

ANNUAL REPORT 2008

MEDICLIN AKTIENGESELLSCHAFT



MediClin integrates.

MediClin **Key data business development** ►

Quarterly development of the Group in 2008 ►

About MediClin

MediClin is a nationwide operator of hospitals and a large provider in the areas of the neurosciences and psychological sciences as well as orthopaedics. With 33 hospital operations, eight nursing care facilities and three medical care centres in eleven German federal states, at the end of 2008 MediClin had a total capacity of approximately 7,900 beds. The hospitals are acute-care hospitals providing basic, standard and specialised care, as well as specialist clinics for medical rehabilitation. MediClin had approximately 7,800 employees at year-end.

MediClin: Key data business development

In thousands of €	2008	2007	2006
Sales	456,795	391,965	377,811
Operating result (EBIT)	15,799	18,866	16,723
EBITDA margin in %	6.1	7.0	6.7
EBIT margin in %	3.5	4.8	4.4
Financial result	– 6,663	– 5,067	– 5,552
Result attributable to shareholders of MediClin	7,080	5,729	9,509
Cash flow from operating activities	21,530	11,347	7,836
Balance sheet total	343,101	269,913	268,399
Non-current assets incl. tax refund claims and deferred tax assets	208,634	180,924	179,053
Current assets incl. tax refund claims	134,466	88,989	89,346
Thereof cash and cash equivalents	57,384	21,377	29,063
Equity	148,836	105,997	100,226
Equity ratio in %	43.4	39.3	37.3
Non-current liabilities incl. deferred tax liabilities	70,352	52,080	112,795
Current liabilities incl. tax liabilities	123,913	111,836	55,378
Gross capital expenditure	20,046	28,623	18,818
Net financial liabilities	37,651	69,381	61,090
Number of full-time employees (annual average)	5,816	5,277	5,252
Sales per full-time employee in €	78,541	74,278	71,937
Staff costs per full-time employee in €	42,860	41,244	40,465
Occupancy rates in %	86.2	84.2	78.1
Earnings per average share outstanding in €	0.22	0.18	0.30
Earnings per participating share in €	0.15	0.18	0.30
Cash flow from operating activities per average share outstanding in €	0.66	0.36	0.25
Cash flow from operating activities per participating share in €	0.46	0.36	0.25
Dividend per participating share in €	0.05 ¹	–	–
Number of shares in millions (annual average)	32.45	31.50	31.50
Number of participating shares in millions	47.25	31.50	31.50

¹ Proposed by the Management Board and Supervisory Board for 2008
 Due to arithmetical reasons, calculation differences of +/- one unit (€, %) may occur.
 Percentage rates have been determined on the basis of € values.

Quarterly development of the Group in 2008

In millions of €	Q1	Q2	Q3	Q4
Sales	109.3	116.3	116.1	115.0
Operating result	0.4	4.8	7.1	3.5
EBIT margin in %	0.4	4.1	6.1	3.0
Consolidated results after minority interests	– 1.5	2.9	4.7	1.0
Return on sales in %	– 1.3	2.5	4.0	0.8
Cash flow from operating activities	4.6	3.8	5.8	7.3
Equity ratio in %	33.2	34.0	35.6	43.4
Gross capital expenditure	5.1	4.6	7.1	3.2
Net financial liabilities	93.9	93.6	88.3	37,7
Number of full-time employees (quarterly average)	5,772	5,804	5,847	5,843
Occupancy rates in %	83.0	88.7	87.9	85.3
Earnings per average share outstanding in €	– 0.05	0.09	0.15	0.03
Earnings per participating share in €	– 0.03	0.06	0.10	0.02
Cash flow from operating activities per average share outstanding in €	0.15	0.12	0.18	0.21
Cash flow from operating activities per participating share in €	0.10	0.08	0.12	0.16

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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

2008 was a good year for us.

Despite the financial crisis and its initial impact on the German economy, our business activity remained stable. It certainly helped that the health care sector is less cyclical in nature than other industries, this is a fact which analysts have noted in their coverage, and the stock exchange has rewarded with less of a loss in share prices.

2008 has been a year filled with major challenges.

It was essential to integrate the Kraichgau-Klinik Group successfully into the Group, to continue to expand the existing business and to raise capital for further growth.

All of these tasks – I am proud to say – we skilfully accomplished. I would therefore like to thank, this time right at the beginning of my report, also on behalf of my colleague Frank Abele, all employees for their hard work and commitment. Through their special expertise, their dedicated service and their warm-hearted attitude towards our patients, they have laid the foundation for our continued growth year after year, and thus put us in a position to weather possible economic storms.

In 2008, we grew both externally and internally.

In the 2008 financial year, the Group recorded sales of EUR 456.8 mill. This is an increase of EUR 64.8 mill. compared to the previous year, whereby EUR 51.7 mill. is attributable to the Kraichgau-Klinik Group. We were able to achieve an operating result of EUR 15.8 mill. While this is EUR 3.1 mill. less than in the previous year, it contains approximately EUR 8 mill. higher rental expenses. The result attributable to shareholders totals EUR 7.1 mill.

Based on the satisfactory development in the past financial year and the overall ordinary outlook for MediClin and our industry, we would like you, our shareholders, to share in the earnings of your Company. The Management Board and the Supervisory Board will therefore propose a dividend of EUR 0.05 per share for the 2008 financial year at the Annual General Meeting on 27 May 2009.

What contributed to our success in 2008?

- We have completely integrated the Kraichgau-Klinik Group into our Group.
This includes our Herzzentrum in Lahr as well as the post-acute clinics, whose offerings we have optimised based on our regional concept.
- We have developed an attractive personnel concept for all staff groups, because there will be a shortage of qualified employees in the future.
One aspect of this concept is our MediClin Akademie, whose training and continuing education courses were again strongly attended in 2008.

- To support our sales operations, we have introduced the online reservation system of the Deutsche Rentenversicherung (German Pension Fund) almost nationwide.

The share of occupancy through electronic reservation has risen strongly, because it simplifies the registration process for both sides and speeds up the admission of patients.

- We have worked hard to make the results of our medical services measurable through the support of electronic techniques and thus more transparent. The first pilot projects in several clinics are already successfully underway.

The self-control of medical and therapeutic services and performance measurement are, in our opinion, absolute requirements for the continuous delivery of high-quality medical care.

- We are pleased with the performance of our service companies. The goals set, for example, increased efficiency, the standardisation of offerings and cost reductions, were almost achieved to the extent targeted for 2008.

What does 2009 hold for us?

In its study “Going for Growth 2009” published at the beginning of March, the Organisation for Economic Co-operation and Development (OECD) forecasts that the downturn in the global economy will be more severe than previously thought. The most recent predictions of the International Monetary Fund (IMF) had seen global economic growth at just 0.5 %. As taxes and, above all, social security contributions are still very high in international comparison, the OECD recommends lowering taxes in Germany and taking measures to stimulate the labour market. A strong labour market and more competition in the health care sector are the factors that would sustain our business.

The German government currently expects that its stimulus packages will have noticeable impact, beginning from the second half of the year, and views the government aid rather as a stop-gap solution to address present shortages. However, it is currently difficult to predict when the measures and the EUR 80 billion made available will actually show any effects. In any case, news reports from the business world have, to date, been rather negative, and imply falling demand, reduced production and, so far, short-time work, which could lead to redundancies in major industries.

From a regulatory or legislative standpoint, our sector will not see much change in 2009. It is currently impossible to predict to what extent a worsening of the labour market situation and potential restrictive spending policies of coverage providers will impact the occupancy situation of our hospitals.

What goals have we set for 2009?

We seek to continue to grow as in the previous years – internally and externally. And we are confident that our motto “Promote development – expand success” sets the right tone.

As such, we are working intensively to further improve our market penetration. We intend to accomplish this by attaining certification for the recognised quality of our medical services and reaching a high level of patient satisfaction. We are convinced that in difficult economic times this is the right concept.

We plan to achieve external growth through acquisitions, primarily in the acute sector. Here, it is important that we are able to implement our Company strategy “MediClin integrates”. This is the only way to quickly leverage synergies without wasting resources.

Special thanks go to the employee representatives for their excellent collaboration in 2008. I would like to ask our staff to fully support the Management Board in the further development of MediClin in 2009, as you have done so far.

To our shareholders, I would like to express my sincere gratitude for the trust you have placed in us, and would be pleased if you continue to accompany us in the future.

Frankfurt am Main, 3 March 2009



Dr. Ulrich Wandschneider
Chairman of the Management Board



MANAGEMENT BOARD

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.

FRANK ABELE

Chief Financial Officer
is responsible for controlling, finance and accounting, legal affairs/tax, IT, internal audit and procurement/technique.

The MediClin share

Heavy losses on all global stock exchanges

Over the course of 2008, the forecasts for continued positive business and economic development underwent persistent downward corrections due to the prolonged financial crisis in almost all industrial countries. All international stock exchanges suffered heavy losses; the German stock market also saw a sharp decline. On 2 January 2008 the first day of trading in 2008, the DAX hit its high of the year of 8,100.64 points. On 24 October 2008, the DAX stood at 4,014.60 points, its lowest quotation in 2008. Other German indices experienced very similar development. At the end of 2008, the DAX closed at 4,810.20 points (Xetra closing price on 30 December 2008). After a short-lived peak in January 2009 (5,111.02 points), the DAX has since tended to fall back towards the 3,800-point mark.

At present, it is not possible to predict when a recovery on the stock markets will occur. The government investment programmes will certainly make an impact. Nevertheless, investors assume that profits will drop in nearly all industries in 2009.

Favourable development of the MediClin share

The MediClin share started the reporting year at EUR 2.98 (opening rate on 2 January 2008), and closed at EUR 3.10 on 30 December 2008. In 2008, the share price moved in a range between EUR 2.00 (lowest price: 28 January 2008) and EUR 3.33 (highest price: 15 December 2008). MediClin has thus been able to insulate itself from the general decline in share prices.

Mandatory offer by ERGO

On 4 July 2008, ERGO Versicherungsgruppe AG, also on behalf of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft, communicated to us that they had increased their total shares of MediClin AG to more than 30 % of the voting rights, and thus will publish a mandatory offer as required by law. Shareholders received the offer documents on 14 August 2008; the offer price was EUR 2.50 a share. At the close of the offer period on 6 October 2008, the offer was accepted for a total of 7,984 shares. ERGO sees its stake in MediClin as purely a return-oriented financial investment.

Capital increase successfully completed

On 21 November 2008, the Management Board decided, with approval of the Supervisory Board, to carry out a capital increase. The registered share capital of the Company was raised by 50 % to EUR 47.25 mill. through the issuance of 15.75 mill. new shares with a share amount in the registered share capital of EUR 1.00 per share. The new shares, with an issue price of EUR 2.50 per share, were offered at a subscription ratio of 2:1. Evidence of the successful completion of the capital increase is the high subscription rate: more than 99.9 % of the new shares were subscribed during the subscription period. As a result, the commitment by ERGO to purchase shares not subscribed in the private placement at the issue price did not go into effect.

MediClin received a net amount of around EUR 38.1 mill., which will be used for the financing of acquisitions and for the planned repayment of Group debt which either already exists or which may arise in connection with potential acquisitions.

Shareholder structure in %

2008



ERGO Versicherungsgruppe AG	35.03
Provinzial Rheinland Lebensversicherung AG	29.30
Other core shareholders (shareholdings of 5 % or more)	21.83
Free float	13.84

As of January 2009

Share indicators

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

In €	2008	2007
Earnings per average share outstanding	0.22	0.18
Earnings per participating share	0.15	0.18
Cash flow per average share outstanding ¹	0.66	0.36
Cash flow per participating share ¹	0.46	0.36
Book value per share ²	3.15	3.31
Year-end price ³	3.10	2.80
52-week high (17.12.2008) ³	3.23	–
52-week low (10.04.2008) ³	2.07	–
Market capitalisation (year-end price) in mill. €	146.5	88.2
Number of shares in million as of 31.12.	47.25	31.50

¹ Cash flow from operating activities

² Equity less minority shares (based on numbers of shares as of 31.12.)

³ Source: Deutsche Börse AG, OnVista; as of 18 March, 2009, Xetra closing prices



PROF. DR. MARX Head of Cardiology Department

CARDIOLOGY

Professor Roger Marx has been head of MediClin Fachklinik Rhein/Ruhr's cardiology and internal medicine department since March 2008. The focus of his work centres on the treatment of patients with severe heart or internal diseases who come to the specialist clinic after a hospital stay.

Modern rehabilitation seamlessly carries on the successful hospital treatment.



Mr. Marx, what, in your understanding, characterises modern medical rehabilitation?

> Hospitals are increasingly transferring their patients sooner to rehabilitation after a heart attack, heart operation or stroke. The medical demands placed on rehab clinics have thus risen significantly. As I understand it, modern rehabilitation carries on the successful hospital treatment in the sense of a post-acute treatment and is closely related to acute care. This includes state-of-the-art equipment, as well as lively interaction between the admitting and registered physicians. Whenever possible, patients should also receive interdisciplinary treatment within the hospital.

What does collaboration with admitting and registered physicians and hospitals look like concretely?

> For one and half years, we have had here in Essen a special ultrasonic device capable of producing a 3-D visualisation of the heart; this is comparable to the equipment found at university hospitals. We ensure that diagnostics maintain

the same high level across all sectors – admitting hospitals expect that from us. Plus, I hold ultrasonic courses for colleagues from surrounding acute hospitals and provide training on this topic to assistant cardiology and internal medicine physicians throughout the entire MediClin Group.

You also refer to interdisciplinary collaboration.

How do you put this into practice?

> Close interaction across different disciplines is, in my opinion, extremely important for achieving sustainable success. Currently, with the neurology department, we are developing together a ward where we jointly treat patients with arteriosclerosis – which is usually the underlying cause of heart attacks and strokes. We help patients to improve how they live and teach them how to deal with their illness. By no means do I want people we successfully treated here to return in three months with their next heart attack. As a physician in the medical rehabilitation field, this is what motivates me most.

Summarised management report and Group management report of MEDICLIN Aktiengesellschaft for the 2008 financial year

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General economic conditions

According to the first calculations of the German Federal Statistics Office, the gross domestic product (GDP) only rose moderately in 2008 compared to the previous year, namely in real terms by 1.3% (calendar adjusted by 1.0%). The total labour force averaged just under 40.4 mill. in 2008, and was nearly 0.6 mill. persons higher than the level of the previous year. The total number of unemployed (international definition) dropped by almost 0.5 mill. persons to 3.1 mill. persons, according to preliminary estimates based on the Labour Force Survey. The economic slump, which became particularly evident in the fourth quarter of 2008, will have a delayed impact on the labour market.

Nearly all sectors of the economy made positive contributions to economic development in 2008; however, most areas posted significantly lower growth rates than in 2007. On the expenditure side of GDP in 2008, the growth impulse no longer came from the trade balance (difference between exports and imports), but rather the domestic side. Economic growth was buttressed here by gross investment and government consumption. Despite a significant rise in the disposable income of private households (+2.6%), consumption did not profit from this development (nominal increase: 2.2%), but rather – also certainly due to the global economic crisis, which became more pronounced over the course of the year – the savings rate of private households rose to 11.4%, 0.6 percentage points higher than the previous year.

According to preliminary calculations, the public sector recorded a small deficit of EUR 1.6 billion in 2008, which corresponds to a deficit rate of 0.1% of nominal GDP.¹

¹ Source: German Federal Statistics Office, Economy and Statistics 1/2009

Development of the health care sector

With a volume of EUR 240 billion, the German health care market is the largest in Europe. The acute care market (hospital market) represents approximately EUR 65 billion and post-acute care (rehabilitation) and nursing care markets approximately EUR 28 billion. And this trend is rising, with demographic change and technological progress being the engines driving growth.

In 2008, federal, state and municipal governments had more money in their coffers due to an increase in tax revenues in 2007. It is difficult to judge to what extent this and the economic upturn, which continued into the second half of 2008, has dampened the wave of privatisation in the hospital and rehabilitation market. Figures are also not available yet that indicate whether increased revenues have led to capital expenditures in the public sector of the hospital market. In 2008, the financial situation of hospitals and rehabilitation facilities worsened as a result of the hike in the value added tax and personnel costs, as well as the 0.5 % reduction in the hospital budget.

The labour market proved to be extremely stable in 2008. Another indicator, besides the lower level of unemployment, is the sick-leave rate. In 2008, employees in Germany reported themselves ill more frequently than in 2007. According to statistics from the German Federal Ministry of Health, wage earners and salaried employees missed an average of 3.4 % of planned working time. This represents a 6.0 % increase compared to 2007, when the sick-leave rate dropped to a record low of 3.2 % of planned working time. In 2008, absenteeism corresponded to 7.5 work days.

It is therefore safe to assume that the readiness to make use of, in particular, rehabilitation and preventive services, has risen again. This can also be seen in the further increase in applications for medical rehabilitation services. According to the Association of German Pension Insurance Institutions, the number of applications submitted for medical rehabilitation services totalled 1,589,104 in 2008, up 5.6 % compared to the value in the previous year (1,504,640 applications). The share of outpatient health care increased in the acute-care sector, as well in medical rehabilitation.

MediClin in 2008

In the 2008 reporting year, MediClin included 33 clinics, eight nursing care facilities and three medical care centres. Eight of the 33 clinics are dedicated acute-care hospitals; in three clinics we provide specific acute services in addition to medical rehabilitation measures.

The emphasis of the medical offerings continue to lie on the neurosciences and psychological sciences, with neurology, neurological early rehabilitation, neurosurgery and neuroradiology, as well as psychosomatic medicine and psychiatry, and orthopaedics. Furthermore, certain sites have 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 normally located on the same sites as the 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 care, post-acute care and nursing care as complementary services.

MediClin operates three medical care centres: MediClin MVZ Plau am See, specialising in urology, neurology and psychiatry; MediClin MVZ Leipzig, focusing on general medicine, internal medicine/cardiology and orthopaedics; and MediClin MVZ Bad Döben, specialising in general medicine and orthopaedics. The medical care centres have established themselves as an attractive link between outpatient and inpatient health care.

Cortex Software GmbH is the IT subsidiary of MediClin.

In 2008, the owners of the real estate funds, which primarily comprise the real estate of the post-acute facilities, received their full rental payments again.

On the closing date, the number of beds had risen by 6.6% or 487 beds compared to 2007. The entire increase can be attributed to the newly integrated facilities of the Kraichgau-Klinik AG.

The allocation of beds to the segments is as follows:

Number of beds as of 31.12.	2008	2007	Change in %
Post-acute	6,101	5,689	+ 7.2
Acute	1,377	1,302	+ 5.8
Nursing care	422	422	0.0
Group	7,900	7,413	+ 6.6

Business development in 2008

As a result of both internal and external growth, MediClin continued to improve its revenues in 2008. After the expiration of the three-year rent reduction agreement, higher rental expenses, which could not be offset completely, had a negative impact on the operating result in 2008.

Sales development in the Group and the segments

In the 2008 financial year, MediClin's **consolidated sales revenues** of EUR 456.8 mill. were approximately EUR 64.8 mill. or 16.5 % higher than the previous year's value. The newly acquired facilities of the Kraichgau-Klinik Group comprised EUR 51.7 mill. or 13.2 % of this increase.

Sales in the Group and in the segments

In millions of €	2008	2007	Change in %
Post-acute	245.6	225.6	+ 8.9
Acute	200.2	156.1	+ 28.3
Nursing care	11.0	10.3	+ 6.8
Group	456.8	392.0	+ 16.5

Revenues in the **post-acute segment** rose by EUR 20.0 mill. to EUR 245.6 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 significantly by EUR 44.1 mill. to EUR 200.2 mill., as they also did in the **nursing care segment** to EUR 11.0 mill.

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

The number of **nursing days** provided in 2008 increased Group-wide by 8.4 %, or 190,439 days over the previous year, with the newly acquired facilities of the Kraichgau-Klinik Group comprising 129,383 days or 5.7 % of this increase.

Nursing days in the Group and in the segments

In days	2008	2007	Change in %
Post-acute	1,916,328	1,759,206	+ 8.9
Acute	403,073	374,055	+ 7.8
Nursing care	139,835	135,536	+ 3.2
Group	2,459,236	2,268,797	+ 8.4

The number of nursing days in the post-acute facilities rose by 8.9 % or 157,122 days, whereby 102,694 days are attributable to the facilities of the Kraichgau-Klinik Group. The length of stay fell from 24.6 days in 2007 to 24.4 days in 2008. Despite the trend towards outpatient health care, the number of nursing days in the acute facilities increased overall by 29,018 days, or slightly by 2,329 days when adjusted for the new acquisition. The length of stay in this segment totalled 9.8 days, compared to 10.0 days in 2007. 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 2008 was 7.9 days.

The number of **cases** in the Group rose by 11,704, with 8,591 of these attributable to the newly acquired facilities. In the post-acute segment, the increase of 6,849 cases or 9.6 %, or 2,244 cases or 3.1 % when adjusted for the new acquisition, was particularly favourable. The number of cases in the acute segment rose by 4,856 cases, which is, however, mainly attributable to the new acquisition. The nursing care segment is not included in this reporting.

Cases in the Group and in the segments

In cases	2008	2007	Change in %
Post-acute	78,440	71,592	+ 9.6
Acute	42,258	37,402	+ 13.0
Group (without Nursing care)	120,698	108,994	+ 10.7

Occupancy rates in the Group and the segments

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

Occupancy rates and their changes in the Group and the segments

in %

Post-acute **+ 2.6**



Acute **+ 1.9**



Nursing care **+ 2.3**



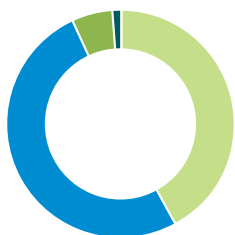
Group **+ 2.4**



■ 2008 ■ 2007

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

2008



2008	2007
51.3	54.0
Public health insurance funds	
42.0	39.0
Social security pension funds	
5.8	6.2
Private health insurance companies	
0.9	0.8
Other coverage providers	

Development of the coverage provider structure

As in the previous year, social security pension funds and public health insurance funds still 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 15.8 mill. in 2008, which was EUR 3.1 mill. lower than the previous year's level. Increased costs, primarily caused by the expiration of the rent reduction agreement, could not be offset completely by the higher revenues.

Group and segment results from operating activities

In millions of €	2008	2007
Post-acute	0.2	3.2
Acute	15.6	16.1
Nursing care	0.0	– 0.4
Group	15.8	18.9

The result of the **post-acute segment** was negatively impacted by about EUR 8 mill. higher rental expenses compared to 2007 due to the discontinuation of the above-mentioned rent reduction, but nevertheless was able to generate a slightly positive result.

The result for the **acute segment** was negatively impacted by special factors totalling EUR 0.5 mill. This primarily relates to one-off personnel expenses, which led to the result being EUR 0.5 mill. below the previous year's level despite significantly higher revenues.

The **nursing care segment** improved its result by EUR 0.4 mill.

A **result attributable to shareholders** of EUR 7.1 mill. was generated in 2008, after recording profits of EUR 5.7 mill in the previous year. The newly acquired Kraichgau-Klinik Group comprised EUR 2.1 mill. of this result.

Net assets, financial position and results of operation

Development of net assets

Balance-sheet structure

In millions of €	31.12.2008	in % of balance sheet total	31.12.2007	in % of balance sheet total
Assets				
Non-current assets	208.6	60.8	180.9	67.0
Current assets	134.5	39.2	89.0	33.0
	343.1	100.0	269.9	100.0
Equity and liabilities				
Equity	148.8	43.4	106.0	39.3
Non-current liabilities	70.4	20.5	52.1	19.3
Current liabilities	123.9	36.1	111.8	41.4
	343.1	100.0	269.9	100.0

The **balance sheet total** was 27.1% or EUR 73.2 mill. higher than the previous year. This increase is primarily the result of the acquisition of Kraichgau-Klinik Group, as well as the rise in cash and cash equivalents, which is mainly attributable to the capital increase.

Non-current assets, including deferred tax assets, increased by EUR 27.7 mill. to EUR 208.6 mill. (previous year: EUR 180.9 mill.). Intangible assets rose from EUR 46.2 mill. to EUR 54.8 mill. These include concessions, licences and goodwill from the acquisition of clinic operations, as well as payments on account. The additions totalling nearly EUR 1.8 mill. relate with EUR 0.9 mill. to concessions and licences, which were exclusively for software, with EUR 0.3 mill. to the goodwill acquired through the purchase of the remaining shares of MediClin Krankenhaus am Crivitzer See GmbH and with EUR 0.6 mill. to the payments on account. The scheduled depreciations amount to EUR 1.2 mill. and the change in consolidation scope EUR 7.9 mill. in net terms due to the acquisition of the Kraichgau-Klinik Group. Goodwill totalled EUR 52.8 mill. (previous year: EUR 45.2 mill.). There was no need for impairment of value in the financial year.

Property, plant and equipment increased by EUR 17.1 mill. to EUR 145.6 mill. (previous year: EUR 128.5 mill.). The land, land rights and buildings included in property, plant and equipment related mainly to the MediClin Herzzentrum Coswig, MediClin Waldkrankenhaus Bad Döben, MediClin Krankenhaus Plau am See, MediClin Robert Janker Klinik, MediClin Rose Klinik, MediClin Klinikum Soltau, MediClin Krankenhaus am Crivitzer See, MediClin Müritzklinikum, MediClin Fachklinik Rhein/Ruhr, Herzzentrum Lahr/Baden, Rehabilitationszentrum Gernsbach/Schwarzwald and Kraichgau-Klinik Bad Rappenau.

Gross additions to property, plant and equipment totalled EUR 18.0 mill. and primarily relate to construction measures in several facilities, as well as medical systems and devices and the modernisation and extension of IT infrastructure. Taking subsidies and grants into account, capital expenditures amounted to EUR 1.3 mill. The scheduled depreciations amount to EUR 10.8 mill. The change in consolidation scope totalled 27.5 mill. in net terms due to the acquisition of the Kraichgau-Klinik Group.

Other financial assets primarily relate to reinsurance values for pensions totalling EUR 1.8 mill. (previous year: EUR 0 mill.), as well as receivables from related parties totalling EUR 0.3 mill. (previous year: EUR 0.3 mill.).

Deferred tax assets increased from EUR 5.3 mill. to EUR 5.6 mill., whereby the change was due to temporary differences.

Current assets rose by EUR 45.5 mill. to EUR 134.5 mill. (previous year: EUR 89.0 mill.). Inventories increased from EUR 4.6 mill. in 2007 to EUR 5.8 mill. in 2008. Without the acquisition of the Kraichgau-Klinik Group, inventories would have remained at the previous year's level. Trade receivables increased by EUR 1.3 mill. to EUR 54.0 mill. (previous year: EUR 52.7 mill.), and would have decreased by EUR 5.7 mill. without the Kraichgau-Klinik Group. Other assets rose by EUR 6.2 mill. to EUR 16.4 mill. (previous year: EUR 10.2 mill.), whereby EUR 0.9 mill. is attributable to the Kraichgau-Klinik Group. 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 2008, receivables totalling EUR 10.1 mill. (previous year: EUR 2.9 mill.) were reported in accordance with the hospital financing law. This change is attributable to subsidies not yet disbursed for the MediClin Müritz-Klinikum in Waren.

Cash and cash equivalents totalled EUR 57.4 mill. (previous year: EUR 21.4 mill.) in the reporting year and increased in comparison with the previous year, primarily as a result of the capital increase.

The **equity** of the MediClin Group, as of 31 December 2008, amounted to EUR 148.8 mill. (previous year: EUR 106.0 mill.). It includes the subscribed capital of MediClin AG amounting to EUR 47.25 mill. (previous year: EUR 31.50 mill.), as well as capital reserves of EUR 129.2 mill. (previous year: EUR 106.7 mill.), which are primarily attributable to the IPO, as well as the capital increase carried out by MediClin AG in 2008. The revenue reserves also include negative minority interests and their adjustment from the acquisition of the Kraichgau-Klinik Group.

Non-current liabilities increased to EUR 70.4 mill. (previous year: EUR 52.1 mill.), which is primarily attributable to the newly acquired Kraichgau-Klinik Group (EUR 17.3 mill.).

Deferred tax liabilities rose slightly from EUR 1.1 mill. to EUR 1.4 mill.

Current liabilities increased by EUR 12.1 mill. to EUR 123.9 mill. (previous year: EUR 111.8 mill.), primarily as a result of the acquisition of the Kraichgau-Klinik Group. Trade payables rose slightly to EUR 14.6 mill. (previous year: EUR 11.9 mill.), which is also primarily attributable to the acquisition of the Kraichgau-Klinik Group (EUR 2.4 mill.). Tax liabilities amounting to EUR 2.8 mill. (previous year: EUR 2.3 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** rose to EUR 21.5 mill. in 2008 (previous year: EUR 11.3 mill.). The increase is attributable, among other things, to the acquisition of the Kraichgau-Klinik Group.

The **cash flow from investing activities** totalled EUR –20.3 mill. in gross terms (previous year: EUR –28.6 mill.). Investments of EUR 18.0 mill. were made in property, plant and equipment (previous year: EUR 27.6 mill.), with EUR 16.7 mill. (previous year: EUR 8.5 mill.) of these originating from subsidies. Investments of EUR 0.7 mill. were made for the acquisition of the Kraichgau-Klinik Group. Overall, the cash flow from investing activities totalled EUR –2.5 mill. in net terms (previous year: EUR –19.5 mill.).

The **cash flow from financing activities** amounted to EUR 14.1 mill. (previous year: EUR 0.4 mill.). The increase relates with EUR 38.1 mill. to the cash inflow resulting from the capital increase, as well as to the balance of new borrowing in the amount of EUR 17.0 mill. and redemption of financial liabilities in the amount of EUR 39.6 mill. In addition to MediClin AG's existing loan commitments, the redemption also includes partial repayments of loan commitments taken over in association with the acquisition of the Kraichgau-Klinik Group. The change in minority shareholders was due to the acquisition of the remaining minority interests held in the MediClin Müritzklinikum GmbH, Waren.

Cash and cash equivalents at the end of the period totalled EUR 57.4 mill. (previous year: EUR 21.4 mill.), which is primarily attributable to the capital increase.

Development of results of operation

In the reporting year, MediClin generated Group sales of EUR 456.8 mill. after EUR 392.0 mill. in the previous year. Sales were thus EUR 64.8 mill. or 16.5 % above the previous year's value. Cleared of the newly acquired and consolidated facilities of Kraichgau-Klinik AG, Group sales would have been EUR 405.1 mill. and 3.4 % above the previous year's value. The operating result decreased, primarily as a result of about EUR 8 mill. higher rental expenses, from EUR 18.9 mill. to EUR 15.8 mill., which corresponds to an EBIT margin (earnings before interest and taxes) of 3.5 %, after 4.8 % in the previous year. The share of the Group EBIT that is attributable to the Kraichgau-Klinik Group amounts to EUR 4.2 mill.

Other operating income rose by EUR 3.1 mill. to EUR 9.3 mill. (previous year: EUR 6.2 mill.), whereby EUR 2.5 mill. of the increase is attributable to the Kraichgau-Klinik Group. 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 21.2 mill. to EUR 105.6 mill. in 2008, with raw materials and consumables used for the newly consolidated Kraichgau-Klinik Group comprising EUR 15.3 mill. of the increase. The costs of raw materials and supplies grew, as compared to 2007, by 27.9 % to EUR 62.3 mill. (previous year: EUR 48.7 mill.). Cleared of the share attributable to the new acquisitions, the increase amounts to 3.9 %. The cost of purchased services, including energy costs, rose by 21.3 % to EUR 43.3 mill. (previous year: EUR 35.7 mill.) or, cleared of the Kraichgau-Klinik Group, by 11.2 % to EUR 39.7 mill. The cost of materials ratio thus climbed 1.6 percentage points, from 21.5 % to 23.1 % in the 2008 financial year (without Kraichgau-Klinik Group: 22.3 %).

Raw materials and consumables used

	2008	2007	Change in %
Raw materials and consumables used in millions of €	105.6	84.4	+ 25.1
Cost of materials ratio in %	23.1	21.5	

In the 2008 financial year, the increase in **staff costs** totalled EUR 31.7 mill., whereby EUR 26.2 mill. is attributable to the facilities of Kraichgau-Klinik AG. Cleared of these costs, the rise amounts to 2.5 %. The size of the workforce in 2008, as calculated in full-time employees, was on average 539 full-time employees above the average for 2007. Thereof 496 full-time employees are allotted to the newly consolidated facilities. The increase in costs is thus primarily attributable to the acquisition of the Kraichgau-Klinik Group, as well as the hiring of new staff and a general increase in wage and salary costs. The staff costs ratio decreased by 0.9 percentage points due to increased sales.

Staff costs

	2008	2007	Change in %
Staff costs in millions of €	249.3	217.6	+ 14.5
Staff costs ratio in %	54.6	55.5	

Depreciation and amortisation rose by EUR 3.4 mill. to EUR 12.1 mill. (previous year: EUR 8.7 mill.). This increase is primarily attributable to the additions to fixed assets of the facilities of the Kraichgau-Klinik AG.

The **financial result** of EUR –6.7 mill. was EUR 1.6 mill. below the previous year's level (previous year: EUR –5.1 mill.). This development is to be seen in the context of the loan liabilities assumed from the acquisition of the Kraichgau-Klinik AG. The financial result of the newly consolidated Kraichgau-Klinik Group totalled EUR –1.6 mill. Other financial revenues amounted to EUR 0.9 mill. (previous year: EUR 1.0 mill.), and other financial costs totalled EUR 7.6 mill. (previous year: EUR 6.1 mill.). A total of EUR 5.5 mill. of interest expenses (previous year: EUR 4.2 mill.) concerns payments to related parties in accordance with IAS 24.

The **consolidated result attributable to shareholders of MediClin** in 2008 was EUR 7.1 mill. (previous year: EUR 5.7 mill.). Undiluted earnings per average share outstanding were EUR 0.22 (previous year: EUR 0.18) and per participating share EUR 0.15 (previous year: EUR 0.18). Diluted earnings per average share outstanding were EUR 0.22 (previous year: EUR 0.18) and per participating share EUR 0.15 (previous year: EUR 0.18).

Capital expenditure

Licences and concessions relate exclusively to software. Goodwill consists of the acquisition of the remaining interests in the MediClin Krankenhaus am Crivitzer See GmbH.

Gross additions to property, plant and equipment totalled EUR 18.0 mill. and relate with EUR 5.2 mill. to the new construction of the MediClin Müritzklinikum in Waren, as well as with EUR 3.3 mill. to further renovation, maintenance and reconstruction measures in other facilities. EUR 1.6 mill. was invested in the acquisition of ultrasonic devices and X-ray systems, as well as an MRT system. Expenditures of EUR 2.9 mill. were made for further medical devices and equipment, as well as EUR 1.2 mill. for the modernisation and extension of IT and telecommunication facilities. EUR 0.8 mill. was invested in furnishings and equipment for patient rooms.

The item payments on account and assets under construction relates mainly to the reconstruction and new construction of the Müritzklinikum in Waren, as well as additional renovation work at various clinic facilities.

Additions to financial assets primarily relate to the reinsurance values for pensions.

Gross additions to non-current assets

In thousands of €	2008	2007
Licences, concessions	1,564	889
Goodwill	332	140
Land, buildings	947	90
Technical equipment, EDP	327	674
Operating and office equipment	8,144	8,070
Payments on account and assets under construction	8,576	18,747
Financial assets	156	13
Total	20,046	28,623

Strategy

MediClin's strategic objective remains unchanged: by strengthening regional and integrated health care networks, MediClin aims to provide premium medical services along the entire treatment chain, as close to the patient's place of residence as possible. This means that MediClin's facilities, also in association with cooperation partners, should be structured and entrenched in the market in such a way as to be able to offer cross-sector services, including outpatient health care, on a regional basis. MediClin has set the goal of further advancing the cross-sector networking of medical services and thus health care efficiency, while at the same time ensuring high quality standards along the entire treatment chain. This aim also serves to meet the health care needs of an aging population.

In implementing this strategy, MediClin places the focus in both its core segments (acute and post-acute) on high-volume indication areas (such as the neurosciences and psychological sciences, orthopaedics and cardiology) and on sophisticated medical services (such as neurosurgery, oncology and tinnitus).

Integrated health care offerings that meet the demands of the market and patients will, in the opinion of MediClin, play a key role in future medical care concepts. Therefore, MediClin plans to actively participate in the consolidation and restructuring of the health care market, in order to strengthen and expand its position as an integrated health care provider by acquiring further capacities and thereby becoming one of the leading clinic operators in the market. At the same time, the share of the acute segment should grow disproportionately to enable the Group to take greater advantage of the earnings potential which, in the opinion of MediClin, is present primarily in this segment, and resulting from the privatisation of public facilities and the founding of medical care centres.

To achieve the Company's strategic objective, MediClin pursues:

- Cooperation and acquisition policies that envision an increase in the share of sales attributable to the acute segment over the mid term and the generation of additional revenue through regional and operative synergies
- Transparent and open communications policies with all partners in the health care market, in order to create the necessary conditions for the formulation of innovative concepts and their successful implementation
- The stringent execution and continuous enhancement of the already high quality and service standards
- The further optimisation of the regional concept
- Personnel policies that are performance-oriented and promote continuing education
- An environmentally friendly and energy-efficient use of resources through the definition of environmental and energy standards

Organisation

MediClin is active as a nationwide operator of clinics. The strategic aim is to provide integrated medical services along the entire treatment chain, whereby important factors in the achievement of this goal are the networking of MediClin's own clinics within the Group, as well as the collaboration with external cooperation partners.

At MediClin AG, which functions as a Group holding company, tasks such as corporate strategy and corporate planning, as well as the acquisition and integration of clinics and other service areas in the health care segment, are centralised. In the 2008 financial year, the Group included 33 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 services relating to accounting, personnel, quality management, training and continuing education, as well as logistics and facility management. In addition, certain services are offered throughout the Group by subsidiaries:

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

MediClin achieves cost degression effects (economies of scale) through the cross-clinic integration of technical, organisational and therapeutic services, as well as through a more efficient allocation of resources at the headquarters and at the clinics.

Employees

The average number of employees in 2008, calculated on the basis of full-time staff, was 5,816 (previous year: 5,277 full-time staff), of which 496 full-time staff can be attributed to the facilities of the Kraichgau-Klinik Group.

Yearly average of number of employees in the Group and in the segments

Shown in full-time employees	2008	2007	Change
Post-acute	3,284	3,332	– 48
Acute	1,936	1,579	+ 357
Nursing care	155	140	+ 15
Service (including administration)	441	226	+ 215
Group	5,816	5,277	+ 539

In the reporting year, sales per full-time employee rose by EUR 4,263, and thus significantly more sharply than average staff costs per full-time employee (EUR +1,616) and bed (EUR +2,194).

Key data per full-time employee and bed in the Group

In €	2008	2007
Sales per full-time employee	78,541	74,278
Staff costs per full-time employee	42,860	41,244
Staff costs per bed	31,554	29,360

The Group employed an average of 160 trainees in 2008 (previous year: 147 trainees), of which five can be attributed to the newly acquired facilities of the Kraichgau-Klinik Group.

Segment reporting

MediClin was able to increase sales revenues in all segments in 2008 through both internal and external growth. All segments had to absorb higher material and staff costs in 2008. The share of sales in total revenue was allocated as follows: post-acute 53.8% (previous year: 57.6%), acute 43.8% (previous year: 39.8%) and nursing care 2.4% (previous year: 2.6%).

In millions of €	Sales			Segment result	
	2008	2007	Change in %	2008	2007
Post-acute	245.6	225.6	+ 8.9	0.2	3.2
Acute	200.2	156.1	+ 28.3	15.6	16.1
Nursing care	11.0	10.3	+ 6.8	0.0	- 0.4
Group	456.8	392.0	+ 16.5	15.8	18.9

Sales in the **post-acute segment** rose by 8.9% or EUR 20.0 mill. The result sank from EUR 3.2 mill. to EUR 0.2 mill., primarily due to the higher rental charge of about EUR 8 mill. compared to the previous year due to the discontinuation of the rental reduction agreement. The PlusPrograms developed for self-paying patients achieved revenues of approximately EUR 1 mill. in the current year as well as in the 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	2008	2007	Change in %	Share 2008 in %
Subsequent nursing treatment	1,135,428	1,086,936	+ 4.5	59.3
Curative treatment	676,777	579,144	+ 16.9	35.3
Other	104,123	93,126	+ 11.8	5.4
Post-acute segment	1,916,328	1,759,206	+ 8.9	100.0

In 2008, the share of subsequent nursing treatment totalled approximately 59% (previous year: approximately 62%) of all rehabilitative services in the post-acute segment, calculated in nursing days.

The average number of beds in the post-acute segment rose by a total of 419 beds, with 412 of these attributed to the acquisition of both rehabilitation centres of the Kraichgau-Klinik Group. MediClin's three largest medical fields continue to be orthopaedics, neurology, including psychosomatic medicine, and internal medicine.

Their share of the total average number of beds (6,101 beds) amounted to 81.7% (previous year: 83.4% / 5,682 beds).

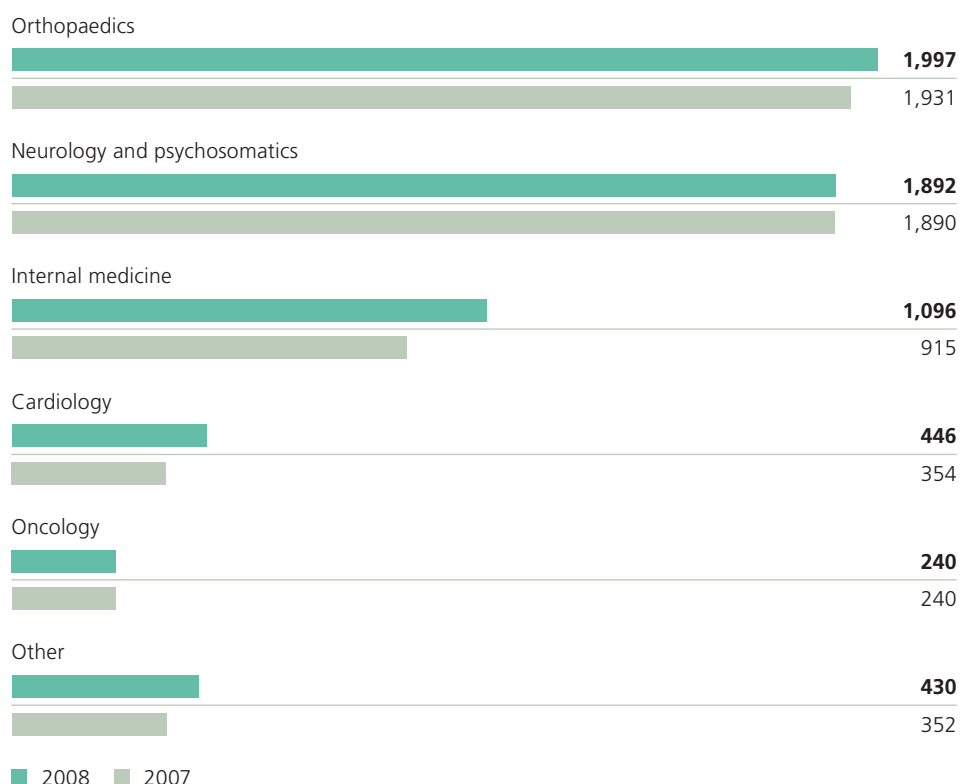
Yearly average of number of beds in %

2008



Orthopaedics	32.7
Neurology and psychosomatics	31.0
Internal medicine	18.0
Cardiology	7.3
Oncology	3.9
Other	7.1

Yearly average of number of beds



An annual average of 3,284 full-time staff was employed in the post-acute segment (previous year: 3,332 full-time staff).

A total of EUR 7.4 mill. (previous year: EUR 5.9 mill.) was invested in this segment.

Sales in the **acute segment** rose by 28.3 % or EUR 44.1 mill. At EUR 15.6 mill., the result was EUR 0.5 mill. below the previous year's level (previous year: EUR 16.1 mill.). The segment EBIT margin totalled 7.8 % (previous year: 10.3 %).

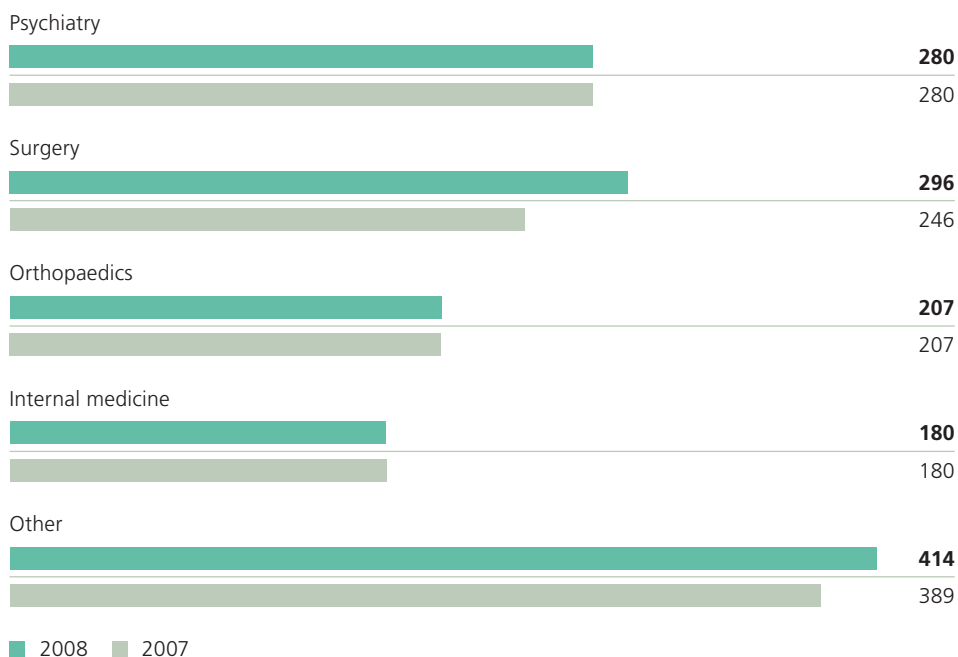
Yearly average of number of beds in %

2008



Psychiatry	20.3
Surgery	21.5
Orthopaedics	15.0
Internal medicine	13.1
Other	30.1

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 totalled 69.9 % (previous year: 70.1 %).

An annual average of 1,936 full-time staff was employed in the acute segment (previous year: 1,579 full-time staff). The increase is primarily attributable to the acquisition of the MediClin Herzzentrum Lahr/Baden, which had an average of 325 full-time staff. A total of EUR 12.4 mill. (previous year: EUR 22.3 mill.) was invested in the segment in 2008.

The **nursing care segment** generated sales of EUR 11.0 mill. (previous year: EUR 10.3 mill.) and thus accounted for 2.4 % of consolidated sales. The segment result is balanced (previous year: EUR –0.4 mill.).

An annual average of 155 full-time staff was employed in the nursing care segment (previous year: 140 full-time staff). Investments totalled EUR 0.2 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.

Development of net assets and the financial position

In millions of €	31.12.2008	in % of balance sheet total	31.12.2007	in % of balance sheet total
Assets				
Non-current assets	208.1	74.3	203.6	93.1
Current assets	72.0	25.7	15.0	6.9
	280.1	100.0	218.6	100.0
Equity and liabilities				
Equity	189.8	67.8	144.6	66.2
Non-current liabilities	11.6	4.1	3.8	1.7
Current liabilities	78.7	28.1	70.2	32.1
	280.1	100.0	218.6	100.0

The balance sheet total climbed 28.1% or EUR 61.5 mill. as compared to the previous year. This rise resulted mainly from the increase in cash and cash equivalents, which is primarily attributable to the capital increase, as well as a newly secured loan of EUR 10.0 mill.

Net financial liabilities improved EUR 28.6 mill. from EUR 60.8 mill. in 2007 to EUR 32.2 mill. in 2008.

Due to the capital increase, the change in the subscribed capital, as well as the capital reserve, is as follows:

In thousands of €	Subscribed capital	Capital reserve
As of 01.01.2008	31,500	105,000
Capital increase	15,750	23,627
As of 31.12.2008	47,250	128,627

Development of results of operation

MediClin AG recorded no sales for the reporting year. Other operating income of MediClin AG, totalling EUR 0.2 mill. (2007: EUR 0.2 mill.), includes mainly income from management services. Staff costs amounted to EUR 2.0 mill., thus remaining nearly unchanged from the previous year (2007: EUR 2.0 mill.).

Other operating expenses totalled EUR 3.2 mill. (2007: EUR 2.0 mill.) and are with EUR 1.3 mill. primarily related to the capital increase carried out in 2008, as well as to auditing and consultancy costs (2008: EUR 939 thou.; 2007: EUR 771 thou.), rent and leaseback (2008: EUR 72 thou.; 2007: EUR 233 thou.), insurance costs (2008: EUR 148 thou.; 2007: EUR 133 thou.), administration costs (2008: EUR 235 thou.; 2007: EUR 250 thou.) and other costs.

Income from participation amounting to EUR 19.5 mill. (2007: EUR 17.1 mill.) relates to the partial distribution concerning the 2007 annual results, as well as to the advanced distribution concerning the 2008 annual results of subsidiaries.

Income from financial investments and similar income increased by EUR 0.2 mill. to EUR 0.7 mill. (2007: EUR 0.5 mill.). Other interest and similar expenses amounted to EUR 4.7 mill., thus remaining virtually unchanged from the previous year (2007: EUR 4.7 mill.).

The financial result of MediClin AG was negatively impacted in 2008 by the recording of an allowance totalling EUR 4.7 mill. for receivables from a subsidiary. In the previous year, depreciation totalling EUR 3.7 mill. on shares in affiliated companies was recorded.

MediClin AG reported a net profit for the year of EUR 5.8 mill. in the 2008 financial year (previous year: EUR 4.3 mill.).

The number of staff was four (calculated in full-time employees) on annual average (previous year: five 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 2009 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. MediClin did not make use of the opting-out clause.

Management Board compensation

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 share-based compensation and a pension commitment. The fixed salary is paid out monthly. The profit-sharing bonus is contingent on the achievement of certain goals and consisted of two profit-sharing bonus components in 2008. The profit-sharing bonus component I represents at most 70 % of the contractually defined profit-sharing bonus and is based on the performance indicator EBITDAR (earnings before interest, taxes, depreciation, amortisation and rent). The profit-sharing bonus component II represents at most 30 % of the contractually defined profit-sharing bonus and is determined by qualitative criteria. 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 share-based compensation.

Compensation of the Management Board in the 2008 financial year totalled EUR 1.6 mill. (previous year: EUR 1.4 mill.) and was structured as follows:

In €	2008	Dr. Ulrich Wandschneider	Frank Abele	Management Board (total)
Fixed remuneration		420,000	300,000	720,000
Variable remuneration inclusive change in provisions for variable remuneration		500,000	300,000	800,000
Share-based compensation		0	0	0
Pension commitment		17,000	17,000	34,000
Other remuneration components		9,104	8,756	17,860
Total		946,104	625,756	1,571,860

In €	2007	Dr. Ulrich Wandschneider	Frank Abele	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

The Group also granted the Management Board share-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 31.12.2008 ¹	EUR 3.10
Existing option rights as of 31.12.2008/2007	250,000/250,000
Exercisable options rights as of 31.12.2008/2007	250,000/0
Exercisable options rights as of 31.12.2008/2007	0/0

¹ Xetra closing price 30.12.2008

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 2008 (excluding VAT) amounts to EUR 83,084.95 (previous year: EUR 83,084.95).

No performance-based (variable) compensation was paid in 2008, since no dividends were distributed.

As in the 2007 financial year, there were no loans extended to members of the Supervisory Board in 2008. 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

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.

Risk management

The objective of MediClin's risk management is the identification and control of significant risks. To achieve this, we have adopted organisational rules and implemented instruments that should ensure that current and future risks are detected as early as possible.

The basis for effective and efficient risk management is a distinct and uniformly understood risk culture, which is grounded in a company's risk policies. Risk management at MediClin is understood and organised as a closed loop. The elements of the loop include risk identification, risk assessment, early risk detection and risk control. Regular written reports (risk inventory of the significant risks faced by MediClin) is a component of our risk policies.

The Management Board of MediClin AG has overall responsibility for the risk management system. It delegates the tasks within the scope of the Group-wide risk management to the central risk manager and to persons in charge of risk policies in the individual departments and clinics. Organisationally, risk management is part of the central quality, organisation and auditing department. The implementation of the risk management process in the facilities of MediClin is always directly connected to the business management of the respective facility. Due to the required professional and management expertise, this is the best way to integrate effective risk prevention in daily operations. Consequently, risk management responsibilities remain directly with the clinic management teams and the central department heads and are not detached from the respective fields. The flow of information within the Group is ensured in both a top-down and a bottom-up manner. Direct communications about risks take place between the central risk manager and the persons in charge of risk policies in the individual departments and clinics. The Management Board is kept informed through direct communications with the central risk manager.

The risk inventory conducted in the 2008 financial year revealed no outstanding risks or agglomeration of individual risks.

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.

Currently, an increasing scarcity of employees in certain health care professions and/or certain regions is beginning to be evident.

A weak labour market can have a dampening effect on the demand for schedulable acute measures and rehabilitation services. In addition, regional overcapacity and cost-cutting measures by the coverage providers, particularly in the rehabilitation sector, can lead to more intense competition.

Economic factors, such as a shortage of funds at the German federal state level and rising competitive pressure, can lead to a change in the clinic market and, in particular, further privatisations.

MediClin has already adapted to this potential shift of the market and has taken measures at an early stage, in order to minimise the negative effects and to profit from the changes.

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 sector, the case-based flat-fee system (DRG system) has, since 2005, been in a so-called conversion phase, in which basic case values specific to the individual clinics are to be aligned to the basic case values of the federal states by 2010. The effects on MediClin's eight 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.

Competition

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

MediClin financed most of the real estate in the post-acute segment in a sale and leaseback transaction. The result is a not insubstantial rental charge in this segment. The Management Board sees a possibility to achieve additional revenues and increases in income in the Group through acquisitions and, in the individual facilities, through services related to nursing care and self-payment programmes. The latter 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 2009.

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 the 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.

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

The subscribed capital of MEDICLIN Aktiengesellschaft consists of 47,250,000 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 Aktiengesellschaft of larger than 10 % are the Provinzial Rheinland Lebensversicherung AG (Provinzial), the ERGO Versicherungsgruppe AG (ERGO), the DKV Deutsche Krankenversicherung AG (DKV) and the Asklepios Kliniken Verwaltungsgesellschaft mbH. Those with an indirect shareholding are the Deka Fundmaster Investmentgesellschaft GmbH through Provinzial, the Münchener Rückversicherungs-Gesellschaft AG through its subsidiaries ERGO and DKV, the Asklepios Kliniken GmbH through the Asklepios Kliniken Verwaltungsgesellschaft mbH and Dr. Bernard gr. Broermann, also through the Asklepios Kliniken Verwaltungsgesellschaft mbH. 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 2008 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

No significant events of special importance have occurred after the cut-off date.

The financial crisis that has been ongoing since the end of last year, together with its effects on the economy and the labour market, have had no negative impact on MediClin's occupancy rates and business development in the first two months of 2009.

Economic situation in Germany – growth through stimulus programme

The global economic downturn has completely gripped the German economy. New orders have fallen drastically, especially in the machine construction and auto industries. According to experts, the German economy is facing its greatest challenge since reunification.

As a result, the federal government anticipates the gross domestic product (GDP) will contract by a price-adjusted 2.25 %; this forecast, however, takes into consideration the measures the federal government has taken to stimulate the economy.

According to the 2009 Annual Economic Report from the German Federal Ministry of Economics and Technology, the federal government is pursuing a strategy that "combines the right growth policies with the required economic policies". The package of measures passed at the end of 2008 will provide citizens and businesses with around EUR 30 billion of relief in 2009 and 2010. After the forecasts for 2009 had quickly worsened, the federal government adopted the Pact for Employment and Stability in Germany, which will affect the following areas: public sector investments, supply of credit to the economy, employment and training, relief from public charges and taxes, as well as sustainable financial policies. The pact authorises a total of EUR 50 billion for 2009 and 2010. Together with the measures already passed in 2008, the government is mobilising more than EUR 80 billion to overcome the crisis.

The prospects for the current year, however, are not very bright. Economic indicators signal that order volume and capital spending will continue to decline. This downturn is driven in particular by the reluctance of banks to extend credit and provide corporate financing. It is doubtful to what extent private consumption can have a stabilising effect, as this requires a stable labour force and high employment rates.

Demand for medical services relatively crisis-resistant

It is still not possible to predict to what extent the economic downturn will impact medical services in the outpatient and inpatient sectors of the health care market. In the past, we have seen that the occupancy rates of facilities are, to a certain degree, dependent on the employment situation and thus also indirectly on the willingness of coverage providers to incur expenditures. While health consciousness has risen, it is currently not possible to determine to what extent this will offset the negative correlation between the employment slump/lower budgets and the usage of medical services. The same applies to the acute and post-acute markets.

Nevertheless, health care still ranks as one of the most innovative and employment-intensive industries in Germany, and is also one of the engines of growth as a result of demographic developments.

In 2008 solid foundation laid for further development

As a result of both internal and external growth, MediClin continued to improve its revenues in 2008. The operating result of the previous year could not be achieved, as significantly higher rental expenses had to be absorbed in 2008 due to the expiration of the rent reduction agreement. These additional rental expenses were offset in part by revenue increases, the positive earnings contribution of Kraichgau-Klinik AG and cost-cutting measures.

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 emphases on the neurosciences and psychological sciences, orthopaedics and internal medicine, as well as special fields such as tinnitus and diabetes. The three medical care centres (Leipzig, Plau and Bad Dübener) 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 one of the leading providers of attractive, patient-oriented concepts nationwide, which enjoy broad market acceptance.

In view of its rigorously applied strategy and stringent management practices, 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.

Outlook

It is currently impossible to predict reliably to what extent the economic slump and the worsening of the labour market situation will impact the German health care sector and its care facilities. At the present, it is also impossible to estimate to what extent a decline in employment levels will impact the budgets of coverage providers and their tendering practices. However, it is clear that the financial situation of public authorities will significantly worsen, which will again accelerate the privatisation process in the hospital sector.

For the 2009 financial year, Management Board anticipates sales on the previous year's level. A decrease in the third and fourth quarter of 2009 is not to be excluded in case of a continuing economic slowdown. It is intended to achieve a result comparable with the previous year, mainly through efficiency gains and stringent cost management. In relation to external growth, acquisition efforts in the acute sector are the main focus.

MEDICLIN Aktiengesellschaft

Frankfurt am Main, 3 March 2009

The Management Board



CHRIS NAHRSTEDT Physical Therapist

PHYSIOTHERAPY

Chris Nahrstedt has been working at the MediClin Seepark Klinik since 1994; first as a masseur and medical pool attendant, then – after further education – as a physical therapist. Today, Chris Nahrstedt is in charge of the physical therapy department, which includes masseurs and pool assistants, as well as sports and physical therapists. His work focuses on the treatment of severely overweight people, for which the hospital is specially equipped.

When someone weighing 300 kilos has fun moving their body again, then I've done a good job.



How can one imagine physical therapy with severely obese patients?

> From the perspective of what's offered, there are no major differences to physical therapy for normal or underweight patients. We do remedial gymnastics, perform medical massages, go swimming and play sports. However, we use special equipment for these activities. For example, we work with a bicycle ergometer that patients can also operate while lying in bed. Our focus is on getting the patients moving around again and practicing standing up and walking – that is not always an easy task with patients who weigh around 300 kilos. It's important to achieve lots of small steps and repeatedly give them encouragement.

So you are also challenged to give psychological support?

> Absolutely. I first try to build a good relationship with the patient; this enables successful physical therapy immensely. If the patient is resistant and apathetic, you really don't have a chance. I therefore try to motivate them and make an active life appealing – every person wants to get out

of bed again at some point. Frequently, the key to success is eliminating the person's fear. When someone has gone for months without any social contact, they have to slowly get used to interaction with other people again. Sometimes as a first step it's enough to simply leave open the door to the hallway, so that patients can see outside their room from bed.

How can you, as a physical therapist, tell that your therapy has made a difference?

> Obese patients often want to show their therapists and attendants what they have achieved. They come by without being called and proudly demonstrate their progress. When someone weighing 300 kilos has fun moving their body again, then I've done a good job. After all, it's not about patients losing the maximum number of kilos or constantly doing sport in the weeks they are here. What's much more important is that they take something home with them and know how to eat better, incorporate exercise in their daily life, take walks, go biking, cultivate contacts and use cars and lifts less often.

Consolidated financial statements of MEDICLIN Aktiengesellschaft for the 2008 financial year

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Consolidated balance sheet as of 31 December 2008

ASSETS

	Appendix		31.12.2008 in €	Previous year in thousands of €
NON-CURRENT ASSETS				
Intangible assets	(1)			
Concessions, licences		1,783,821		966
Goodwill		52,785,645		45,154
Payments on account		203,945		89
			54,773,411	46,209
Property, plant and equipment	(2)			
Land, land rights and buildings including buildings on third-party land		117,599,495		90,231
Technical equipment and machines		7,495,763		2,422
Operating and office equipment		18,959,475		15,563
Payments on account and assets under construction		1,547,935		20,302
			145,602,668	128,518
Other financial assets	(3)			
Investment in stock of subsidiaries		59,600		44
Other loans		306,524		291
Reinsurance cover		1,763,443		0
			2,129,567	335
Tax refund claims	(4)		531,129	586
Deferred tax assets	(5)		5,597,645	5,276
			208,634,420	180,924
CURRENT ASSETS				
Inventories	(6)		5,750,777	4,599
Trade receivables	(7)		53,953,642	52,709
Other assets				
Prepaid expenses		1,360,572		995
Receivables pursuant to hospital financing law	(8)	10,068,813		2,916
Other assets	(9)	4,994,109		6,313
			16,423,494	10,224
Tax refund claims	(10)		79,703	80
Cash and cash equivalents	(11)		57,383,814	21,377
Assets held for sale	(12)		875,000	0
			134,466,430	88,989
			343,100,850	269,913

EQUITY AND LIABILITIES

	Appendix		31.12.2008 in €	Previous year in thousands of €
EQUITY				
Shares MediClin Group				
Subscribed capital	(13)	47,250,000		31,500
Capital reserve	(14)	129,212,002		106,684
Revenue reserve	(15)	17,089		303
Consolidated balance sheet loss	(16)	– 27,643,242		– 34,315
			148,835,849	104,172
Minority interests				
	(17)		0	1,825
			148,835,849	105,997
NON-CURRENT LIABILITIES				
Non-current liabilities				
Liabilities to banks	(18)	21,119,343		22,382
Bond issues	(19)	250,000		250
Other financial liabilities	(20)	10,798,809		1,813
			32,168,152	24,445
Provisions				
Provisions for pensions and similar commitments	(21)	26,316,849		16,812
Other provisions	(22)	10,470,936		9,767
			36,787,785	26,579
Deferred tax liabilities				
	(23)		1,396,137	1,056
			70,352,074	52,080
CURRENT LIABILITIES				
Trade payables				
			14,633,033	11,894
Current financial liabilities				
Liabilities to banks and insurance companies	(24)		73,915,517	68,377
Other current liabilities				
Liabilities pursuant to hospital financing law	(25)	10,454,977		11,842
Other liabilities	(26)	18,146,824		14,557
			28,601,801	26,399
Provisions				
	(27)		3,964,080	2,847
Tax liabilities				
	(28)		2,798,496	2,319
			123,912,927	111,836
			343,100,850	269,913

Consolidated profit and loss account

for the financial year from 1 January to 31 December 2008

	Appendix	Jan. – Dec. 2008 in €	Previous year in thousands of €
Sales	(29)	456,794,623	391,965
Other operating income	(30)	9,347,959	6,241
Total operating performance		466,142,582	398,206
Raw material and consumables used	(31)		
a) Cost of raw materials and supplies		– 62,309,140	– 48,732
b) Cost of purchased services		– 43,276,791	– 35,673
		– 105,585,931	– 84,405
Staff costs	(32)		
a) Wages and salaries		– 210,239,158	– 182,890
b) Social security, pension and retirement		– 39,034,433	– 34,755
		– 249,273,591	– 217,645
Depreciation and amortisation	(33)	– 12,061,222	– 8,717
Other operating expenses	(34)	– 83,422,622	– 68,573
Operating result		15,799,216	18,866
Financial result	(35)		
a) Other financial revenues		937,642	1,041
b) Other financial costs		– 7,600,830	– 6,108
		– 6,663,188	– 5,067
Result before tax		9,136,028	13,799
Taxes on income	(36)	– 1,862,741	– 8,032
Result after tax		7,273,287	5,767
Result attributable to minority interests		– 192,924	– 38
Result attributable to shareholders of MediClin		7,080,363	5,729
Earnings per share	(37)		
Earnings per share undiluted (in €)		0.22	0.18
Earnings per share diluted (in €)		0.22	0.18

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 01.01.2006	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

In €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Treasury stock	Shares MediClin Group	Minority interests	Total equity
As of 01.01.2008	31,500,000	106,683,544	303,089	– 34,314,605	0	104,172,028	1,824,530	105,996,558
Total consolidated result	–	–	–	7,080,363	–	7,080,363	192,924	7,273,287
Change in consolidation scope	–	–	– 286,000	– 409,000	–	– 695,000	0	– 695,000
Acquisition of minority interests	–	–	–	–	–	0	– 2,017,454	– 2,017,454
Capital increase	15,750,000	22,528,458	–	–	–	38,278,458	–	38,278,458
As of 31.12.2008	47,250,000	129,212,002	17,089	– 27,643,242	0	148,835,849	0	148,835,849

Consolidated cash flow statement

	Jan. – Dec. 2008 in €	Jan. – Dec. 2007 in €
Operating result (EBIT)	15,799,216	18,865,596
Result of finance activities	– 6,663,188	– 5,066,671
Result of income taxes	– 1,862,741	– 8,032,002
Total consolidated result	7,273,287	5,766,923
Depreciation on fixed asset items	12,061,222	8,716,615
Change in deferred taxes	410,969	5,965,715
Change in non-current provisions	1,759,142	251,440
Change in current provisions	– 1,782,478	734,659
Result from the disposal of fixed asset items	– 182,451	– 6,965
Other non-cash income	0	3,958
Change in non-current tax refund claims	55,046	– 26,175
Change in current assets	920,461	– 7,949,731
Change in current liabilities	1,015,129	– 2,109,605
Cash flow from operating activities	21,530,327	11,346,834
Payments received from the disposal of fixed assets	931,300	489,226
From the disposal of property, plant and equipment	931,300	392,256
From the disposal of fully consolidated companies	0	96,970
Payments received from investment subsidies	16,815,244	8,682,628
From intangible assets	128,561	158,039
From property, plant and equipment	16,686,683	8,524,589
Cash used for investments in fixed assets	– 20,254,113	– 28,622,869
From the purchase of fully consolidated companies	– 687,534	0
In intangible assets	– 1,564,431	– 1,029,040
In property, plant and equipment	– 17,993,759	– 27,581,329
In financial assets	– 8,389	– 12,500
Cash flow from investing activities	– 2,507,569	– 19,451,015
Change in minority shareholders	– 1,481,772	0
Capital increase	38,071,838	0
Addition of financial liabilities	17,041,317	2,541,781
Repayment of financial liabilities	– 39,558,171	– 2,123,746
Cash flow from financing activities	14,073,212	418,035
Consolidation scope change to the financial resource fund	2,910,552	0
Cash flow for the period	36,006,522	– 7,686,146
Cash and cash equivalents at beginning of period	21,377,292	29,063,438
Cash and cash equivalents at end of period	57,383,814	21,377,292

Basic information

MEDICLIN Aktiengesellschaft (MediClin) is active as a nationwide clinic operator. With 33 clinics, eight long-term care facilities and three medical care centres in eleven German federal states, MediClin offers an overall capacity of approximately 7,900 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 2008 financial year. The underlying consolidated financial statements were approved for publication by the Management Board on 3 March 2009. The annual financial statements of MediClin AG, the consolidated financial statements of MediClin AG and the summarised management report and Group management report, on which an unqualified auditor's report was issued by BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, have been published in the electronic German Federal Gazette (Bundesanzeiger).

The consolidated financial statements to 31 December 2008 were prepared in accordance with Section 315a (1) of the German Commercial Code (HGB), pursuant to the regulations of the International Financial Reporting Standards (IFRS), the International Accounting Standards Board (IASB), London, as well as the supplementary interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as valid in the EU on the cut-off date.

Standards and interpretations published by the EU Commission

In order to simplify the legal provisions of the Community in the area of financial reporting, the EU consolidated and republished the standards covered by Regulation (EC) No. 1725/2003 until November 2008, as well as the associated amendments, in a single text for the sake of clarity and transparency.

In response to the crisis in the financial markets, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures. Following their publication in the Official Journal of the European Union on 16 October 2008, these amendments were applicable as of 1 July 2008. The amendments permit the reclassification of certain financial assets into different measurement categories. These amendments are not relevant to the consolidated financial statements of MediClin AG.

IFRS 8 was published in the Official Journal of the European Union on 22 November 2007 and replaces IAS 14 with application becoming mandatory for all financial years beginning after 31 December 2008, including the option to adopt early. IAS 14 will be applied for the last time in the 2008 financial year. The voluntary option to adopt IFRS 8 early has not been exercised.

The following standards and interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) were endorsed by the EU Commission by February 2009, and were binding as of 1 January 2009. The option to adopt early was not exercised.

- IAS 1 "Presentation of Financial Statements (revised 2007)"
- IAS 23 "Borrowing Costs (revised 2007)"
- IAS 32 "Financial Instruments: Presentation"; new version
- IFRS 1 "Presentation and Disclosures"; amendment
- IFRS 2 "Share-based Payment"; amendment
- IFRIC 13 "Customer Loyalty Programmes"
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- Improvements to IFRSs

The application of the revised **IAS 1** will primarily bring about an expanded presentation of the statement of changes in equity and the statement of comprehensive income.

IAS 23 removes, among other things, the option of capitalising borrowing cost and requires the capitalisation of borrowing costs that can be assigned to the construction, acquisition or production of a qualifying asset.

The amendment to **IAS 32** relates primarily to questions regarding the distinction between equity and liability. In particular, the new version now permits, under certain circumstances, the option of classifying puttable instruments as equity. The amendments are primarily relevant to German partnerships and cooperatives which were previously required to disclose shareholders' capital as a liability on account of the shareholders' right to cancel their participation.

The amendments to **IFRS 1** allow entities, when adopting the International Financial Reporting Standards (IFRS) for the first time in their separate IFRS financial statements, to choose as the deemed cost of an investment either fair value or book value in accordance with the previously applicable national accounting standards.

The amendments to **IFRS 2** relate primarily to the definition of vesting conditions and the regulations governing the cancellation of a plan by a party other than the entity.

IFRIC 13 addresses customer loyalty programmes in which customers are granted loyalty award credits when purchasing products and services, which can be redeemed for free or against discounted goods or services at a later time.

IFRIC 14 provides general guidelines on how to assess the limit in IAS 19 on the amount of the surplus in a pension fund that can be recognised as an asset. IFRIC also explains how statutory or contractual minimum funding requirements may affect the accounting of assets and liabilities resulting from a defined pension plan. Under IFRIC 14 no additional liability needs to be recognised by the employer unless the contributions which are payable under the minimum funding requirement cannot be returned to the Company.

The standard **Improvements** to IFRSs contains 35 amendments to 20 IFRSs, which in 24 cases relate to presentation, recognition or measurement changes, and in eleven cases to terminology or editorial changes.

According to current assessments, the future application of these standards will not have any material impact on the Group's net assets, financial position or results of operation.

Standards and interpretations not yet adopted by the EU Commission

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued a number of amendments to the existing IFRS/IAS, as well as new interpretations, which are still not binding, as none of these have yet been endorsed by the EU:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards"; formal changes only
- IFRS 3 "Business Combinations"; amendment
- IFRS 7 "Financial Instruments: Disclosures"; amendment from November 2008
- IAS 27 "Consolidated and Separate Financial Statements in Accordance with IFRS"; amendment
- IAS 39 "Financial Instruments: Recognition and Measurement"; amendment from November 2008
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 15 "Agreements for the Construction of Real Estate"
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17 "Distributions of Non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"

With regard to the IASB standards and interpretations that are not yet binding, we also do not anticipate any substantial effects or changes in the accounting principles, or any material impact on the Group's net assets, financial position or results of operation.

Otherwise, the same financial accounting standards have been used as in the 2007 consolidated financial statements.

Exercise of judgment in applying accounting policies

The application of accounting policies requires the exercise of judgment. This is particularly the case in the following circumstances:

- Financial assets are to be classified under the categories “held-to-maturity investments”, “loans and receivables”, “available-for-sale financial assets” and “financial assets at fair value through profit or loss”.
- In measuring the provisions for pensions and other employee benefits, different options for recognising actuarial gains and losses are available.
- With respect to non-current assets held for sale, it must be determined whether the assets are available for sale in their present condition and whether their sale is highly probable. If that is the case, the assets and any associated liabilities are reported and measured as assets or liabilities held for sale.
- Where leased items of property, plant and equipment are used, it must be determined whether all material risks and rewards incident to ownership have been transferred and thereby meet the criteria for classification as a finance lease as set out in IAS 17.
- Special-purpose vehicles are to be consolidated when the nature of the relationship between the entity and the special-purpose vehicle indicates that the special-purpose vehicle is controlled by the entity.

Estimates and assessments made by management

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 always 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 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. Estimates are also particularly needed to recognise tax provisions, whereby the amount and timing of future taxable income could be subject to uncertainty due to the interpretation of complex tax regulations. 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, significant 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 receivables pursuant to the hospital financing law, the valuation of share-based payment options from the convertible bond as well as the assessment of impairment of deferred tax liabilities and assets – here, in particular, for losses carried forward – are based on adequate assumptions and estimates by management and have been determined using the latest available and reliable information.

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 (plus amendments to the accounting standards), 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 at 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, and also taking into consideration the crisis in the financial markets, no significant adjustment to the book values of reported assets and debts is to be expected for the 2009 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.

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 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.

Minority interests are presented separately within equity (IAS 27.33). They are measured at their share of equity or annual results of the respective subsidiary at the balance sheet date. Negative minority interests are not recorded. The Group applies the provision in IAS 27.35 according to which negative minority interests are offset against Group equity (revenue reserve) and a charge or credit to the consolidated profit and loss account through the reporting of a minority interest does not occur until a positive minority interest arises, which is then presented separately in the consolidated balance sheet within equity.

The initial consolidation of the Kraichgau-Klinik Group resulted in a negative minority interest due to the excessive indebtedness of the company which was offset against the revenue reserve.

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, MediServ GmbH and Vitalisklinik Verwaltungs-GmbH. The five 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.

Special purpose entities are consolidated when the economic view of the relationship between a consolidated subsidiary and a special purpose entity indicates that the special purpose entity is controlled by the consolidated subsidiary.

Due to the charitable object and purpose of its Articles of Association and the associated exemption from corporation, trade, inheritance, gift and real estate taxes, the MediClin Krankenhaus am Crivitzer See GmbH is, except for its taxable business activities, subject to a statutory restriction on profit distribution.

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.

As there are no joint ventures, IAS 31 is not applied.

Acquisition of companies and shareholdings

On 1 January 2008, MediClin AG acquired through a share purchase agreement the majority of shares (75.584 %) of Kraichgau-Klinik AG, Bad Rappenau, including the associated facilities in Baden-Württemberg and Hessen. At the time of the acquisition, the Kraichgau-Klinik AG operated the Herzzentrum Lahr, Lahr/Baden, the Rehabilitationszentrum Gernsbach/Schwarzwald, the Kraichgau-Klinik Bad Rappenau and the Vitalisklinik, Bad Hersfeld. In addition to the operating hospitals, the purchase also included the acquisition of the controlling interest in four corporate entities that act as general partnership companies, as well as the Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG i. L. (in liquidation), whose clinic operations have already been suspended and whose assets only consist of a single parcel of real estate.

The purchase price for the acquisition primarily consists of the assumption of liabilities totalling EUR 30.0 mill. In addition to the contractual purchase price, additional acquisition expenses of EUR 0.3 mill. were incurred.

Companies of the Kraichgau-Klinik Group

	Percentage of shares held	
	01.01.2008	31.12.2008
Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, Bad Rappenau	75.584	94.485
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	75.584	94.485
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	75.584	94.485
Regina Mobilien-Leasing GmbH, Lahr/Schwarzwald	75.584	94.485
Yvonne Mobilien-Leasing GmbH, Offenburg	75.584	94.485
Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG i. L., Bad Rappenau	75.584	— ¹
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	75.584	94.485
Reha-Klinik Paracelsus Verwaltungs-GmbH, Lahr/Schwarzwald	75.584	94.485
Vitalisklinik Bad Hersfeld GmbH & Co. KG, Bad Hersfeld	67.872	— ¹
Vitalisklinik Bad Hersfeld Verwaltungs-GmbH, Bad Rappenau	75.584	94.485

¹ Accrued to the Kraichgau-Klinik AG

Within the scope of the preliminary consolidation effective as of 1 January 2008, the inclusion of Vitalisklinik GmbH & Co. KG, as well as its general partnership company Vitalisklinik Verwaltungs-GmbH, has been waived for reasons of materiality, as the clinic's operation ought to be not continued within the Group and to be resold. Both of these companies were valued at EUR 1.00 each.

On 31 July 2008, the business operations and the real estate of the Vitalisklinik Bad Hersfeld GmbH & Co. KG were purchased according to schedule within the scope of an asset deal by the company Wirtschaftsbetriebe Bad Hersfeld GmbH. The total net purchase price for the business and the property amounted to EUR 2.75 mill.

Also transferred were all ongoing liabilities from long-term contractual obligations, which are required and sensible for the continued operation and maintenance of the business processes, as well as the prorated pension provisions for transferred active employees.

The final purchase price allocation as of 1 January 2008 is as follows:

In thousands of €	Book value at the time of the first consolidation	Adjustment amount	Fair value at the time of the first consolidation
Acquired assets and liabilities			
Intangible assets	552		552
Property, plant and equipment	36,127	– 9,880	26,247
Inventories	1,122		1,122
Trade receivables	3,035		3,035
Cash and cash equivalents	2,863		2,863
Other assets	3,138	1,970	5,108
Deferred assets	0	242	242
Provisions	3,994	1,529	5,523
Non-current liabilities to banks	21,993		21,993
Trade payables	2,587		2,587
Current liabilities to banks	10,451		10,451
Other liabilities	4,778	344	5,122
Net assets	3,034	– 9,541	– 6,507
Minority interests			1,589
Goodwill			5,206
Purchase price			288
Thereof additional acquisition expenses			288
Less assumed cash and cash equivalents			2,863
Cash flow from the transaction			2,575

The calculation of fair value for business premises was based on prompt appraisal reports. The current values for property, plant and equipment include the remaining undeveloped and non-operating property of the Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG, listed under its current market value of EUR 0.9 mill. This is disclosed in the balance sheet under "Assets held for sale".

The trade receivables include services totalling EUR 0.5 mill., which have not yet been billed. Other assets include miscellaneous assets valued at EUR 2.4 mill., as well as prepaid expenses valued at EUR 0.7 mill.

The fair value of provisions includes pension provisions amounting to EUR 5.3 mill. and other non-current provisions totalling EUR 0.2 mill. The adjustment amount results from the revaluation of the pension provisions in compliance with IAS/IFRS accounting principles. The resulting deferred taxes were calculated using the average tax rate of 15.825 %.

The assumed loan liabilities amounted to EUR 32.4 mill. at the time of the acquisition. In addition to miscellaneous liabilities (EUR 4.2 mill.), other liabilities also include liabilities pursuant to the hospital financing law (EUR 0.2 mill.) and tax liabilities (EUR 0.4 mill.). The adjustment amount results from expenses in association with the sale of the business operations of Vitalisklinik GmbH & Co. KG.

Other assets include the revaluation of value adjusted receivables totalling EUR 2.0 mill., as the reason for the valuation adjustment was no longer applicable.

The negative minority interests were offset against the equity (revenue reserve). The goodwill resulting from the acquisition primarily reflects revenue opportunities, as well as anticipated cost savings due to synergy effects. The goodwill can be fully attributable to Herzzentrum Lahr/Baden GmbH & Co. KG.

The purchase price of EUR 0.3 mill. relates to the acquisition expenses.

In the fourth quarter, MediClin AG increased its stake in the Kraichgau-Klinik AG to a total of 94.485 %, for which EUR 400 thou. was expended. Taking into account the development of earnings in the Kraichgau-Klinik Group, the increased stake resulted in goodwill rising EUR 1,338 thou. and negative minority interests falling EUR 1,315 thou.

After the exit of two long standing limited partners and atypical silent partners, as well as the termination of an atypical silent entity between Kraichgau-Klinik AG and Vitalisklinik GmbH & Co. KG, Kraichgau-Klinik AG owned all capital shares of its subsidiaries.

With the partner resolutions from 30 December 2008, the general partnership companies Vitalisklinik Verwaltungs-GmbH and Reha-Klinik Paracelsus Verwaltungs-GmbH opted out as general partners of their limited partnership companies. As a result, the assets of the Vitalisklinik GmbH & Co. KG and Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG devolved to the last remaining partner Kraichgau-Klinik AG within the scope of an accrual.

The accrual of the Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG, through its inclusion in the first consolidation, had no impact on the purchase price allocation.

The accrual through the Vitalisklinik Bad Hersfeld GmbH & Co. KG resulted via a corresponding adjustment through the assumption of the remaining assets and liabilities from the asset deal.

The assumed pension provisions totalling EUR 1.0 mill., which relate to the non-active employees of the Vitalisklinik Bad Hersfeld GmbH & Co. KG, underwent a revaluation in accordance with the IAS/IFRS accounting principles and the resulting deferred taxes were also allocated using the average tax rate of 15.825 %.

The aforementioned expansion of the consolidation scope resulted in an increase of goodwill (EUR 755 thou.) and in the negative minority interests (EUR 44 thou.) offset against the revenue reserve.

After these developments, the purchase price consists of acquisition expenses totalling EUR 0.3 mill., as well as EUR 0.4 mill. from MediClin AG increasing its stake in Kraichgau-Klinik AG to 94.485 %.

The purchase price allocation and the associated developments in 2008 resulted in a cash flow of EUR 2.9 mill. from the assumed cash and cash equivalents, and in a net cash flow of EUR 2.2 mill. after deduction of the purchase price. As of 31 December 2008 goodwill amounts accordingly to EUR 7.3 mill. Negative minority interests which are offset against the revenue reserve still amount to EUR 0.3 mill., considering total attributable shares in profits for 2008 of EUR 0.4 mill.

Since the time of the acquisition on 1 January 2008, the sales of the Kraichgau-Klinik Group have amounted to EUR 51.7 mill., with a net profit of EUR 2.1 mill.

VR-LEASING ABYDOS GmbH & Co. Immobilien KG

Within the scope of a sale and leaseback agreement for the real estate of the MediClin Reha-Zentrum Gernsbach, Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG acquired a limited partner participation totalling EUR 2,350.00 in the real estate leasing company VR-LEASING ABYDOS GmbH & Co. Immobilien KG (ABYDOS KG).

The purpose of the ABYDOS KG is the acquisition of real estate and real estate-like rights and their development and leasing, particularly through real estate leasing, as well as, if applicable, their subsequent realisation. Excluded are those activities listed in Section 34 c of the Trade Regulation Act (Gewerbeordnung).

The equity of ABYDOS KG consists of EUR 2,500.00 of limited partner capital plus an additional contribution totalling EUR 2,500.00 of an atypical silent partner and the balance sheet loss. A consolidation of the real estate leasing company VR-LEASING ABYDOS GmbH & Co. Immobilien KG as a special-purpose vehicle remains undone, as the criteria for a mandatory consolidation in accordance with SIC 12 are not met.

Shareholdings

Companies included in the consolidated financial statements	Percentage of shares held	
	31.12.2008	31.12.2007
MEDICLIN Aktiengesellschaft, Frankfurt a. M.		
Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.000	100.000
Reha-Klinik GmbH & Co. KG Soltau, Soltau	100.000	100.000
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	73.000	69.000
MediClin Müritzklinikum GmbH, Waren	100.000	94.020
MediClin Pflege GmbH, Offenburg	100.000 ¹	100.000 ¹
MediClin Geschäftsführungs-GmbH, Offenburg	100.000	100.000
Cortex Software GmbH, Offenburg	100.000 ²	100.000 ²
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.000 ¹	100.000 ¹
MediClin Therapie GmbH, Offenburg	100.000 ¹	100.000 ¹
MediClin Catering GmbH, Offenburg	100.000 ¹	100.000 ¹
MC Service GmbH, Offenburg	100.000 ¹	100.000 ¹
MediClin Immobilien Verwaltung GmbH, Offenburg	100.000 ¹	100.000 ¹
MediClin GmbH & Co. KG, Offenburg	100.000	100.000
MVZ-Müritzklinik GmbH, Waren	100.000 ¹	94.020 ¹
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen	100.000 ¹	100.000 ¹
MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen	100.000 ¹	100.000 ¹
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen	100.000 ¹	100.000 ¹
KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Essen	100.000	100.000
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.000	100.000
Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, Bad Rappenau	94.485 ¹	–
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	94.485 ¹	–
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.485 ¹	–
Regina Mobilien-Leasing GmbH, Lahr/Schwarzwald	94.485 ¹	–
Yvonne Mobilien-Leasing GmbH, Offenburg	94.485 ¹	–
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	94.485	–
Reha-Klinik Paracelsus Verwaltungs-GmbH, Lahr/Schwarzwald	94.485 ¹	–

¹ Indirect participation² Of which indirect participation 62.353 %

Companies not included in the consolidated financial statements in €		Results	Total equity	Percentage of shares held
KDC-Krankenhaus-Dienstleistungs- gesellschaft Crivitz mbH, Crivitz	(as of 31.12.2007) 2008	9,650.93	43,954.38	50.538 ¹
	(as of 31.12.2006) 2007	301.79	34,303.45	47.769 ¹
MediServ GmbH, Essen	2008	– 4,482.53	20,517.47	51.000 ¹
	2007	–	25,000.00	51.000 ¹
Medusplus GmbH, Essen	2008	19,772.79	45,619.16	51.000 ¹
	2007	846.37	25,846.37	51.000 ¹
Müritz-Klinikum Service GmbH, Waren	2008	35,904.12	99,584.80	51.000 ¹
	2007	37,498.98	63,680.68	47.950 ¹
VR-LEASING ABYDOS GmbH & Co. Immobilien KG, Eschborn	2008	– 45,318.48	– 41,568.48 ²	44.408 ¹
	2007	–	–	–
Vitalisklinik Verwaltungs-GmbH, Bad Rappenau	2008	325,510.86	6,568.71	94.485 ¹
	2007	–	–	–

¹ Indirect participation

² Including atypical silent participation

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 and 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, the special items from grants to finance non-current assets are 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: 9.0 %). 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 this better represents the anticipated future utility.

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.

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.

If the subsidies are not disbursed in one lump sum, but rather through annual financing whose disbursements vary in schedule, the entitlement to the aid is not established until the notification of subsidy for the respective financial year is received. The accrual to the receivables pursuant to the hospital financing law is therefore only made at the level of the annual financing.

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.

In the reporting year, a sale-and-lease-back agreement for the real estate of the Rehabilitationszentrum Gernsbach GmbH & Co. KG, as well as several contracts regarding the leasing of medical and technical infrastructure in Herzzentrum Lahr, were concluded, which are classified as finance leases. For further details, please see the notes to property, plant and equipment.

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 the IVG Institutionals Funds GmbH (formerly Oppenheim Immobilien-Kapitalanlagegesellschaft mbH) led to the result that no financing leasing is in effect. Finance leasing is assumed, among other situations, if the cash value of minimum lease payments primarily equals to 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 recognised in profit or loss using the straight-line method over the term of the respective leasing contract. Reductions in the rent, or the waiving of rent, granted by the lessor from 2005 to 2007 were 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.

As the MediClin Group is a provider of health care services, **inventories** are only of minor importance and are only subject to slight changes in their value and composition. These are recorded at acquisition costs and do not include borrowing costs.

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, 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. On doubtful accounts a lump-sum allowance for bad debts is recorded; uncollectable receivables are depreciated.

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 current financial liabilities as liabilities to banks. Liquid assets as well as current financial liabilities are valued at depreciated acquisition costs.

Current and non-current liabilities are recorded at first recognition as acquisition costs on the liabilities side and stated at their repayment amounts in the following periods, provided that they are not evaluated as depreciated acquisition costs using the effective interest rate method. Loans recorded for the first time are stated at the fair value of the consideration received minus borrowing costs. The statement of current liabilities is made with the repayment or fulfilment amount, which corresponds approximately to the fair value. Gains and losses are recorded in the period result to the extent the debts are derecognised, value-adjusted or amortised. In as much as the discharge of a debt or repayments occurs within twelve months after the balance sheet date, the corresponding amount will be reclassified as current liabilities. **Liabilities from finance lease agreements** are evaluated at the present value of the minimum leasing rates at the point in time of the recognition of the leased property and, depending on the term of the lease, are disclosed under other non-current financial liabilities or other current liabilities.

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.

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 include 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. As of 2008, the tax rate applied for deferred tax assets and tax liabilities fell from 26.375 % to 15.825 % (corporation tax, solidarity surcharge) due to the corporate tax reform 2008. 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 include the 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 into 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 10.2 mill., from EUR 11.3 mill. to EUR 21.5 mill. This includes interest received totalling EUR 1.0 mill. (previous year: EUR 1.0 mill.) and interest paid totalling EUR 7.4 mill. (previous year: EUR 5.7 mill.). Tax payments amounted to EUR 1.0 mill. following tax refunds (previous year: EUR 2.6 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 1.7 mill. to the additions to the other provisions, as well as with EUR 1.1 mill. to other provisions used appropriate to their purpose.

Investments totalling EUR 0.7 mill. were made for acquiring the Kraichgau-Klinik Group.

A gross amount of EUR 1.6 mill. (previous year: EUR 1.0 mill.) was spent on intangible assets. Gross investments in property, plant and equipment totalled EUR 18.0 mill. (previous year: EUR 27.6 mill.). The gross investments are set against investment subsidies received in the amount of EUR 16.8 mill. (previous year: EUR 8.7 mill.). This is essentially due to the completion of the new construction of the MediClin Müritz-Klinikum in Waren.

This results in net cash flow from investment activities totalling EUR –2.5 mill. (previous year: EUR –19.4 mill.).

The cash flow from financing activities increased to EUR 14.1 mill. (previous year: EUR 0.4 mill.). The increase is essentially a result of the investment subsidies within the scope of the capital increase of EUR 38.1 mill. as well as the balance of the net borrowing totalling EUR 17.0 mill. and the redemption of financial liabilities totalling EUR 39.6 mill. In addition to existing loan commitments of MediClin AG, the redemption essentially includes the partial repayment of the loan commitments taken on with the acquisition of the Kraichgau-Klinik Group. The change of the minority interests is a result of the acquisition of the remaining minority interests of the MediClin Müritz-Klinikum GmbH, Waren.

Cash and cash equivalents at the end of the period increased by EUR 36.0 mill. to EUR 57.4 mill. (previous year: EUR 21.4 mill.), which was primarily due to the capital increase.

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, MediClin Catering GmbH, MC Service GmbH, MediClin Therapie GmbH, MediClin Immobilien Verwaltung GmbH, MEDICLIN Aktiengesellschaft, Kraichgau-Klinik Aktiengesellschaft, Regina Mobilien-Leasing GmbH, Yvonne Mobilien-Leasing GmbH, Reha-Klinik Paracelsus Verwaltungs-GmbH. 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 2008				January – December 2007			
	Post-acute	Acute	Nursing care	Total	Post-acute	Acute	Nursing care	Total
Sales	245.6	200.2	11.0	456.8	225.6	156.1	10.3	392.0
Thereof total sales	249.5	202.5	11.0	463.0	229.2	158.5	10.3	398.0
Thereof internal sales	3.9	2.3	0.0	6.2	3.6	2.4	0.0	6.0
Segment result	0.2	15.6	0.0	15.8	3.2	16.1	- 0.4	18.9
There of non-cash items:								
Scheduled depreciations/write-ups	5.3	14.3	0.3	19.9	4.9	9.8	0.4	15.1
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	- 7.9	0.0	- 7.9	0.0	- 6.4	0.0	- 6.4
Allowance	- 0.1	- 0.1	0.0	- 0.2	0.2	0.1	0.0	0.3
Allocation of provisions/liabilities	13.3	14.0	0.4	27.7	7.2	6.0	0.3	13.5
Release of provision	- 0.7	- 1.4	0.0	- 2.1	- 1.1	- 0.7	0.0	- 1.8
Operational assets	114.7	162.8	1.2	278.7	104.0	137.6	1.1	242.7
Non-operational assets	-	-	-	64.4	-	-	-	27.2
Assets	114.7	162.8	1.2	343.1	104.0	137.6	1.1	269.9
Operational liabilities	61.2	33.2	0.4	94.8	43.9	25.1	0.5	69.5
Non-operational liabilities	-	-	-	99.5	-	-	-	94.4
Liabilities	61.2	33.2	0.4	194.3	43.9	25.1	0.5	163.9
Gross capital expenditure	7.4	12.4	0.2	20.0	5.9	22.3	0.4	28.6

Of the gross investments in the post-acute and acute sectors, EUR 0.3 mill. (previous year: EUR 0.6 mill.) and EUR 16.6 mill. (previous year: EUR 8.4 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 01.01.2007	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
Acquisition costs as at 01.01.2008	8,021	68,721	89	76,831
Additions	871	332	565	1,768
Reclassifications	617	0	- 432	185
Change in consolidation scope	1,437	7,300	0	8,737
Disposals	10	0	18	28
Acquisition costs as at 31.12.2008	10,936	76,353	204	87,493
Cumulated depreciation as at 01.01.2008	7,055	23,567	0	30,622
Change in value because of revaluation	0	0	0	0
Scheduled depreciation	1,219	0	0	1,219
Change in consolidation scope	885	0	0	885
Disposals	7	0	0	7
Cumulated depreciation as at 31.12.2008	9,152	23,567	0	32,719
Balance sheet value 31.12.2008	1,784	52,786	204	54,774

Capitalised, internally developed intangible assets are not in existence.

Of the goodwill disclosed, a total of EUR 48.6 mill. (previous year: EUR 41.0 mill.) is attributable to debit differences from capital consolidation. The additions to goodwill relate to the additionally acquired shares in the MediClin Krankenhaus am Crivitzer See GmbH. The change in the consolidation scope relates to the Kraichgau-Klinik Group acquired in 2008 and consolidated for the first time. The significant book values of the goodwill assigned to the cash-generating units (permanent establishments) are related to six acute clinics. There was no need for an impairment of value in the reporting year.

Depreciation for intangible assets is not included in the book values of other assets; they are disclosed in the consolidated profit and loss account under the item "Depreciation".

(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 01.01.2007	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

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 01.01.2008	122,098	15,581	91,561	20,712	249,952
Additions	– 20,778	– 815	977	21,887	1,271
Reclassifications	30,816	4,772	4,868	– 40,641	– 185
Change in consolidation scope	72,762	4,246	13,490	0	90,498
Disposals	393	5	1,011	0	1,409
Acquisition costs as at 31.12.2008	204,505	23,779	109,885	1,958	340,127
Cumulated depreciation as at 01.01.2008	31,867	13,159	75,998	410	121,434
Change in value because of revaluation	0	0	0	0	0
Scheduled depreciation	5,119	1,273	4,450	0	10,842
Reclassifications	24	34	– 58	0	0
Change in consolidation scope	49,895	1,817	11,252	0	62,964
Disposals	0	0	716	0	716
Cumulated depreciation as at 31.12.2008	86,905	16,283	90,926	410	194,524
Balance sheet value 31.12.2008	117,600	7,496	18,959	1,548	145,603

Gross additions to property, plant and equipment totalling EUR 18.0 mill. relate to the new construction of the MediClin Müritzklinikum in Waren (EUR 5.2 mill.) as well as additional renovation, maintenance and conversion work totalling EUR 3.3 mill. in further facilities. A total of EUR 1.6 mill. was invested in the acquisition of ultrasound and X-ray systems as well as an MRT system. An amount of EUR 2.9 mill. was spent on other medical machines and equipment. A total of EUR 1.2 mill. was invested in the modernisation and extension of EDP and telecommunications systems, and EUR 0.8 mill. in the furnishing and equipment of patient rooms.

The change in the consolidation scope in 2008 relates to the Kraichgau-Klinik Group, which was newly acquired and consolidated for the first time, and the sale of the MC Pharma GmbH in the previous year.

The item "Payments on account and assets under construction" relates mainly to reconstruction and new construction on the MediClin Müritz-Klinikum in Waren, as well as additional renovation work in various hospital facilities.

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 98.9 mill. (previous year: EUR 89.9 mill.). Additions to subsidised assets amount to EUR 16.9 mill. (previous year: EUR 9.0 mill.). Depreciation and amortisation were reduced by the deduction of subsidies totalling EUR 7.9 mill. (previous year: EUR 6.4 mill.) of the acquisition costs. Circumstances do not exist which would give rise to the repayment of subsidies.

Finance leasing

Assets for which the MediClin Group has signed finance leasing contracts are disclosed under "Property, plant and equipment". A sale-and-lease-back agreement totalling an investment of EUR 7.6 mill. was signed in the financial year for the properties and buildings of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG. The transaction was completed at the end of the 2008 financial year for the market value of the property plus the expenses of renovation work yet to be performed by the investor. The strict purchase price of the property was EUR 7.0 mill. The lease agreement has a term of 20 years. After ten years or at the end of the term an option for reacquiring the property at the residual financing value may be exercised. Leasing rate and lessee loan are calculated in such a way that if the purchase right is exercised, the lessor's total investment costs bear interest and are paid back after 10 or 20 years. The lease payments for the first ten years are EUR 554 thou. p. a., and afterwards they will be calculated at a preliminary amount of EUR 621 thou. The finance interest rate for the first ten years was established at 5.85 % p. a. After the fixed-interest period has expired, the interest will be renegotiated. From the eleventh year on, MediClin Reha-Zentrum Gernsbach will grant an interest-free lessee loan with the payment of the lease rates, which must be repaid after the end of the contract term according to schedule. After a period of 20 years, the balance of the lessee loan will be EUR 2.0 mill. The lessee loan will also be repaid if the purchase option is not exercised.

The leased property was added to the non-current assets at the beginning of the lease agreement with a cash value of the minimum lease payments of EUR 7,620 thou., EUR 2,700 thou. of which is for property and EUR 4,920 thou. for the buildings. The net book value at the balance sheet date totals EUR 7,608 thou. The payments due in future from finance leases, the shares of interest contained in them as well as the cash values of the future lease payments are disclosed in the following table:

In thousands of €	31.12.2008	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment		14,582	554	2,216	11,812
Interest component		– 6,971	– 443	– 1,701	– 4,827
Present value		7,611	111	515	6,985

Furthermore, four additional lease agreements for medical and technical equipment which must be qualified as finance lease were signed or adopted during the acquisition of the Kraichgau hospitals. The present value of these lease agreements initially totalled EUR 2,161 thou. The residual terms of the agreements are between one and five years. The interest rate on which the agreements are based vary between 3.8 % and 7.7 % p. a., depending on the time the individual contracts were signed, their term and the leasing volume. The net book values at the balance sheet date total EUR 1,668 thou. The payments due in future from finance leases, the interest they contain as well as the present values of the future lease payments are disclosed in the following table:

In thousands of €	31.12.2008	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment		1,702	523	1,179	0
Interest component		– 214	– 89	– 125	0
Present value		1,488	434	1,054	0

The liabilities from finance lease agreements are recorded on the liabilities side in the amount of the present value of the future leasing rates and are disclosed under long-term financial liabilities or other short-term liabilities.

(3) Other financial assets

Totalling EUR 1.763 thou. (previous year: EUR 0 thou.), the financial assets primarily relate to reinsurance covers from pension obligations.

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 48 thou.; previous year: EUR 36 thou.). The loan was 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.). In the reporting year, the shareholdings in MediServ GmbH (EUR 13 thou.) as well as in VR-LEASING ABYDOS GmbH & Co. Immobilien KG (EUR 2 thou.) and cooperatives (EUR 1 thou.) were added.

(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 2009 to 2017. Based on a discount rate of 4.25 %, the amount stated will accrue to the Group starting in 2010.

(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. The relevant tax rate of 15.825 % (corporate income tax, solidarity tax) was applied.

The active deferred taxes increased from EUR 5.3 mill. to EUR 5.6 mill. They result from:

In thousands of €	Difference		Tax	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Pension obligation	20,366	16,636	3,223	2,633
Tax loss carried forward	13,454	15,519	2,129	2,456
Interim profits of non-current assets	894	940	141	148
Current liabilities	648	248	102	39
Others	11	0	2	0
	5,597		5,276	

The change in the difference amount resulted mainly from the higher pension obligations in connection with the acquisition of the Kraichgau-Klinik Group as well as the losses carried forward of the profits already offset in the 2008 financial year.

The Company calculated preliminary losses carried forward of EUR 13.5 mill. in 2008 (previous year: EUR 15.5 mill.). The resulting deferred tax assets are fully capitalised in 2008.

Current assets

(6) Inventories

Raw materials and supplies totalling EUR 4.6 mill. (previous year: EUR 3.5 mill.) are largely attributable to inventories concerning medical supplies.

(7) Trade receivables

In thousands of €	31.12.2008	31.12.2007
Receivables stock	56,613	55,310
Allowance	– 2,659	– 2,601
Disclosure	53,954	52,709
thereof from receivables not yet charged	16,231	15,508
invoiced trade receivables	37,723	37,201
thereof from related-party disclosures	73	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 €	2008	2007
Allowance as of 01.01.	2,601	2,678
Allocation		
Specific bad debts allowances	152	77
General bad debts allowances	209	141
Utilisation	– 64	0
Release	– 239	– 295
Allowance as of 31.12.	2,659	2,601

The balance from expenses resulting from the full write off of receivables, as well as income from the receipt of written off receivables, total EUR 0.2 mill. in the financial year (previous year: EUR – 0.3 mill.).

In thousands of €	2008	2007
Expenses for full write-off of receivables	– 383	– 381
Recoveries of written-off receivables	536	117
	153	– 264

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 31.12.2008	37,723	15,126	9,214	11,396	759	660	568
As of 31.12.2007	37,201	18,565	7,015	9,589	563	482	987

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 €	31.12.2008	31.12.2007
Receivables stock	10,353	3,265
Allowance	– 284	– 349
Disclosure	10,069	2,916

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. The increase predominantly relates to the MediClin Müritzklinikum GmbH, Waren. According to management's assessments and past experience, the receivables were subject to adequate value adjustments.

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 31.12.2008	10,069	10,021	0	43	0	0	5
As of 31.12.2007	2,916	0	682	1,469	741	19	5

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 €	31.12.2008	31.12.2007
Receivables stock	4,994	6,313
Allowance	0	0
Disclosure	4,994	6,313
thereof from related-party disclosures	320	598

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 Kapitalanlagegesell-

schaft mbH) from the preliminary financing of clinic expansions through MediClin. 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.

(12) Assets held for sale

This is undeveloped property in Bad Schwalbach with an area of 6,733 m².

The property was owned by the Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG i. L. and was taken over as part of the acquisition of the Kraichgau-Klinik Group. The assets of the Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG i. L. increased with the Kraichgau-Klinik AG as at 31 December 2008. The book value of the property equals the market value which was established at EUR 875 thou. in July 2007 in a valuation report. The property is evaluated at continued acquisition and manufacturing costs. Since changes in the condition of the property or new circumstances which would significantly impact the value of the property did not take place or were not noticed during the reporting period, no new valuation report was written for the balance sheet date. The company assumes that the market value determined in July 2007 continues to be valid. As an undeveloped property the property is not subject to depreciation and amortisation. There were no impairment losses. The book value as at 31 December 2008 equals its fair value.

The following overview offers a summary of additional information about the financial instruments with respect to the book values, valuations and fair values according to valuation categories:

In thousands of €	Category in accordance with IAS 39	Book value 31.12.2008	Balance sheet recognition in accordance with IAS 39	Fair Value 31.12.2008
			Depreciated acquisition costs	
ASSETS				
Other loans	HtM	307	307	307
Tax refund claims	LaR	531	531	531
Trade receivables	LaR	53,954	53,954	53,954
Prepaid expenses	LaR	1,361	1,361	1,361
Receivables pursuant to hospital financing law	LaR	10,069	10,069	10,069
Other assets	LaR	4,994	4,994	4,994
Tax refund claims	LaR	80	80	80
Cash and cash equivalents (cash, bank)	LaR	57,384	57,384	57,384
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	FLAC	21,119	21,119	21,119
Bond issues	FLAC	250	250	250
Other finance liabilities	FLAC	10,799	10,799	10,799
Current liabilities				
Trade payables	FLAC	14,633	14,633	14,633
Liabilities to banks and insurance companies	FLAC	73,916	73,916	73,916
Liabilities pursuant to hospital financing law	FLAC	10,455	10,455	10,455
Other liabilities	FLAC	18,147	18,147	18,147
Tax liabilities	FLAC	2,798	2,798	2,798
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39				
Loans and Receivables (LaR)	Total LaR	128,373	128,373	128,373
Held-to-Maturity Investments (HtM)	Total HtM	307	307	307
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	152,117	152,117	152,117

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	22,382	22,382	22,382
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
Held-to-Maturity Investments (HtM)	Total	HtM	291	291
Available-for-Sale Financials Assets (AfS)	Total	AfS	0	0
Financial Assets Held for Trading (FAHfT)	Total	FAHfT	0	0
Financial Liabilities Measured at Amortised Cost (FLAC)	Total	FLAC	133,434	133,434

Equity

Capital management

The primary objective of the capital management of MediClin is to ensure that the Group's ability to amortise its debts and its financial substance are preserved in future and that a capital structure that is appropriate to the business risk is maintained. The MediClin AG is not subject to any external or statutory capital requirements except the minimum capital requirements according to the German Stock Corporation Act (Aktiengesetz).

Financial security is essentially measured by the key data of equity and debt ratio. Components of this key data are the balance sheet total, the equity recorded in the consolidated balance sheet as well as the long-term loans from banks and insurance companies. In this context it is considered that a large part of the loans is provided by the majority shareholders of MediClin AG.

The equity ratio is used as an important key figure vis-à-vis investors, analysts, banks and rating agencies. The capital structure is managed by way of dividend disbursement policy, the issuance of new shares, liquidity optimisation through sale-and-lease-back transactions as well as the option of acquiring own shares.

Thus in December 2008 the subscribed capital was increased by EUR 15,750,000 in accordance with the resolution of the Annual General Meeting on 25 May 2005 (see Item 13, "Subscribed capital").

By resolution of the Annual General Meeting on 21 May 2008, 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, a total volume of up to 3,150,000 company shares (10 % of the capital stock) up to 20 November 2009.

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.

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. This 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.

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. To date the option has not yet been exercised.

Another crucial tool of capital management is the conclusion of sale-and-lease-back agreements concerning hospital property with the objective of improving the Company's liquidity and thus making it available for the expansion of the Company. In the reporting year such an agreement was concluded concerning the properties of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG.

Key capital management data

In thousands of €	31.12.2008	31.12.2007
Equity	148,836	105,997
Non-current liabilities incl. deferred tax liabilities	70,352	52,080
Current liabilities incl. tax liabilities	123,913	111,836
Balance sheet total	343,101	269,913
Net financial liabilities	37,651	69,381
Equity ratio in %	43.4	39.3
Debt ratio in %	56.6	60.7

The capital increase brought the Group an inflow of cash totalling EUR 38.1 mill. net, which primarily has led to an improvement of the equity ratio by 4.1 percentage points and ultimately also resulted in the improvement of the net financial liabilities by EUR 31.7 mill. or 45.7 %. Another positive contribution was the increase of the result after tax by EUR 1.4 mill., which translates into an after-tax return on equity of 4.8 % (previous year: 5.4 %), despite the increase in equity.

(13) Subscribed capital

The subscribed capital (capital stock) of the parent company, MEDICLIN Aktiengesellschaft, is split up into 47,250,000 (previous year: 31,500,000) no-par value bearer shares and is paid up in full. MediClin is not subject to any external minimum capital requirements. Based on the resolution of the Annual General Meeting on 25 May 2005 as well as by utilisation of the authorised capital pursuant to Section 4 (3) (Authorised Capital I) and (4) (Authorised Capital II) of the bylaws of the MEDICLIN Aktiengesellschaft, the Management Board of MediClin decided on 13 November 2008 with the approval of the Supervisory Board on the same day to increase the capital stock totalling EUR 31,500,000.00 by EUR 15,750,000.00 to EUR 47,250,000.00 on the basis of cash contributions. The capital increase was conducted successfully. By entering the capital increase into the trade register the equity was increased on the basis of cash contributions by issuing 15,750,000 new bearer shares without nominal value (no-par shares) with a prorated share of the equity of EUR 1.00 per no-par share and with full dividend rights from 1 January 2008 on the basis of cash contributions. The inclusion of the new shares in the existing listing in the regulated market at the Frankfurt Stock Exchange (Prime Standard) took place on 10 December 2008. During the subscription period more than 99.9 % of shares were bought at the subscription price of EUR 2.50 per new share. The MEDICLIN Aktiengesellschaft thus had net proceeds of the issue totalling approximately EUR 38.1 mill., which is to be used to finance acquisitions and the scheduled redemption of existing corporate liabilities or liabilities to be incurred in connection with potential acquisitions. The amount in excess of the prorated basic amount of EUR 1.00 per no-par share was added to the capital reserve after deduction of capital expenses taking the applicable tax benefit into account.

(14) Capital reserve

In thousands of €	31.12.2008	31.12.2007
Capital reserve pursuant to Sect. 272 (2) No.1 HGB and Sect.150 AktG	127,528	105,000
Reserve pursuant to IFRS 2	48	48
Gains from the sale of treasury stock	1,636	1,636
	129,212	106,684

The capital reserve pursuant to Section 272 II No. 1 of the German Commercial Code (HGB) and Section 150 of the German Stock Corporation Act (AktG) contains amounts which were achieved above the nominal value of the issued shares.

Due to the capital increase, the accrual is as follows:

In thousands of €		31.12.2008
Carry-forward from IPO in 2000		105,000
Gross issue proceeds	39,378	
Transfer to subscribed capital	– 15,750	
Issue expenses	– 1,306	
Income tax on issue expenses	206	
Net addition		22,528
		127,528

Pursuant to IAS 32 the issue costs of an equity transaction must be recorded as a reduction of the equity. The capital expenses are mainly due to consulting services (EUR 0.6 mill.), bank commissions (EUR 0.5 mill.) as well as fees and insurance premiums (EUR 0.2 mill.). According to the regulations of German commercial and tax law, capital expenses must be recorded as expenditures during the financial year. The resulting income tax benefit is directly credited to the equity pursuant to IAS 12.61.

The reserve pursuant to IFRS 2 relates to the increase in equity capital from the issue of a convertible bond. Additional details concerning the benchmark data on the convertible bond and options rights are in the chapter on “Other disclosures” under “Report on compensation”.

(15) Revenue reserve

The consolidated revenue reserves are structured as follows:

In thousands of €	31.12.2008	31.12.2007
Legal reserve pursuant to Sect. 150 AktG	2,045	2,045
Result of the first IAS consolidation	– 1,742	– 1,742
Negative minority interests Kraichgau	– 695	0
Adjustment of the negative minority interests Kraichgau	409	0
	17	303

The legal reserve was added to MediClin AG in 1999 and equalled 10 % of the subscribed capital at that time.

(16) Consolidated balance sheet loss

The consolidated balance sheet loss developed as follows:

In thousands of €	31.12.2008	31.12.2007
Loss carried forward	– 34,315	– 40,044
Release of reserve for treasury stock	0	0
Adjustment of negative minority interests		
Kraichgau	– 409	0
Result after tax	7,080	5,729
Consolidated balance sheet loss	– 27,644	– 34,315

(17) Minority interests

The shares of other shareholders developed as follows:

Percentage of minority interests

In %	31.12.2008	31.12.2007
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	27.000	31.000
MediClin Müritzklinikum GmbH, Waren	0.000	5.980
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	5.515	–

In the consolidated profit and loss account, the result is recorded as a prorated figure under the item “Result attributable to minority interests”. The Group applies the regulation pursuant to IAS 27.35, according to which negative minority interests are set off against the corporate equity (revenue reserve) and the consolidated profit and loss account is not negatively or positively affected by the disclosure of a minority interest until there is a positive minority interest which is then disclosed separately in the consolidated balance sheet under “Equity”. Due to the over-indebtedness of the individual companies, the initial consolidation of the Kraichgau-Klinik Group resulted in a negative minority interest, which was set off against the revenue reserve.

MediClin Krankenhaus am Crivitzer See GmbH

Concerning the acquisition of shares in Crivitzer See GmbH we refer to the explanations to Item (20), “Other financial liabilities”. MediClin Krankenhaus am Crivitzer See GmbH is economically fully integrated into the MediClin Group, and consequently no minority interest exists any more.

MediClin Müritzklinikum GmbH

With the purchase agreement dated 20 October 2008 MediClin acquired the remaining company shares of the District of Müritz in MediClin Müritzklinikum GmbH at a nominal amount totalling EUR 511 thou. (equalling 5.98 % of the capital stock) effective 1 November 2008.

Kraichgau-Klinik AG

The details on the purchase of shares are given in the chapter “Company acquisitions and purchase of shares”.

The prorated result is disclosed under the item "Result attributable to minority interests" for MediClin Müritz-Klinikum GmbH in the consolidated profit and loss account.

Non-current liabilities

(18) Liabilities to banks

Liabilities to banks are as follows:

In thousands of €	31.12.2008	31.12.2007
Liabilities to banks	21,119	22,381
thereof from acquisitions	525	0

In thousands of €	31.12.2008	31.12.2007
Total liabilities to banks	33,293	29,260
less current repayment share*	12,174	6,879
	21,119	22,381
*thereof from acquisitions	86	0

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

Loan liabilities taken over in association with the acquisition of Kraichgau Klinik AG at the beginning of the reporting year amounted to EUR 32,432 thou. At the cut-off date, EUR 31,907 thou. of these loan liabilities had been reduced. In the reporting year, interest paid totalled approximately EUR 1,290 thou.

To discharge the liabilities – in addition to the capital increase – an annuity loan totalling EUR 10.0 mill. was obtained. The loan has a term of four years, expiring on 30 December 2012, and is subject to an annual interest rate of 4.09 % for the entire term. Interest and loan repayments are to be made at the end of each calendar quarter for the preceding quarter. The loan is collateralised by three land charges totalling EUR 11,504 thou. The entry notification of the land registry folio occurred on 9 February 2009. Until a certified appraisal has verified the full value of the collateralisation, a credit of the same amount will be pledged to the lending bank. Once the certified appraisal verifies the full value of the collateralisation, the credit will be disbursed.

Of the remaining liabilities to banks, a total of EUR 13,825 thou. (previous year: EUR 15,571 thou.) is secured through real property liens (book value: EUR 34,399 thou.; previous year: EUR 36,279 thou.). Interest rates for these loans remained between 0.8 % and 7.1 %. Based on the full loan amount, interest paid totalled EUR 1,289 thou. (previous year: EUR 1,434 thou.), which averages out to an annual interest rate of 4.9 % (previous year: 5.0 %).

Interest and loan repayments on liabilities are as follows:

In thousands of €	2008	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on bank loans		5,295	1,291	875	1,517	1,612
Bank loan repayments		33,293	12,174	4,616	10,380	6,123

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
Bank loan repayments		29,260	6,879 ¹	9,358	5,647	7,376

¹ For information only

(19) Bond issues

This item discloses the convertible bond issued to the Management Board within the framework of share-based remuneration pursuant to IFRS 2. 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.

(20) Other financial liabilities

In thousands of €	31.12.2008	31.12.2007
Loans from social insurance for occupational accidents	110	169
Loans from public corporations	1,518	1,644
Loans from acquisition of remaining Crivitz shares	616	0
Liabilities from finance leases	8,555	0
	10,799	1,813

For five loans from social insurance for occupational accidents and two loans from public corporations, interest paid totalled EUR 44 thou. (previous year: EUR 49 thou.).

After completion of the second construction phase of **MediClin Krankenhaus am Crivitzer See**, the remaining 31 % of the company shares that are currently in the possession of the Administrative District of Parchim and the City of Crivitz are to be transferred to MediClin. In exchange, MediClin has ceded loan reimbursement claims totalling EUR 868 thou. plus interest to the Administrative District of Parchim and the City of Crivitz. This loan is subject to an annual interest rate of 5.0 %, with 4 % of the original loan amount of EUR 3.0 mill. amortised on a priority basis. Interest and loan repayments are capitalised as acquisition

costs of the participation. In the financial year, amortisation totalled EUR 123 thou. and interest payments EUR 41 thou.

Liabilities from finance leasing mainly relate to the sale-and-lease-back agreement for the real estate of the Rehabilitationszentrum Gernsbach (EUR 7,620 thou.), which went into effect on 1 December 2008, as well as the leasing of medical and technical infrastructure at the MediClin Herzzentrum Lahr (EUR 2,161 thou.). For leasing of the real estate in the reporting year, amortisation totalled EUR 9 thou. and interest payments EUR 37 thou. For the leasing of the medical and technical infrastructure, amortisation totalled EUR 673 thou. and interest payments EUR 104 thou. For further details, please see the notes to property, plant and equipment.

Other financial liabilities are as follows:

In thousands of €	31.12.2008	31.12.2007
Other financial liabilities	11,778	1,993
Less current repayment share		
Loans from social insurance for occupational accidents	59	57
Loans from public corporations	126	123
Investment loans	120	0
Loans from acquisition of remaining Crivitz shares	129	0
Liabilities from finance leases	545	0
	10,799	1,813

Interest and loan repayments on liabilities will develop in the future as follows:

In thousands of €	2008	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		11	6	4	1	0
Interest on loans from public corporations		224	33	30	74	87
Interest on finance leases						
Rehazentrum Gernsbach real estate		6,971	443	436	1,265	4,827
Herzzentrum Lahr medical-technical infrastructure		214	89	61	64	0
		7,420	571	531	1,404	4,914

The amount of interest to be capitalised from liabilities relating to the acquisition of the remaining Crivitz shares is as follows:

In thousands of €	2008	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on acquisition of remaining Crivitz shares		102	34	28	40	0

In thousands of €	2008	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		169	59	62	48	0
Repayments on loans from public corporations		1,644	126	128	367	1,023
Repayments on investment loans		120	120	0	0	0
Repayments on acquisition of remaining Crivitz shares		745	129	136	450	30
Repayments on finance leases						
Rehazentrum Gernsbach real estate		7,612	111	118	397	6,986
Herzzentrum Lahr medical-technical infrastructure		1,488	434	341	713	0
		11,778	979	785	1,975	8,039

Investment loans relate to five loans from 1994 and 1995, which were provided to the Vitalis-klinik Bad Hersfeld GmbH & Co. KG for investment purposes, and which were transferred to Kraichgau-Klinik AG within the scope of the accrual. The loans have been interest free since 2005, and will remain so until repayment in 2009.

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

¹ For information only

Provisions

(21) Provisions for pensions and similar commitments

In thousands of €	31.12.2008	31.12.2007
Employee Support Fund	17,754	16,553
Kraichgau-Klinik Group	6,216	–
Vitalisklinik Bad Hersfeld GmbH & Co. KG	1,911	–
Other pension provisions	436	259
	26,317	16,812

The provisions of the Kraichgau-Klinik Group and the Vitalisklinik Bad Hersfeld GmbH & Co. KG, as well as other pension provisions, are covered by various reinsurance policies with a reported premium reserve totalling EUR 1,763 thou. altogether, which is disclosed under financial assets. Due to the structure of the reinsurance policies, which for the most part fail to fulfil the cumulative criteria for qualified insurance policies, they are treated uniformly as reimbursement claims and reported at their fair value.

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 dependants' 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:

	2008	2007
Discount rate (%)	5.00	5.00
Annual rate of expected pension increases (%)	2.00	2.00
Expected income from plan assets (%)	3.10	3.00

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.

The defined benefit liability are determined as follows:

In thousands of €	2008	2007
Present value of total obligation as at 31.12.	23,179	22,212
Plan assets as at 31.12.	– 730	– 1,063
Funded status	22,449	21,149
Unamortised net loss	– 4,695	– 4,596
Defined benefit liability as at 31.12.	17,754	16,553

The following table presents the change in the present value of the total commitment in the years 2005 to 2008:

In thousands of €	2008	2007	2006	2005
Present value of total obligation as at 01.01.	22,212	23,795	23,130	19,239
Interest cost	1,111	1,011	983	914
Benefit payments	– 312	– 258	– 218	– 196
Settlement rate of benefit payments	– 8	– 5	– 4	– 4
Actuarial result from non-disclosure	176	– 2,331	– 96	3,177
Present value of total obligation as at 31.12.	23,179	22,212	23,795	23,130

The pertaining plan assets developed as follows:

In thousands of €	2008	2007	2006	2005
Plan assets at fair value as at 01.01.	1,063	1,384	1,598	1,754
Expected return from plan assets	33	42	67	60
Benefit payments	– 312	– 258	– 218	– 196
Expected value of plan assets	784	1,168	1,447	1,618
Gains/losses from expected and actual plan assets	– 55	– 105	– 63	– 20
Fair value of assets as at 31.12.	729	1,063	1,384	1,598

For the reporting year and the previous years, the following experience adjustments were made to the present value of the pension claims and the fair value of the plan assets:

In thousands of €	2008	2007	2006	2005
Present value of pension claims	176	151	– 96	692
Fair value of plan assets	– 55	– 105	– 63	– 20

Experience adjustments to the present value of pension claims represent part of the actuarial gains or losses arising on the pension claims for the year in question. Experience adjustments to the fair value of plan assets are to be equated with the actuarial gains or losses arising on the plan assets for the year in question.

The actual benefit payments of the plan assets, as well as the interest received, are as follows:

In thousands of €	2008	2007
Benefit payments	353	325
Interest income	26	38

Pursuant to Section 12 of the Byelaws of the Employee Support Fund, the assets of the non-profit association are to be invested profitably and may only be used for the purposes of the association and administration costs.

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

In %	31.12.2008	31.12.2007
Real estate funds	–	2.00
Fixed income funds	13.60	12.10
Money market funds	12.60	8.60
Equity funds	–	5.50
Umbrella funds	–	7.40
Fixed interest securities	30.80	21.20
Fixed deposits	16.50	28.30
Current accounts	26.50	14.90
Plan assets	100.00	100.00

The entire result recorded in the annual expenses is posted to personnel expense and is structured as follows:

In thousands of €	2008	2007
Settlement rate of current service cost	0	0
Interest cost	1,111	1,011
Return of plan assets	– 33	– 42
Interest on benefit payments	– 8	– 5
Amortisation cost of actuarial result	132	247
	1,202	1,211

In the upcoming financial year, an anticipated EUR 1.3 mill. will be paid into this pension plan.

The pension provisions of the Kraichgau-Klinik Group are attributable to the acquisition of the majority of shares of the Kraichgau-Klinik AG. They relate to the pension plans for the Herzzentrum Lahr/Baden GmbH & Co. KG, for the Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, for the Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, as well as for the Kraichgau-Klinik Aktiengesellschaft. Within the scope of the transition, the existing commercial law-related pension provisions were also stated in actuarial terms according to the projected unit credit method pursuant to IAS 19 (Employee Benefits), taking future developments into account. For risk coverage, reinsurance policies with a reported premium reserve totalling EUR 861 thou. altogether have been acquired. The parameters for the calculation of the defined benefit commitments correspond to those applied to the calculation of commitments for the Employee Support Fund. Actuarial gains and losses are also recognised as income pursuant to the "10 % corridor approach". The same applies to the pension provisions of the Vitalisklinik Bad Hersfeld GmbH & Co. KG, which were transferred from the Kraichgau-Klinik AG to the Group within the scope of the merger. Here the pension commitments are not netted out of the reinsurance policies totalling EUR 774 thou.

The net pension provisions are determined as follows:

In thousands of €	Kraichgau-Klinik Group	Vitalis GmbH & Co. KG
Present value of total obligations as of 31.12.2008	6,308	1,921
Adjustment amount due to non-recognised actuarial gains/losses	– 92	– 10
Net pension provisions as of 31.12.2008	6,216	1,911

Experience adjustments to the present value of pension claims represent part of the actuarial gains or losses arising on the pension claims for the year in question and amount to EUR 92 thou. and EUR 10 thou., respectively, in 2008.

The pension commitments of the Vitalisklinik Bad Hersfeld GmbH & Co. KG were assumed on 30 December 2008.

The present values of total obligations are as follows:

In thousands of €	Kraichgau-Klinik Group
Commercial balance sheet valuation as of 31.12.2007	4,645
Revaluation according to projected unit credit method	1,530
Present value of total obligations as of 01.01.2008	6,175
Settlement rate of current service cost	101
Interest cost	300
Benefit payments	– 360
Gains/losses from anticipated and actual total obligations	92
Present value of total obligations as of 31.12.2008	6,308

The entire following expense is posted to personnel expense:

In thousands of €	Kraichgau-Klinik Group
Settlement rate of current service cost	101
Interest cost	300
	401

For the Vitalisklinik Bad Hersfeld GmbH & Co. KG, accrual and deferral entries for the expenses between the merger cut-off date of 30 December 2008 and the balance sheet date of 31 December 2008 were not made due to negligibility. In the upcoming financial year, an anticipated EUR 0.4 mill. will be paid into the pension plan for the Kraichgau-Klinik AG and EUR 0.1 mill. into the pension plan for the Vitalisklinik.

Other pension commitments

In thousands of €	31.12.2008	31.12.2007
Other pension provisions	436	420
Claim from reinsurance cover	0	– 161
	436	259

The other pension provisions relate to three pension plans with pension commitments concerning five further persons (six in the previous year), two of whom are already receiving old-age benefits, which continue to amount to EUR 25 thou. Within the scope of the transition, the existing commercial law-related pension provisions were also stated in actuarial terms according to the projected unit credit method pursuant to IAS 19 (Employee Benefits), taking future developments into account. For risk coverage, reinsurance policies with a reported premium reserve totalling EUR 128 thou. altogether (previous year: EUR 161 thou.) have been acquired. Starting in the 2008 financial year, the reinsurance claims are disclosed under financial assets together with the reinsurance claims arising from the acquisition and are no longer deducted.

The parameters for the calculation of the defined benefit commitments correspond to those applied to the calculation of other commitments. The summarised calculation results in the following:

In thousands of €	2008	2007	2006
Present value of total obligations as of 31.12.	354	420	392
Adjustment amount due to non-recognised actuarial gains/losses	82	0	0
Net pension provisions as of 31.12.	436	420	392

Experience adjustments to the present value of defined benefit obligations represent part of the actuarial gains or losses arising on the defined benefit obligations for the year in question and amount to EUR 82 thou. in 2008. In the previous years, the present value of the total commitment largely corresponded to the pension commitments.

In the reporting year, an eligible person had their pension claim paid out. The present value of total obligations is as follows:

In thousands of €	2008	2007
Present value of total obligations as of 01.01.	420	392
Settlement rate of current service cost	8	11
Interest cost	17	9
Expected pension payments	– 25	– 25
Actuarial gains /losses	– 66	– 12
Adjustments due to changeover to IAS	0	45
Present value of total obligations as of 31.12.	354	420

In the upcoming financial year, an anticipated EUR 20 thou. will be paid into the pension plans.

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 689 thou. (previous year: EUR 618 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 25 thou. (previous year: EUR 26 thou.). If membership in the VBL continues, upon payment of current contributions, no further commitments arise respecting the Krankenhaus am Crivitzer See GmbH.

(22) Other provisions

In thousands of €	as at 01.01.2008	Addition	Consumption	Reversal	as at 31.12.2008
Provisions for renewal of lease agreements	2,300	33	0	0	2,333
Provisions for partial retirement	802	251	351	0	702
Provisions for anniversary grants	1,171	229	137	19	1,244
Provisions for archival storage	433	203	0	0	636
Provisions for insurance and other risk costs	5,061	1,147	652	0	5,556
	9,767	1,863	1,140	19	10,471

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 2008 (previous year: EUR 24 thou.).

The remaining additions relate to EUR 9 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 210 thou. will be drawn upon in 2009, EUR 357 thou. in 2010 to 2012 and EUR 31 thou. in the two following years.

Of the provisions for anniversary grants, an anticipated total of EUR 153 thou. will be consumed in the 2009 financial year, and EUR 1,091 thou. in the subsequent years.

The provisions for archival storage, which increased due to the acquisition, 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 2009 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.

(23) Deferred tax liabilities

As with the deferred tax assets, the deferred tax liabilities are also based on the relevant tax rate of 15.825 % (corporation tax, solidarity surcharge). As at 31.12.2008 and the previous year's cut-off date, the deferred tax liabilities are as follows:

In thousands of €	Difference		Tax	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Allowances of anniversary grants/ provisions for partial retirement	218	150	35	24
Tax goodwill depreciation	8,602	6,525	1,361	1,032
			1,396	1,056

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

(24) 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 2009. In the reporting year, interest paid totalled EUR 4,233 thou. (previous year: EUR 4,233 thou.). In 2009, interest paid will total an estimated EUR 2,470 thou. until repayment is complete. Of the EUR 10,000 thou. in new mid-term loans acquired by MediClin AG in the reporting year, EUR 2,344 thou. are to repaid in 2009. Furthermore, Müritz-Klinikum Waren has a bridge loan totalling EUR 8,127 thou. Upon receipt of the promised subsidies in the second quarter of 2009, a repayment of EUR 7,669 thou. will be made. The remaining balance of EUR 458 thou. will be paid off in 2010.

(25) 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, which were offset against receivables in the previous year and involved a total of EUR 13.2 mill. associated with promised investment grants, pursuant to Section 9 of the hospital financing law, no longer exist.

(26) Other liabilities

They mainly relate to the following:

In thousands of €	31.12.2008	31.12.2007
Staff costs	9,464	7,927
Outstanding loan repayments	22	298
Wage and value-added taxes payable	3,318	2,992
Public charges and fees	684	688
Energy costs	508	85
Payments received	53	137
Restructured loan repayments	979	180
Other liabilities	3,119	2,250
	18,147	14,557

(27) Provisions

In thousands of €	as at 01.01.2008	Addition	Consumption	Reversal	as at 31.12.2008
Provisions for costs of annual financial statement	903	923	679	151	996
Provisions for billing risks and litigation	1,944	2,588	447	1,117	2,968
	2,847	3,511	1,126	1,268	3,964

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 17 c of the hospital financing law.

EUR 1.4 mill. of the addition is attributable to one of the newly acquired hospitals.

(28) Tax liabilities

Tax liabilities totalling EUR 2.8 mill. (previous year: EUR 2.3 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

(29) Sales

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

In millions of €	2008	2007
Post-acute	230.6	211.8
Acute	184.6	143.1
Nursing care	10.7	10.2
Others	30.9	26.9
Sales revenues	456.8	392.0
thereof against related parties	1.5	1.5

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

In addition to revenues from services, other sales include revenues from the sale of pharmacy merchandise totalling EUR 1.5 mill. (previous year: EUR 1.1 mill.), from private accommodation totalling EUR 3.8 mill. (previous year: EUR 3.1 mill.) and from cafeterias, kiosks and meals totalling EUR 4.2 mill. (previous year: EUR 3.6 mill.).

Revenues from related parties relate to compensation for the real estate management of rented clinics, as well as sales from post-acute and acute and nursing care services with private insurance companies.

(30) 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 1.3 mill. (previous year: EUR 0.5 mill.) and rental income.

(31) Raw material and consumables used

Costs concerning raw materials and supplies increased by 27.9 % (without Kraichgau-Klinik Group +3.9 %) in comparison with 2007. Costs of purchased services rose by 21.3 % (without Kraichgau-Klinik Group +11.2 %). Overall, costs were up 25.1 % on the previous year's total. Adjusted for the newly acquired Kraichgau-Klinik Group, costs grew by 7.0 %. The ratio is 23.1 %, in comparison to 21.5 % in the previous year.

(32) Staff costs

Staff costs of EUR 249.3 mill. rose by 14.5 % as compared to the previous year's total of EUR 217.6 mill. The consolidation of the Kraichgau-Klinik Group in 2008 accounted for EUR 26.2 mill. of the overall increase of EUR 31.7 mill. The ratio improved to 54.6 %, following 55.5 % in the previous year. Pension expenses incurred in addition to those for statutory pension insurance, including contribution payments to external provider facilities, totalled EUR 3.4 mill. (previous year: EUR 2.8 mill.).

(33) Depreciation and amortisation

In the 2008 financial year, depreciation and amortisation totalled EUR 12.1 mill. (previous year: EUR 8.7 mill.), with EUR 1,219 thou. (previous year: EUR 636 thou.) attributable to intangible assets and EUR 10,842 thou. (previous year: EUR 8,075 thou.) to property, plant and equipment. The additions from the fixed assets of the Kraichgau-Klinik Group, which included EUR 2.7 mill. of depreciation and amortisation, accounted for the bulk of the overall increase of EUR 3.4 mill. The depreciation and amortisation ratio rose from 2.2 % to 2.6 %. Without the newly acquired Kraichgau-Klinik Group, the depreciation and amortisation rate would have totalled 2.3 %.

(34) Other operating expenses

Other operating expenses are primarily attributable to rental and leasing expenses for real estate and medical equipment (2008: EUR 45.1 mill.; previous year: EUR 37.1 mill.). EUR 40.0 mill. (previous year: EUR 31.9 mill.) thereof concerns payments to related parties pursuant to IAS 24, of which EUR 39.2 mill. (previous year: EUR 31.1 mill.) relates 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 rose by EUR 14.8 mill. to EUR 83.4 mill. as compared to the previous year (previous year: EUR 68.6 mill.). EUR 5.7 mill. of this increase is attributable to the Kraichgau-Klinik Group. The expense ratio increased from 17.5 % to 18.3 %. In addition to rental costs, other operating expenses include primarily maintenance and repair costs totalling EUR 13.5 mill. (previous year: EUR 10.9 mill.), insurance expenses totalling EUR 2.9 mill. (previous year: EUR 2.4 mill.), legal and advisory costs totalling EUR 3.8 mill. (previous year: EUR 3.1 mill.), public charges and fees totalling EUR 1.1 mill. (previous year: EUR 1.0 mill.), as well as other expenses totalling EUR 17.0 mill. (previous year: EUR 14.1 mill.), which include numerous expenses with values which are only of immaterial importance in each individual case.

(35) Financial result

The financial result is structured as follows:

In thousands of €	2008	2007
Other financial revenues	938	1,041
Other financial costs	– 7,601	– 6,108
	– 6,663	– 5,067

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 €	2008	2007
Income from participations	0	26
Interest and similar revenues	938	1,015
Thereof from		
Receivables	157	320
Current account balances, fixed deposits, overnight money	781	695
Other financial revenues	938	1,041
thereof Kraichgau-Klinik Group	43	–
thereof against related parties	12	13

In thousands of €	2008	2007
Interest on loans	7,004	5,723
Interest cost for litigation expenses	199	232
Commitment fees	32	23
Interest on convertible bonds	6	6
Interest on finance leases	142	–
Other interest-related expenses	218	124
Other financial costs	7,601	6,108
thereof Kraichgau-Klinik Group	1,448	–
thereof against related parties	5,544	4,240

An overview of future interest expenses is presented in the section on non-current liabilities.

(36) Taxes on income

This item is structured as follows:

In thousands of €	2008	2007
Actual taxes on income	1,452	2,066
Deferred taxes on income	411	5,966
	1,863	8,032

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 €	2008	2007
Result before tax	9,136	13,799
thereof calculational tax charge	1,446	3,639
Tax effect of:		
Change of tax rate	0	4,144
Corporation tax credit SEStEG	– 55	– 106
Loss carried forward	0	0
Non-deductible expenses	223	26
Taxes of previous years and others	249	329
Actual tax expenses	1,863	8,032

(37) 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.

	2008	2007
Result attributable to equity holders (in thousands of €)	7,080	5,729
Average number of shares issued (in thousands)	32,447	31,500
Earnings per share undiluted (in €)	0.22	0.18

The diluted earnings per share take into account the potentially diluting 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 €	2008	2007
Result attributable to equity holders	7,080	5,729
Interests of convertible bond	6	6
Current or rather deferred taxes on interests	– 1	– 2
Result to define earnings per share diluted	7,085	5,733
Average number of shares issued (in thousands)	32,447	31,500
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)	32,697	31,750
Earnings per share diluted (in €)	0.22	0.18

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	2008	2007	Change
Medical	662	607	+ 55
Nursing care	1,871	1,665	+ 206
Medical-technical	1,319	1,182	+ 137
Functional	336	298	+ 38
Medical services	4,188	3,752	+ 436
Support functions	917	796	+ 121
Technical	100	180	– 80
Administration	482	422	+ 60
Other	66	68	– 2
Non-medical services	1,565	1,466	+ 99
	5,753	5,218	+ 535

Contingencies and other financial obligations

The Group's total obligations arising from rental and leasing contracts, as well as fixed incidental expenses, totalled EUR 44.6 mill. in the reporting year (previous year: EUR 36.6 mill.). Of this amount, a total of EUR 39.2 mill. (previous year: EUR 31.1 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 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 of 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 about 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 real estate management agreements made in the rental contracts totalled EUR 0.8 mill. in the financial year (2009: EUR 0.8 mill.; 2010–2013: EUR 3.2 mill.; 2014–2027: EUR 11.1 mill.). The expenses for other rentals and leases totalled EUR 2,096 thou. (previous year: EUR 2,525 thou.).

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

In millions of €	Nominal value 31.12.2008	Nominal value 31.12.2007
Remaining term up to 1 year	41.2	40.8
Remaining term 1 – 5 years	160.9	160.8
Remaining term > 5 years	555.2	588.2
	757.3	789.8

Leasing expenses relating to movable property, such as vehicles, office equipment and medical technology, totalled EUR 2,543 thou. (previous year: EUR 2,196 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. They are anticipated to develop as follows:

In millions of €	Nominal value 31.12.2008	Nominal value 31.12.2007
Remaining term up to 1 year	1.6	1.8
Remaining term 1 – 5 years	2.4	4.1
Remaining term > 5 years	0.2	0.2
	4.2	6.1

Leasing liabilities related to finance lease agreements feature the following payment structure for minimum lease payments:

In millions of €	Nominal value 31.12.2008	Nominal value 31.12.2007
Remaining term up to 1 year	1.1	–
Remaining term 1 – 5 years	3.4	–
Remaining term > 5 years	13.6	–
	18.1	–

In association with the leasing agreement between the Rehabilitationszentrum Gernsbach and the lessor VR-Leasing ABYDOS GmbH & Co. KG, MediClin has submitted a declaration on subrogation, obligating itself to enter into the leasing agreement in the event that the lessee's financial situation deteriorates to such an extent that endangers the fulfilment of the agreement.

Within the scope of acquisition of the MediClin Müritzklinikum 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 10.0 mill. would be paid within the scope of an increase in the equity capital of the MediClin Müritzklinikum GmbH subsidiary. In 2002, the subsidiary's equity capital was increased by EUR 6 mill. The realisation of the investment project was completed in 2008.

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).

Furthermore, there are obligations of significant amounts from laboratory contracts, district heating supply contracts, pharmaceutical and sterile products supply, as well as cleaning and catering contracts. The projected anticipated payment terms are shown in the table below:

In millions of €	Nominal value 31.12.2008	Nominal value 31.12.2007
Remaining term up to 1 year	2.9	2.6
Remaining term 1 – 5 years	2.5	2.5
Remaining term > 5 years	0.6	0.9
	6.0	6.0

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

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 2009.

Supervisory Board

The following persons were members of the Supervisory Board during the 2008 financial year:

Günter Schlatter (Chairman), Cologne

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

Supervisory Board mandates:

Chairman of the Supervisory Board

- Litos Immobilien AG, Munich

Member of the Supervisory Board

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

Hans Hilpert¹ (Vice Chairman), Kinkel

Sports Therapist, MediClin GmbH & Co. KG, Blieskastel branch

Michael Bock, Düsseldorf

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

Supervisory Board mandates:

Chairman of the Supervisory Board

- Avenue des Arts 35 S.A., Brüssel

Vice Chairman of the Supervisory Board

- KDV Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG, Berlin

Member of the Supervisory Board

- DIC Asset AG, Frankfurt am Main
- DIC Capital Partners Beteiligungs GmbH, Munich
- DIC Capital Partners Verwaltungs GmbH, Munich
- GRR AG, Erlangen
- Litos Immobilien AG, 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

- KarstadtQuelle Versicherungs AG, Nuremberg
- KarstadtQuelle Lebensversicherungs AG, Nuremberg
- KarstadtQuelle Krankenversicherungs AG, Nuremberg
- Vorsorge Lebensversicherung AG, Hilden

Member of the Supervisory Board

- GFKL Financial Services AG, Essen (until January 2008)
- KarstadtQuelle Bank AG, Neu-Isenburg (until January 2009)
- MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich
- VICTORIA Volksbanken AG, Vienna (until March 2008)
- Österreichische Volksbanken AG, Vienna (until May 2008)

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 GmbH & Co. KG, Krankenhaus Plau am See branch

Walburga Erichsmeier¹, Blomberg

Medical Technical Assistant, MediClin GmbH & Co. KG, Horn-Bad Meinberg branch

Carsten Heise, Neuss

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

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 ERGO Versicherungsgruppe AG, Düsseldorf

Member of the Management Board of ERGO International AG, Düsseldorf

Supervisory Board and Administrative Board mandates:

VChairman 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 ARZTRECHNUNGS-SERVICE GMBH, Cologne

Member of the Administrative Board

- DKV Seguros y Reaseguros S.A.E., Saragossa
- ERGO Generales Seguros y Reaseguros, S.A., Madrid
- ERGO Vida S.A., Saragossa
- ERGO Italia S. p. A., Milan
- 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 GmbH & Co. KG, St. Wendel branch

Udo Rein¹, Frankfurt am Main

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

Dr. Hans Rossels, Kall

Managing Director of Kreiskrankenhaus Mechernich, Mechernich

Chairman of the Supervisory Board

■ Gemeinnützige Gesellschaft der Franziskanerinnen zu Olpe mbH, Olpe

■ Marienhospital Brühl GmbH, Brühl

Member of the Supervisory Board

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

Member of the Administrative Board

■ Deutsche Krankenhausverlagsgesellschaft (DKVG), Düsseldorf

Supervisory Board Committees

General and

Personnel Committee

Günter Schlatter (Chairman)

Gerd Dielmann

Hans Hilpert

Dr. Jochen Messemer

Audit Committee

Dr. Daniel von Borries (Chairman)

Michael Bock

Prof. Dr. Erich Donauer

Walburga Erichsmeier

Carsten Heise

Klaus Müller

Mediation Committee

pursuant to

Section 27 MitbestG

Günter Schlatter (Chairman)

Hans Hilpert

Dr. Jochen Messemer

Udo Rein

Nomination Committee

Günter Schlatter

Carsten Heise

Dr. Hans Rossels

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.

On 24 October 2008, the Advisory Board was re-appointed for a two-year term by the Management Board, with the approval of the Supervisory Board.

Dr. Jörg W. Knorn (Chairman)

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

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

Management Board

The following persons were members of the MEDICLIN Aktiengesellschaft Management Board during the 2008 financial year:

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

Frank Abele, Chief Financial Officer, Gerlingen

Management remuneration

In the 2008 financial year, remuneration for the Management Board totalled EUR 1,572 thou. (previous year: EUR 1,446 thou.), for the Supervisory Board EUR 83 thou. (previous year: EUR 83 thou.) and for the Advisory Board EUR 65 thou. (previous year: EUR 70 thou.). The disclosure of the remuneration of the Supervisory Board and Advisory Board does not include VAT. 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".

Report concerning related parties pursuant to IAS 24

Business relations to related parties are handled at normal market conditions and amount as follows:

In millions of €	2008	2007
Income		
Revenues from post-acute, acute and nursing care services	1.1	1.1
Real estate management income	0.4	0.4
Expenses		
Leasing expenses	39.2	31.1
Real estate management costs	0.8	0.8
Insurance premiums	0.9	0.8
Fee payments for capital increase	0.5	–
Interest expenses	5.5	4.2

In millions of €	31.12.2008	31.12.2007
Receivables		
Repayment claims from preliminary financing of clinic expansions/building measures	0.3	0.6
Loan to Management Board	0.3	0.3
Liabilities		
to insurance companies	61.4	61.4
Convertible bond	0.3	0.3

Günter Schlatter, Chairman of the Supervisory Board, is also a member of the Supervisory Board of IVG Institutional Funds GmbH, Wiesbaden, with which exists extensive leasing business, as well as two associated contracts concerning real estate and real estate management.

Within the scope of these contracts, MediClin retains repayment claims against IVG Institutional Funds GmbH from the preliminary financing of clinic expansions and other building measures.

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

A detailed presentation of leasing activities can be found under "Contingencies and other financial obligations".

In the financial year, a sale-and-lease-back agreement was concluded with VR-LEASING ABYDOS GmbH & Co. Immobilien KG concerning the property and real estate of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, which holds a capital share of 47.00 % in VR-LEASING ABYDOS GmbH & Co. Immobilien KG. Further information on the agreement, contractual conditions and balance sheet treatment are disclosed in detail under the notes to the consolidated balance sheet in the review of property, plant and equipment (finance lease). In 2008, payments in association with this transaction, including administration costs, totalled EUR 49 thou.

The Supervisory Board member Michael Bock is a member of the Management Board of Provinzial Rheinland Versicherung AG, which holds direct voting rights in MediClin AG. Financial and credit relationships exist with Provinzial Rheinland Versicherung AG at normal market conditions.

The Supervisory Board members Dr. Daniel von Borries and Dr. Jochen Messemer are members of the Management Board of ERGO Versicherungsgruppe AG and executive officers of subsidiaries of Münchner Rückversicherungs-Gesellschaft AG. With these and other subsidiaries of Münchener Rückversicherungs-Gesellschaft AG, Munich, which hold indirect voting rights in MediClin AG, financial and credit relationships exist at normal market conditions.

Provinzial Rheinland Versicherung AG, as well as two subsidiaries of Münchener Rückversicherungs-Gesellschaft AG, have provided MediClin AG with three loans totalling EUR 61.4 mill. altogether, which carry the same conditions and are to be repaid in 2009. These insurance loans have existed since 2005 at a constant amount and with the same interest conditions. Collateral for these loans exists in the form of a pledge of shares in a Group company. Interest expense recorded in the profit and loss account for the loans totalled EUR 4,233 thou. (previous year: EUR 4,233 thou.); the corresponding liability items are posted in the balance sheet under current financial liabilities.

Furthermore insurance agreements continue to exist with subsidiaries of ERGO-Versicherungsgruppe. The expenses for these insurance premiums totalled EUR 1.0 mill. and EUR 0.9 mill. in 2006 and 2005, respectively.

In addition, very marginal revenues in post-acute, acute and nursing care services were generated from activities with three health insurance companies, which are also a part of the ERGO Versicherungsgruppe. These revenues represent less than 0.3 % of sales. In 2006 and 2005, these revenues totalled EUR 0.9 mill. and EUR. 0.8 mill., respectively.

Through the acquisition of Kraichgau-Klinik AG, Landesbank Baden-Württemberg (LBBW) is classified as a related party starting in 2008, as LBBW decides upon the Chairman of the Supervisory Board, as well as two further members of the Advisory Board of Kraichgau-Klinik AG. For the remaining loans of around EUR 31 mill. assumed within the scope of the acquisition of Kraichgau-Klinik AG, which were reduced in 2008 according to the purchase agreement, interest paid totalled EUR 1.3 mill. In association with this repayment, MediClin AG acquired through the contract from 19 February 2008 loan liabilities totalling EUR 19.9 mill. from the LBBW within the scope of a purchase of accounts receivable. As a part of the acquisition, the Kraichgau-Klinik Group was released from liability on loans totalling around EUR 16 mill. by LBBW.

The loan to the Management Board and the convertible bond relate to the share-based remuneration granted to the Management Board, for which interest totalling EUR 6 thou. was paid and interest totalling EUR 12.5 thou. received. For further details, please see the "Report on compensation" in the summarised management report and Group management report.

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 audit firm for annual auditing activities and other services were recorded as expense in the financial year at the following amounts:

In thousands of €	2008	2007
Annual audit	480	480
Other attestation or validation services	0	0
Tax consulting services	0	0
Other services	98	5
	578	485

Proposed appropriation of earnings

It is proposed that from the balance sheet profit of MEDICLIN Aktiengesellschaft as at 31 December 2008, to the amount of EUR 11,857,545.76,

- EUR 2,362,500.00 be used for the payment of a dividend of EUR 0.05 per share, on the 47,250,000 shares carrying dividend rights, and
- the remaining EUR 9,495,045.76 be carried forward to the new accounting period.

Frankfurt am Main, 3 March 2009



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, 3 March 2009



Dr. Ulrich Wandschneider



Frank Abele

Auditor's report

We have audited the consolidated financial statements prepared by 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 2008 to 31 December 2008. 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 Section 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 Section 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 Section 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.

Freiburg, 6 March 2009

BDO Deutsche Warentreuhand AG
Wirtschaftsprüfungsgesellschaft

(Preis)
Wirtschaftsprüfer

(ppa. Sackmann)
Wirtschaftsprüferin



PALOMA DEPPING Gynaecologist | **URSULA PERRET** Internist

ONCOLOGY

Since 2001, the gynaecologist Paloma Depping and the internist Ursula Perret share the position of senior physician in MediClin Rose Klinik's oncology specialist clinic. This part-time arrangement benefits both of the working mothers, as well as the hospital in its role as employer.

Here in the hospital we have created a family-friendly working environment.



Ms. Depping, Ms. Perret, how did your part-time arrangement come about?

> *Paloma Depping:* Eight years ago, we were looking specifically for an internist for the oncology specialist clinic. Since I wanted to work fewer hours anyway after the birth of my second child, I suggested to Ms. Perret after her baby leave that we share the position in the oncology specialist clinic. We first got active ourselves. Our colleagues in the department gave us the necessary support, and the hospital management showed a remarkable degree of flexibility.

How have you organised the part-time arrangement?

> *Ursula Perret:* We have divided up the duties. We both have assistant physicians with whom we coordinate our work everyday. If during one week an exceptionally large number of patient admissions is planned, then we work longer and take time off later. Overall, we are very flexible in arranging our work schedule. The most important thing is good and dependable coordination within the department. We support each other and try to be as flexible as possible,

for example when a child becomes ill. We greatly appreciate that the hospital management permits individual arrangements and that mutual trust exists at this level.

> *Paloma Depping:* Good teamwork within the department and support from the hospital are the most important factors for me as well. When my daughter was still a baby, I brought her with me to the hospital, where she was then looked after by a colleague who also took care of the patients' kids.

What other benefits does this arrangement have?

> *Ursula Perret:* Since we are medical specialists in different fields, we broaden the expertise within the department by sharing the position. What's more, we both work from morning until midday and thus spend the most productive hours of the day in the hospital. Another advantage is that we can cover for one another; at least one senior physician is always on site, even during the holiday season. Here in the hospital we have created a family-friendly working environment. This leads to less turnover among the medical staff.

Report of the Supervisory Board



GÜNTER SCHLATTER
Chairman of the
Supervisory Board

Dear Shareholders,

In the 2008 financial year, the Supervisory Board continued to take great care in fulfilling its duties as mandated by law and the Articles of Incorporation. The Supervisory Board provided counsel to the Management Board and monitored its management of the Company. The Management Board reported regularly to the Supervisory Board, both verbally and in writing, on the economic situation and development of the Company, as well as on important business processes, in a prompt and comprehensive fashion. These reports included, in particular, information about the development of the financial position, the staff situation, the status of investment projects as well as essential questions regarding corporate planning and strategy. Furthermore, the Supervisory Board devoted its attention to the risk situation, as well as risk management, the administration of the Company in accordance with legal requirements and the compliance programme.

At five rotating Supervisory Board meetings, the Management Board thoroughly fulfilled their reporting duties with regard to the aforementioned topics. In addition to the five meetings, the Management Board and the Supervisory Board passed, by circulation procedure in August 2008 in light of the urgency of the decision, a resolution to issue a joint statement on the mandatory offer by ERGO Versicherungsgruppe AG (ERGO) to the MediClin shareholders concerning the acquisition of all MediClin shares. The Supervisory Board was directly involved at an early stage in all decisions of fundamental significance for the Company. 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) of the German Stock Corporation Act (AktG), as the reporting of the Management Board gave no reason to do so. 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.

No possible conflicts of interest arose for the members of the Management Board or Supervisory Board in the reporting year. Where such conflicts of interest do occur, they must be disclosed immediately to the Supervisory Board and reported at the Annual General Meeting.

In the joint statement of the Management Board and the Supervisory Board of MediClin on the mandatory takeover offer by ERGO, disclosures were made regarding the shareholdings of the Management Board member Dr. Ulrich Wandschneider in the Company and his option rights from the issue of a convertible bond, as well as the shareholdings of the Supervisory Board members Günter Schlatter, Prof. Dr. Erich Donauer and Klaus Müller in the Company. Furthermore, it was disclosed that the Supervisory Board member Dr. Daniel von Borries was at the same time a member of the Management Board of ERGO, and that Supervisory Board member Dr. Jochen Messemer was at that time a member of the Management Board of DKV Deutsche Krankenversicherungs AG, a 100 % subsidiary of ERGO, as well as that Dr. Messemer was appointed to the Management Board of ERGO effective 1 October 2008.

Due to the possible conflict of interest through his membership on the Capital Market Committee, Dr. von Borries abstained from voting, as a purely precautionary measure, on

the adoption of the Capital Market Committee resolution from 21 November 2008 regarding the authorisation of the Management Board's resolution on the increase of the Company's subscribed capital.

In addition to the full and smooth integration of the Kraichgau-Klinik Group, acquired at the beginning of 2008, in only a year, MediClin successfully carried out a capital increase in the reporting year, despite the difficult situation on the financial markets. Nearly 100 % of the new shares were subscribed, thus providing the Company with net proceeds of EUR 38.1 mill. The Supervisory Board congratulates the Management Board on the successful integration of the newly acquired clinics, as well as on the successfully completed capital market transaction.

The Supervisory Board would also like to thank all MediClin employees for their performance and outstanding personal commitment during the 2008 financial year.

Corporate governance

In the Supervisory Board meeting on 15 December 2008, the revisions made to the German Corporate Governance Code by the Government Commission in their meeting on 6 June 2008 were discussed, and the necessary measures initiated to ensure compliance with the revised and new recommendations in the future. In the Supervisory Board meeting on 23 March 2009, the Management Board and Supervisory Board jointly adopted the updated conformity declaration pursuant to Section 161 of the German Stock Corporation Act (AktG). The current conformity declaration is published on the MediClin website, as are all previous declarations.

Meetings of the Supervisory Board

The development of sales and earnings in the Group and the segments, as well as the development of occupancy rates, were issues of discussion at all Supervisory Board meetings. Further issues included the status of upcoming or current investment projects and the status of the integration of the Kraichgau-Klinik AG facilities.

Issues concerning Group financing were given special emphasis at all proceedings. These particularly included the expiration and follow-up financing of existing loans totalling approximately EUR 61.4 mill. and the approval of the Supervisory Board, as well as the discharge of liabilities totalling EUR 30 mill. assumed from Kraichgau-Klinik AG through long-term financing plus the approval of the Supervisory Board.

Special issues in the 2008 financial year were the handling of the mandatory takeover offer by ERGO, as well as the implementation of the capital increase.

In July 2008, ERGO informed us that they had increased their stake in MediClin to more than 30 %. At the beginning of August 2008, ERGO submitted the documents related to the mandatory takeover offer. On 22 August 2008, the Supervisory Board of MediClin passed on schedule, by circulation procedure, a resolution to jointly issue the statement with the Management Board on the mandatory takeover offer by ERGO.

Furthermore, in October 2008, the Supervisory Board established a professionally competent Capital Market Committee of the Supervisory Board, which passed the necessary resolutions for the Supervisory Board during the transaction.

At the first meeting of the year on 7 March 2008, the Supervisory Board discussed in detail the 2007 annual financial statements and consolidated financial statements in the presence of the auditors and endorsed them. The annual financial statements were thereby approved. Furthermore, we discussed and approved the resolution proposals for the agenda of the 2008 Annual General Meeting, including the proposal on the allocation of the unappropriated profit.

The Supervisory Board concurred with the proposal of the Management Board to carry forward the profit of EUR 6,037,140.22 from the 2007 financial year to the new accounting period. The Company's liquidity requirements and the goal of being able to successfully meet the challenges posed by the health care market and thus safeguarding the Company's general economic and financial conditions, including further growth, were the essential grounds on which this decision was reached.

We also adopted the 2008 conformity declaration.

In addition, the Supervisory Board decided – after obtaining a statement from the intended auditor in accordance with Section 7.2.1 of the German Corporate Governance Code and upon the resulting recommendation from the Audit Committee – to propose to the Annual General Meeting that BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft be appointed as auditor for the annual financial statements and consolidated financial statements for the 2008 financial year.

In connection with the acquisition of the Kraichgau-Klinik Group, the Supervisory Board approved the potential sale of Group's Vitalisklinik and the sale-and-lease-back transaction for the real estate of the Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG. The Supervisory Board also approved the plans presented by the Management Board to expand nursing care in two MediClin facilities.

In this meeting, the Supervisory Board provided the Management Board with the authorisation, subject to subsequent decisions, to survey the market with regard to the capital increase and initiate corresponding measures.

Furthermore, the Chairman of the Supervisory Board, in his function as Chairman of the General and Personnel Committee, informed the Supervisory Board about the resolutions regarding the amount of the Management Board's profit-sharing bonuses for 2007. Due to the achievement of the operative goals, as well as the successful acquisition of the Kraichgau-Klinik AG, the profit-sharing bonus payments were approved for both members of the Management Board.

In the meeting following the Annual General Meeting on 21 May 2008, the Management Board reported on the current course of business and the status of the negotiations to divest of Vitalisklinik, as well as the real estate in Gernsbach.

In the meeting on 14 August 2008, the Supervisory Board informed itself on the development of business in the first half of 2008 and approved the sale of the business activities, including real estate, of Vitalisklinik to the town of Bad Hersfeld. The Supervisory Board also adopted a resolution to prepare, with assistance from a law firm, a joint statement on the mandatory takeover offer submitted by ERGO on 4 July 2008. On 22 August 2008 – as

already disclosed – a resolution on the issuance of a joint statement with the Management Board was passed by circulation procedure.

In the meeting on 24 October 2008, the Management Board informed the Supervisory Board that MediClin had purchased the remaining 6 % of MediClin Müritz-Klinikum GmbH shares on 20 October 2008, as authorised by the Supervisory Board in the meeting on 14 December 2007, and was now the sole shareholder of Müritz-Klinikum. The further takeover of approximately 18 % of the Kraichgau-Klinik AG was also successfully completed on schedule. In this meeting, the Supervisory Board approved the sale and leaseback agreement concerning the real estate of Rehabilitationszentrum Gernsbach/Schwarzwald.

Furthermore the Management Board informed the Supervisory Board that, subject to a final resolution, it had started preparations for the capital increase. Following in-depth discussions, the Supervisory Board passed a resolution to establish a Capital Market Committee of the Supervisory Board, which comprised the members Günter Schlatter, Dr. Daniel von Borries, Professor Dr. Erich Donauer and Walburga Erichsmeier. The committee's objective was to exercise the authority of the Supervisory Board, as mandated by law, the Articles of Incorporation and the resolution of the Annual General Meeting mentioned below, in connection with the utilisation of the authorised capital pursuant to resolutions of the Annual General Meeting from 25 May 2005 (Section 4, Paragraphs 3 and 4 of the Articles of Incorporation).

The Supervisory Board concurred with the Management Board's recommendation to reappoint the members of the Advisory Board upon completion of their two-year term.

In the Supervisory Meeting on 15 December 2008, the Management Board reported comprehensively and in detail to the Supervisory Board on measures planned for 2009, regarding both the individual clinics and the entire Group.

A resolution to adjust the Rules of Procedure for the Supervisory Board was passed due to the revised version of the German Corporate Governance Code from 6 June 2008.

All members of the Supervisory Board participated, with only a few exceptions, in all of the Supervisory Board meetings in 2008.

The Supervisory Board also underwent an efficiency assessment of its work in 2008.

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.

The Audit Committee convened four times during the reporting year. On 25 February 2008 and 7 March 2008, it held intensive consultations with the Management Board and the auditors on the preliminary financial statements for 2007, and in its meeting on 25 February 2008 discussed in detail the Company's liquidity structure. After conducting its own audit, and under consideration of statements from the Management Board and annual auditors, it decided to recommend the Supervisory Board to approve the annual financial statements. The Audit Committee verified the independence of the annual auditor.

At its meeting on 24 October 2008, the Audit Committee adopted the audit planning for 2008, 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.

At its meeting on 15 December 2008, the Management Board reported to the Audit Committee on the status of the current interim audit by BDO.

The General and Personnel Committee also convened four times during the reporting year. At its meeting on 7 March 2008, it dealt with matters of the Management Board. It established the amount of profit-sharing bonuses for the Management Board for 2007. At its meetings on 15 April 2008 and 15 December 2008, discussions were held on the possibilities and guidelines for long-term incentivisation through capital market-oriented models. A detailed description of the provisions concerning Management Board compensation is presented in the summarised management report and Group management report under "Report on compensation".

On 11 November 2008, the Capital Market Committee elected Günter Schlatter as Chairman of the committee in a telephone conference. On 21 November 2008, the Capital Market Committee approved, on behalf of the Supervisory Board in a telephone conference, the resolution of the Management Board from 21 November 2008 concerning the increase of subscribed capital. With the implementation of the capital increase, the committee had fulfilled its function.

The Mediation Committee and the Nomination Committee did not have to convene in the year under review.

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

Changes in the Supervisory Board and the Management Board

During the 2008 reporting year, no changes in the Supervisory Board and Management Board took place.

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 2008 financial year, including the accounting records and the summarised management report and Group management report of the Company, were audited by BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft. The audit firm was elected to be the auditor of the annual financial statements and consolidated financial statements for the 2008 financial year at the Annual General Meeting on 21 May 2008, and commissioned with the audit by the Supervisory Board. The annual auditors issued an unqualified auditor's report on the 2008 annual financial statements of MediClin AG and the 2008 consolidated financial statements, as well as on the summarised management report and Group management report. The consolidated financial statements and the summarised management report and Group management report were prepared in accordance with the International Financial Reporting Standards (IFRS),

as valid in the EU, as well as the supplementary commercial provisions pursuant to Section 315a (1) of the German Commercial Code (HGB).

The audit documents and the auditor's reports, as well as the reports of the Audit Committee and the Management Board's proposal for the appropriation of the balance sheet profit, 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 summarised 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 summarised management report and Group management report prepared by the Management Board. The annual financial statements are thereby approved. The Supervisory Board extensively discussed the Management Board's proposal on the allocation of the unappropriated profits, and likewise concluded to recommend to the Annual General Meeting that, from the balance sheet profit of EUR 11,857,545.76 as of 31 December 2008, a dividend of EUR 0.05 per share, altogether totalling EUR 2,362,500.00, should be paid and a total of EUR 9,495,045.76 should be carried forward to the new accounting period. In the opinion of the Supervisory Board, the earnings position, which has since stabilised, particularly in the post-acute segment, as well as the successful capital increase, permit this liquidity outflow.

Düsseldorf, 23 March 2009

On behalf of the Supervisory Board



Günter Schlatter
Chairman of the Supervisory Board

Corporate governance report

Key elements of good corporate governance include efficient cooperation between the Management Board and the Supervisory Board, openness and transparency in corporate communications, as well as a management approach focused on increasing shareholder value over the long term. The Management Board and the Supervisory Board of MediClin endorse the introduction and continuous development of the German Corporate Governance Code, which the Government Commission initially published on 26 February 2002, and last revised on 6 June 2008.

Conformity declaration

On 23 March 2009, the Management Board and the Supervisory Board of MediClin AG submitted the following conformity declaration concerning the Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG):

As of 15 December 2008, MEDICLIN Aktiengesellschaft has complied with the recommendations of the "Government Commission: German Corporate Governance Code", valid from 6 June 2008 and will comply with one exception:

- The Vice Chairman of the Supervisory Board and the members of the Supervisory Board committees do not receive separate remuneration (Item 5.4.6 [1] Sent. 3).

After the Supervisory Board adopted the corresponding resolutions in its meeting on 15 December 2008, in order to comply with the new or revised recommendations – which also in the future will be documented accordingly in the rules of internal procedure – MEDICLIN Aktiengesellschaft complied, starting 15 December 2008, with Item 7.1.2 Sent. 2 (Supervisory Board should discuss half-year and quarterly financial reports with the Management Board before publication) and will maintain compliance with this recommendation.

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.

Further information about business connections can be found in the “Notes to the consolidated financial statements” under “Other 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.

Nomination Committee

The Nomination Committee is solely comprised of shareholder representatives, whose task is to recommend suitable candidates to the Supervisory Board for its election proposals at the Annual General Meeting.

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 and defines the strategic orientation of the Company. 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 of 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 equals or exceeds the amount of EUR 5,000 within one calendar year.

In the 2008 financial year, the following transactions were reported:

Date:	1 December 2008
Person subject to the disclosure requirement:	Günter Schlatter
Position:	Chairman of the Supervisory Board
Description of the financial instrument:	MediClin shares
Type of transaction:	Purchase (exercise of subscription rights from capital increase)
Price per share:	EUR 2.50
No. of items:	18,250
Total amount traded:	EUR 45,625
Place:	Over the counter

Total holdings of MediClin AG shares held by all members of the Management Board and the Supervisory Board on 31 December 2008 amounted to less than 1% of the shares issued by the Company.

Communications with shareholders

Corporate communications at MediClin pursue the objective of informing the public promptly and transparently about the development of the Group. Shareholders and potential investors can read and – if they wish – download press releases and ad hoc announcements, as well as consolidated financial statements, interim reports and further detailed information on our website.

The annual financial statements are presented to the public at the financial statements press and analysts' conference in March. The Annual General Meeting normally takes place in Frankfurt in May. Within the scope of investor relations activities, individual talks are held with investors and relevant conferences 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.

In 2005, 50,000 convertible bonds were subscribed by the Chairman of the Management Board, Dr. Ulrich Wandschneider. These entitle him to the subscription of 250,000 MEDICLIN Aktiengesellschaft shares following a two-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 of the convertible bond key data, and the respective option rights, can be found in the summarised management report and Group 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 of this information is not provided here.

The main features of the remuneration system for the Supervisory Board are presented in the summarised management report and Group management report in the details

under "Report on compensation". The individual remuneration of the Supervisory Board members, pursuant to Section 5.4.6 (3) of the German Corporate Governance Code, was as follows:

in €	2008	2007
Günter Schlatter (Chairman)	12,782.30	12,782.30
Hans Hilpert (Vice Chairman)	6,391.15	6,391.15
Michael Bock	6,391.15	6,391.15
Dr. Daniel von Borries	6,391.15	6,391.15
Gerd Dielmann	6,391.15	6,391.15
Prof. Dr. Erich Donauer	6,391.15	6,391.15
Walburga Erichsmeier (from 13.09.2007)	6,391.15	2,130.38
Peter Erni (until 13.09.2007)	0.00	4,260.77
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)	6,391.15	2,130.38
Dr. Hans Rossels	6,391.15	6,391.15
Gero Schlagelambers (until 13.09.2007)	0.00	4,260.77
	83,084.95	83,084.95

(Net value; previous years' figures adjusted)

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 maximum deductible of EUR 15,000.00 applies for each member of the Management Board and 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. The Advisory Board normally consists of seven members. Each member of the Advisory Board receives attendance fees of EUR 10,000.00 per year. Furthermore, all expenses arising from the execution of the mandate as well as the VAT payable for the fees are reimbursed.

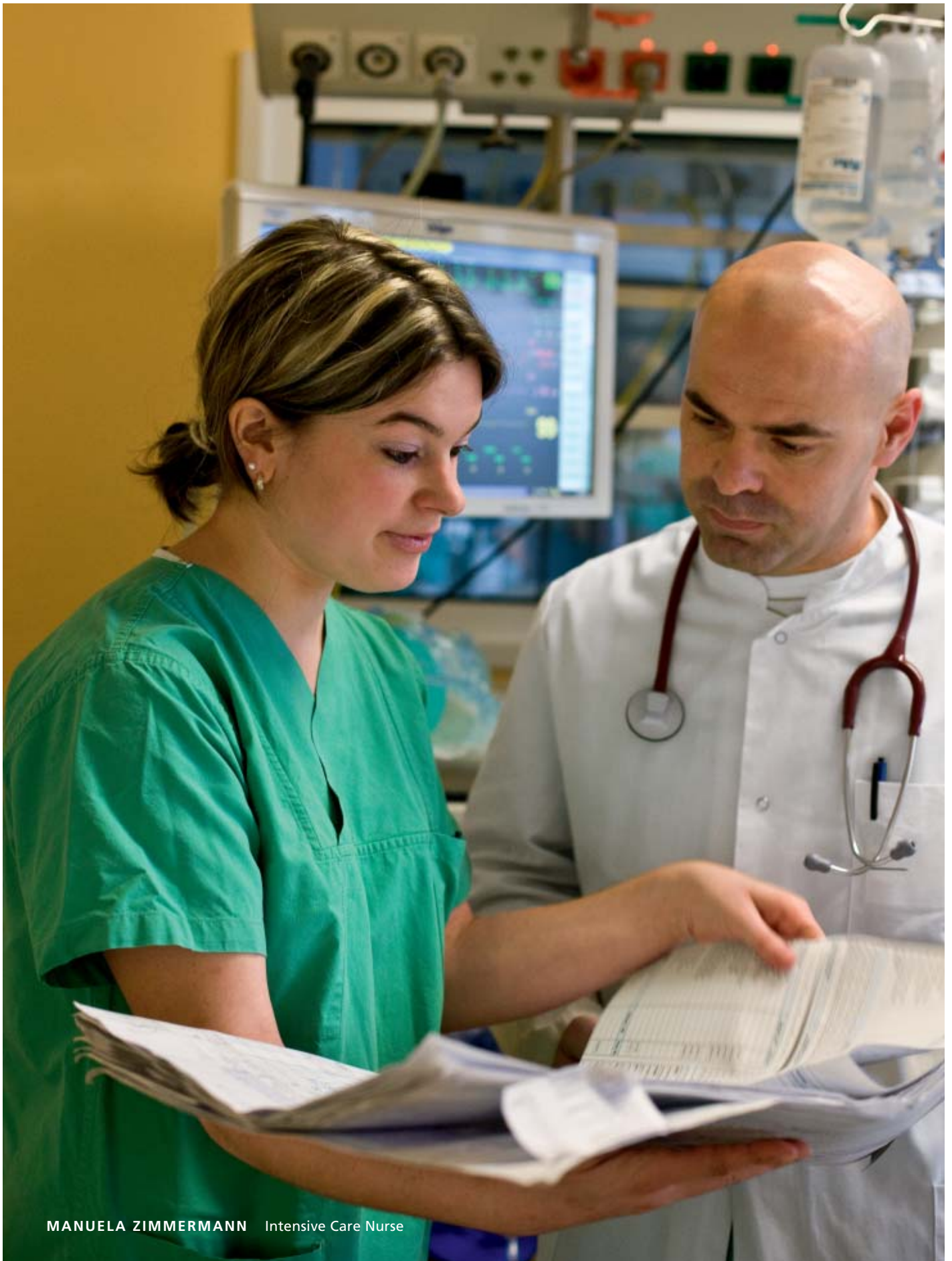
The remuneration totalled EUR 65,000.00 in the 2008 financial year (2007: EUR 70,000.00). The disclosure of the remuneration of the Advisory Board does not include VAT.

Control and risk management system

MediClin's risk management system ensures that risks are identified at an early stage and, if necessary, respective measures are introduced to minimise the risks. The Management Board will report to the Supervisory Board on existing risks and their development on a regular basis. The risk management system will be continuously enhanced and adapted to changing conditions. Further details can be found in the "Summarised management report and Group management report" under "Risk and opportunity report".

Audit of financial statements

The annual and interim consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS), whereas the financial statements of MediClin AG, which are required by law and are decisive for the dividend payment, are prepared in accordance with the provisions of the German Commercial Code (HGB). The auditor, BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft, will report immediately all the significant audit findings and events arising from the audit to the Chairman of the Audit Committee and the Supervisory Board. Furthermore, the auditor is obliged to inform the Supervisory Board if facts are discovered in the course of the audit which reveal any inaccuracies in the conformity declaration adopted by the Management Board and Supervisory Board, pursuant to Section 161 of the German Stock Corporation Act (AktG).



MANUELA ZIMMERMANN Intensive Care Nurse

INTENSIVE CARE

Since the end of 2002, Manuela Zimmermann has been working as a nurse at MediClin Herzzentrum Lahr/Baden. She began in the heart surgery ward and transferred to intensive care in 2006. Manuela Zimmermann looks after the patients in the intensive care units, makes arrangements with the treating physicians and her nursing colleagues and attends to the patients' families.

As an intensive care nurse, I must always be present and in close contact with the physicians.



Ms. Zimmermann, what is so special for you in your job as an intensive care nurse?

> On the intensive care ward, the top priority is stabilising the patient. As an intensive care nurse, my job is therefore to continuously monitor the patients and the connected apparatuses, administer medicine, read measurements, change patients' positioning and take blood samples. I take care of two to three patients at the intensive care ward and I stay nearly the whole day at the patients' rooms. As an intensive care nurse, I must always be present and especially attentive. After an operation, heart rhythm disturbances may occur; sometimes resuscitation is necessary. Or a patient must first be stabilised before an operation can take place. That is also our responsibility.

How does the collaboration with the treating physicians and your colleagues function?

> There is definitely closer and more frequent contact with physicians on the intensive care ward than on a normal ward. I almost always go along on the morning rounds and can make enquiries if something is not clear. Should

questions arise outside the rounds, then this is not a problem, because a physician is always present on the intensive care ward. Teamwork is also required among the nurses: sometimes it is not possible to tend to a patient alone and one needs help, for example, with patient hygiene or mobilisation. This just isn't possible to do alone.

Currently, you are completing, together with six colleagues, a two-year continuing-education programme on intensive care and anaesthesia. How did this come about?

> MediClin Herzzentrum Lahr offers excellent continuing-education courses, which many colleagues take advantage of. In my case, our personnel manager approached me directly and offered me this course. I had previously completed a one-year internal nursing qualification programme, which up to 15 employees take each year. In other hospitals, nurses have to do the two-year training in their free time or during holidays. Or they go to classes after the night shift. That is certainly not easy. Here at MediClin Herzzentrum Lahr one has better opportunities to receive further education.

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 GmbH & Co.KG, Blieskastel branch

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 GmbH & Co. KG, Plau am See branch

¹ Employee representative on the Supervisory Board

Walburga Erichsmeier¹

Medical Technical Assistant, MediClin GmbH & Co.KG, Horn-Bad Meinberg branch

Carsten Heise

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

Dr. Jochen Messemer

Member of the Management Board of ERGO-Versicherungsgruppe AG

Member of the Management Board of ERGO International AG

Klaus Müller¹

Sports and Recreational Therapist, MediClin GmbH & Co.KG, St. Wendel branch

Udo Rein¹

Lawyer and Managing Director of Marburger Bund, Landesverband Hessen

Dr. Hans Rossels

Managing Director of the Kreiskrankenhaus Mechernich, Mechernich

Supervisory Board Committees**General and****Personnel Committee**

Günter Schlatter (Chairman)

Gerd Dielmann

Hans Hilpert

Dr. Jochen Messemer

Audit Committee

Dr. Daniel von Borries (Chairman)

Michael Bock

Prof. Dr. Erich Donauer

Walburga Erichsmeier

Carsten Heise

Klaus Müller

Mediation Committee**pursuant to****Section 27 MitbestG**

Günter Schlatter (Chairman)

Hans Hilpert

Dr. Jochen Messemer

Udo Rein

Nomination Committee

Günter Schlatter

Carsten Heise

Dr. Hans Rossels

¹ Employee representative on the Supervisory Board

Advisory Board

Dr. Jörg W. Knorn

Chairman

Dr. Andreas Tecklenburg (Spokesman)

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

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. Günter Neubauer

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

On 24 October 2008, the Advisory Board was re-appointed for a two-year term by the Management Board, with the approval of the Supervisory Board.

Members of Management Boards of affiliated companies

Dr. Ulrich Wandschneider

MediClin Geschäftsführungs-GmbH

MediClin Pflege GmbH (until 18 March 2008)

MediClin Medizinisches Versorgungszentrum GmbH

MediClin Therapie GmbH (until 8 May 2008)

Regina Mobilien-Leasing GmbH (since 8 February 2008)

Yvonne Mobilien-Leasing GmbH (since 20 February 2008)

Kraichgau-Klinik Aktiengesellschaft (since 14 January 2008)

Reha-Klinik Paracelsus Verwaltungs-GmbH (since 8 February 2008)

Frank Abele

MediClin Geschäftsführungs-GmbH

MC Service GmbH

Cortex Software GmbH

MediClin Medizinisches Versorgungszentrum GmbH (until 8 April 2008)

MediClin Catering GmbH

Regina Mobilien-Leasing GmbH (since 8 February 2008)

Yvonne Mobilien-Leasing GmbH (since 20 February 2008)

Kraichgau-Klinik Aktiengesellschaft (since 14 January 2008)

Reha-Klinik Paracelsus Verwaltungs-GmbH (since 8 February 2008)

Mario Biewers

MediClin Immobilien Verwaltung GmbH

Uwe Hektor

MediClin Catering GmbH

Frank Horn

MediClin Geschäftsführungs-GmbH

MediClin Krankenhaus am Crivitzer See GmbH (until 10 November 2008)

MediClin Müritzklinikum GmbH

MediClin Müritzklinikum Service GmbH

MVZ-Müritzklinikum GmbH

Irmgard Raschka-Halberstadt

MediClin Geschäftsführungs-GmbH (until 30 November 2008)

Christian Röhl (until 24 September 2008)

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

MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig (since 24 September 2008)

KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH (since 24 September 2008)

MediClin Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem

Verwaltungsgesellschaft mbH (since 24 September 2008)

Daniel Schote

MediClin Pflege GmbH (since 18 March 2008)

Bernd Schulz

MediClin Catering GmbH

MediClin Immobilien Verwaltung GmbH

MediClin Therapie GmbH (since 8 May 2008)

Dr. Daniel Schütze

Vitalisklinik Verwaltungs-GmbH (since 11 February 2008)

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 inpatient, or fully inpatient 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.

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.

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 inpatients 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)

Inpatient, as well as partial inpatient and outpatient rehabilitation services immediately or soon after hospital treatment.

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 on income.

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 Deutsche Börse AG.

Financial calendar

6 March 2009	Presentation of the interim figures for the 2008 financial year
25 March 2009	Financial statements press and analysts' conference
8 May 2009	Publication of the interim report for the 1st quarter 2009
27 May 2009	Annual General Meeting
13 August 2009	Publication of the interim report 1st half-year 2009
9 November 2009	Publication of the interim report for the 1st – 3rd quarter 2009

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 2008	Q2 2008	Q3 2008	Q4 2008	Year total
Post-acute	451,944	490,160	494,956	479,268	1,916,328
Acute	101,439	103,517	100,140	97,977	403,073
Nursing care	35,119	35,580	35,068	34,068	139,835
Group	588,502	629,257	630,164	611,313	2,459,236

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

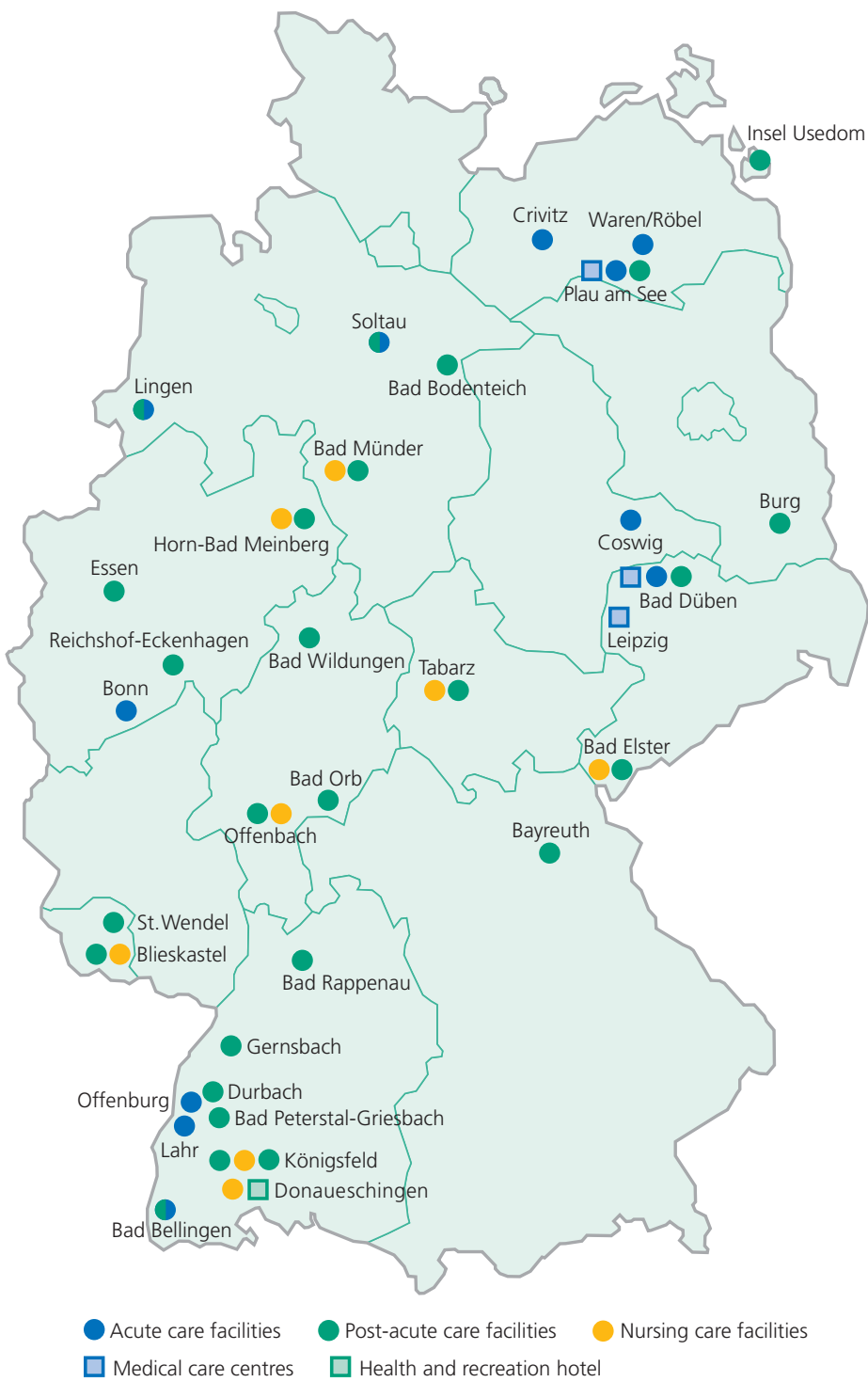
Cases	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Year total
Post-acute	18,235	20,026	20,580	19,599	78,440
Acute	10,502	10,916	10,626	10,214	42,258
Group (without Nursing care)	28,737	30,942	31,206	29,813	120,698

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

Occupancy rates in %	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Year total
Post-acute	82.5	89.4	89.4	86.6	87.0
Acute	82.6	84.3	80.5	78.2	81.5
Nursing care	91.5	92.7	90.3	87.8	90.5
Group	83.0	88.7	87.9	85.3	86.2

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

The presence of MediClin in 2008



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



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