

Member of the Management Board of ERGO Versicherungsgruppe AG

Gerd Dielmann¹

Trade Union Secretary at the Federal Office of ver.di

Prof. Dr. Erich Donauer¹

Medical Director, MediClin Krankenhaus Plau am See

Walburga Erichsmeier¹ (from 13 September 2007)

Medical Technical Assistant, MediClin Rose Klinik

¹ Employee representative on the Supervisory Board

Peter Erni¹ (until 13 September 2007)

Trade Union Secretary at the Baden-Württemberg Regional Office of ver.di

Carsten Heise

Lawyer and Managing Director of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.

Dr. Jochen Messemer

Member of the Management Board of DKV Deutsche Krankenversicherung AG

Klaus Müller¹

Sports and Recreational Therapist, MediClin Bosenberg Kliniken

Udo Rein¹ (from 13 September 2007)

Lawyer and Managing Director of Marburger Bund, Landesverband Hessen

Dr. Hans Rossels

Managing Director of the Kreiskrankenhaus Mechernich

Gero Schlagelambers¹ (until 13 September 2007)

Nursing Assistant, MediClin Hedon Klinik

Supervisory Board committees

General and Personnel Committee

Günter Schlatter (Chairman)

Gerd Dielmann (from 9 November 2007)

Hans Hilpert

Dr. Jochen Messemer

Gero Schlagelambers (until 13 September 2007)

Audit Committee

Dr. Daniel von Borries (Chairman)

Michael Bock

Prof. Dr. Erich Donauer

Walburga Erichsmeier
(from 9 November 2007)

Carsten Heise

Klaus Müller

Mediation Committee pursuant to Section 27 MitbestG

Günter Schlatter (Chairman)

Hans Hilpert

Dr. Jochen Messemer

Udo Rein (from 9 November 2007)

Gero Schlagelambers (until 13 September 2007)

¹ Employee representative on the Supervisory Board

Advisory Board

Dr. Jörg W. Knorn

Chairman

Prof. Dr. Axel Ekkernkamp

Medical Director and Managing Director of the Unfallkrankenhaus Berlin

Irmtraut Gürkan

Business Director of the Universitätsklinikum Heidelberg

Dr. Brigitte Mohn

Chairwoman of the Management Board of Stiftung Deutsche Schlaganfallhilfe

Prof. Dr. Werner Müller-Fahrnow

Chair for Supply System Research and Fundamentals of Quality Assurance
in Rehabilitation, Humboldt-Universität zu Berlin

Prof. Dr. Günter Neubauer

Director of the Institute for Health Economics, Universität der Bundeswehr, Munich

Dr. Andreas Tecklenburg (Spokesman)

Vice President and Member of the Presidium Responsible for the Division of Patient
Care at the Medizinische Hochschule Hannover

Members of Management Boards of affiliated companies

Dr. Ulrich Wandschneider

MediClin Geschäftsführungs-GmbH
MediClin Pflege GmbH
MediClin Medizinisches Versorgungszentrum GmbH
MC Therapie GmbH

Frank Abele

MediClin Geschäftsführungs-GmbH
MC Service GmbH
Cortex Software GmbH
MediClin Medizinisches Versorgungszentrum GmbH
MC Catering GmbH

Mario Biewers

MediClin Immobilien Verwaltung GmbH

Uwe Hektor

MC Catering GmbH

Frank Horn

MediClin Geschäftsführungs-GmbH
MediClin Krankenhaus am Crivitzer See GmbH
MediClin Müritz-Klinikum GmbH
Müritz-Klinikum Service GmbH
MVZ-Müritz GmbH

Christine Neu

MediClin Geschäftsführungs-GmbH (until 31 January 2007)

Irmgard Raschka-Halberstadt

MediClin Geschäftsführungs-GmbH

Joachim Richter

MC Pharma GmbH (until 30 June 2007)

Christian Röhl

MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH
MediClin Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem
Verwaltungsgesellschaft mbH

Dirk Schmitz

MediClin Geschäftsführungs-GmbH

Bernd Schulz

MC Catering GmbH
MediClin Immobilien Verwaltung GmbH

Hermann Steppe

Cortex Software GmbH

Dr. Hans-Heinrich Uhlmann

MediClin Krankenhaus am Crivitzer See GmbH

Glossary

Terms of the health care sector

Cases

Number of treated patients.

Curative procedures

Outpatient, partly in-patient, or fully in-patient rehabilitation measures without prior stay at an acute hospital, are usually granted in the event of chronic diseases or functional disturbances and within the scope of prevention.

Diagnosis related groups (DRG)

An economic-medical classification system which allocates patients to case groups on the basis of diagnosed conditions and treatments within the scope of hospital treatment. By means of allocation to case groups, the cost of treatment is individualised largely on a flat rate basis in the German health system.

Integrated medical service

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

Medical Care Centre (MVZ)

A Medical Care Centre 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 centre is the interdisciplinary character of the health care services that are provided by a single organisation.

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.

PlusPrograms

Specially targeted medical service packages developed by MediClin for private patients.

Rehabilitation

Following serious illnesses or in the event of chronic disorders, rehabilitation serves to restore or significantly improve patients' health, thus enabling them to manage everyday life and restoring their ability to work.

Sector

The sectors in the health care system are different from one another due to their various types of services, i. e., hospitals, rehabilitation facilities and registered physicians or nursing care facilities are allocated to different sectors.

Subsequent nursing treatment (AHB)

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

The health care sector

The health care sector 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. It comprises inter alia all hospitals, rehabilitation facilities, physicians, pharmacies, nursing care services and homes, producers of medical equipment, pharmaceutical companies, health insurance funds and research facilities. The health sector as a branch has approximately five million employees in Germany; this accounts for 13 % of the total number of jobs. Sales revenues are estimated at EUR 500 billion, which represents 10 % of the gross domestic product.

Therapeutic offers

Medical treatments which enable patients to master again 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.

Terms of accounting and finance

Convertible bonds

Bonds which are transferable within a certain period of time and under certain conditions into shares of the respective company.

Deferred tax

Deferred taxes are following from the difference between book value of assets and liabilities of the commercial balance sheet (balance sheet and consolidated balance sheet) and their inclusion in the tax balance sheet.

Diluted earnings per share

The diluted earnings per share are determined by adjusting the annual result and adjusting the number of shares from the diluting options and other diluting potential common stock.

EBIT

Earnings before interest and taxes.

Fair value

In accordance with IAS/IFRS, the fair value of an asset or a liability is recorded as the market value in the balance sheet. This value approximates the replacement value used in accounting, pursuant to the German Commercial Code.

Finance leasing

Finance leasing relates to leasing agreements which, in terms of beneficial ownership, are allocated to the lessee. In such cases, the lease item must be reported in the lessee's balance sheet.

Full-time jobs

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

HGB

German Commercial Code.

IAS

International Accounting Standards; will be replaced successively by the International Financial Reporting Standards (IFRS) starting in 2003.

IASB

International Accounting Standards Board.

IASC

International Accounting Standards Committee; founded 1973.

IFRIC

International Financial Reporting Interpretations Committee; succeeded the Standing Interpretations Committee (SIC).

IFRS

International Financial Reporting Standards.

Operating-Leasing

According to IAS/IFRS the lessee does not achieve beneficial ownership and, therefore, does not have to report the lease item in the balance sheet.

Projected unit credit method

Present value of benefit method for valuation of pension commitments.

Segment

In accordance with IAS, the segment is to be defined as the primary reporting format, which mainly influences the risks and return of equity of a company. MediClin's reporting format is based on sectoral segmentation and consists of the segments post-acute, acute and nursing care.

SEStEG

German Act on the Tax Features for the Introduction of the European Company and Amendment of Other Tax Rules.

SIC

Standing Interpretations Committee; was responsible for interpretation and commentation of standards adopted by the IASC.

Undiluted earnings per share

The undiluted earnings per share are determined by dividing the period results attributable to the common shareholders through the average weighted number of common stock in circulation during the period (common stock issued).

Xetra®

Exchange Electronic Trading; computer-assisted trading system by the Deutsche Börse AG.

Financial calendar

25 February 2008	Presentation of the interim figures for the 2007 financial year
17 March 2008	Financial statements press and analysts' conference
9 May 2008	Publication of the interim report for the 1st quarter 2008
21 May 2008	Annual General Meeting
8 August 2008	Publication of the interim report 1st half-year 2008
7 November 2008	Publication of the interim report for the 1st–3rd quarter 2008

Addresses and imprint

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Publisher:

MEDICLIN Aktiengesellschaft, Frankfurt am Main

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.

Concept and design

Designerwerk/Janine Weise, Frankfurt am Main

Consulting and media design

medienhaus:frankfurt GmbH, Frankfurt am Main

Development of nursing days, cases and occupancy rates

Nursing days	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Year total
Post-acute	411,830	441,016	461,908	444,452	1,759,206
Acute	95,322	93,407	92,134	93,192	374,055
Nursing care	31,660	33,616	35,113	35,147	135,536
Group	538,812	568,039	589,155	572,791	2,268,797

Nursing days	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Year total
Post-acute	403,416	426,836	428,973	422,269	1,681,494
Acute	95,914	91,865	94,550	91,091	373,420
Nursing care	26,180	28,507	30,646	31,879	117,212
Group	525,510	547,208	554,169	545,239	2,172,126

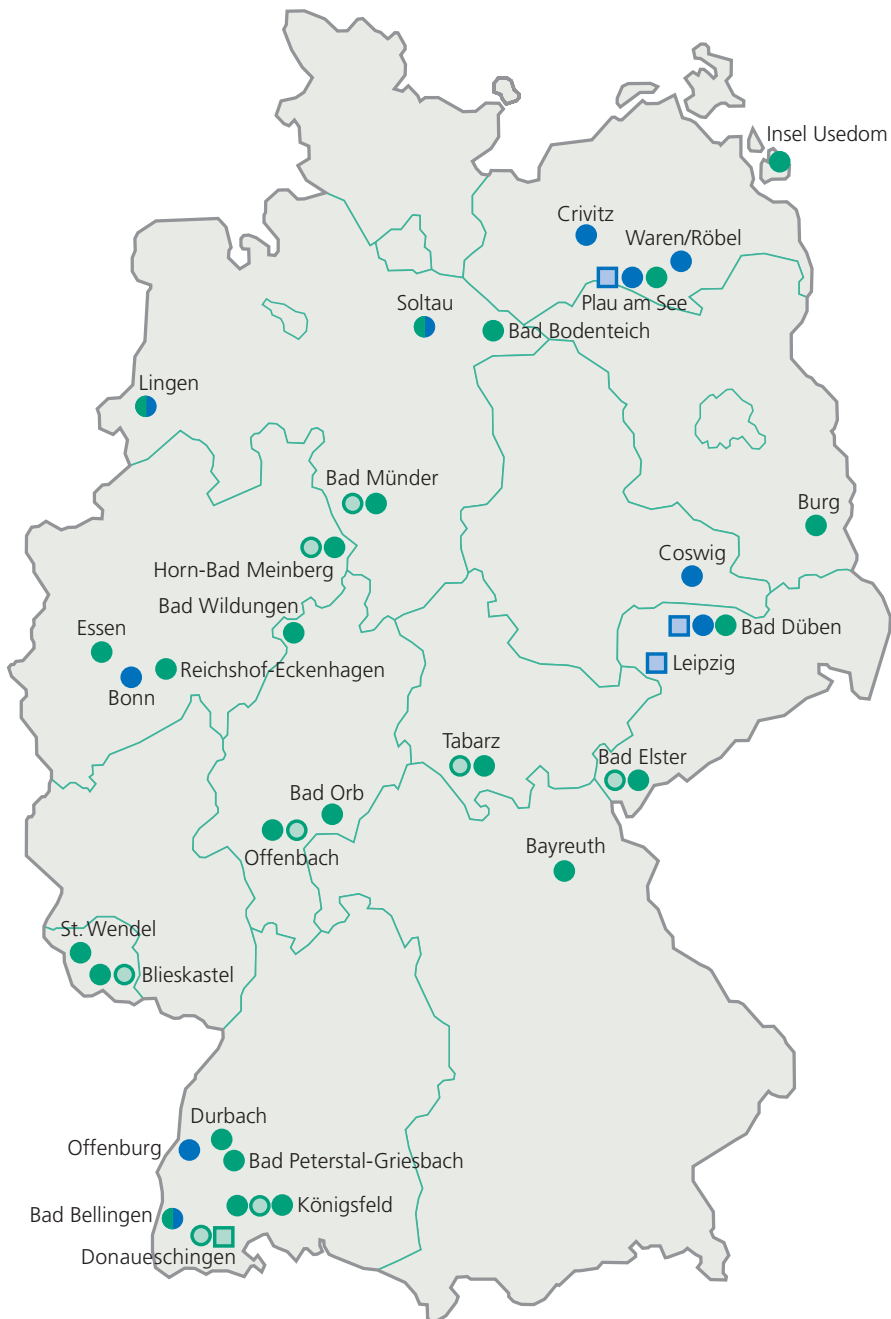
Cases	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Year total
Post-acute	16,649	18,074	18,631	18,238	71,592
Acute	9,523	9,515	9,268	9,096	37,402
Group (without Nursing care)	26,172	27,589	27,899	27,334	108,994

Cases	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Year total
Post-acute	16,154	17,137	17,044	17,058	67,393
Acute	9,632	9,333	9,632	9,068	37,665
Group (without Nursing care)	25,786	26,470	26,676	26,126	105,058

Occupancy rates in %	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Year total
Post-acute	80.8	85.3	88.3	85.0	84.8
Acute	82.7	80.2	78.1	79.3	80.0
Nursing care	85.4	87.4	90.5	90.5	88.5
Group	81.4	84.6	86.6	84.3	84.2

Occupancy rates in %	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Year total
Post-acute	75.5	79.2	78.9	77.8	77.9
Acute	80.2	78.8	78.3	75.2	77.6
Nursing care	79.0	81.1	84.6	87.9	82.8
Group	76.5	79.2	79.0	77.8	78.1

The presence of MediClin in 2007



- Acute-care facilities ● Post-acute care facilities ● Nursing care facilities
- Medical care centres ■ Leisure and recreation centre

◀ MediClin **Development of nursing days, cases and occupancy rates**

◀ **The presence** of MediClin

Susanne Moser Patient admissions at the MediClin Staufenburg Klinik ▶



www.mediclin.de