MEDICLIN

ANNUAL REPORT 2011

MEDICLIN AKTIENGESELLSCHAFT

Health in view

MediClin integrates.

Pioneering concepts: well invested – intelligently solved

Individual cases are analysed and evaluated, solutions are identified and results optimised. Four examples from the areas of energy, radiology, surgical technology and therapy on the pages dividing the individual sections of this report illustrate that it is possible to combine patient orientation and sustainability in the handling of energy and economic efficiency.

Teleradiology

Emergency diagnostics around the clock

Since 2011, the MediClin Müritz-Klinikum has been the first MediClin facility to use teleradiology for on-call emergency services in accordance with the X-ray regulations. This telemedical procedure ensures a quicker diagnosis for emergency patients.

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Lokomat®Pro

Effective gait training despite paraplegia

To finally be able to walk again – this is the dream of many patients undertaking neurorehabilitation at the MediClin Krankenhaus Plau am See. These patients have been assisted by therapy using Lokomat®Pro since August 2011.

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Hybrid operating theatres

Gentle and safe surgical treatment for high-risk patients

A hybrid operating theatre enables many patients to receive particularly gentle treatment. This technology has proven its worth in the MediClin Herzzentrum Lahr/Baden since as early as 2009. The MediClin Herzzentrum Coswig is now developing an operating theatre that combines a catheter laboratory and a heart surgery operating theatre.

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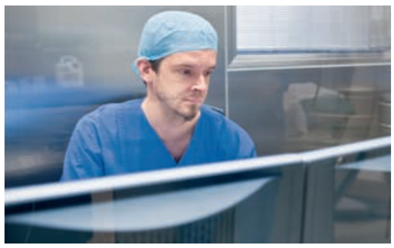

Sustainability

Saving energy, increasing patient comfort and protecting the environment

Energy efficiency does not need to be expensive, nor does it have to be to the detriment of the range of therapy offered. This has been proved by the MediClin Technical Department at the MediClin Klinik am Rennsteig. Here, the flue gas heat from a cogeneration plant (combined heat and power) is ensuring that the optimal temperature is achieved in the therapy pool.

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MediClin: Key data business development

In thousands of €	2011	2010	2009
Sales	493,563	487,167	470,579
Operating result (EBIT)	10,866	16,869	16,962
EBITDA margin in %	5.6	6.3	6.6
EBIT margin in %	2.2	3.5	3.6
Financial result	–5,122	–5,295	–5,344
Result attributable to shareholders of MediClin AG	3,005	10,035	10,293
Cash flow from operating activities	15,626	13,366	32,346
Balance sheet total	328,830	336,405	333,778
Non-current assets incl. tax refund claims and deferred tax assets	212,492	210,830	205,137
Current assets incl. tax refund claims	116,338	125,575	128,642
Thereof cash and cash equivalents	41,336	47,955	58,525
Equity	165,589	164,987	157,262
Equity ratio in %	50.4	49.1	47.1
Non-current liabilities incl. deferred tax liabilities	59,053	56,293	62,115
Current liabilities incl. tax liabilities	104,188	115,125	114,402
Gross capital expenditure	29,938	23,331	18,814
Net financial debt	39,363	29,630	23,661
Number of full-time employees (annual average)	6,099	5,984	5,834
Sales per full-time employee in €	80,925	81,412	80,662
Staff costs per full-time employee in €	45,685	44,626	43,746
Occupancy rates in %	84.8	86.6	87.1
Un/diluted earnings per average share outstanding in €	0.06	0.21	0.22
Un/diluted earnings per participating share in €	0.06	0.21	0.22
Cash flow from operating activities per average share outstanding in €	0.33	0.28	0.68
Cash flow from operating activities per participating share in €	0.33	0.28	0.68
Dividend per participating share in €	–	0.05	0.05
Number of shares in millions (annual average)	47.50	47.50	47.35
Number of participating shares in millions	47.50	47.50	47.50

Due to arithmetical reasons, calculation differences of +/– one unit (€, %, etc.) may occur.
Percentage rates have been determined on the basis of € values.

Quarterly development of the Group in 2011

In millions of €	Q1	Q2	Q3	Q4
Sales	120.0	122.9	124.8	125.9
Operating result	–0.5	2.3	5.2	3.9
EBIT margin in %	–0.4	1.9	4.2	3.0
Result attributable to shareholders of MediClin AG	–2.0	0.5	2.1	2.4
Return on sales in %	–1.7	0.4	1.7	1.9
Cash flow from operating activities	4.2	–1.4	13.1	–0.3
Equity ratio in %	48.5	49.3	48.0	50.4
Gross capital expenditure	3.8	7.5	12.7	5.9
Net financial debt	28.0	37.4	35.8	39.4
Number of full-time employees (quarterly average)	6,034	6,064	6,138	6,161
Occupancy rates in %	83.4	85.3	85.4	85.3
Earnings per average share outstanding in €	–0.04	0.01	0.04	0.05
Earnings per participating share in €	–0.04	0.01	0.04	0.05
Cash flow from operating activities per average share outstanding in €	0.09	–0.03	0.28	–0.01
Cash flow from operating activities per participating share in €	0.09	–0.03	0.28	–0.01

MEDICLIN

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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 34 hospital operations, seven nursing care facilities and eleven medical care centres in eleven German federal states, MediClin has a total capacity of approximately 8,100 beds. The hospitals are acute-care hospitals providing basic, standard and specialised care, as well as specialist clinics for medical rehabilitation. MediClin had approximately 8,300 employees at year-end.

FRANK ABELE Chairman of the Management Board

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

After years of continual growth in sales and earnings, it became apparent at the end of 2010 that in addition to the new cost-saving regulations introduced for 2011 and subsequent years, we would also face additional challenges in the rehabilitation sector. The requirements placed on medical services in the rehabilitation sector are constantly rising, whereas the readiness to honour higher quality in treatment with higher prices is limited or only partially possible, due to restricted budgets.

This was the initial situation. Nevertheless, despite these conditions, we grew in 2011. At EUR 493.6 mill., consolidated sales revenues were approximately EUR 6.4 mill. or 1.3 % higher than the previous year's value. We recorded the largest sales increase of EUR 4.1 mill. in the post-acute segment. Sales rose here from EUR 275.2 mill. to EUR 279.3 mill. despite the slight decrease in occupancy. In the acute segment, sales increased by EUR 0.6 mill., from EUR 200.3 mill. to EUR 200.9 mill. Of the remaining sales increase totalling EUR 1.7 mill., EUR 0.8 mill. was derived from the nursing care business area. The service business area, which is also assigned to the other activities segment, recorded an increase in sales, too.

Personnel recruitment and higher investments mark the 2011 financial year

In terms of earnings performance, the previous year's value was not reached. The consolidated operating result (earnings before interest and taxes) was EUR 10.9 mill., which was EUR 6.0 mill. lower than the previous year. In the post-acute segment, the segment result decreased by EUR 3.4 mill. and the acute segment result decreased by EUR 2.6 mill.

Particularly the rise in staff costs, as compared to the previous year, affected the operating result in 2011. Overall, the rise amounted to EUR 11.6 mill. during the financial year. The increase in costs was primarily attributable to the hiring of new staff and a general increase in wages and salaries. The staff costs ratio rose by 1.7 percentage points to 56.5 %.

Despite the rise in sales, the cost of raw materials and consumables used was EUR 110.4 mill., nearly on the same level as the previous year. This shows that volume and price effects can be compensated to a considerable degree by taking advantage of centralised purchasing activities.

A total of EUR 29.9 mill. was invested in 2011, or EUR 6.6 mill. more than in the previous year. A further EUR 15.9 mill. was spent on maintenance. On the 2011 balance sheet date, with liquid funds of EUR 41.3 mill., MediClin had enough cash and cash equivalents to finance further growth.

Capacity expansion in the segments to secure future internal growth

The result in the post-acute segment was EUR 2.8 mill., as compared to the previous year's result of EUR 6.2 mill. This corresponds to an EBIT margin of 1.0 %. In this segment, we significantly increased neurology and psychosomatics bed capacity as a result of higher demand. The expansion of our service range in these specialist medical fields reflects our corporate strategy to concentrate on specific areas that correspond to the growing demand. In other areas, we adjusted the number of beds to reflect the changing demand. The number of employees in this segment increased – at the end of the year, we employed a full-time staff of 3,260 as compared to a full-time staff of 3,217 in 2010. A total of EUR 17.3 mill. was invested here, following EUR 9.0 mill. in the previous year, whereby EUR 9.4 mill. was attributed to the acquisition of rented capacities.

The acute segment result totalled EUR 15.5 mill., as compared to EUR 18.1 mill. in 2010. The EBIT margin was 7.7 %. The bed capacity in the acute segment was also expanded over the course of the financial year. The occupancy in newly created capacities expands gradually, so that despite the slight rise in nursing days in terms of absolute figures, the occupancy rate was marginally below the previous year's value. In the coming years, we expect rising occupancy rates for these additional capacities.

The number of employees rose here as well – in 2011, we employed an annual average of 1,979 full-time employees, as compared to 1,965 full-time employees in 2010. As in the previous year, approximately EUR 12.0 mill. was invested in the acute segment.

MediClin has attractive nursing care facilities

To date, MediClin operates seven nursing care homes, in which outpatient care, short-term care and inpatient care services are offered – according to our integrative approach: For local services, we cooperate closely with our own clinics and other medical, social or charitable institutions in the area. Sales in 2011 reached EUR 12.0 mill., EUR 0.8 mill. more than the previous year's value. The occupancy rate was nearly 95 %. A staff of 169 full-time workers was employed at the end of the year, with a rising trend.

New opportunities are arising for our strategy of integrated, cross-sector medical care

In 2012, we will continue on the path that we have embarked upon – providing cross-sector, integrated, patient-focused care that is close to patients' homes – and aim to take advantage of the opportunities arising as a result of the shareholding of Asklepios Kliniken Gesellschaft mit beschränkter Haftung.

This includes, for example, working to develop our partner structures and optimise our service range with regard to our medical focal points. We continuously assess our medical and therapeutic workflow and operating processes, ensuring that the results are implemented in treatment and therapy concepts. In the meantime, we have achieved a high standard of measurability and verifiability in terms of the quality of our results.

On the cost side, we will continue to expand our shared services.

We see opportunities arising from the Asklepios Group's participation in MediClin. We expect this to lead to additional growth potential, as overlaps in the service range only exist at a few locations. This represents a good prerequisite to achieving optimal patient-centred medical care via local cooperation, which will in turn have a positive effect on both sales and earnings.

In summary, we will focus on internal growth in 2012. Regarding external growth, MediClin will act opportunistically and subject possible acquisitions to our own stringent acquisition criteria.

The refinancing of existing loan obligations totalling EUR 61.4 mill. will have a positive effect in the 2012 financial year. Accordingly, updated interest rates lead to expectations of a better financial result from 2012 onwards.

Overall, should the framework conditions in the industry and the referral practices of coverage providers not change drastically in 2012, the Management Board expects an increase in sales and a solid earnings performance for the current financial year.

MediClin would not be as successful without a competent and highly motivated staff. The Management Board would like to thank all of its employees for their commitment and untiring dedication during the previous financial year.

Esteemed shareholders, MediClin has prospects, and we are confident that upcoming challenges will be successfully mastered.

We would like to thank you for the trust you have placed in us.

Offenburg, 3 March 2012

Frank Abele
Chairman of the Management Board

Management Board

FRANK ABELE
Chairman of the Management Board (right)

DR. ULRICH WANDSCHNEIDER
Member of the Management Board (left)

The MediClin share

After a good year on the stock market in 2010, in which the key German stock index DAX was about 19 % higher at its highest point than at the beginning of the year, many analysts assumed that 2011 would also be a good year on the stock exchange. Good economic prospects and the expectation of high corporate profits led to forecasts envisioning the DAX crossing the 8,000-point threshold.

In the first half of 2011, everything was still pointing in this direction. The DAX fluctuated in a range between 7,000 and 7,500 points, with one short exception. In mid-March, the DAX slumped to 6,483 points due to the uncertainty of the actual extent of the devastating earthquake in Japan and its effect on the world economy reaching a high point. By the end of March, the index was once again fluctuating in the range indicated above, and on 2 May 2011, it reached its absolute peak at 7,600 points, despite unrest in north Africa and the Near East at the time, and also the much higher price of oil and the euro debt crisis.

However, after it was revealed that the debt situation in several EU countries had become more serious, rating agencies had downgraded individual countries due to concerns about their creditworthiness and the stability of the monetary union was called into question, the German stock exchange indexes began to fall rapidly in July 2011. The key index achieved its absolute nadir on 12 September at 4,966 points. The DAX closed 2011 more than 15 % lower than it had been in 2010.

Stock exchange forecasts for 2012 are cautious. Analysts assume a volatile market and moderately rising stock prices, carried by an improving economic situation in the USA, slight economic growth in Germany and continuing good company results. They also assume that debts, and with it the euro crisis, will not continue to intensify.

The MediClin share (Xetra) closed 2011 at a price of EUR 3.74, below the share price at the beginning of the year (EUR 4.15). The yearly low in 2011 was EUR 3.50, the yearly high was EUR 4.50.

Transparent, up to date and comprehensive information

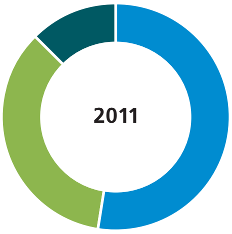
On the investor relations pages of the MediClin website, institutional and private investors will find all the information they need to evaluate their investment. Here, they can find detailed information quickly on the Company and its business development. MediClin's annual financial statements are presented to investors, the press and analysts at the financial statements press and analysts' conference in March every year. At the Annual General Meeting in May each year, the Management Board answers the shareholders' questions.

Despite its dependence on political decisions and the bearing of coverage providers, the health care market is still seen by investors as a growth market. Analysts and investors consider MediClin's corporate strategy – providing integrated, cross-sector medical care – to be the suitable model for mastering the future challenges of the health care market.

DZ-Bank AG, Frankfurt, continually follows and evaluates the business development of MediClin. Its recommendation, provided in the context of commentary on the 2011 nine-month figures published in November 2011, was "hold".

Shareholder structure

in %



Asklepios Kliniken Gesellschaft mit beschränkter Haftung	**52.73**
ERGO Versicherungsgruppe AG	**35.00**
Free float	**12.27**

Valid as of: February 2012

Share indicators

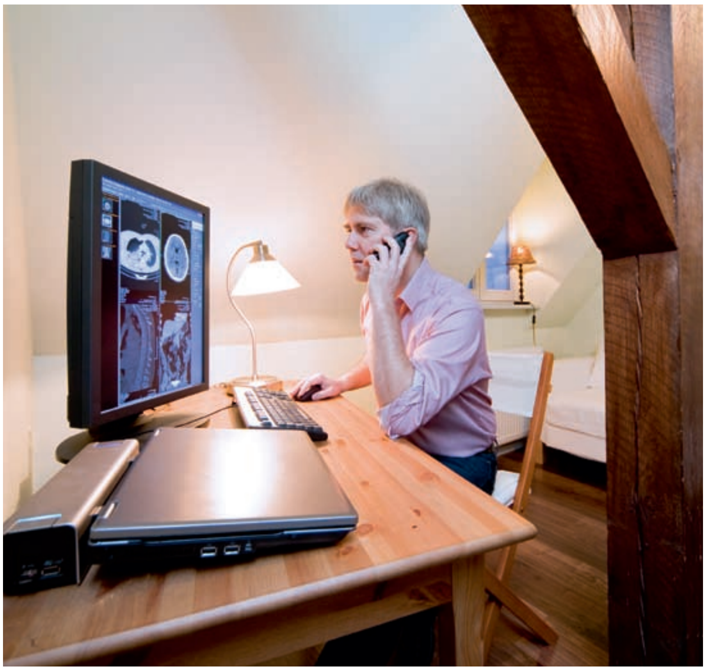
ISIN: DE0006595101; WKN: 659 510; Ticker: MED

In € per share	**2011**	2010
Result undiluted/diluted	0.06	0.21
Cash flow from operating activities	0.33	0.28
Book value[1] as of 31.12.	3.49	3.47
Year-end price	3.74	4.24
52-week high (11.03.2011)	4.50	–
52-week low (28.11.2011)	3.50	–
Market capitalisation (year-end price) in millions of €	177.7	201.4
Number of shares in million	47.5	47.5

[1] Equity less non-controlling interests

Source: Deutsche Börse AG; Xetra/as of 28.02.2012


RETTUNGSDIENST



TELERADIOLOGY

Emergency diagnostics around the clock

Since 2011, the MediClin Müritz-Klinikum has been the first MediClin facility to use teleradiology for on-call emergency services in accordance with the X-ray regulations. This telemedical procedure ensures a quicker diagnosis for emergency patients.

Quick and uncomplicated data exchange

It's Saturday evening – a seriously injured patient is delivered to the accident & emergency department at the MediClin Müritz-Klinikum. The medical-technical radiology assistant and the so-called "physician on-site responsible for the technical implementation of teleradiology" initiate the diagnostic process within a few minutes. The first computer tomography image is generated.

"In the past, patients had to wait until the on-call radiologist had arrived. Only then was it possible to begin the diagnosis. Therefore, it was not possible to carry out some diagnostic examinations, such as those on seriously ill patients with multiple injuries," explains Christian Stöckigt, Head Physician for Radiology. Around 30 physicians at the MediClin Müritz-Klinikum were trained to complete this task, meaning that CT diagnostics are possible even without an on-site radiologist.

The CT images are sent via the Internet to the on-call radiologist at their local diagnostic station. Specially installed data lines – the virtual private network tunnel – fitted especially for this purpose enable the secure and quick transfer of data. Special diagnostic monitors ensure optimal image reproduction at the local PC workstation. If the radiologist decides, based on the findings of the CT images, that the patient should be transferred to another hospital, they make the patient's data available for their colleagues over a teleradiology platform. The Teleradiology Network Mecklenburg-Vorpommern makes it possible for members to quickly and easily transfer data via a central server pool. The MediClin Müritz-Klinikum and the MediClin Krankenhaus Plau am See have been members of this network since 2009.

Alongside emergency radiological diagnostics for its own patients, the MediClin Müritz-Klinikum also takes over responsibility for the diagnosis of CT images from the MediClin Krankenhaus am Crivitzer See during its on-call service periods. "Teleradiology not only accelerates the diagnostic process, but also makes our work easier. This ensures that we can achieve more overall, and offer radiological emergency diagnostics to patients around the clock," concludes Stöckigt.

Summarised management report and Group management report of MEDICLIN Aktiengesellschaft
for the 2011 financial year

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General economic conditions

If 2010 was the year in which economic research institutes were surprised by the dynamics of the upswing and had to adjust their forecasts upward several times, then 2011 became the year of debt and the euro crisis. Though it should be said that 2011 started out quite well. The momentum from the previous year lasted until the second half of the year, at which point the ever-clearer risk of state bankruptcies within the European Union curbed the cyclical development. In other words, the economic upswing mainly took place in the first half of the year. Nevertheless, according to initial computations of the German Federal Statistical Office, growth in price-adjusted gross domestic product of +3 % (2010: +3.7 %) was achieved.

The government income in 2011 reached a total of EUR 1,148.2 bill., which was 6.3 % higher than the previous year's value. More than half of the income was generated from tax revenues. These rose by 7.1 %. The causes for this can be attributed to stable economic and labour market development. The favourable situation on the labour market – along with the increase of the contribution rates for public health insurance funds by 0.6 percentage points as well as the statutory unemployment insurance by 0.2 percentage points – also had a positive effect on the income from social insurance contributions, which rose by 4.1 % in 2011.

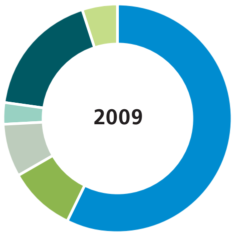
The government expenditures reached EUR 1,173.5 bill., a sum which was 1.0 % higher than the previous year's value. This resulted in a deficit for 2011 of EUR 25.3 bill., following a deficit of EUR 106.0 bill. in 2010. The federal government deficit was EUR 26.3 bill. (2010: EUR –80.2 bill.), and that of the state government, EUR 14.9 bill. (2010: EUR –22.6 bill.). The local government recorded a surplus of EUR 0.8 bill. (2010: EUR –5.7 bill.) and the social insurance security funds a surplus of EUR 15.1 bill., after recording a surplus of EUR 2.3 bill. in 2010.

The labour market continued to develop positively in 2011. This year, the economic performance was furnished by an average number totalling 41.1 mill. labour force workers (2010: 40.5 mill. labour force workers). Thus the number of people in employment in Germany reached a new peak level. The unemployment rate (as a percentage of all civilian employees) was 7.1 % on average for 2011 (7.7 % on average for 2010).

In its annual report published in January 2012, the federal government forecasts GDP growth for 2012 of 0.7 % and continued positive development of the labour market.

Development of the health care sector

Altogether, the expenditures are split among coverage providers as follows:
in %



Public health insurance funds	**57.8**
Private health insurance funds	**9.3**
Social nursing care insurance	**7.3**
Statutory accident insurance/Statutory pension insurance	**3.1**
Private households/Organisations/Employer	**17.6**
Public budgets	**4.9**

The health care system safeguards basic provisions and services and is a cost factor in the solidarity-based system – this kind of perception of the health care system is slowly changing. Increasingly, it is being recognised that the health care industry is one of the largest German economic sectors and also a growth and employment driver. An aging population, greater health consciousness and medical progress are securing the growth of the industry, but also leading to rising costs in the health care system.

The German Federal Statistical Office has meanwhile published figures for 2009, during which expenditures were EUR 278.3 bill. (2008: EUR 264.5 bill.), and thus EUR 13.8 bill. or 5.2 % more than the previous year's value. The share of the expenditures in the gross domestic product was 11.6 % (2008: 10.7 %); the health care costs per resident were EUR 3,400 (2008: EUR 3,220). Subject to annually increasing costs of 3 %, the expenditures of the health care system would rise in 2011 to approximately EUR 295.3 bill.

The public health insurance funds carried the largest proportion of expenditures. For the acute sector, it is assumed that demand for medical services in 2011 – as in the previous years – rose between 1.5 % and 2 %. In the post-acute market as well, the demand for rehabilitation and preventive services also saw a further increase. According to statistics from the German Pension Fund, the number of applications submitted for medical rehabilitation services increased by 1.3 %, or to 1,690,818, as compared to 2010 (previous year: +1.9 %; 1,669,142 applications). There is no current data on the number of the approved applications; however it can be assumed that in 2011 the social security pension funds proceeded rather restrictively in their authorisation behaviour.

The financial situation in the public sector of the hospital market improved in 2011 as compared to previous years, due to higher revenues, particularly in the municipalities. The trend in the public sector, similarly to the private sector, continues to be toward forming partnerships or cooperation agreements with other service providers on the market. This has led to the fact that the privatisation process in the acute sector progressed only moderately in 2011.

One can assume that the number of the people employed in the health care sector will soon approach the five million threshold. In 2010, more than 4.8 mill. people were employed in the health care industry. Compared with 2009, the number of employees in the sector rose by approximately 2 %.

MediClin in 2011

In the 2011 reporting year, MediClin included 34 clinics, seven nursing care facilities and eleven medical care centres. Eight of the 34 clinics are dedicated acute-care hospitals; in six clinics we provide specific acute services in addition to medical rehabilitation measures.

The emphasis of the medical offerings continues 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 special competencies in the areas of cardiology, oncology, ENT and internal medicine.

Further capacity adjustments and/or capacity expansions took place in the neurosciences and psychological sciences specialist departments during the financial year. On the basis of a cooperative agreement with the Klinikum Offenbach, for example, the neurological rehabilitation services of the MediClin Reha-Zentrum Bad Orb in Offenbach could be expanded and, at the same time, an acute station with 20 additional beds for neurological early rehabilitation could be opened. By completing the new building for the nursing facility, the number of beds in psychosomatics/psychotherapy at the MediClin Deister Weser Kliniken, Bad Münder, could also be expanded by 23 beds. On 1 January 2011, the MediClin Reha-Zentrum Gernsbach took over the Geriatric Rehabilitation Clinic of the Klinikum Mittelbaden, with its capacity of 55 beds. Through the relocation of the MediClin Reha-Zentrum Gernsbach's Department of Neurological Rehabilitation into new rooms in the former district hospital, additional bed capacities could be generated in all specialist areas in Gernsbach over the course of the financial year.

MediClin continues to operate a total of eleven medical care centres at nine locations (as of 31 December 2011). The therapeutic offer corresponds to both the medical focal points of the Group and the regional requirements. In this way, we are making a significant contribution to providing health care as close to the patient's place of residence as possible, acting as an integrative link between outpatient and inpatient health care.

We offer full-time and short-term nursing care in our nursing care facilities. These facilities are located on the same sites as the post-acute clinics, and can thus benefit from their infrastructure. At the Seniorenresidenz Deister Weser in Bad Münder, construction was finished on a new building for the nursing care facility with 62 nursing care places, and operations began in September 2011. The 35 additional nursing care places created thereby serve the expansion of services in the specialist area of dementia.

MediClin's strategic objective continues to focus on providing cross-sector integrated medical patient care, supplemented by acute care, post-acute care and nursing care as complementary services.

Compared to the balance sheet date of 31 December 2010, the number of beds or nursing care places in the Group increased by 96 beds and 35 nursing care places, of which 59 beds are attributable to the post-acute segment and 37 beds to the acute segment.

The allocation of beds is as follows:

Number of beds/nursing care places as of 31.12.	2011	2010	Change in %
Post-acute	6,203	6,144	+ 1.0
Acute	1,436	1,399	+ 2.6
Nursing care (places)	443	408	+ 8.6
Group	**8,082**	**7,951**	**+ 1.6**

Net assets, financial position and results of operation

General

The reportable operative segments of MediClin are the segments post-acute, acute and other activities. This last segment encompasses the nursing care business area and the service business area. Clinics which offer services from the post-acute and acute segments (known as hybrid clinics) have been assigned to the post-acute segment. The sales and results of the medical care centres are assigned to the acute segment.

The 2011 financial year was restrained for the MediClin Group. Sales could be increased by expanding the medical service offer, particularly in the inpatient sector. Sales from outpatient health care services, including the services of the medical care centres, decreased slightly in 2011. Their share of Group sales totalled 3.2 % (previous year: 3.3 %). The Group operating result was below the result from 2010, due to higher costs and lower occupancy rates.

Sales development in the Group and in the segments

The consolidated sales revenues of EUR 493.6 mill. were approximately EUR 6.4 mill. or 1.3 % higher than the previous year's value. Sales from outpatient health care services decreased by EUR 0.4 mill. to EUR 15.9 mill. (previous year: EUR 16.3 mill.); of this amount, EUR 8.0 mill. (previous year: EUR 6.9 mill.) was brought in by the medical care centres.

Sales in the Group and in the segments

In millions of €	2011	2010	Change in %
Post-acute	279.3	275.2	+ 1.5
Acute	200.9	200.3	+ 0.3
Other activities and reconciliation	13.4	11.7	+ 14.8
thereof nursing care	12.0	11.2	+ 7.4
Group	**493.6**	**487.2**	**+ 1.3**

Despite the slight decline in occupancy, sales in the **post-acute segment** rose by EUR 4.1 mill. to EUR 279.3 mill. The PlusPrograms developed for self-paying patients achieved revenues of approximately EUR 1 mill. in the reporting year and in the previous year.

In the **acute segment**, revenues increased by EUR 0.6 mill., from EUR 200.3 mill. to EUR 200.9 mill. Without taking into account the sales contribution of the medical care centres totalling EUR 8.1 mill. (previous year: EUR 6.9 mill.), the decline in sales would have been EUR 0.6 mill. or 0.3 %.

Due to higher occupancy in the nursing **care business area**, sales increased by EUR 0.8 mill. or 7.4 % to EUR 12.0 mill. (previous year: EUR 11.2 mill.).

The per-case revenue, cleared of cases from the hybrid clinics and of sales from the medical care centres, was EUR 3,454 for the post-acute segment (previous year: EUR 3,379) and EUR 4,995 for the acute segment (previous year: EUR 4,931).

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

The number of **nursing days** provided in 2011 decreased Group-wide by 0.2 %, or 3,723 days, compared to the previous year's value.

Nursing days in the Group and in the segments

In days	2011	2010	Change in %
Post-acute	1,904,671	1,920,548	–0.8
Acute	418,481	415,321	+0.8
Other activities (only nursing care)	145,062	136,068	+6.6
Group	**2,468,214**	**2,471,937**	**–0.2**

In the post-acute clinics, the number of nursing days decreased by 0.8 % or 15,877 days. The average length of stay remained unchanged at 24.7 days.

In contrast, the number of nursing days in the acute clinics increased slightly by 0.8 % or 3,160 nursing days. The length of stay in this segment totalled 9.9 days (previous year: 9.7 days). Not including patients in the psychiatric and psychosomatic clinics, in which significantly longer stays are common, the average amount of time spent in our acute facilities in 2011 was 8.0 days (previous year: 7.9 days).

The number of **cases** in the Group decreased by a total of 1,200 cases. The decrease in the post-acute segment by 707 cases (–0.9 %) in 2011 as compared to 2010 was similar to the decrease in nursing days. In the acute segment, the number of cases decreased by 493 cases (–1.2 %). The nursing care business area is not included in the case reporting.

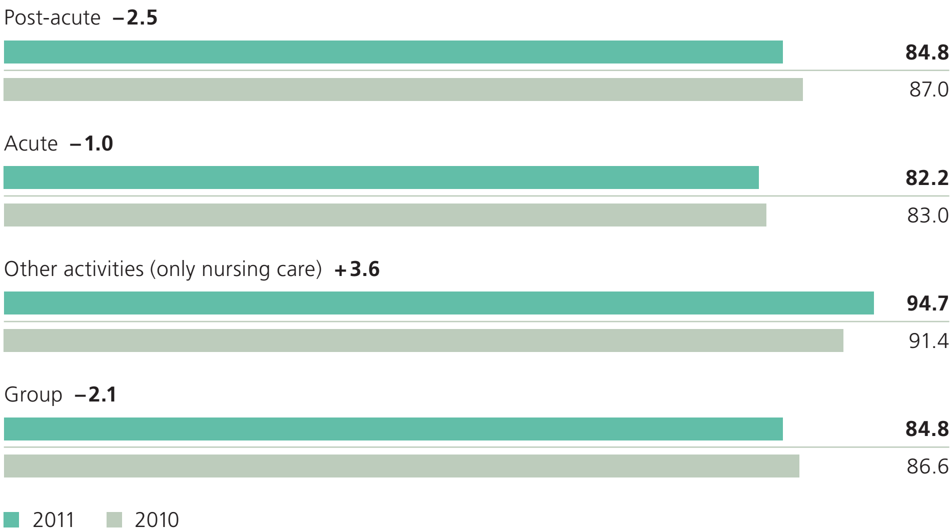
Cases in the Group and in the segments

In cases	2011	2010	Change in %
Post-acute	77,185	77,892	−0.9
Acute	42,276	42,769	−1.2
Group (without nursing care)	**119,461**	**120,661**	**−1.0**

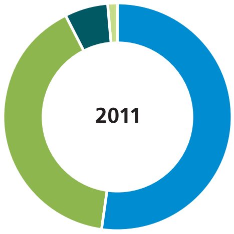
Occupancy rates in the Group and in the segments

The decline in occupancy rates, already observable in the second half of 2010, continued in 2011. In the 2011 financial year an occupancy rate of 84.8 % was achieved, which represents a decrease of 2.1 % in relation to the previous year (previous year: 86.6 %). This was due, on the one hand, to the social security pension funds' noticeable restraint in terms of allocation practice. On the other hand, in the initial phase, newly created bed capacities have a temporarily negative effect on the occupancy rate.

Occupancy rates and their changes in the Group and the segments
in %



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



2011	2010
52.5 Public health insurance funds	50.4
40.7 Social security pension funds	42.9
6.1 Private health insurance companies	5.9
0.7 Other coverage providers	0.8

Development of the coverage provider structure

Social security pension funds and public health insurance funds still accounted for more than 90 % of the total occupancy days in the 2011 financial year.

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 in the segments

In 2011, MediClin achieved a **consolidated operating result** (earnings before interest and taxes) of EUR 10.9 mill., which was EUR 6.0 mill. below the previous year's level.

Group and segment results from operating activities

In millions of €	**2011**	2010
Post-acute	2.8	6.2
Acute	15.5	18.1
Other activities and reconciliation	–7.4	–7.4
Group	**10.9**	**16.9**

The result of the **post-acute** segment decreased from EUR 6.2 mill. to EUR 2.8 mill., due to lower occupancy as well as rising costs as compared to the previous year.

The **acute segment** result decreased in the reporting year by EUR 2.6 mill. to EUR 15.5 mill.

In 2011, the **result attributable to shareholders of MediClin AG** was EUR 3.0 mill., as compared to EUR 10.0 mill. for the previous year.

Summary of segment development

Despite a slightly lower occupancy in the post-acute segment, sales could be increased by 1.5 %. This is, among other factors, due to positive contract negotiations with the coverage providers and the associated compensation adjustments in the 2011 financial year. However, rising costs in relation to the previous year could not be compensated for through higher sales, leading to a EUR 3.4 mill. decrease in the result to EUR 2.8 mill.

In the acute segment, the bed capacity in a total of five medical facilities was expanded over the course of the financial year, so that the number of beds was 2.6 % higher than the previous year's value on the balance sheet date (31.12.2011: 1,436 beds; 31.12.2010: 1,399 beds). Occupancy of the newly created capacities occurs successively, so that the proportional occupancy rate was slightly less than the previous year's value, despite the slight absolute increase in the nursing days (+8.0 %). It is anticipated that these additional capacities will experience increasing occupancy in the next years.

Development of net assets

Balance sheet structure

In millions of €	31.12.2011	in % of balance sheet total	31.12.2010	in % of balance sheet total
Assets				
Non-current assets	212.5	64.6	210.8	62.7
Current assets	116.3	35.4	125.6	37.3
	328.8	**100.0**	**336.4**	**100.0**
Equity and liabilities				
Equity	165.6	50.4	165.0	49.1
Non-current liabilities	59.0	17.9	56.3	16.7
Current liabilities	104.2	31.7	115.1	34.2
	328.8	**100.0**	**336.4**	**100.0**

The **balance sheet total** decreased by 2.3 % or by EUR 7.6 mill. as compared to the previous year. This decrease, as compared to the previous year's balance sheet date, is primarily attributable to lower trade receivables and cash and cash equivalents, and, at the same time, lower liabilities pursuant to hospital financing law and current provisions.

Non-current assets, including deferred tax assets, increased by EUR 1.7 mill. to EUR 212.5 mill. (previous year: EUR 210.8 mill.). Intangible assets decreased from EUR 53.6 mill. to EUR 52.0 mill. These include concessions, licences and goodwill from the acquisition of clinic operations, as well as payments on account. Gross additions totalling EUR 1.6 mill. relate with EUR 1.3 mill. to concessions and licences, which were exclusively for software, with EUR 0.2 mill. to the goodwill acquired through the expansion of two existing medical care centres (MVZ), and with EUR 0.1 mill. to the payments on account. After a value adjustment totalling EUR 1.3 mill. on the goodwill of three medical care centres, the overall goodwill on the balance sheet date was EUR 50.1 mill. (previous year: EUR 51.2 mill.).

Property, plant and equipment increased by EUR 4.3 mill. to EUR 154.6 mill. (previous year: EUR 150.3 mill.). The land, land rights and buildings included in the fixed assets relate mainly to MediClin Herzzentrum Coswig, MediClin Waldkrankenhaus Bad Düben, MediClin Krankenhaus Plau am See, MediClin Robert Janker Klinik, MediClin Rose Klinik, MediClin Klinikum Soltau, MediClin Krankenhaus am Crivitzer See, MediClin Müritz-Klinikum, KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG in Essen, MediClin Herzzentrum Lahr/Baden, MediClin Rehabilitationszentrum Gernsbach/Schwarzwald and MediClin Kraichgau-Klinik Bad Rappenau.

Gross additions to property, plant and equipment totalled EUR 28.3 mill. and primarily relate to the acquisition of the previously leased properties of the MediClin Rose Klinik, Horn-Bad Meinberg, construction measures in several facilities, medical systems and devices, equipment for patient rooms, treatment and office rooms and the modernisation and expansion of EDP or telecommunication systems. The scheduled depreciations amounted to EUR 14.0 mill.

Other financial assets primarily relate to reinsurance values for pensions totalling EUR 1.5 mill. (previous year: EUR 1.5 mill.).

Deferred tax assets decreased from EUR 5.1 mill. to EUR 4.0 mill., whereby the change essentially resulted from the discontinuation of tax losses carried forward in connection with the acquisition of the majority of shares by Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, (EUR – 0.9 mill.). These were offset by deferred tax assets from new losses carried forward totalling EUR 0.1 mill. Furthermore, the decrease resulted from the change of temporary differences amounts.

Current assets decreased by EUR 9.3 mill. to EUR 116.3 mill. (previous year: EUR 125.6 mill.). At EUR 6.8 mill., inventories were slightly higher than the previous year's level (previous year: EUR 6.5 mill.). Trade receivables decreased by EUR 3.5 mill. to EUR 58.1 mill. (previous year: EUR 61.6 mill.). Other assets increased by EUR 0.5 mill. to EUR 9.8 mill. (previous year: EUR 9.3 mill.). The recognition of receivables pursuant to the hospital financing law (KHG) is in accordance with the provisions of the Hospital Accounting Rules (KHBV). As of 31 December 2011, receivables totalling EUR 3.0 mill. (previous year: EUR 3.8 mill.) were reported in accordance with the hospital financing law.

On the balance sheet date, cash and cash equivalents totalled EUR 41.3 mill. (previous year: EUR 48.0 mill.) in the reporting year.

The equity of the MediClin Group, as of 31 December 2011, amounted to EUR 165.6 mill. (previous year: EUR 165.0 mill.). It includes the subscribed capital of MediClin AG amounting to EUR 47.5 mill. (previous year: EUR 47.5 mill.), as well as the capital reserve of EUR 129.4 mill. (previous year: EUR 129.4 mill.). The revenue reserve also includes negative non-controlling interests from the acquisition of the Kraichgau-Klinik Group.

Non-current liabilities increased to EUR 59.1 mill. (previous year: EUR 56.3 mill.). This is primarily attributable to higher liabilities to banks (EUR +2.6 mill.).

Deferred tax liabilities increased from EUR 2.4 mill. to EUR 2.8 mill.

Current liabilities decreased by EUR 10.9 mill. to EUR 104.2 mill. (previous year: EUR 115.1 mill.). The decrease predominantly resulted from decreases in liabilities pursuant to the hospital financing law (EUR –4.8 mill.) and the current provisions (EUR –4.9 mill.). On the balance sheet date, trade payables were EUR 14.6 mill. (previous year: EUR 15.2 mill.).

Development of the financial position

The **cash flow from operating activities** increased to EUR 15.6 mill. in 2011 (previous year: EUR 13.4 mill.). This rise is primarily due to the change in current assets.

The **cash flow from investing activities** totalled EUR –27.6 mill. in gross terms (previous year: EUR –21.4 mill.). Investments of EUR 26.5 mill. were made in property, plant and equipment (previous year: EUR 17.6 mill.). Overall, the cash flow from investing activities totalled EUR –22.2 mill. in net terms (previous year: EUR –16.1 mill.).

The **cash flow from financing activities** amounted to EUR 4.0 thou. (previous year: EUR –7.9 mill.). The outflow of funds in the 2011 financial year resulted from the repayment of financial liabilities (EUR –5.2 mill.) and the dividend payment to the shareholders of MediClin AG (EUR –2.4 mill.). This was offset by the accrual of EUR 7.6 mill. from the taking out of loans.

Cash and cash equivalents at the end of the period totalled EUR 41.3 mill. (previous year: EUR 48.0 mill.).

Development of results of operation

In the reporting year, MediClin generated Group sales of EUR 493.6 mill. as compared to EUR 487.2 mill. in the previous year. Sales were thus EUR 6.4 mill. or 1.3 % above the previous year's value. With an operating result of EUR 10.9 mill., the previous year's value could not be attained (previous year: EUR 16.9 mill.). The EBIT margin (earnings before interest and taxes) for the reporting year was 2.2 %, as compared to 3.5 % for the previous year.

At EUR 12.4 mill., **other operating income** was EUR 2.2 mill. above the previous year's value (previous year: EUR 10.2 mill.). The other operating income in the consolidated financial statements primarily consists of subsidies in accordance with the hospital financing law, public grants, income from compensatory amounts for earlier financial years, off-period income from the release of provisions as well as rental income.

Raw materials and consumables used rose in 2011 by EUR 0.1 mill. to EUR 110.4 mill. The cost of raw materials and supplies decreased by 2.2 % to EUR 62.4 mill. as compared to 2010 (previous year: EUR 63.8 mill.), while the cost of purchased services, including energy costs, rose by 3.2 % to EUR 48.0 mill. (previous year: EUR 46.5 mill.). The cost of materials ratio improved slightly by 0.2 percentage points from 22.6 % to 22.4 %.

Raw materials and consumables used

	2011	2010	Change in %
Raw materials and consumables used in millions of €	110.4	110.3	+0.1
Cost of materials ratio in %	22.4	22.6	

In the 2011 financial year, **staff costs** increased by a total of EUR 11.6 mill. The size of the workforce in 2011, as calculated in full-time employees, was on average 115 full-time employees above the average for 2010. The increase in costs is primarily attributable to the hiring of new staff and a general increase in wage and salaries. The staff costs ratio rose by 1.7 percentage points as compared to the previous year.

Staff costs

	2011	2010	Change in %
Staff costs in millions of €	278.6	267.0	+4.3
Staff costs ratio in %	56.5	54.8	

Depreciation and amortisation increased by EUR 2.9 mill. as compared to the previous year to EUR 16.7 mill. (previous year: EUR 13.8 mill.).

The **financial result** of EUR –5.1 mill. was slightly higher than the previous year's level (previous year: EUR –5.3 mill.). Other financial revenues amounted to EUR 0.4 mill. (previous year: EUR 0.2 mill.), and other financial costs totalled EUR 5.5 mill. (previous year: EUR 5.5 mill.). Of the interest expenses, a total of EUR 3.5 mill. (previous year: EUR 4.1 mill.) concerns payments to related parties in accordance with IAS 24.

In the 2011 financial year, the consolidated result attributable to shareholders of MediClin AG was EUR 3.0 mill. (previous year: EUR 10.0 mill.). Undiluted and diluted earnings per average share outstanding, and per participating share as well, were EUR 0.06 (previous year: EUR 0.21).

Capital expenditure

In 2011, investments were made in fixed asset items totalling a gross amount of EUR 29.9 mill. (previous year: EUR 23.3 mill.).

Licences and concessions relate almost exclusively to software.

Investments in goodwill totalling EUR 0.2 mill. mainly concern a new statutory health insurance physician position at a medical care centre in Offenburg, as well as the reactivation of an existing statutory health insurance physician position. With the exception of goodwill and medical practice equipement, no other assets or liabilities were acquired from medical practice owners. Further investments in medical care centres during the 2011 financial year totalled EUR 0.6 mill.

The additions to land and buildings are distributed as follows: EUR 9.4 mill. concerns the acquisition of the previously leased properties of the MediClin Rose Klinik, Horn-Bad Meinberg; EUR 0.8 mill. relates to construction measures at the Klinikum Crivitz and EUR 0.2 mill. to structural alteration measures for the Reha-Zentrum Bad Düben. The remaining investments in land and buildings totalling EUR 0.4 mill. are spread over several different facilities.

Technical, EDP, operating and office equipment totalling EUR 14.7 mill. encompasses investments in medical machines and equipment totalling EUR 5.8 mill. These investments include ultrasonic devices and endoscopy equipment including accessories at a value of EUR 1.6 mill., operating equipment at EUR 1.0 mill., exercise therapy equipment at EUR 0.7 mill. and infusion pumps, monitoring systems, X-ray systems and heart-lung machines at a total value of EUR 1.7 mill.

Approximately EUR 2.7 mill. flowed into equipment for patient rooms, treatment rooms and office rooms, EUR 2.0 mill. into the modernisation and expansion of IT and telecommunications systems, and EUR 0.8 mill. into furnishings for kitchens, service rooms and cafeterias. EUR 0.3 mill. flowed into the modernisation of each of the following: telephone, luminous call and nurse call systems, as well as new elevator systems. The remaining EUR 2.8 mill. encompasses a range of smaller investments at various facilities.

The item payments on account and assets under construction amounting to EUR 2.8 mill. mainly encompass prepayments for the new construction of the acute station in Röbel at a value of EUR 1.7 mill., along with EUR 0.2 mill. for each of the following: the remodelling of the hybrid operation rooms in the Krankenhaus Plau am See and the remodelling of the kitchen and the ward supply room in the Herzzentrum Lahr. The remaining EUR 0.7 mill. includes prepayments in several clinics for technical and medical systems and installations.

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

Gross additions to non-current assets

In thousands of €	2011	2010
Licences, concessions	1,456	1,787
Goodwill	175	2,101
Land, buildings	10,804	2,430
Technical equipment, EDP	1,226	1,346
Operating and office equipment	13,445	13,715
Payments on account and assets under construction	2,785	1,926
Financial assets	47	26
Total	**29,938**	**23,331**

Strategy

MediClin's strategic objective remains unchanged: by extending regional integrated health care networks as close to the patient's place of residence as possible, MediClin aims to offer premium medical services along the entire treatment chain. This means a cross-sector service offer, including outpatient health care. In order to achieve this goal, the Group facilities actively sound out the local market for suitable cooperation partners. MediClin anticipates additional growth potential from the majority stake of the Asklepios Group in MediClin since last September, as overlaps in the service offer only exist at a few locations. In other words, good prerequisites are now in place to locally achieve optimal patient-oriented care through cooperation agreements.

MediClin has also set the goal of increasing the efficiency in its health care. Thus, certain indications set focal points in the MediClin service offer, however high quality standards are guaranteed in all medical specialist areas. In its two key segments (acute and post-acute), MediClin is focusing on large-volume indication areas (e.g. neurosciences and psychological sciences, orthopaedics, internal medicine) and on challenging special medical services (e.g. neurosurgery, cardiology, oncology).

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. MediClin will therefore take an active part in the consolidation and reorganisation of the health care market by utilising its own possibilities as well as those resulting from the majority stake of the Asklepios Group.

To ensure the strategic goals

- strong local presence through integrated care,
- high medical quality and, at the same time, a high level of efficiency,
- corporate growth,

MediClin follows

- cooperation and acquisition policies through which regional and operative synergies generate additional revenues,
- a quality policy oriented on ambitious benchmarks,
- a corporate policy in which internal growth is achieved through the creation of innovative concepts and their successful implementation,
- an investment policy through which additional capacities are created at locations with potential, thus generating internal growth.

This corporate strategy is supported by:

- Transparent and open communications policies with all partners in the health care market
- The stringent execution and continuous enhancement of the already high quality and service standards
- Personnel policies that are performance-oriented and promote continuing education
- A solid and conservative financing of internal growth
- 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 2011 financial year, the Group included 34 clinics, seven nursing care facilities and eleven 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 à la Carte GmbH
  Catering and cafeteria services
- MC Service GmbH
  Service in the areas of cleaning and building services
- MediClin Therapie GmbH
  Therapy services

MediClin achieves cost degression effects (economies of scale) and a more efficient allocation of resources at the headquarters and at the clinics through bundling across clinics' technical, organisational and therapeutic services.

Employees

The average number of employees in 2011, calculated on the basis of full-time staff, was 6,099 (previous year: 5,984 full-time staff).

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

Shown in full-time employees	2011	2010	Change
Post-acute	3,251	3,218	+33
Acute	1,979	1,965	+14
Other activities	869	801	+68
thereof nursing care	158	155	+3
thereof service (including administration)	711	646	+65
Group	**6,099**	**5,984**	**+115**

In the reporting year, sales per full-time employee decreased by EUR 487, while the average staff costs per full-time employee rose by EUR 1,059.

Key data per full-time employee in the Group

In €	2011	2010
Sales per full-time employee	80,925	81,412
Staff costs per full-time employee	45,685	44,626

The Group employed an average of 208 trainees in 2011 (previous year: 197 trainees).

Segment reporting

MediClin was once again able to increase sales revenues in all segments in 2011. Due to higher costs and lower occupancy rates, the results in the post-acute and acute segments were below the respective values from the previous year.

Most of the Group's sales were conducted with the statutory social security pension funds and the public health insurance funds. In 2011 in the post-acute segment, 41.9 % (previous year: 39.3 %) of segment revenues were attributable to the public health insurance funds, and 48.4 % (previous year: 51.2 %) were attributable to the statutory social security pension funds. In the acute segment, the share of segment sales attributable to the public health insurance funds was 92.5 % (previous year: 92.3 %).

The share of the post-acute segment in Group sales was 56.6 % (previous year: 56.5 %); the share of the acute segment was 40.7 % (previous year: 41.1 %).

Upon examination of the development of the number of beds in both the post-acute and acute segments, it is seen that MediClin has expanded its capacity in the high-volume indication areas (such as the neurosciences and psychological sciences).

In millions of €	Sales			Segment result	
	2011	2010	Change in %	**2011**	2010
Post-acute	279.3	275.2	+1.5	2.8	6.2
Acute	200.9	200.3	+0.3	15.5	18.1
Other activities[1] and reconciliation	13.4	11.7	+14.5	−7.4	−7.4
Group	**493.6**	**487.2**	**+1.3**	**10.9**	**16.9**

[1] Nursing care and service business areas

Sales in the **post-acute segment** rose by 1.5 % or EUR 4.1 mill. The result of EUR 2.8 mill. is less than the previous year's value. The PlusPrograms developed for self-paying patients achieved revenues of approximately EUR 1 mill. in the reporting year, as in the previous year. The EBIT margin was 1.0 % (previous year: 2.2 %).

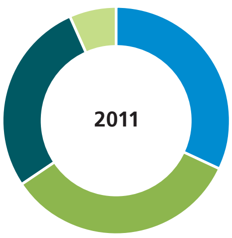
In its post-acute segment, MediClin offers services in both the fields of subsequent nursing treatment and curative procedures. Subsequent nursing treatment includes all medical measures required to facilitate the healing process and return the patient to a functioning state immediately after acute care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

In nursing days	2011	2010	Change in %	Share 2011 in %
Subsequent nursing treatment	1,213,682	1,174,966	+3.3	63.7
Curative treatment	640,547	694,132	−7.7	33.6
Other	50,442	51,450	−2.0	2.7
Post-acute segment	**1,904,671**	**1,920,548**	**−0.8**	**100.0**

In 2011, the share of subsequent nursing treatment totalled approximately 64 % (previous year: approximately 61 %) of all rehabilitative services furnished in the post-acute segment, calculated in nursing days.

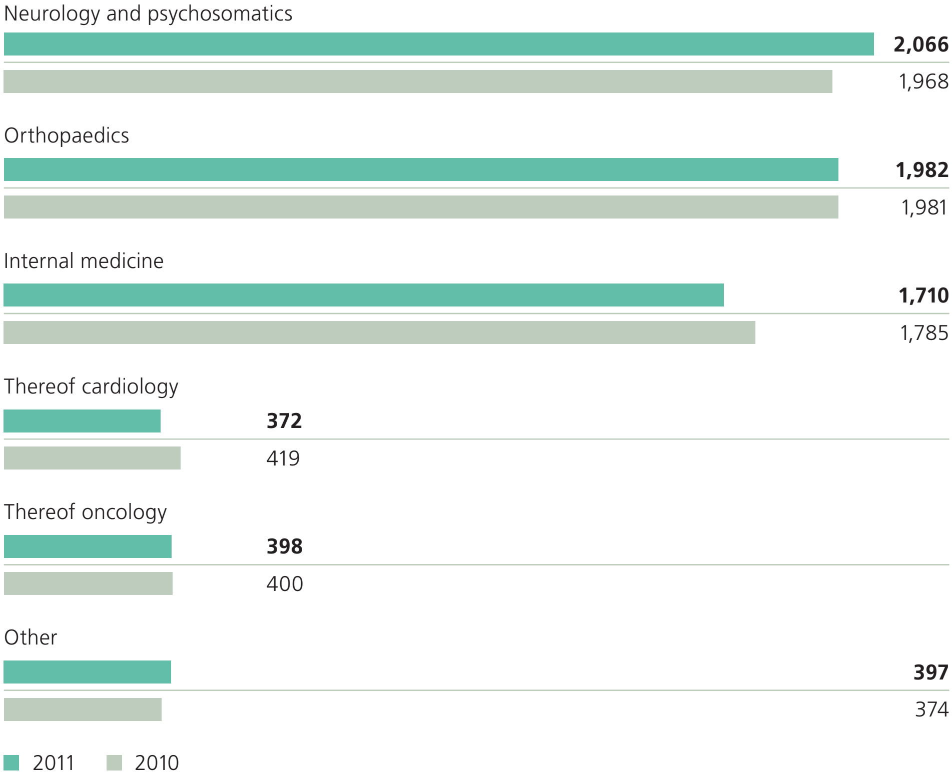
The average number of beds in the post-acute segment increased by a total of 47 beds as compared to 2010. MediClin's three-largest medical fields continue to be orthopaedics, neurology and psychosomatic medicine and internal medicine. Their share of the total average number of beds (6,155 beds) amounted to 93.6 % (previous year: 93.9 % /6,108 beds). The number of beds on the reporting date increased by 59 beds (31.12.2011: 6,203 beds; 31.12.2010: 6,144 beds).

Yearly average of number of beds
in %



Orthopaedics	**32.2**
Neurology and psychosomatics	**33.6**
Internal medicine	**27.8**
Other	**6.4**

Yearly average of number of beds



An annual average of 3,251 full-time staff were employed in the post-acute segment (previous year: 3,218 full-time staff).

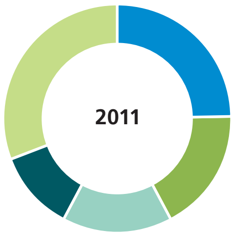
A total of EUR 17.3 mill. (previous year: EUR 9.0 mill.) was invested in this segment.

Sales in the **acute segment** rose by 0.3 % or EUR 0.6 mill. At EUR 15.5 mill., the result was EUR 2.6 mill. less than the previous year's value (previous year: EUR 18.1 mill.). The segment EBIT margin totalled 7.7 % (previous year: 9.1 %).

The psychiatry, surgery, internal medicine and orthopaedic departments are the largest units in the acute segment in terms of number of beds. Their share in the total number of beds totalled 69.3 % (previous year: 69.8 %).

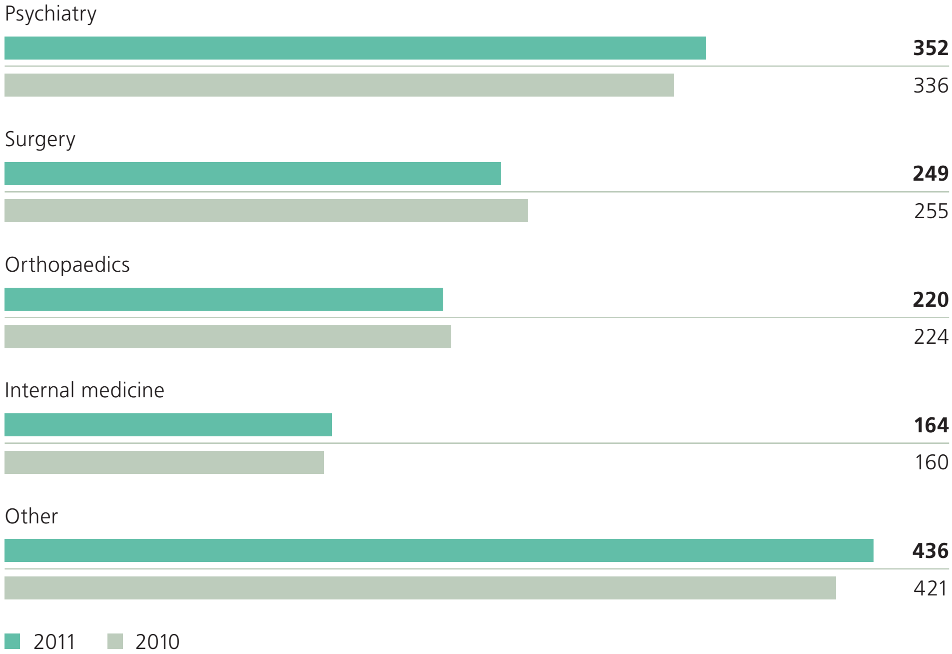
The number of beds increased by 25 beds as an average value; on the reporting date, the average number of beds increased by 37 beds (31.12.2011: 1,436 beds; 31.12.2010: 1,399 beds).

Yearly average of number of beds
in %



Psychiatry	**24.8**
Surgery	**17.5**
Orthopaedics	**15.5**
Internal medicine	**11.5**
Other	**30.7**

Yearly average of number of beds



An annual average of 1,979 full-time staff were employed in the acute segment (previous year: 1,965 full-time staff).

A total of EUR 12.0 mill. (previous year: EUR 12.7 mill.) was invested in the segment in 2011.

The **other activities segment** recorded sales of EUR 40.2 mill. (previous year: EUR 37.6 mill.) in 2011. The nursing care business area, which is reported under the other activities segment, achieved sales of EUR 12.0 mill. (previous year: EUR 11.2 mill.). The number of places as of 31 December 2011 increased as compared to the previous year's balance sheet date to 443 places (31.12.2010: 408 places). Altogether, an average of 869 full-time employees (previous year: 801 full-time employees) served in the other activities segment in 2011, which represents an increase of 8.5 %. A total of 158 full-time employees (previous year: 155 full-time employees) were employed in the nursing care business area.

MediClin AG

The annual financial statements of MEDICLIN Aktiengesellschaft, Offenburg, 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 €	31.12.2011	in % of balance sheet total	31.12.2010	in % of balance sheet total
Assets				
Non-current assets	236.4	87.6	236.3	86.8
Current assets	33.4	12.4	35.8	13.2
	269.8	**100.0**	**272.1**	**100.0**
Equity and liabilities				
Equity	194.6	72.1	193.7	71.2
Non-current liabilities	6.7	2.5	9.3	3.4
Current liabilities	68.5	25.4	69.1	25.4
	269.8	**100.0**	**272.1**	**100.0**

The **balance sheet total**, structured according to IFRS regulations, is EUR 2.3 mill. less than in the previous year. The change in non-current liabilities primarily results from the repayment of loans to banks.

Development of results of operation

MediClin AG recorded no sales for the reporting year.

Other operating income of MediClin AG mainly includes income from management services, which remains unchanged as compared to the previous year at EUR 146 thou., and income from the release of provisions (2011: EUR 71 thou.; previous year: EUR 35 thou.), primarily attributable to expenses for the annual financial statements (2011: EUR 50 thou.; previous year: EUR 12 thou.), expenses for the Advisory Board (2011: EUR 12 thou.; previous year: EUR 0 thou.) and legal and consulting expenses (2011: EUR 8 thou.; previous year: EUR 0 thou.).

Other operating expenses primarily include auditing and consultancy costs (2011: EUR 827 thou.; previous year: EUR 654 thou.), and other administration costs (2011: EUR 390 thou.; previous year: EUR 392 thou.) primarily covering Supervisory Board costs (2011: EUR 253 thou.; previous year: EUR 244 thou.), and costs of the Annual General Meeting (2011: EUR 70 thou.; previous year: EUR 80 thou.), and incidental costs of monetary transactions (2011: EUR 61 thou.; previous year: EUR 62 thou.), print media (2011: EUR 291 thou.; previous year: EUR 303 thou.) as well as rent and leaseback (2011: EUR 54 thou.; previous year: EUR 59 thou.), insurance costs (2011: EUR 93 thou.; previous year: EUR 67 thou.) and other costs.

The financial result of MediClin AG for the 2011 financial year includes dividends for the 2010 financial year totalling EUR 0.6 mill. and advanced dividends for the 2011 financial year totalling EUR 10.2 mill. (previous year: EUR 10.5 mill.), interest and similar income totalling EUR 1.8 mill. (previous year: EUR 1.1 mill.) and interest and similar expenses totalling EUR 4.4 mill. (previous year: EUR 4.6 mill.).

MediClin AG generated a net profit of EUR 3.3 mill. in the 2011 financial year (previous year: EUR 9.1 mill.).

The number of employees was four on annual average (previous year: five employees). 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 2012 and in the following years 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 Act on the Disclosure of Management 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, a variable profit-sharing bonus approved by the Supervisory Board and a pension commitment, as well as from 1 January 2009 onwards, the right to participation in the future appreciation of the Company's value (share appreciation right). During the 2011 financial year, compensation of the Management Board totalled EUR 1.8 mill. (previous year: EUR 1.6 mill.) and was structured as follows:

In € 2011	Dr. Ulrich Wandschneider	Frank Abele	Management Board (total)
Fixed remuneration	392,000	308,000	700,000
Variable remuneration inclusive change in provisions for variable remuneration	400,961	289,807	690,768
Long-term incentive programme			
Share appreciation right	185,246	110,810	296,056
Subsidy retirement pension	60,000	60,000	120,000
Other remuneration components	9,438	9,438	18,876
Total	**1,047,645**	**778,055**	**1,825,700**

In € 2010	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	406,410	270,940	677,350
Long-term incentive programme			
Share appreciation right	55,072	49,403	104,475
Subsidy retirement pension	60,000	60,000	120,000
Other remuneration components	9,104	9,438	18,542
Total	**950,586**	**689,781**	**1,640,367**

The fixed salary is paid out monthly. The profit-sharing bonus is contingent upon the achievement of specific targets and consists of two profit-sharing bonus components. The profit-sharing bonus component I represents, at the 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 the most, 30 % of the contractually defined profit-sharing bonus and is determined by qualitative criteria.

In order to promote the Management Board's long-term loyalty to MediClin AG and provide a special incentive for an appreciation in Company value ultimately benefiting the shareholders, each Management Board member was granted a share appreciation right for the 2009 financial year. These rights, which may only be exercised after a four-year vesting period (1 January 2009 to 31 December 2012), entitle the Management Board members to the payment of a lump sum amounting to a percentage share of the appreciation in Company value during the specified term. The amount of payment will be calculated by the appreciation in Company value within four years multiplied by a personal percentage rate. The share appreciation payment amount is limited to the maximum profit-sharing bonus contractually agreed upon by the respective Management Board member. If no appreciation in Company value has occurred upon the settlement date, no right of payment exists; moreover, this right will expire without substitution.

At the Supervisory Board meeting of 10 November 2011, the Management Board salaries were newly regulated subsequent to restructuring at Management Board level.

From November 2011 onwards, Dr. Wandschneider's fixed salary was reduced to 60 % of his previous fixed remuneration; the variable performance bonus will be eliminated in the future. For 2011, the variable remuneration was awarded on a pro rata basis for a period of eleven months. The pension subsidy remains unchanged.

The fixed salary of Mr. Abele was increased to EUR 350 thou. p. a. due to his new tasks as Chairman of the Management Board, and the profit-sharing scope was limited to EUR 450 thou.

The incentive agreement was prematurely terminated on 31 December 2011. As compensation, 75 % of the maximum profit-sharing bonus was granted to each of the Management Board members. The amount listed in the remuneration table for 2011 encompasses the increase of the provision accumulated to date to these disbursement amounts (Dr. Ulrich Wandschneider EUR 337.5 thou., Frank Abele EUR 225 thou.). The fair value of the provision as of 31 December 2010 was EUR 266 thou.

Due to the respective pension commitments for signed pension insurance policies for Management Board members, MediClin subsidised an annual premium of EUR 60 thou. for each Management Board member.

Other includes non-cash compensation from the provisioning of company cars.

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 Annual General Meeting of Shareholders on 26 May 2010.

Under this regulation, in addition to being reimbursed for their cash expenses and the value added tax on work completed for the Supervisory Board, the members of the Supervisory Board are paid a fixed compensation, amounting to EUR 10,000.00 for each Supervisory Board member, payable after the close of the financial year. In addition, each member receives the amount of EUR 3,000.00 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 12,000.00. The payment is effected after the conclusion of the Annual General Meeting of Shareholders, which decides on the allocation of profits for the financial year for which the remuneration is paid. The Chairman of the Supervisory Board receives twice the amount of the fixed compensation and the Vice Chairman receives one and a half times the amount of the fixed compensation. Each member of a Supervisory Board committee, which meets at least once during the financial year, receives an allowance valued at 10 %, and the chairman of the committee an allowance amounting to 20 % of the fixed compensation. Every member of the Audit Committee receives an allowance valued at 25 %, and the Chairman of the Audit Committee an allowance valued at 50 % of the fixed compensation. If a member of the Supervisory Board simultaneously holds several positions for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying position. For every participation in a meeting of the Supervisory Board and one of its committees by personal attendance, the members of the Supervisory Board receive an attendance fee of EUR 250.00 per session. If the position of a Supervisory Board member or a function associated with an increased remuneration begins or ends during the course of a financial year, the Supervisory Board member receives the compensation or increased remuneration on a pro rata basis.

In 2011, a performance-based (variable) compensation totalling EUR 36,000.00 (previous year: EUR 33,233.98) was paid out. This was based on the dividend payout of EUR 0.05 per share, which was adopted by the Annual General Meeting of Shareholders on 26 May 2011 for the 2010 financial year.

In € excluding VAT	Remuneration	Performance-based remuneration	Total 2011	Total 2010
Dr. Jan Boetius (Chairman)	24,500.00	3,000.00	27,500.00	26,454.31
Hans Hilpert (Vice Chairman)	18,500.00	3,000.00	21,500.00	21,056.46
Michael Bock	15,000.00	3,000.00	18,000.00	16,556.46
Dr. Daniel von Borries	16,250.00	3,000.00	19,250.00	19,056.46
Gerd Dielmann	13,500.00	3,000.00	16,500.00	15,556.46
Prof. Dr. Erich Donauer	15,250.00	3,000.00	18,250.00	18,056.46
Carsten Heise	14,000.00	3,000.00	17,000.00	17,056.46
Dr. Jochen Messemer	13,000.00	3,000.00	16,000.00	15,056.46
Klaus Müller	14,000.00	3,000,00	17,000,00	16,806.46
Udo Rein	11,000.00	3,000.00	14,000.00	15,056.46
Uwe Rohde	14,000.00	3,000.00	17,000.00	14,000.00
Dr. Hans Rossels	11,250.00	3,000.00	14,250.00	13,556.46
Günter Schlatter (Chairman until 12.08.2009)	–	–	–	3,408.61[1]
Walburga Erichsmeier (until 31.12.2009)	–	–	–	2,556.46[1]
Total	**180,250.00**	**36,000.00**	**216,250.00**	**214,233.98**

[1] Profit-related remuneration for the 2010 financial year

As in the 2010 financial year, there were no loans extended to members of the Supervisory Board in 2011. 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

This chapter describes the risk management, the entrepreneurial risks and opportunities as well as their control, but also the main features of the internal control and risk management system as they relate to financial reporting.

Risk management

The objective of MediClin's risk management is the identification and control of significant risks. For this, organisational rules were adopted and instruments implemented 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.

The following risk policy principles were approved by the MediClin Management Board and represent the framework for the risk management system and for risk perception at MediClin:

- The MediClin Group is active in a sensitive market. The health and well-being of the people who have placed their trust in us is our most important obligation. This sets high standards for handling risks and ensuring their minimisation.
- As a service provider in the health care sector, avoiding and controlling treatment-related risks, in addition to reducing major financial risks, are key factors to ensuring the well-being of our patients and partners.
- Achieving financial success and, within the scope of these activities, acting on business opportunities, are necessarily associated with risks for MediClin.
- However, business transactions or decisions may never be associated from the outset with risks threatening the existence of the Company.
- The use of recognised opportunities for increasing financial success is ensured through the early identification, evaluation and control of any potential associated risks.
- Risk management at MediClin is a continuous, daily activity, which is to be performed by all employees in the context of their task fulfilment. Each employee is requested to handle risks and opportunities in a conscious and autonomous manner within the scope of his or her competence.

- An objective is the establishment of proactive risk and opportunity management through which qualitative process improvements also contribute to the control and management of risks.
- Risk management is directly related to internal quality management, as the consistent implementation of process improvements leads to risk reduction.
- Risks associated with our core activities (e.g. public liability or property damage risks) are transferred – where economically appropriate – to other risk carriers.
- A high level of internal controls shall prevent or identify unnecessary losses as well as any activities which violate statutory provisions. The risk management system shall also be continually monitored regarding its reliability and adherence to regulations.
- Risks and opportunities in MediClin's business segments are to be openly communicated and evaluated vis-à-vis our shareholders, cost bearers and employees.

In addition to complying with the pertinent legal risk management requirements, MediClin considers its risk and opportunity management a central component of risk control. The comprehensive identification, analysis and evaluation of risks and opportunities in the context of an annual risk inventory is used to recognise, appraise and efficiently control any risks, and also potential prospects for the Company, in a timely manner.

The Management Board of MediClin AG carries the overall responsibility for the risk management system. It delegates the individual duties within the framework of the risk management of the Group to the central risk manager and to the persons in charge of risk policies in the individual departments respectively clinics.

Organisationally, risk management is part of the central quality, organisation and auditing department, which is also responsible for the implementation of the risk management concept. The central point of contact for the risk management system is the director of this specialist department.

The defined strategy and risk policy used for handling risks and opportunities, as well as the regulations governing the risk analysis workflow management, are obligatory for all employees working at headquarters and in all MediClin facilities. The implementation of the risk management process in the central divisions and facilities of MediClin always falls under the direct jurisdiction of the divisional management or commercial 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. 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.

Apart from the risk inventory as a central instrument of the risk management process, further instruments are used for risk identification and risk prevention. In the operational area these include inter alia:

- A uniform and process-oriented quality management system (QMS)
- A systematic error management (in the framework of the internal QMS)
- The Group guidelines for handling medical devices
- A critical incident reporting system (CIRS) in individual clinics
- The systematic implementation of vocational safety requirements (MAAS BGW)
- A systematic complaint management
- The disaster and evacuation planning/pandemic planning
- The Group guidelines for the prevention of legionella contamination
- The Group guidelines for collaboration with other partners in the health care service and in the industry
- A central data protection concept

Internal control system regarding the financial reporting process and the management control system

Under the provisions to Section 91 (2) of the German Stock Corporation Act (AktG), the board of management of a stock corporation is to ensure that appropriate actions are taken, particularly the setup of a monitoring system, in order to provide for the early detection of developments that could jeopardise the long-term survival of the company as well as to guarantee short-term solvency. This is the purpose of the internal control system as related to the accounting process. It guarantees, on the one hand, an efficient financial reporting process, and on the other hand, serves to detect and adequately assess the risks which are associated with entrepreneurial activities so as to be able to permit an early response to the risks identified.

Important elements of the internal control system are the centralisation of financial reporting departments as well as further centralised services at the corporate headquarters in Offenburg. In addition to financial accounting, also personnel management, payroll processing, quality management, insurance and contract management are centralised.

Uniform financial reporting is ensured through the use of corporate guidelines and a uniform accounts structure applied throughout the Group. The data processing systems used in the financial reporting departments are protected against unauthorised access through appropriate safeguards and security features. The staff involved all exhibit the necessary qualifications. Suitable controls have been installed for all relevant financial reporting processes.

Invoicing is carried out promptly in a decentralised manner. However, the dunning process is carried out centrally. Claims management and liquidity monitoring are also centrally organised.

The Group controlling department provides executive managers of the clinics and the Management Board with updated information on operational business based on Group-wide standardised specifications. Important sources of information for the service process include the occupancy and nursing day statistics. The compiled and analysed data serves as a basis for information, coordination, planning, control and monitoring of the operative processes. Planning for the future business development of the Group for both upcoming financial years is conducted once a year on the clinic level, in close coordination with the Group controlling department, which then consolidates and reviews the information on the Group level.

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. 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. This takes into consideration that a large part of the loans on the balance sheet date were made available to MediClin AG by majority shareholders.

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-leaseback transactions as well as the option of acquiring own shares.

Clear definitions of spheres of responsibility in the areas of both financial accounting and risk management support error-free and comprehensible financial accounting. Through the centralisation of the accounting department at the corporate headquarters in Offenburg, MediClin guarantees that financial reporting in the clinics is uniform, and that it also adheres to legal regulations, the principles of proper accounting, international accounting standards and the Group's internal guidelines. At the same time, the infrastructure of human and material resources for accounting tasks is assured. The financial accounting process provides the public with accurate and reliable information about the Company's and Group's net assets, financial positions and earnings situations in the context of financial accounting disclosure requirements.

Risk and opportunity inventory 2011

Risk inventory as part of the Group's risk management is a central tool for the early detection of potential corporate risks. It helps to systematically detect economic risks and opportunities early on, during the preparation phase for the annual economic plan. In addition to the internal monitoring and control systems, it is an important element of MediClin's risk management strategy. From a Group perspective, no risks pertaining to the Company's survival could be identified in terms of the risk definition used for the risk inventory.

In the 2011 risk inventory, a total of 537 risk reports, 26 opportunity reports and 17 trend reports were submitted by the medical facilities and corporate departments of MediClin. The 537 reports of risks could be allocated to 61 different risk groups. Following a review and evaluation of the reports on the Group level, a total of 19 risks were identified and evaluated as corporate risks in accordance with the definition of a risk. Within the risk inventory, 14 Group risks concern all segments in which MediClin is active (cross-segment risks), three Group risks exclusively concern the acute clinic sector and two Group risks concern the rehabilitation area.

In 2011, three new risks were identified on a Group level, three risks from the previous year were removed and two existing risks were combined into one risk. Additionally, the assessment of some risks changed in terms of their effect or probability of occurrence.

Trend reports are a component of early risk detection. The compilation and analysis of weak signals allows MediClin to anticipate potential risks and take the appropriate action. The 17 trend reports submitted for the 2011 risk inventory related, in particular, to developments in the health care market and to the competitive situation between the providers of medical services and the coverage providers.

The 26 opportunity reports included in this year's risk inventory could be summarised into five main categories. In the context of analysis, the following relevant areas emerged:

- Opportunities through the constitution of outpatient services
- Opportunities through the constitution and expansion of cooperation agreements with other service providers
- Opportunities through the optimisation of internal processes
- Opportunities through the expansion and specialisation of the service range
- Opportunities arising from changes in the health care market, the competitive situation or the legal framework

MediClin takes advantage of these opportunities, because with the exception of the last point, they are all components of the short-term, medium-term and long-term Group strategies.

External risks

Market

As in previous years, substantial risks result from the demographic shifts which are currently identifiable. These will have a decisive influence on the medical, technical and personnel development of the health care industry. Medical progress, the use of high-tech appliances and the implementation of modern health care concepts all require an increasingly higher qualification of nursing personnel. There are currently not enough qualified surgery and intensive care nurses on the labour market. This situation could negatively affect the occupancy rates of individual clinic departments, and through the rising need for trained specialists, lead to higher personnel costs over the long term. The existing shortage of physicians, particularly highly qualified specialists and senior physicians, could lead to difficulties in filling vacancies. Depending on the location, this situation could also affect the growth of occupancy rates in the respective clinic. Particularly in Germany's new federal states, filling physician vacancies is difficult due to the lack of applicants, especially in the medical specialist care. This problem is compounded by the fact that there is increased competition between inpatient and outpatient medical specialists.

Due to the rising number of mergers among health insurance funds and thus the greater market power of individual coverage providers, individual MediClin facilities could become more dependent on larger coverage providers. They could use their pre-eminence to influence occupancy management and remuneration. This is particularly valid in the case of MediClin post-acute clinics with high occupancy rates for subsequent nursing treatment and for special clinics, if the coverage provider taken over should guide patients to other similar institutions of the new owner. Additionally, the regional market differentiation strategies of individual coverage providers could result in additional burdens, as a result of minimum occupancy requirements in individual clinics.

Since MediClin has set a focus on the treatment of neurological and psychiatric illnesses, a change in the remuneration modalities could affect the earning power of the Group. Until now, psychiatric hospitals have reached budget agreements with the health insurance funds on the basis of the psychiatry personnel regulation (Psych-PV). The agreement basis in the psychiatric sector will also be transformed into DRG-based service invoicing, which will become mandatory from 2015 onwards (optional 2013/2014). Unlike somatic indications, no upper limits are envisaged for hospital treatment days in psychiatric treatment groups. The possible effects of the new legal framework in accounting for medical services in acute psychiatry (Psych-OPS and DRGs) remain inestimable at the current time and could have negative effects on the revenue development in the coming years.

General legal conditions

GKV-FinG went into effect on 1 January 2011. The main focus of the law is the stabilisation of the finances of public health insurance funds, to which end not only reforms concerning revenues but also ceilings for spending increases were enacted.

Thus, with respect to revenues, the contributions were increased, but the share of the employers was fixed, and health insurance funds whose expenditures are higher than their disbursements from the health care fund must charge their members an additional, income-independent premium. With respect to expenditures, the administrative expenses of the health insurance funds have been frozen at the level of 2010 for the next two years, and the increase of the total remuneration of statutory health service physicians has been fixed at 1.25 % in all associations of health insurance physicians for the same period.

To limit the increases in expenditures in the acute sector – which is therefore also relevant for the business activities of MediClin in its acute sector – the following regulations have been determined:

- For additional services of the hospitals compared to the respective previous year an amount is charged, which is 30 % in 2011 and which must be contractually agreed upon for subsequent years.
- In 2011 and 2012, the rates for acute inpatient hospital services as well as for the hospital budgets of psychiatric and psychosomatic institutions must increase by no more than the amount of the basic wage rate minus 0.25 % points or 0.5 % points (previously: the full basic wage rate).
- The provisions for a further convergence towards uniform national hospital rates (federal base case value) are abolished so as to maintain price differences. However, the adjustment of state base case values to a nationwide range applies.

Political, legal and statutory conditions, such as governmental budgeting, hospital planning, case-based lump sum and the financial deficit among the health insurance funds, will continue to have an impact on the further development of the health care system and result in further legal reforms. MediClin will continue to monitor this development in the context of its risk management system and analyse the risks and opportunities which might develop regarding the Group's results.

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 or through services related to nursing care and self-payment programmes. 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 breakeven 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 structured internal quality management. Internal quality management is 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, some of which are shareholders of MEDICLIN Aktiengesellschaft, were duly repaid on 16 February 2012. Follow-up financing exists in the form of a syndicated loan contract (see further details in the section "Subsequent events and future prospects").

Opportunities

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 also in the nursing care sector. 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. In the progress report "Altersgerechte Arbeitswelt" (Age-appropriate Working World) Edition 1: Developing the Job Market for Seniors, published for the first time in February 2012 by the Federal Ministry of Labour and Social Affairs, it is pointed out that the proportion of older employees has significantly increased since 2000. The proportion of 55 to 64-year-olds who were employed in 2000 was 38 %, while in 2010 the proportion of the same age group on the labour force was 58 %. The employment rate for 60 to 64-year-olds has more than doubled during the same period. Everything indicates that the working lifetime will extend significantly in the years to come. This means that the demand for qualified services in medical rehabilitation which preserve a person's capacity and ability to work will increase.

The chances to take MediClin to a new level of growth are given. MediClin's opportunity management plans to increase sales revenues through internal growth and targeted acquisitions in such a way that provides for qualitative growth, while ensuring sustainable earnings power.

Additional internal growth opportunities result from the takeover of the majority stake of MediClin AG by Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg. Since, regionally speaking, there are only very few overlaps in the medical service range of MediClin facilities and Asklepios facilities, synergies can be exploited here in terms of the medical service offer and the treatment efficiency for patients.

Competition

MediClin is one of the large providers of rehabilitation services in Germany. Although the market is still very heterogeneous, our nationwide presence and integrative medical care concept gives us competitive advantages in negotiations with coverage providers. It cannot currently be assessed to what extent the majority stake of Asklepios Kliniken Gesellschaft mit beschränkter Haftung influences the competition position of MediClin.

Financial opportunities

The stock exchange listing allows financial resources to be generated in order to reduce debt levels or finance growth on the capital market, so that expansion investments can be made and acquisition opportunities realised.

Other disclosures

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

The subscribed capital of MEDICLIN Aktiengesellschaft consists of 47,500,000 no-par bearer shares. Restrictions on the voting rights of the shares may arise on the basis of the regulations of the German Stock Corporation Act (AktG). For example, under certain conditions, shareholders are prohibited from voting (Section 136 German Stock Corporation Act – AktG). Furthermore, the Company has no voting rights from its own shares (Section 71 b 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 Asklepios Kliniken Verwaltungsgesellschaft mbH, the Asklepios Kliniken Gesellschaft mit beschränkter Haftung, ERGO Versicherungsgruppe AG (ERGO) and DKV Deutsche Krankenversicherung AG (DKV). Those with an indirect shareholding are the Münchener Rückversicherungs-Gesellschaft AG through its subsidiaries ERGO and DKV, the Asklepios Kliniken Gesellschaft mit beschränkter Haftung through the Asklepios Kliniken Verwaltungsgesellschaft mbH and Dr. Bernard gr. Broermann through the Asklepios Kliniken Verwaltungsgesellschaft mbH and the Asklepios Kliniken Gesellschaft mit beschränkter Haftung. 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 2011, no resolution to authorise the purchase of MediClin shares was submitted at 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.

Corporate Governance Declaration pursuant to Section 289 a HGB

MediClin sees the Corporate Governance Declaration as a chance to disclose the stability and sustainability of the corporate governance of MEDICLIN Aktiengesellschaft. We want to do so at a place that is easily accessible and are therefore posting the declaration on our website http://www.mediclin.de/Erklaerung-zur-Unternehmensfuehrung.

The declaration contains the relevant information about corporate governance, a description of the working methods of the Management and Supervisory Boards, the composition and working methods of the committees as well as the conformity declaration in accordance with Section 161 AktG.

Declaration of the Management Board pursuant to Section 312 (3) AktG

"We declare that the Company received appropriate compensation for all legal transactions from 1 September to 31 December 2011 listed in this report, on relations with affiliated companies according to the circumstances known to the Management Board at the time at which the legal transactions were undertaken. No measures were taken which put the Company at a disadvantage and which would need to be reported here."

Subsequent events and future prospects

On 16 February 2012, loans totalling EUR 61.4 mill. were repaid to insurance companies, two of which are shareholders of MediClin AG. As follow-up financing, a syndicated loan totalling EUR 50 mill. was taken out under the lead management of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (DZ-Bank), Frankfurt am Main. The credit consists of a redeemable loan for EUR 45.0 mill. and a credit line for a further EUR 5 mill. in the form of a revolving credit, which can be utilised as required. The credit package includes an option to increase the redeemable loan and the line of credit for a further EUR 5 mill. in each case. The interest rate for the redeemable loan consists of the six-month EURIBOR (reference rate) and a margin that is dependent upon the development of the net debt equity ratio. The margin range is limited to 50 base points. The contract period of the syndicated loan is five years. The redeemable loan must be repaid in six-month repayment instalments, the first of which will be due on 31 January 2013, plus a final instalment of EUR 30 mill. The first interest period ends on 31 July 2012, and thereafter will occur every six months. The initial interest rate is 2.89 %.

In order to finance two cogeneration units, an annuity loan for EUR 0.5 mill. was taken out on 16 January 2012. The loan has an interest rate of 4.05 % and a contract period until 31 January 2020. The annuity amounts to approximately EUR 73 thou. p.a.

Economic recovery expected in the second half of 2012

After German economic growth decreased slightly in the second half of 2011, economic research institutes expect that the start in the new year will not show further growth. In its monthly report, the German Federal Bank even forecasted a slight decline in the gross domestic product for the first few months of 2012. This sentiment is not entirely reflected by the Ifo Business Climate Index, published by the Ifo Institute at the end of February, which rose for the fourth time in a row.

The economic slowdown will not affect the labour market.

Nearly all experts agree that by the middle of the year at the latest, the economy should begin to grow again more dynamically. Growth estimates for the gross domestic product in 2012 lie between –0.1 % and 1.2 %. For example, the Federation of German Industries (Bundesverband der Deutschen Industrie, BDI) expects that due to the stable labour market, private consumption will lead to GDP growth in 2012. BDI estimates that the gross domestic product in Germany will increase by more than 1 % in 2012; the German Institute for Economic Research (Deutsche Institut für Wirtschaftsforschung, DIW) forecasts growth of 0.6 % and the German Federal Government estimates 0.7 % in its annual economic report. The forecasts for growth in 2013 from the experts named above and other renowned institutes currently range between 1.4 % and 2.2 %.

The main risk factor for the economic situation is the national debt of individual euro countries. In other words, it will be decisive whether these debts are refinanced and whether the countries and their national economies will be in a position to generate jobs and growth momentum. If the countries are not able to consolidate their budgets, this will most likely have a negative effect on the capital markets and therefore also on the real economy.

Reforms in the health care sector to focus on cost savings

Due to the demographic development of the German population and advances in medical technology, the health care sector is a growth market. And it is one of the most employment-intensive industries in Germany. As of 31 December 2010, more than 4.8 mill. people were employed in the health care sector – and the trend is rising.

This is also a market whose structures, legal regulations and financial organisation are a permanent topic of public discussion. Until now, the German Federal Government has not been able to actually reform the health care system, but instead has concentrated on creating legal regulations that aim to save costs. These regulations came into effect in 2010 and also concern subsequent years.

On 1 August 2010, the German Act for the Amendment of Health Insurance and Other Regulations (Gesetz zur Änderung krankenversicherungsrechtlicher und anderer Vorschriften – GKVÄndG) went into effect. This legislation pertains to the area of pharmaceuticals and should provide the public health insurance funds with approximately EUR 1.15 bill. in savings annually. These regulations apply until 31 December 2013. Also going into effect on 1 August 2010, and valid until 31 December 2014, is the Minimum Wage Ordinance for the nursing care sector. It was additionally resolved that the introduction of a federal base case value will be rescinded as of 2015, in order to create competition between the federal states through the maintenance of price differences in the state base case values.

In November 2010, the German Bundestag passed the Sustainable and Socially Balanced Financing of Statutory Health Insurance Act (Gesetz zur nachhaltigen und sozial ausgewogenen Finanzierung der gesetzlichen Krankenversicherung – GKV-FinG). This legislation also aims to achieve cost savings:

- For additional services which hospitals furthermore stipulated compared to the respective previous year, a deduction will be determined, the amount of which was 30 % in 2011 and which will be contractually negotiated with the health insurance funds and hospitals in 2012.
- The prices for acute inpatient hospital services and the hospital budgets of psychiatric and psychosomatic facilities are only allowed to grow at half the rate in 2011 and 2012 – instead of the full – of basic pay increases.

In 2011, the health care industry adapted to these new regulations and attempted to maintain medical care at a high level, despite these income losses. This became highly challenging in the rehabilitation sector. A certain restraint and lack of transparency regarding the spending behaviour of the coverage providers made the ability to plan, and the cost-effective use of resources, more difficult. Whether this approach on the part of the coverage providers will change in 2012 is not foreseeable at the current time.

Further reforms in the health care sector are under discussion, such as the reform of the requirements planning for physician/outpatient and clinical/inpatient health care. Here, the federal government and the federal states must still reach an agreement. There also exists a need for regulation with respect to the legal arrangement of the setup and management of medical care centres. Currently, it can only be speculated as to what additional demands will be made on medical care, particularly in relation to preventive and rehabilitative measures, by the raising of the working lifetime. With respect to the employment situation in the health care sector, there appears to be no improvement in the shortage of personnel in the physician and nursing professions.

For the medium and long term, the experts of Rheinisch-Westfälisches Institut für Wirtschaftsforschung anticipate that spending on health care will also rise in the next years. The prerequisite for "healthy" growth in this industry would be political framework conditions that develop financing solutions through reforms in statutory health insurance and long-term care insurance. This would allow a higher degree of transparency and stronger competition, thus improving the efficiency of the service provision.

Isolated – and also large – privatisations expected

As in 2010, there was no substantial wave of privatisations within the industry in 2011. MediClin therefore predicts that this situation will also not drastically change in 2012. For 2013 and the following years, it is not possible to make any statements on this subject due to the complex interrelationships with respect to the general economic development.

MediClin shows growth potential in all segments

In terms of the 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. MediClin is answering increasing demand in the nursing care business area by expanding its own nursing facilities. The medical service offer is highly qualified, with emphasis on the neurosciences and psychological sciences, orthopaedics and internal medicine, as well as specialist fields such as diabetes care. Eleven medical care centres (as of 31 December 2011) give MediClin access to the market for acute outpatient services, and ensure occupancy of both acute and post-acute facilities at various locations.

Product development will be successively expanded. The aim is to become one of the leading providers of attractive, patient-oriented concepts nationwide, which enjoy broad market acceptance.

In view of its consistent applied corporate strategy – cross-sectoral, integrative medical care – and stringent management practices, MediClin therefore believes that it is well equipped to expand its integrative medical service offer over the next years. Furthermore, MediClin will position itself as the market leader in the post-acute sector. The nursing care business area will be expanded as opportunities arise, and the service business area according to optimisation considerations.

In connection with the acquisition of the majority of shares in MediClin AG by the Asklepios Group in September of last year, MediClin expects additional growth potential, as overlaps in the medical service range of the respective facilities exist at only a few locations. This ensures good prerequisites for achieving optimal patient-oriented care locally, which should positively affect both sales and the results.

Outlook

In the 2011 financial year, sales could be increased by 1.3 % through internal growth. Gross investments totalling EUR 29.9 mill. will secure the positive development of sales and revenues in the future. The 2011 operating result totalling EUR 10.9 mill. was lower than the previous year's value, due in part to the decrease in demand as a result of more reserved referral practices of coverage providers in the post-acute segment.

In 2012, and in subsequent years, MediClin will continue to invest in internal growth and concentrate on exploiting synergies resulting from the new shareholder structure. Furthermore, through the refinancing with updated interest rates of existing loan liabilities totalling EUR 50.0 mill. or EUR 60.0 mill. at the beginning of the 2012 financial year, it can be expected that the 2012 financial result will improve. If the framework conditions in the industry and the referral practices of the coverage providers do not change drastically in 2012, and subsequent years, the Management Board expects a rise in sales and solid development of earnings.

In terms of external growth, MediClin will act opportunistically based on the Group's stringent acquisition criteria for possible acquisitions.

MEDICLIN Aktiengesellschaft

Offenburg, 1 March 2012

The Management Board

Forward-looking statements

This report contains forward-looking statements that are based on management's current expectations. Words such as "anticipate", "assume", "believe", "estimate", "intend", "can/could", "plan", "project", "should" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties that are based on the current assumptions and forecasts of MediClin AG management. Should any of these risks and uncertainties materialise, or if the assumptions underlying any of the forward-looking statements prove incorrect, then the actual results may be materially different from those expressed or implied by such statements. MediClin AG does not intend or assume any obligation to continuously update these forward-looking statements, so as to adapt them to events or developments that occur after the release of this interim report.


05:13


Hocoma


Hocoma

LOKOMAT®PRO

Effective gait training despite paraplegia

To finally be able to walk again – this is the dream of many patients undertaking neurorehabilitation at the MediClin Krankenhaus Plau am See. These patients have been assisted by therapy using Lokomat®Pro since August 2011.




Tailored to the individual capabilities

This medical training equipment consists of a treadmill, a bodyweight support system and a gait orthosis. Small computer-controlled motors move the patient's legs over the treadmill. The constantly repeated walking movements develop new connections in the patient's brain and train any residual nerve fibres. This ensures that the gait pattern is permanently imprinted once again in paraplegic and hemiplegic patients.

"Before we had Lokomat®Pro, we had to carry out the gait training by hand. This meant that therapists had to kneel down on the right and left of the patient and perform the walking movements manually," explains Carmen Schulz, Head of Therapy. "This was extremely strenuous and meant it was necessary to take a break after around five minutes. It was also not possible to create a completely uniform gait pattern with manual training."

Therapy sessions of up to 40 minutes at a time are now possible using Lokomat®Pro. This enables the training to be adapted to the individual capabilities of the patient. Special computer games are utilised to enable patients to learn how to control their legs once again. The patients see themselves as games characters on a monitor screen and must move through the virtual worlds. Sensors in the orthosis register the leg movements of the patients and transfer them to the movements of the game character. The tasks set for the patients include, for example, collecting objects or avoiding obstacles.

As well as learning walking movements, the training carried out using Lokomat®Pro offers even more advantages. "It stimulates the patient's metabolism, stabilises their circulation and keeps them generally fit," stresses Dr. Erich Donauer, Medical Director of the MediClin Krankenhaus Plau am See. "It is our goal when using the training system to help patients participate as independently as possible in everyday life."

The new therapy methods and their results are not only seen as positive by the employees at the MediClin Krankenhaus Plau am See. "Patients are very enthusiastic about training with Lokomat®Pro. The type of training and the good level of results achieved motivate patients to practice even more intensively," emphasises the Head of Therapy.

Consolidated financial statements of MEDICLIN Aktiengesellschaft
for the 2011 financial year

Contents

Consolidated balance sheet as of 31 December 2011

ASSETS

	Appendix		31.12.2011 in €	Previous year in thousands of €
NON-CURRENT ASSETS				
Intangible assets	(1)			
Concessions, licences		1,710,136		2,236
Goodwill		50,055,541		51,181
Payments on account		239,177		158
			52,004,854	**53,575**
Property, plant and equipment	(2)			
Land, land rights and buildings including buildings on third-party land		114,467,808		112,394
Technical equipment and machines		8,499,435		8,972
Operating and office equipment		30,046,906		26,732
Payments on account and assets under construction		1,536,854		2,173
			154,551,003	**150,271**
Other financial assets	(3)			
Investment in stock of subsidiaries		58,600		59
Other loans		2,056		8
Reinsurance cover		1,510,799		1,469
			1,571,455	**1,536**
Non-current tax refund claims	(4)		**345,692**	**396**
Deferred tax assets	(5)		**4,018,388**	**5,052**
			212,491,392	**210,830**
CURRENT ASSETS				
Inventories	(6)		**6,777,823**	**6,501**
Trade receivables	(7)		**58,066,230**	**61,643**
Other current assets				
Prepaid expenses		1,414,387		1,393
Receivables pursuant to hospital financing law	(8)	2,965,085		3,821
Other assets	(9)	5,463,788		4,083
			9,843,260	**9,297**
Current tax refund claims	(10)		**78,792**	**79**
Cash and cash equivalents	(11)		**41,336,203**	**47,955**
Assets held for sale	(12)		**236,000**	**100**
			116,338,308	**125,575**
			328,829,700	**336,405**

EQUITY AND LIABILITIES

	Appendix		31.12.2011 in €	Previous year in thousands of €
EQUITY				
Shares MediClin Group				
Subscribed capital	(13)	47,500,000		47,500
Capital reserve	(14)	129,391,829		129,392
Revenue reserve	(15)	17,089		17
Consolidated balance sheet loss	(16)	–11,356,893		–11,987
			165,552,025	**164,922**
Non-controlling interests	(17)		37,111	65
			165,589,136	**164,987**
NON-CURRENT LIABILITIES				
Non-current financial liabilities				
Liabilities to banks	(18)	14,114,581		11,482
Other financial liabilities	(19)	8,576,141		9,277
			22,690,722	**20,759**
Other non-current liabilities	(20)		**45,695**	**88**
Non-current provisions				
Provisions for pensions and similar commitments	(21)	27,627,843		27,109
Other provisions	(22)	5,889,763		5,959
			33,517,606	**33,068**
Deferred tax liabilities	(23)		**2,798,526**	**2,378**
			59,052,549	**56,293**
CURRENT LIABILITIES				
Trade payables			**14,622,939**	**15,222**
Current financial liabilities				
Liabilities to banks and insurance companies	(24)	66,585,092		66,103
Other financial liabilities	(25)	740,966		776
			67,326,058	**66,879**
Other current liabilities				
Liabilities pursuant to hospital financing law	(26)	2,976,155		7,783
Other liabilities	(27)	16,367,398		16,838
			19,343,553	**24,621**
Current provisions	(28)		**2,895,465**	**7,776**
Current tax liabilities	(29)		**0**	**627**
			104,188,015	**115,125**
			328,829,700	**336,405**

Consolidated statement of comprehensive income

for the financial year from 1 January to 31 December 2011

	Appendix	Jan.–Dec. 2011 in €	Previous year in thousands of €
I. CONSOLIDATED PROFIT AND LOSS ACCOUNT			
Sales	(30)	493,562,560	487,167
Other operating income	(31)	12,378,568	10,198
Total operating performance		**505,941,128**	**497,365**
Raw material and consumables used	(32)		
a) Cost of raw materials and supplies		–62,383,138	–63,780
b) Cost of purchased services		–48,052,835	–46,549
		–110,435,973	**–110,329**
Staff costs	(33)		
a) Wages and salaries		–236,005,510	–225,143
b) Social security, pension and retirement		–42,626,577	–41,900
		–278,632,087	**–267,043**
Depreciation and amortisation	(34)	–16,736,787	–13,796
Other operating expenses	(35)	–89,270,657	–89,328
Operating result		**10,865,624**	**16,869**
Financial result	(36)		
a) Other financial revenues		360,209	244
b) Other financial costs		–5,481,889	–5,539
		–5,121,680	**–5,295**
Result before tax		**5,743,944**	**11,574**
Taxes on income	(37)	–2,766,530	–1,474
Result after tax		**2,977,414**	**10,100**
Thereof attributable to shareholders of MediClin AG		3,004,948	10,035
Thereof attributable to the non-controlling interests		–27,534	65
II. OTHER COMPREHENSIVE INCOME			
Offset of the losses attributed to the non-controlling interests		0	0
III. OVERALL RESULT		**2,977,414**	**10,100**
Thereof attributable to shareholders of MediClin AG		3,004,948	10,035
Thereof attributable to the non-controlling interests		–27,534	65
Result after tax attributable to shareholders of MediClin AG per share	(38)		
Undiluted (in €)		0.06	0.21
Diluted (in €)		0.06	0.21

Consolidated cash flow statement

	Jan.–Dec. 2011 in €	Jan.–Dec. 2010 in €
Operating result (EBIT)	**10,865,624**	**16,868,578**
Result of finance activities	–5,121,680	–5,294,550
Result of income taxes	–2,766,530	–1,474,073
Total consolidated result	**2,977,414**	**10,099,955**
Depreciation on fixed asset items	16,736,787	13,796,899
Change in deferred taxes	1,454,005	740,253
Change in non-current provisions	449,327	1,095,460
Change in current provisions	–4,880,632	248,952
Result from the disposal of fixed asset items	–55,152	–84,611
Change in non-current tax refund claims	50,707	56,967
Change in current tax refund claims	–139	–2,419
Change in other current assets	7,806,315	–9,035,260
Change in other non-current liabilities	–41,988	87,683
Change in other current liabilities	–8,871,062	–3,637,801
Cash flow from operating activities	**15,625,582**	**13,366,078**
Payments received from the disposal of fixed assets	**325,589**	**314,511**
From the disposal of property, plant and equipment	325,589	314,511
Payments received from investment subsidies	**4,995,922**	**4,969,425**
Cash used for investments in fixed assets	**–27,570,181**	**–21,350,969**
In intangible assets	–1,064,684	–3,721,883
In property, plant and equipment	–26,458,314	–17,603,001
In financial assets	–47,183	–26,085
Cash flow from investing activities	**–22,248,670**	**–16,067,033**
Dividend distribution to shareholders of MediClin AG	–2,375,000	–2,375,000
Assumption of financial liabilities	7,600,000	0
Repayment of financial liabilities	–5,221,011	–5,493,860
Cash flow from financing activities	**3,989**	**–7,868,860**
Cash flow for the period	**–6,619,099**	**–10,569,815**
Cash and cash equivalents at beginning of period	47,955,302	58,525,117
Cash and cash equivalents at end of period	**41,336,203**	**47,955,302**

The cash and cash equivalents at the end of the period correspond to the balance sheet item "cash and cash equivalents" and encompasses only cash in hand and current bank credit balances.

Statement of changes in equity

In €	Subscribed capital	Capital reserve	Revenue reserve
As of 01.01.2009	47,250,000	129,212,002	17,089
Overall result	–	–	–
Adjustment of the negative non-controlling interests	–	–	–
Distribution of dividends	–	–	–
Capital increase convertible bond	250,000	179,827	–
As of 31.12.2009	**47,500,000**	**129,391,829**	**17,089**

In €	Subscribed capital	Capital reserve	Revenue reserve
As of 01.01.2010	47,500,000	129,391,829	17,089
Overall result	–	–	–
Distribution of dividends	–	–	–
As of 31.12.2010	**47,500,000**	**129,391,829**	**17,089**

In €	Subscribed capital	Capital reserve	Revenue reserve
As of 01.01.2011	47,500,000	129,391,829	17,089
Overall result	–	–	–
Distribution of dividends	–	–	–
As of 31.12.2011	**47,500,000**	**129,391,829**	**17,089**

Consolidated balance sheet result	Treasury stock	**Shares MediClin Group**	Non-controlling interests	**Total equity**
−27,643,242	0	148,835,849	0	148,835,849
10,293,148	–	10,293,148	65,443	10,358,591
65,443	–	65,443	−65,443	0
−2,362,500	–	−2,362,500	–	−2,362,500
–	–	429,827	–	429,827
−19,647,151	**0**	**157,261,767**	**0**	**157,261,767**

Consolidated balance sheet result	Treasury stock	**Shares MediClin Group**	Non-controlling interests	**Total equity**
−19,647,151	0	157,261,767	0	157,261,767
10,035,310	–	10,035,310	64,645	10,099,955
−2,375,000	–	−2,375,000	–	−2,375,000
−11,986,841	**0**	**164,922,077**	**64,645**	**164,986,722**

Consolidated balance sheet result	Treasury stock	**Shares MediClin Group**	Non-controlling interests	**Total equity**
−11,986,841	0	164,922,077	64,645	164,986,722
3,004,948	–	3,004,948	−27,534	2,977,414
−2,375,000	–	−2,375,000	–	−2,375,000
−11,356,893	**0**	**165,552,025**	**37,111**	**165,589,136**

Basic information

MEDICLIN Aktiengesellschaft (MediClin) is active as a nationwide clinic operator. With 34 clinics, seven nursing care facilities and eleven medical care centres in eleven German federal states, MediClin has an overall capacity of approximately 8,000 beds (as of 31.12.2011). The clinics are divided into acute-care hospitals for basic, standard and specialised care, as well as specialised clinics for medical rehabilitation. MediClin operates almost 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). Its headquarters are located at Okenstrasse 27, 77652 Offenburg. In September 2011, Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, increased its stake in MediClin AG to a total of 52.73 % and will include MediClin in the consolidated financial statements of the Asklepios Group effective as of 1 September 2011. MediClin's accounting policies remain unchanged.

The present notes were prepared for the consolidated financial statements of MEDICLIN Aktiengesellschaft for the 2011 financial year. The underlying consolidated financial statements were approved for publication by the Management Board on 1 March 2012. 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 AG Wirtschaftsprüfungsgesellschaft, have been published in the electronic German Federal Gazette (Bundesanzeiger).

The consolidated financial statements to 31 December 2011 were prepared in accordance with Section 315 a 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 interpretations of the International Financial Reporting Interpretation Committee (IFRIC), as valid on the cut-off date and admitted by the European Union.

Standards and interpretations published by the EU Commission

The following regulations were adopted by the EU in 2011 and are therefore binding:

	Published in the Official Journal of the EU on	Applies from[1]
Collective standard for the amendment of various IFRS: "Improvement to International Financial Reporting Standards" (2008–2010)	19.02.2011	31.12.2010/ 30.06.2010
Amendments to IFRS 7: "Financial Instruments: Disclosures – Transfer of Financial Assets"	23.11.2011	01.07.2011

[1] Apply upon the commencement of the first financial year beginning after the date indicated.

The European Union has adopted improvements to the International Financial Reporting Standards (Annual Improvements to IFRS) from the 2008–2010 cycle into EU law.

Amendments to the following standards are obligatory for all fiscal years beginning after 30 June 2010:

- IFRS 3 "Business Combinations"
- IFRS 7, IAS 32 and IAS 39 according to amendments to IFRS 3
- IAS 21, IAS 38 and IAS 31 according to IAS 27 "Consolidated and Separate Financial Statements"

All other amendments are mandatory for all fiscal years beginning after 31 December 2010. These concern the following standards:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards"
- IFRS 7 "Financial Instruments: Disclosures"
- IAS 1 "Presentation of Financial Statements"
- IAS 34 "Interim Financial Reporting"
- IFRIC 13 "Customer Loyalty Programmes"

The amendments to **IFRS 1 "First-time Adoption of International Financial Reporting Standards"** and **IFRIC 13 "Customer Loyalty Programmes"** have no relevance for MediClin. The remaining amendments have no significant effects on the Group's net assets, financial position and results of operation. As the financial year corresponds to the calendar year at MediClin, its legal provisions uniformly come into effect for the first business year beginning after 31 December 2010.

The amendments to **IFRS 7 "Financial Instruments: Disclosures"** relate to expanded disclosures about financial instruments that are valued on the basis of fair-value measures. They are conceived to allow users of the financial statements a better understanding of the effects of any remaining risks the Company faces. They should particularly increase financial statement transparency regarding transfers that involve securitising financial assets.

These amendments have no significant relevance for the consolidated financial statements of MediClin.

Standards and interpretations not yet published by the EU Commission

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published a series of amendments to existing IFRS/IAS and new interpretations which are still not binding, as these have not yet been endorsed by the EU:

	Published
New standards	
IFRS 10: "Consolidated Financial Statements"	May 2011
IFRS 11: "Joint Arrangements"	May 2011
IFRS 12: "Disclosure of Interests in Other Entities"	May 2011
IFRS 13: "Fair Value Measurement"	May 2011
IAS 27 (revised): "Consolidated and Separate Financial Statements"	May 2011
IAS 28 (revised): "Investments in Associates"	May 2011
New interpretations	
IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine"	Oct. 2011
Amendments to	
IAS 1: "Presentation of Financial Statements"	June 2011
IAS 12: "Income Taxes"	Dec. 2010
IAS 19: "Employee Benefits"	June 2011
IAS 32: "Financial Instruments: Presentation"	Dec. 2011
IFRS 1: "First-time Adoption of International Financial Reporting Standards"	Dec. 2010
IFRS 7: "Financial Instruments: Disclosures"	Dec. 2011
IFRS 9 (2009, 2010): "Financial Instruments"	Dec. 2011

IFRS 10 "Consolidated Financial Statements" creates a uniform definition for the principle of control and, therefore, a uniform basis for presenting a parent company-subsidiary relationship and the associated determination of the entities to be included in the group of consolidated companies. The new standard replaces the previously relevant standard IAS 27 (2008) "Consolidated and Separate Financial Statements" and SIC-12 "Consolidated Special Purpose Entities".

IFRS 11 "Joint Arrangements" regulates the financial reporting of business interests in which a company holds joint control of a joint arrangement or a joint activity. The new standard replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities – Non-Monetary Contributions by Ventures" that were the previously valid regulations for questions about financial statements for joint ventures. According to IFRS 11, shareholdings in joint ventures are always to be recognised according to the equity method and no longer according to the proportionate consolidation method.

IFRS 12 "Disclosure of Interests in Other Entities" requires the provision of comprehensive information both about consolidated companies and non-consolidated companies in which the company is engaged. This standard is designed to enable users of financial statements to better evaluate the basis of control, claims for consolidated assets and liabilities, the risks resulting from engagement in non-consolidated special purpose entities and the engagement of non-controlling shareholders in the consolidated company.

IFRS 13 "Fair Value Measurement" offers assistance in the determination of fair value, insofar as this is prescribed as a measurement value according to other IFRSs. The objective is to create standard-wide harmonisation of the term "fair value" and the methods used in determining fair value, as well as expanding the notes for determining fair value.

IAS 27 (2008) "Consolidated and Separate Financial Statements" (amended in 2011) now only deals with the unchanged regulations for separate financial statements; the regulations for consolidated financial statements can now be found in IFRS 10.

IAS 28 "Investments in Associates and Joint Ventures" (amended in 2011) contains the amendments resulting from the publication of IFRS 10, IFRS 11 and IFRS 12.

IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" is obligatory for fiscal years which begin on or after 1 January 2013. The interpretation is not relevant for MediClin AG.

The Company does not expect any significant impact on the annual report from the amendments or revisions named above.

Through the amendment of **IAS 1 "Presentation of Financial Statements"**, the IFRS statement of comprehensive income will only be formally presented as the "Statement of profit or loss and other comprehensive income". Nevertheless, this formally summarised statement of income must be divided into two parts in the future. One part comprises profit or loss and another part comprises other comprehensive income. According to the current IAS 1, the profit and loss account can formally be a separate part of the annual financial statement, which must precede the statement of comprehensive income. Under another amendment, the profit item "Other comprehensive income" (OCI) must be divided with regard to the question of whether expenses and revenue recognised under this item are recycled in the profit and loss account at a later time. The option of disclosing the items of the OCI before or after taxes remains; if the data is disclosed before taxes, however, the taxes must be separated according to the criterion of whether they refer to items which can be recycled or items which cannot be recycled.

The amendment to **IAS 12 "Income Taxes"** provides a practical solution to the problem of assessing whether the carrying amount of an asset will be recovered through use or through sale by introducing a presumption that recovery of the carrying amount will normally be through sale.

The amendments to **IAS 19 "Employee Benefits"** primarily relate to:

- The removal of the "corridor method" and the recognition of actuarial gains and losses in other comprehensive income (OCI).
- Calculation of financial costs and benefit commitments as net defined plan assets and pension obligations and applying the uniform discount rate according to IAS 19 Tz 78 (net interest approach).
- Integration of the costs for administering pension plans into the actuarial gains and losses for calculating the recognition value of the benefit obligation and the service cost.
- Expanded notes, e.g. information about funding strategies for pension plans and their financial risks, sensitivity analyses for changes to significant valuation assumptions and average remaining terms of the pension obligations.

As MediClin currently uses the corridor method, the abolition of this method will generally lead in the first year to an increase in pension obligations with a corresponding decline in revenue reserves. In subsequent years, the changes to actuarial gains and losses will result in corresponding fluctuations to both of these reporting items. Using the OCI method in the 2011 financial year would have resulted in an approx EUR 4.0 mill. higher amount of provisions. Because the plan assets for the pension plans only play a subordinate role, the Group does not expect any significant effect on the calculation of reserves as a result of the change to the interest rate applied.

The amendments to **IAS 32 "Financial Instruments: Presentation"** and, as a result, the amendments to **IFRS 7 "Financial Instruments: Disclosures"**, do not lead to any fundamental change in these standards. Instead, in the application guideline for IAS 32, clarifications were integrated regarding the terms "present moment" and "simultaneity", and in IFRS 7, expanded disclosure requirements for balanced financial instruments were introduced to enable a reconciliation of the gross and net risk exposure of financial instruments.

The amendments to **IFRS 1 "First-time Adoption of International Financial Reporting Standards"** replace the references to the fixed transition date of "1 January 2004" with "the date of transition to IFRS". A second amendment provides application guidelines on how to prepare the financial statements in conformity with the IFRS if a company has not been able to adhere to IFRS guidelines due to its functional currency having been subject to high inflation.

The first-time application of these amended standards will presumably not have any significant effects on the MediClin AG consolidated financial statements.

The IASB published an amendment to **IFRS 9 "Financial Instruments"** in December 2011, which shifts the mandatory date of first application of IFRS 9 to 1 January 2015 (previously 1 January 2013). This amendment shall allow the simultaneous application of all regulations of IFRS 9, as to date only phase 1 (recognition and measurement of financial instruments) has been completed, while phases 2 and 3 (impairment and hedge accounting) of the IAS 39 Replacement Project are still being discussed.

Standards planned for the future that could have a material impact on the MediClin Group's net assets, financial position and results of operations

As stated at this point in the 2010 Annual Report, on 17 August 2010 the International Accounting Standards Board (IASB) and the US standard-setter Financial Accounting Standards Board (FASB) published for public comment joint proposals to improve the financial reporting of lease contracts (ED 2010/9 Leases). According to the Exposure Draft, the distinction between operating leases and finance leases will be eliminated. Instead, lessees will be required to classify all rental and lease agreements as right-of-use assets and record these similar to the method currently used for finance leases. The result will be that typical rental arrangements, such as real estate and short-term rental contracts, that have previously only appeared in the income statement as operating leasing will be recorded on the balance sheet as well. The comment period for this ended on 15 December 2010.

After the IASB draft to revise the accounting of leasing conditions met sharp criticism, the IASB moved so far away from the draft that it decided at the end of July 2011 to publish a new draft, which can once again be commented upon. Thus the publication of a final standard, which was originally planned for the second quarter of 2011, has been further delayed, and it can no longer be assumed that the standard will come into effect in 2013. MediClin will continue to observe the future development, and once the final text is released, will publish a reliable comparative calculation in its annual or interim financial reporting. Additionally, MediClin's capital management will develop new parameters for verifying or adapting existing parameters to the modified situation.

Consolidation principles

The first-time recognition of the net assets of acquired subsidiaries is based on the purchase method of accounting. The cost of the acquisition corresponds to the fair value of the assets given and the liabilities incurred or assumed at the transaction date, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the acquisition date, irrespective of the extent of any non-controlling interests. Intangible assets are stated separately from goodwill if they are separable or arise from contractual or other legal rights, and are individually disposable. The excess of the cost of the acquisition over the Group’s share in the net assets measured at the fair value is recognised as goodwill, which is reported under intangible assets. In accordance with IFRS 3 (Business Combinations), existing goodwill is subject to an impairment test at least once a year. 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 for any tranche.

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 non-controlling interests are treated as transactions with parties external to the Group.

Since 2010, non-controlling interests are presented within equity, but separately from the equity of the owners of the parent company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Comprehensive income is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (IAS 27, 2009). Through 2009, the Group applied the provision in IAS 27.35 (revised 2003) that was in effect until then, according to which negative non-controlling interests are offset against Group equity (revenue reserve) and a charge or credit to the consolidated statement of comprehensive income through the reporting of a non-controlling interest does not occur until a positive non-controlling interest arises, which is then presented separately in the consolidated balance sheet within equity. Due to a transitional regulation, the share of profits and losses of the non-controlling interests offset against revenue reserves up to 31 December 2009 may not be adjusted.

Consolidated companies

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

In accordance with the principles of full consolidation, the consolidated financial statements include, in addition to the parent company, MEDICLIN Aktiengesellschaft, all subsidiaries under the economic control of MEDICLIN Aktiengesellschaft, with the exception of KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Müritz-Klinikum Service GmbH, Medusplus GmbH and MediServ GmbH. The four companies were not consolidated due to their single and common 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. The inclusion of VR-LEASING ABYDOS GmbH & Co. Immobilien KG as a special purpose vehicle remained undone, as the criteria for mandatory consolidation in accordance with the IFRS guidelines are not fulfilled.

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, 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". Also listed in the table are companies not included in the consolidated financial statements together with the most recently disclosed annual results and equity as well as the current participation percentage.

The present consolidated financial statements have an exempting effect, in accordance with Section 264 b HGB, for all commercial partnerships included in the consolidated Group pursuant to Section 264 a (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.

Business activities of the geriatrics department in Gernsbach

Effective as of 1 January 2011, the Reha-Zentrum Gernsbach took over the business activities of the geriatrics department in Gernsbach with 55 beds from Klinikum Mittelbaden gGmbH, Baden-Baden, for a symbolic purchase price. In addition, furnishings were taken over at residual book values (EUR 37 thou.). With the consent of the health insurance funds, MediClin entered into the existing supply contracts. The premises were leased. The staff remained with the transferor, with whom a staff procurement contract was signed. In 2011, the expansion resulted in sales totalling EUR 3.1 mill. Due to its complete incorporation into the Reha-Zentrum Gernsbach, no exact data about the profit or loss of the acquired company is available.

Affiliated companies

In September 2011, Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, increased its stake in MediClin AG to a total of 52.73 %. Thus effective as of 1 September 2011, MediClin AG has been included in the consolidated financial statements of the Asklepios Group as a subgroup in accordance with the full consolidation regulations. At the same time, the group of companies affiliated with MediClin expanded to those companies belonging to the Asklepios Group.

The consolidated financial statements of the parent company, Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, are published in the Electronic Federal Gazette.

Shareholdings

Affiliated companies included in the consolidated financial statements	Percentage of shares held	
	31.12.2011	31.12.2010
MEDICLIN Aktiengesellschaft, Offenburg		
Cortex Software GmbH, Offenburg	100.000[1]	100.000[1]
Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.000	100.000
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen	100.000[2]	100.000[2]
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen	100.000[2]	100.000[2]
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.485[2]	94.485[2]
KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Essen	100.000	100.000
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.000	100.000
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	94.485	94.485
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	94.485[2]	94.485[2]
MC Service GmbH, Offenburg	100.000[2]	100.000[2]
MediClin à la Carte GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Geschäftsführungs-GmbH, Offenburg	100.000	100.000
MediClin GmbH & Co. KG, Offenburg	100.000	100.000
MediClin Immobilien Verwaltung GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	87.000	82.000
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Müritz-Klinikum GmbH & Co. KG, Waren	100.000	100.000
MediClin Pflege GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Therapie GmbH, Offenburg	100.000[2]	100.000[2]
MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen	100.000[2]	100.000[2]
MVZ MediClin Bonn GmbH, Bonn	100.000[2]	100.000[2]
MVZ-Müritz GmbH, Waren	100.000[2]	100.000[2]
Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, Bad Rappenau	94.485[2]	94.485[2]
Reha-Klinik GmbH & Co. KG Soltau, Soltau	100.000	100.000
Yvonne Mobilien-Leasing GmbH, Offenburg	94.485[2]	94.485[2]

[1] Of which indirect participation 62.353 %
[2] Indirect participation

Companies not included in the consolidated financial statements in €		Results	Total equity	Percentage of shares held
KDC-Krankenhaus-Dienstleistungs-gesellschaft Crivitz mbH, Crivitz	**2011**	[1]	[1]	60.231[3]
	2010	18,170.77	62,939.62	56.769[3]
MediServ GmbH, Essen	**2011**	[1]	[1]	51.000[3]
	2010	25,727.28	62,839.84	51.000[3]
Medusplus GmbH, Essen	**2011**	56,425.54	104,248.56	51.000[3]
	2010	7,057.79	51,323.00	51.000[3]
Müritz-Klinikum Service GmbH, Waren	**2011**	31,410.47	129,311.13	51.000[3]
	2010	24,070.38	97,900.66	51.000[3]
VR-LEASING ABYDOS GmbH & Co. Immobilien KG, Eschborn	**2011**	[1]	[1]	44.408[2,3]
	2010	3,228.79	–84,499.09[4]	44.408[2,3]

[1] Not available
[2] Including atypical silent participation
[3] Indirect participation
[4] Taxable equity

Accounting and valuation principles

The companies included in the consolidated financial statements applied the same consistent accounting and valuation principles in accordance with the provisions of the HGB as in the previous year. These principles are converted to IFRS principles at Group level.

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.

Acquisition and manufacturing costs of assets, inventories, goods and services normally include the non-deductible value added tax, net of acquisition cost deductions. These costs also include the estimated costs for restoration obligations assumed. If property, plant and equipment consist of meaningful, identifiable and significant components, these have been accounted for as separate units and depreciated accordingly. Maintenance and repair costs have been recorded as an expense.

Borrowing costs that can be directly assigned to the acquisition, construction or production of a qualifying asset were not capitalised in 2011.

Intangible assets with finite useful lives are reported as amortised costs and are amortised according to a scheduled timeframe of three to five years on a straight-line basis. An unscheduled depreciation is recognised for an intangible asset if the recoverable amount of the asset is less than its carrying amount. If the reason for an unscheduled depreciation recognised in prior years has ceased to exist, a write-back is performed, whereby the increased carrying amount resulting from the write-back may not exceed the amortised cost.

Intangible assets with indefinite useful lives and **goodwill** are tested for impairment annually, and additionally if at other points in time indications exist of a possible decline in value (impairment test). If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is the higher of fair value less cost of sale and value in use. If the reason for the unscheduled depreciation ceases to exist, a write-back is performed. Impairment losses on goodwill are not reversed.

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.

Property, plant and equipment are reported at amortised costs. Scheduled depreciation related to technical equipment and machines, as well as operating and office equipment, is based on the useful life expectancy under application of the straight-line method. Contrary to this method, designated medical technology equipment and machines are depreciated to a minimal extent using the declining balance method, if this better represents the anticipated future utility.

Depreciation on property, plant and equipment is calculated based on the following useful lives: buildings 25 to 50 years, technical equipment and machines 6 to 30 years, operating and office equipment 3 to 15 years.

In addition to scheduled depreciation, the book values for property, plant and equipment and the intangible assets are reviewed on the reporting date (31 December) to determine whether these assets need to be impaired **(impairment test)**. Should such indications be noted, the recoverable amount of the asset will be estimated in order to determine the size of any impairment allowance. If the recoverable amount cannot be determined for the single asset, an estimate is made instead for the recoverable amount of the cash generating unit (CGU) to which the asset belongs. The assignment is made to the individual CGUs or the smallest CGU group on a fair and constant basis. CGUs are regularly defined as business premises (clinics/facilities) that use a separate company code. If the reason for an unscheduled depreciation recognised in prior years has ceased to exist, a write-back is performed, whereby the increased carrying amount resulting from the write-back may not exceed the amortised cost. Upon sale or retirement, the acquisition or manufacturing costs and related accumulated depreciation are removed from the balance sheet and any gain or loss is included in the consolidated statement of income.

In the case of impairment losses related to CGUs that carry goodwill, the carrying amount of any goodwill allocated to the CGU is reduced first. If the amount of impairment losses exceeds the carrying amount of goodwill, the difference is generally allocated proportionally to the remaining non-current assets of the CGUs to reduce their carrying amounts accordingly. Where an impairment loss subsequently reverses, the carrying amount of the CGU asset is increased to the revised estimate of its recoverable amount. The revised amount may not exceed the carrying amount that would have been determined had no impairment loss been recognised for the CGU asset in prior years. A reversal of an impairment loss is recognised as income. However, impairment losses of goodwill are not allowed to be reversed and are therefore not performed by MediClin.

When determining the **value in use**, the estimated future earnings values are discounted using the pre-tax market interest rate. As a general principle, the expected earnings values from the latest management planning are used as a basis of this process, 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. This planning is based on past experience as well as on expectations concerning future market development. Based on detailed planning for a single year, a projection is carried out for at least one further year, whereby the projection for the last year is based on the formula of perpetuity. The interest rate is determined on the basis of the weighted cost of capital before tax (WACC before tax), taking the following variables into account: a risk-free base interest rate, entrepreneurial risk (multiplied by a beta coefficient), a growth discount in the perpetuity, borrowing costs before taxes and the capital structure, on the basis of a peer-group analysis. Indications of depreciation in value are taken into account by recording respective unscheduled amortisation on the recoverable amount. For its planning, the Company assumes moderate rates of change regarding the earnings expectations and considers these assumptions to be reasonable. Alternate scenarios will only be calculated should concrete signs of change occur.

The **fair value** is determined by applying a suitable valuation model. This is based on the working capital of the CGU concerned, allowing for any disclosed hidden reserves and operational cash on hand and further existing indicators for the fair value.

The option of using the revaluation method for intangible assets and for property, plant and equipment was not exercised in the MediClin Group.

Public grants 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 (Krankenhausfinanzierungsgesetz – KHG) 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.

Subsidies for investments and grants are deducted from acquisition costs. In accordance with the reduction of acquisition costs of the subsidised property, plant and equipment, the depreciations 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 consolidated statement of comprehensive income, 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 opportunities incident to ownership of an asset. They are recognised at the commencement of the lease term as assets at the fair value of the leased property or, if lower, the present value of the minimum lease payments. They are only of immaterial importance for the Group. Capitalised leased property is depreciated over the useful life expectancy according to the depreciable assets under ownership of the Group. Calculation of this present value is based on the interest rate of the overall lease agreement. Lease payments are apportioned between the finance charge and the redemption of the outstanding liability. A finance lease gives rise to depreciation expense for the depreciable asset as well as financial costs for each accounting period.

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

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 according to the average cost method 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 amortised costs. On doubtful accounts specific allowances for bad debts are lump-sum recorded; uncollectable receivables are depreciated.

Cash and cash equivalents 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. Cash and cash equivalents assets as well as current financial liabilities are valued at amortised 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 their acquisition costs which correspond to 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 financial liabilities.

The MediClin Group has both defined benefit and defined contribution pension plans. **Pension commitments** result from the defined benefit plans and 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. MediClin has applied the right to report the service cost as well as the interest cost component contained in the net periodic pension cost under the staff costs included in the operating result.

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 resulting from a previous event 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.

Deferred tax assets and **deferred tax liabilities** are determined using the balance sheet liability method in accordance with IAS 12. Accordingly, probable future tax reliefs and charges are recognised for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes of the Group and the amounts used for taxation purposes. The deferred tax assets also include tax deduction claims resulting from the expected utilisation of existing losses carried forward in subsequent years, but only where it is sufficiently probable that the taxable income will be available in the future to enable the tax loss carryforwards to be utilised. As far as issues which result in a change of deferred tax are posted directly against equity, also the change of deferred tax is accounted for at equity. The tax rate applied for deferred tax assets and tax liabilities was unchanged 15.825 % (corporation tax, solidarity surcharge).

In the 2009 financial year, the members of the Management Board were granted **share appreciation rights**. These rights, which may only be exercised after a four-year vesting period (1 January 2009 to 31 December 2012), entitle the Management Board members to the payment of a lump sum amounting to a percentage share of the appreciation in Company value during the specified term. The share appreciation payment amount will be calculated by the appreciation in Company value within four years multiplied by a personal percentage rate. The amount is limited to the maximum profit-sharing bonus contractually agreed upon by the respective Management Board member. If no appreciation in Company value has occurred upon the settlement date, no right of payment exists; moreover, this right will expire without substitution. For the share appreciation rights, provisions will be set aside at the fair value. The provisions are based on discounted values which are calculated according to the market rate, in line with contractual regulations. At the Supervisory Board meeting of 10 November 2011, it was decided to prematurely end the share appreciation right on 31 December 2011, due to restructuring on the Management Board level. In compensation, the members of the Management Board each received 75 % of the maximally agreed remuneration.

Contingent liabilities are possible obligations to third parties or existing obligations, which are not recognised because it is not probable that an outflow of economic benefits will be required to settle the obligations or the amount of which cannot be measured reliably. Contingent liabilities are not recognised on the balance sheet, unless they are assumed within the framework of a business combination.

Sales revenues encompass the fair value received for the sale of merchandise and services 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**.

Unscheduled depreciation, losses from the sale of non-current assets and other expenses unrelated to the accounting period are recorded under **other operating expenses**.

Exercise of judgment in applying accounting and valuation principles

The application of accounting and valuation principles 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 similar commitments, different options for recognising actuarial gains and losses are available.
- With respect to assets which should be sold, 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 opportunities 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.
- The impairment test for goodwill is carried out on the assumption that the time frame used for the calculation (detailed planning for one year, and based on this information, a projection for at least one further year, whereby the projection for the last year is based on the formula of perpetuity) is adequate to determine the value in use. Further assumptions are stable occupancy rates as well as a commensurate development of personnel expenses across the Group. Special assumptions must be made regarding the development of state base rates as well as the prospective budget development, and in the post-acute segment, regarding the prospective development of the main occupancy providers and the future remuneration development.

Estimates and assessments made by management

With the application of the accounting and valuation methods stated in the IFRS and by IFRIC, the Company was forced to make numerous estimates and assumptions, which relate to the future 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 accounting and valuation will be re-examined on a regular basis and are based 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.

Among other factors, the discount rate concerning pension provisions and similar commitments represents a significant estimation factor. The discount rate for pension obligations is determined on the basis of yields on senior, fixed-rate corporate bonds on the financial markets as of the balance sheet date. Due to the current financial market crisis, the yield spreads of corporate bonds compared to government bonds have increased sharply. At the same time, the range of yields on high-quality corporate bonds observed on the market has also widened significantly, and these yields are used as the basis for determining the discount rate. The rise in the discount rate results in a reduction in the present value of the pension obligations and an increase in equity. An increase or decrease of one-half percentage point in the discount rate would result in a reduction of EUR 2.9 mill. or an increase of EUR 2.7 mill., respectively, in the present value of the obligations from pension plans. 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 a substantial effect on the book value of provisions in the following financial year.

To determine whether goodwill has suffered impairment, the value in use of the cash generating unit (CGU) to which the goodwill is assigned must first be calculated. To determine the value in use, the estimated future cash flows from the CGU are discounted to present value using an adequate discounting rate, whereby the assumptions utilised for this process are uniformly determined for all CGUs carrying goodwill.

Furthermore, the valuation adjustments of receivables, including the receivables pursuant to the hospital financing law 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 useful lives of depreciable assets are determined on the basis of the asset's anticipated usability for the Company. This is estimated based on empirical values for comparable assets.

In 2005 to 2007, rent deductions totalling approximately EUR 21.0 mill. were received from the landlord for a portion of the leased real estate. In conjunction with this rent reduction, a performance-related repayment was agreed to by 31 December 2027, which is dependent upon the achievement of economic success criteria among the clinics included in the fund. This agreement constitutes a waiver of claims with a debtor warrant, which in accordance with IFRS regulations (IAS 39.39, 40) is treated as a repayment of the original debt and original financial liability and the recognition of a new financial liability. The recognition of such a liability is based on anticipated future discounted payments for the debtor warrant, which are assessed based on past and future probabilities of occurrence. At the current time, the probability of occurrence is estimated to be virtually non-existent, so that the formation of a financial liability due to materiality considerations has been waived. If the probability of occurrence assessment for the success criteria named above should change in the future, then a financial liability will be recognised.

The results of operation, financial position and net assets of MediClin AG is subject to risks and uncertainties. Factors that influence the future results of operation, financial position and net assets, and thereby could possibly cause a divergence from expectations, include, among other factors,

- changes to the legal framework conditions including 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,
- substantial legal proceedings, as well as
- further structural changes in the health care market.

All assumptions and estimates are based on the conditions and assessments as of the balance sheet date. Moreover, expectations regarding future business development have taken into account assumptions of future developments of the economic environment in the industry sector as well as the regions in which the Group is engaged, which appeared to be realistic at the time. The development of these general underlying conditions may deviate from the assumptions made, and this may lead to actual amounts not being consistent with the estimated values. In such cases, the assumptions and, if necessary, the book values of the assets and debts concerned will be adjusted accordingly. At the time of preparation of the consolidated financial statements, no significant changes respecting the underlying assumptions and estimates were expected. Accordingly, from the present point of view no significant adjustment to the book values of reported assets and debts is to be expected for the 2011 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 amount corresponds in each case to the rounded-off amount. The designated amounts for the previous year are calculated using the same accounting and valuation principles, in order to ensure the comparability of the disclosed data.

Derivative financial instruments do not exist. The MediClin Group is almost exclusively engaged in domestic activities; foreign currency transactions were negligible and foreign exchange risks do not exist. The statement of comprehensive income was compiled on the basis of the total cost method.

Notes to the consolidated cash flow statement

The cash flow statement was prepared in accordance with IAS 7, and broken down into three sections: operating, investing and financing activities. Cash and cash equivalents are only defined as means of payment (cash and sight deposits at banks) that correspond to the cash and cash equivalents disclosed on the balance sheet. 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 cash inflow and set against the full investments.

The cash flow from operating activities increased by EUR 2.2 mill., from EUR 13.4 mill. to EUR 15.6 mill. This includes interest received totalling EUR 0.3 mill. (previous year: EUR 0.2 mill.) and interest paid totalling EUR 4.9 mill. (previous year: EUR 5.0 mill.). Tax payments amounted to net EUR 1.9 mill. following tax refunds (previous year: EUR 2.1 mill.).

The change in non-current provisions totalling EUR 0.4 mill. (previous year: EUR 1.1 mill.) results primarily from the allocation of provisions for pensions and similar commitments. Other non-current provisions, adjusted for non-cash items, remain primarily unchanged.

A gross amount of EUR 1.1 mill. (previous year: EUR 3.7 mill.) was spent on intangible assets. This includes additions totalling EUR 0.2 mill. (previous year: EUR 2.1 mill.) for goodwill. Gross investments in property, plant and equipment totalled EUR 26.5 mill. (previous year: EUR 17.6 mill.).

The gross investments were offset against the investment subsidies received, which totalled EUR 5.0 mill. (previous year: EUR 5.0 mill.). The investment subsidies received were principally due to individual subsidies for MediClin Müritz-Klinikum.

This results in a net cash flow from investment activities totalling EUR –22.2 mill. (previous year: EUR –16.1 mill.).

The cash flow from financing activities totalled EUR 4.0 thou. (previous year: EUR – 7.9 mill.). This includes the taking out of loans amounting to EUR 7.6 mill. (previous year: EUR 0.00), the repayment of existing loan obligations amounting to EUR –5.2 mill. (previous year: EUR –5.5 mill.) and dividend payments to the shareholders of MediClin AG totalling EUR –2.4 mill. (previous year: EUR –2.4 mill.).

Cash and cash equivalents at the end of the period decreased by EUR 6.7 mill. to EUR 41.3 mill. (previous year: EUR 48.0 mill.).

Segment reporting

The reportable operative segments of the MediClin Group are the segments post-acute, acute and other activities. Changes in the segmentation or the assignment of individual clinics to segments did not take place in the 2011 financial year. The division into operating segments corresponds to that used for the internal controlling and reporting of the Group. MediClin manages the segments based on EBIT (earnings before interest and taxes) and presents the segment results on the basis of this key figure. This segmentation is not based on regional aspects, as MediClin only operates in Germany and regional characteristics were recognised as irrelevant for the management of the Company.

In its **post-acute segment**, MediClin offers services in 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. Curative treatment includes prophylactic measures against the occurrence of (possible) illnesses or reoccurrence of illnesses.

The **acute segment** encompasses medical offerings focusing on the neurosciences and psychological sciences, including neurology, neurological early rehabilitation, neurosurgery and neuroradiology, as well as psychosomatic medicine, psychiatry and orthopaedics and internal medicine. Furthermore, at certain locations, special expertise in the areas of cardiology, oncology and ENT are offered. The services of the medical care centres primarily encompass acute outpatient services and are included in this segment.

The **other activities segment** consists of the named nursing care and service business areas, which are disclosed together due to non-fulfilment of quantitative thresholds pursuant to IFRS (IFRS 8.16 Quantitative thresholds). MediClin offers full-time and short-term nursing care as well as outpatient nursing care in the nursing care facilities. The service area consists of the central services, including software support provided by Cortex Software GmbH, 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. Altogether, the following companies are subsumed under the service area: MediClin GmbH & Co. KG (Offenburg branch office), MediClin Geschäftsführungs-GmbH, Cortex Software GmbH, MediClin à la Carte GmbH, MC Service GmbH, MediClin Therapie GmbH, MediClin Immobilien Verwaltung GmbH, Kraichgau-Klinik Aktiengesellschaft and Yvonne Mobilien-Leasing GmbH.

As the management holding company, MediClin AG generates no sales and is not assigned to a specific segment. It is disclosed within the reconciliation column, in which the Group's cross-segment internal revenue is also neutralised. The reconciliation column primarily includes revenue and expenditure eliminations for the individual items of the profit and loss account, as well as operational assets and liabilities of the holding company MediClin AG and consolidation items.

The Group's internal revenue is also disclosed within the segment reporting. Hybrid clinics, i.e. clinics that offer health care services in both segments, have all been assigned to the post-acute segment. As of 31 December 2011, six hybrid clinics were assigned to the post-acute segment. The number increased as compared to 31 December 2010 (five hybrid clinics), as a further post-acute clinic now also furnishes acute services. The book values of goodwill are assigned to the cash generating units (operating locations) and are only applicable to the acute segment.

All business transactions between segments are conducted at the normal market conditions which customarily apply among third parties, with euros as the functional currency. Segment data was calculated in accordance with the financial accounting standards uniformly applied in the consolidated financial statements.

Segment assets and segment liabilities include all assets that are attributable to operations – excluding financial assets, financial liabilities and income taxes. Goodwill is also shown as segment assets attributable to operations. The assets held for sale are disclosed within the reconciliation column.

After reconciliation, the result accords with the operating result in the profit and loss account as part of the consolidated statement of comprehensive income.

Gross capital expenditure indicates the gross additions to fixed asset items.

According to IFRS (IFRS 8.34 Information about major customers), an entity is required to disclose information as to the degree of its dependency on major customers. As the MediClin Group is a nationwide operator of hospitals, social security pension funds and public health insurance funds account for around 90 % of the total service demand. The Management Board monitors and controls the sales revenues with the coverage providers using the monthly coverage provider statistics. These document the services billed to the individual coverage providers based on the nursing days furnished by MediClin. The public health insurance funds make up 43.4 % (previous year: 41.0 %) of the demand for services in the post-acute segment, while the social security pension funds make up 49.6 % (previous year: 52.2 %) of the demand for services in this segment. In the acute segment, 93.8 % (previous year: 93.9 %) of the services demanded are attributable to the public health insurance funds.

Sectoral segmenting

In millions of €	January – December 2011					
	Post-acute	Acute	Other activities	Subtotal	Reconcili-ation	Total
Sales	279.3	200.9	40.2	**520.4**	–26.8	**493.6**
Thereof total sales	282.8	201.8	44.3	**528.9**	0.0	**528.9**
Thereof internal sales	3.5	0.9	4.1	**8.5**	26.8	**35.3**
Raw materials and consumables used	–65.1	–56.3	–13.8	**–135.2**	24.8	**–110.4**
Staff costs	–142.7	–99.9	–32.7	**–275.3**	–3.3	**–278.6**
Other operating expenses	–69.4	–25.2	–8.5	**–103.1**	13.8	**–89.3**
Segment result	**2.8**	**15.5**	**–3.7**	**14.6**	**–3.7**	**10.9**
Thereof non-cash items:						
Scheduled depreciations/write-ups	–7.6	–14.8	–1.1	**–23.5**	0.0	**–23.5**
Unscheduled depreciations/write-ups	0.0	–1.3	0.0	**–1.3**	0.0	**–1.3**
Release of special item	0.3	7.8	0.0	**8.1**	0.0	**8.1**
Allowances	–0.2	–0.3	0.0	**–0.5**	0.0	**–0.5**
Allocation of provisions/liabilities	–6.0	–5.4	–2.3	**–13.7**	–0.8	**–14.5**
Release of provisions/liabilities	3.1	2.3	0.3	**5.7**	0.0	**5.7**
Financial revenues	0.2	0.4	0.2	**0.8**	–0.4	**0.4**
Financial costs	–1.4	–1.6	–0.3	**–3.3**	–2.2	**–5.5**
Financial result	**–1.2**	**–1.2**	**–0.1**	**–2.5**	**–2.6**	**–5.1**
Taxes on income	**0.0**	**–0.9**	**–0.7**	**–1.6**	**–1.2**	**–2.8**
Assets	**118.5**	**160.0**	**5.3**	**283.8**	**45.0**	**328.8**
Liabilities	**16.4**	**15.5**	**46.9**	**78.8**	**84.4**	**163.2**
Gross capital expenditure	17.3	12.0	0.6	**29.9**	0.0	**29.9**

In millions of €	January – December 2010					
	Post-acute	Acute	Other activities	Subtotal	Reconcili-ation	Total
Sales	275.2	200.3	37.6	**513.1**	–25.9	**487.2**
Thereof total sales	278.7	202.2	41.6	**522.5**	0.0	**522.5**
Thereof internal sales	3.5	1.9	4.0	**9.4**	25.9	**35.3**
Raw materials and consumables used	–65.6	–56.1	–12.6	**–134.3**	24.0	**–110.3**
Staff costs	–136.2	–97.5	–30.2	**–263.9**	–3.1	**–267.0**
Other operating expenses	–68.1	–25.8	–9.4	**–103.3**	14.0	**–89.3**
Segment result	**6.2**	**18.1**	**–4.0**	**20.3**	**–3.4**	**16.9**
Thereof non-cash items:						
Scheduled depreciations/write-ups	–6.2	–14.6	–1.0	**–21.8**	0.0	**–21.8**
Unscheduled depreciations/write-ups	0.0	0.0	–0.6	**–0.6**	0.0	**–0.6**
Release of special item	0.2	7.8	0.0	**8.0**	0.0	**8.0**
Allowances	–0.1	–0.1	0.0	**–0.2**	0.0	**–0.2**
Allocation of provisions/liabilities	–5.7	–6.7	–2.1	**–14.5**	–0.4	**–14.9**
Release of provisions/liabilities	0.7	0.8	0.6	**2.1**	–0.2	**1.9**
Financial revenues	0.1	0.4	0.6	**1.1**	–0.9	**0.2**
Financial costs	–1.0	–1.7	–0.2	**–2.9**	–2.6	**–5.5**
Financial result	**–0.9**	**–1.3**	**0.4**	**–1.8**	**–3.5**	**–5.3**
Taxes on income	**0.0**	**0.1**	**–0.2**	**–0.1**	**–1.4**	**–1.5**
Assets	**113.0**	**166.0**	**4.6**	**283.6**	**52.8**	**336.4**
Liabilities	**24.2**	**19.5**	**46.5**	**90.2**	**81.2**	**171.4**
Gross capital expenditure	9.0	12.7	1.6	**23.3**	0.0	**23.3**

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 01.01.2010	12,511	73,979	149	**86,639**
Additions	1,540	2,101	156	**3,797**
Reclassifications	147	0	– 147	**0**
Change in consolidation scope	0	0	0	**0**
Disposals	– 11	0	0	**– 11**
Acquisition costs as at 31.12.2010	**14,187**	**76,080**	**158**	**90,425**
Cumulated depreciation as at 01.01.2010	10,587	24,899	0	**35,486**
Scheduled depreciation	1,373	0	0	**1,373**
Unscheduled depreciation	0	0	0	**0**
Reclassifications	0	0	0	**0**
Change in consolidation scope	0	0	0	**0**
Disposals	– 9	0	0	**– 9**
Cumulated depreciation as at 31.12.2010	**11,951**	**24,899**	**0**	**36,850**
Balance sheet value 31.12.2010	**2,236**	**51,181**	**158**	**53,575**
Acquisition costs as at 01.01.2011	14,187	76,080	158	**90,425**
Additions	916	175	111	**1,202**
Reclassifications	32	0	– 30	**2**
Change in consolidation scope	0	0	0	**0**
Disposals	– 119	0	0	**– 119**
Acquisition costs as at 31.12.2011	**15,016**	**76,255**	**239**	**91,510**
Cumulated depreciation as at 01.01.2011	11,951	24,899	0	**36,850**
Scheduled depreciation	1,475	0	0	**1,475**
Unscheduled depreciation	0	1,300	0	**1,300**
Reclassifications	0	0	0	**0**
Change in consolidation scope	0	0	0	**0**
Disposals	– 120	0	0	**– 120**
Cumulated depreciation as at 31.12.2011	**13,306**	**26,199**	**0**	**39,505**
Balance sheet value 31.12.2011	**1,710**	**50,056**	**239**	**52,005**

Capitalised, internally developed intangible assets are not in existence. Licences essentially consist of software.

Of the goodwill disclosed, a total of EUR 45.0 mill. (previous year: EUR 45.0 mill.) is attributable to debit differences from capital consolidation. The additions totalling EUR 0.2 mill. principally concerned the medical supply centre in Offenburg with a new statutory health insurance physician position, as well as the reactivation of an existing statutory health insurance physician position.

Goodwill encompasses eight cash generating units (CGUs) (previous year: nine), assigned to the acute segment, of which approximately 97 % (previous year: approximately 94 %) of the goodwill remains unchanged, attributable to six clinics and approximately 3 % (previous year: approximately 6 %) to two medical care centres (previous year: three medical care centres). The change concerns a medical care centre, which relocated to an acute clinic; both were therefore accounted for one single cash generating unit. The medical care centres are each summarised on a location basis, should several spatially separated offices exist at one location.

During the reporting year, within the scope of the mandatory annual impairment test for goodwill at a fair value of EUR 114.6 mill. (previous year: EUR 115.8 mill.), an impairment loss totalling EUR 1.3 mill. (previous year: no impairment loss) was determined.

The recoverable amount of a CGU is determined by calculating the value in use with the earnings value method, whereby the same assumptions are used for all CGUs carrying goodwill. The projected EBITs from annual planning are used, which were generated using a "bottom-up" approach and adopted and approved by the Management Board of MediClin AG. Based on detailed planning for one year, a projection is carried out for at least one subsequent year. To calculate the cash value of perpetuity, as in the previous year, an equity risk premium of 1.0 % was factored in. The interest rate was set at 6.7 % in the reporting year for short-term/medium-term planning (previous year: 7.7 %) before taxes. The interest rate was determined on the basis of the weighted average cost of capital before tax (WACC before tax), taking the following variables into account:

In %	31.12.2011	31.12.2010
Risk-free interest rate	2.42	3.19
Market risk premium	5.00	5.00
Beta coefficient (on the basis of a peer-group analysis)	1.03	0.89
Growth discount to the perpetuity	1.00	1.00
Borrowing costs (before taxes)	5.64	6.69
Tax shield	0.89	1.06
Capital structure (equity/borrowed capital) (on the basis of a peer-group analysis)	30.8 / 69.2	59.5 / 40.5

In the context of the impairment test, an additional sensitivity analysis was conducted, which primarily examined the effects of change in the underlying EBIT (+/– 5 %; +/– 10 %) and the discount rate (+/– 0.5 %; +/– 1.0 %).

In millions of €		Change in discount rate				
		0.0 %	0.5 %	1.0 %	– 0.5 %	– 1.0 %
Change in EBIT	0.0 %	1.3	1.4	1.4	1.2	1.1
Change in EBIT	5.0 %	1.0	1.1	1.2	0.9	0.8
Change in EBIT	10.0 %	0.7	0.8	0.9	0.7	0.6
Change in EBIT	– 5.0 %	1.6	1.6	1.7	1.5	1.4
Change in EBIT	– 10.0 %	1.8	1.9	2.0	1.8	1.7

The analysis revealed that within the context of these parameter changes, a need for write-downs totalling a maximum of EUR 2.0 mill. resulted, which corresponds to 4.0 % of the book value.

Depreciation for intangible assets is not included in the book values of other assets; they are disclosed in the consolidated statement of comprehensive income under the item "Depreciation".

(2) Property, plant and equipment

In thousands of €	Land and buildings	Technical equipment and machines	Operating and office equipment	Payments on account and assets under construction	**Total**	Assets held for sale
Acquisition costs as at 01.01.2010	206,592	26,433	115,873	2,244	**351,142**	875
Additions	2,424	1,236	10,417	1,989	**16,066**	0
Reclassifications	557	313	663	–1,533	**0**	0
Change in consolidation scope	0	0	0	0	**0**	0
Disposals	0	–293	–864	–527	**–1,684**	0
Acquisition costs as at 31.12.2010	**209,573**	**27,689**	**126,089**	**2,173**	**365,524**	**875**
Cumulated depreciation as at 01.01.2010	91,986	17,444	94,490	401	**204,321**	200
Scheduled depreciation	5,193	1,566	5,666	0	**12,425**	0
Unscheduled depreciation	0	0	0	0	**0**	575
Reclassifications	0	0	0	0	**0**	0
Change in consolidation scope	0	0	0	0	**0**	0
Disposals	0	–293	–799	–401	**–1,493**	0
Cumulated depreciation as at 31.12.2010	**97,179**	**18,717**	**99,357**	**0**	**215,253**	**775**
Balance sheet value 31.12.2010	**112,394**	**8,972**	**26,732**	**2,173**	**150,271**	**100**

In thousands of €	Land and buildings	Technical equipment and machines	Operating and office equipment	Payments on account and assets under construction	**Total**	Assets held for sale
Acquisition costs as at 01.01.2011	209,573	27,689	126,089	2,173	**365,524**	875
Additions	6,983	882	10,156	690	**18,711**	0
Reclassifications	511	304	96	–1,206	**–295**	295
Change in consolidation scope	0	0	0	0	**0**	0
Disposals	95	–187	–1,098	–120	**–1,310**	–875
Acquisition costs as at 31.12.2011	**217,162**	**28,688**	**135,243**	**1,537**	**382,630**	**295**
Cumulated depreciation as at 01.01.2011	97,179	18,717	99,357	0	**215,253**	775
Scheduled depreciation	5,477	1,657	6,829	0	**13,963**	0
Unscheduled depreciation	0	0	0	0	**0**	0
Reclassifications	–59	0	0	0	**–59**	59
Change in consolidation scope	0	0	0	0	**0**	0
Disposals	97	–185	–990	0	**–1,078**	–775
Cumulated depreciation as at 31.12.2011	**102,694**	**20,189**	**105,196**	**0**	**228,079**	**59**
Balance sheet value 31.12.2011	**114,468**	**8,499**	**30,047**	**1,537**	**154,551**	**236**

Gross additions to property, plant and equipment totalled EUR 28.3 mill. in the 2011 financial year.

They relate to the acquisition of previously leased real estate for the MediClin Rose Klinik, Horn-Bad Meinberg (EUR 9.4 mill.), as well as EUR 1.7 mill. for payments on account for the new construction of the acute station in the MediClin Müritz-Klinikum in Röbel and EUR 0.8 mill. for construction measures at the MediClin Krankenhaus am Crivitzer See. EUR 0.2 mill. was dispensed for each of the following: the conversion of the hybrid operating room at MediClin Krankenhaus Plau am See, the remodelling of the kitchen and station supply centre in MediClin Herzzentrum Lahr and remodelling measures in the Reha-Zentrum Bad Düben. A further EUR 1.1 mill. concerns investments and payments on account for several hospitals.

Technical, EDP, operating and office equipment totalling EUR 14.7 mill. encompasses investments in medical machines and equipment totalling EUR 5.8 mill. These investments include ultrasonic devices and endoscopy equipment including accessories at a value of EUR 1.6 mill., surgical equipment at EUR 1.0 mill., exercise therapy equipment at EUR 0.7 mill. and infusion pumps, monitoring systems, X-ray system and heart-lung machines at a total value of EUR 1.7 mill.

Approximately EUR 2.7 mill. flowed into equipment for patient rooms, treatment rooms and office rooms, EUR 2.0 mill. into the modernisation and expansion of EDP and telecommunications systems, and EUR 0.8 mill. into furnishings for kitchens, service rooms and cafeterias. EUR 0.3 mill. flowed into the modernisation of each of the following: telephone, luminous call systems and nurse call systems, as well as new elevator systems. The remaining EUR 2.8 mill. encompasses a range of smaller investments at various 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 was EUR 91.9 mill. (previous year: EUR 90.2 mill.). Additions to subsidised assets amounted to EUR 10.0 mill. (previous year: EUR 3.4 mill.). Depreciation and amortisation were reduced by the deduction of subsidies totalling EUR 8.1 mill. (previous year: EUR 8.0 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”. In 2008, a sale-and-leaseback agreement totalling an investment of EUR 7.6 mill. was signed in the previous year for the properties and buildings of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG. The lease payments for the first ten years are EUR 554 thou. p.a., and afterwards they are 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 this fixed-interest period has expired, the interest will be renegotiated.

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 7.6 mill., EUR 2.7 mill. of which is for property and EUR 4.9 mill. for the buildings. The net book value at the balance sheet date totals EUR 7.2 mill. (previous year: EUR 7.3 mill.). 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 € 31.12.2011	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment	12,920	554	2,216	10,150
Interest component	–5,662	–421	–1,602	–3,639
Present value	**7,258**	**133**	**614**	**6,511**

In thousands of € 31.12.2010	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment	13,474	554	2,216	10,704
Interest component	–6,092	–429	–1,637	–4,026
Present value	**7,382**	**125**	**579**	**6,678**

Furthermore, four (previous year: four) additional lease agreements for medical and technical equipment, which must be qualified as finance leasing, exist. The residual terms of the agreements are less than two years. The interest rate on which the agreements are based vary between 3.8 % and 7.7 % p.a., depending on the time the contracts were signed, their term and the leasing volume. The net book values at the balance sheet date total EUR 0.4 mill. (previous year: EUR 0.7 mill.). 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 € 31.12.2011	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment	440	320	120	0
Interest component	–21	–20	–1	0
Present value	**419**	**300**	**119**	**0**

In thousands of € 31.12.2010	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment	777	331	446	0
Interest component	–63	–41	–22	0
Present value	**714**	**290**	**424**	**0**

(3) Other financial assets

Totalling EUR 1,511 thou. (previous year: EUR 1,469 thou.), the financial assets primarily relate to reinsurance policies from pension obligations. Two further reinsurance policies with a coverage volume of EUR 267 thou. (previous year: EUR 245 thou.) have been pledged to the insurance beneficiaries and will be deducted from the pension provisions. The profits or losses from these reinsurance policies are posted under staff costs. They are only of minor importance to MediClin.

The investments relate to shareholdings in KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH (EUR 18 thou.), Müritz-Klinikum Service GmbH (EUR 13 thou.), Medusplus GmbH (EUR 13 thou.), MediServ GmbH (EUR 13 thou.) as well as in VR-LEASING ABYDOS GmbH & Co. Immobilien KG (EUR 2 thou.).

(4) Tax refund claims

This item primarily relates to the discounted receivable from the payment of the remaining corporation tax credit, occurring as a result of 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 2013.

(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. A relevant tax rate of 15.825 % (corporation tax, solidarity surcharge) was generally applied.

Deferred taxes on tax loss carry-forwards were recognised on the basis of realisable loss carry-forwards as per our estimate on 31 December 2011. Relevant tax rates of 15.825 % (corporation tax, solidarity surcharge) and the relevant trade tax rates were applied in each case.

The deferred tax assets were reduced from EUR 5.1 mill. to EUR 4.0 mill. They result from:

In thousands of €	Difference		Tax	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Pension obligation	21,928	21,407	3,470	3,388
Tax loss carried forward	689	5,989	117	948
Interim profits of non-current assets	582	867	92	137
Current liabilities	1,000	2,575	158	408
Anniversary obligations/ provisions for partial retirement	712	306	113	48
Others	431	779	68	123
			4,018	**5,052**

The decrease essentially results from the omission of the tax losses carried forward in accordance with Art. 8 c Corporate Tax Act. Accordingly, unused losses are completely no longer deductible if, within five years, indirectly or directly more than 50 % of the capital share of a limited liability company is transferred to a purchaser. This circumstance came into being with the acquisition of the stock majority by Asklepios Kliniken Gesellschaft mit beschränkter Haftung in September 2011.

Current assets

(6) Inventories

Inventories are only of minor importance for MediClin as a services corporation, and are largely attributable to inventories for medical supplies (2011: EUR 5.4 mill.; previous year: EUR 5.2 mill.), to inventories for business supplies (2011: EUR 1.1 mill.; previous year: EUR 1.0 mill.) and to inventories for administrative supplies (2011: EUR 0.3 mill.; previous year: EUR 0.3 mill.).

(7) Trade receivables

In thousands of €	31.12.2011	31.12.2010
Receivables stock	61,180	64,590
Allowance	−3,114	−2,947
Disclosure	**58,066**	**61,643**
thereof from receivables not yet charged	20,561	20,785
invoiced trade receivables	37,505	40,858
thereof from related-party disclosures	116	163

The residual term of receivables is less than one year.

Trade receivables are non-interest bearing and are stated at amortised 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 consolidated statement of comprehensive income 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 €	2011	2010
Allowance as of 01.01.	2,947	3,056
Allocation		
Specific bad debts allowances	46	1
General bad debts allowances	282	312
Utilisation	0	–78
Release	–161	–344
Allowance as of 31.12.	**3,114**	**2,947**

The balance from expenses resulting from the full write-off of receivables, as well as income from the receipt of written off receivables, resulted in expenses totalling EUR 0.5 mill. during the 2011 financial year (previous year: expenditure totalling EUR 0.2 mill.).

In thousands of €	2011	2010
Expenses for full write-off of receivables	–690	–548
Recoveries of written-off receivables	210	366
	–480	**–182**

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 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
As of 31.12.2011	37,505	30,481	4,352	943	345	633	730	21
As of 31.12.2010	40,858	28,307	9,856	628	452	805	761	49

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 €	31.12.2011	31.12.2010
Receivables stock	3,299	4,119
Allowance	−334	−298
Disclosure	**2,965**	**3,821**

Receivables in terms of the hospital financing law relate to claims according to the hospital financing law and compensation claims stipulated in the Federal Directive on Nursing Care Rates or the Hospital Compensation Act, respectively. According to management's assessments and past experience, the receivables were subject to adequate value adjustments.

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 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
As of 31.12.2011	2,965	2,965	0	0	0	0	0	0
As of 31.12.2010	3,821	3,821	0	0	0	0	0	0

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

(9) Other assets

In thousands of €	31.12.2011	31.12.2010
Receivables stock	5,506	4,124
Allowance	–42	–42
Disclosure	**5,464**	**4,082**
thereof from related-party disclosures	918	1,391

This item discloses financial assets, which are stated at amortised 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 Kapitalanlagegesellschaft 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) Current 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

The item disclosed in the previous year was an undeveloped property in Bad Schwalbach with an area of 6,733 m². The property was owned by Rehaklinik Paracelsus Bad Schwalbach GmbH & Co. KG i. L. and was taken over as part of the acquisition of the Kraichgau-Klinik Group. It was sold in December 2011.

The item in this financial year's report is a developed residential property purchased in 2010 in the context of a foreclosure procedure in Horn-Bad Meinberg. It was intended for the capacity expansion of the MediClin Seniorenresidenz Am Rosengarten. As capacity expansions will not be carried out as originally planned, the property will be sold. It has been devalued based on the standard land 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 31.12.2011	Balance sheet recognition in accordance with IAS 39	Fair value 31.12.2011
			Amortised costs	
ASSETS				
Investment in stock of subsidiaries	AfS	59	59	59
Other loans	HtM	2	2	2
Non-current tax refund claims	LaR	346	346	346
Trade receivables	LaR	58,066	58,066	58,066
Prepaid expenses	LaR	1,414	1,414	1,414
Receivables pursuant to hospital financing law	LaR	2,965	2,965	2,965
Other assets	LaR	5,464	5,464	5,464
Current tax refund claims	LaR	79	79	79
Cash and cash equivalents	LaR	41,336	41,336	41,336
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	FLAC	14,115	14,115	14,115
Other finance liabilities	FLAC	8,576	8,576	8,576
Other non-current liabilities	FLAC	46	46	46
Current liabilities				
Trade payables	FLAC	14,623	14,623	14,623
Liabilities to banks and insurance companies	FLAC	66,585	66,585	66,585
Other financial liabilities	FLAC	741	741	741
Liabilities pursuant to hospital financing law	FLAC	2,976	2,976	2,976
Other liabilities	FLAC	16,367	16,367	16,367
Tax liabilities	FLAC	0	0	0
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39				
Loans and Receivables (LaR)	**Total LaR**	**109,670**	**109,670**	**109,670**
Held-to-Maturity Investments (HtM)	**Total HtM**	**2**	**2**	**2**
Available-for-Sale Financial Assets (AfS)	**Total AfS**	**59**	**59**	**59**
Financial Assets Held for Trading (FAHfT)	**Total FAHfT**	**0**	**0**	**0**
Financial Liabilities Measured at Amortised Cost (FLAC)	**Total FLAC**	**124,029**	**124,029**	**124,029**

In thousands of €		Category in accordance with IAS 39	Book value 31.12.2010	Balance sheet recognition in accordance with IAS 39 Amortised costs	Fair value 31.12.2010
ASSETS					
Investment in stock of subsidiaries		AfS	59	59	59
Other loans		HtM	8	8	8
Non-current tax refund claims		LaR	396	396	396
Trade receivables		LaR	61,643	61,643	61,643
Prepaid expenses		LaR	1,393	1,393	1,393
Receivables pursuant to hospital financing law		LaR	3,821	3,821	3,821
Other assets		LaR	4,083	4,083	4,083
Current tax refund claims		LaR	79	79	79
Cash and cash equivalents		LaR	47,955	47,955	47,955
EQUITY AND LIABILITIES					
Non-current liabilities					
Liabilities to banks		FLAC	11,482	11,482	11,482
Other finance liabilities		FLAC	9,277	9,277	9,277
Other non-current liabilities		FLAC	88	88	88
Current liabilities					
Trade payables		FLAC	15,222	15,222	15,222
Liabilities to banks and insurance companies		FLAC	66,103	66,103	66,103
Other financial liabilities		FLAC	776	776	776
Liabilities pursuant to hospital financing law		FLAC	7,783	7,783	7,783
Other liabilities		FLAC	16,838	16,838	16,838
Tax liabilities		FLAC	627	627	627
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39					
Loans and Receivables (LaR)	**Total**	**LaR**	**119,370**	**119,370**	**119,370**
Held-to-Maturity Investments (HtM)	**Total**	**HtM**	**8**	**8**	**8**
Available-for-Sale Financial Assets (AfS)	**Total**	**AfS**	**59**	**59**	**59**
Financial Assets Held for Trading (FAHfT)	**Total**	**FAHfT**	**0**	**0**	**0**
Financial Liabilities Measured at Amortised Cost (FLAC)	**Total**	**FLAC**	**128,196**	**128,196**	**128,196**

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. 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 loans from banks and insurance companies.

Loans at a value of EUR 61.4 mill. from insurance companies, of which two are shareholders, were replaced on 16 February 2012. For refinancing, a consortium loan was signed with a volume of EUR 50.0 mill., consisting of a redeemable loan at a value of EUR 45.0 mill. and a line of credit for a further EUR 5.0 mill. in the form of a revolving credit, which can be used if necessary. The term of the loan is five years. The intention is to safeguard the variable interest associated with the loan through an interest rate hedge. The volume of the consortium loan shall be increased to EUR 60.0 mill.: EUR 50.0 mill. in the form of a redeemable loan and EUR 10.0 mill. as a line of credit.

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-leaseback transactions as well as the option of acquiring own shares if authorised by the Annual General Meeting.

Key capital management data

In thousands of €	31.12.2011	31.12.2010
Equity	165,589	164,987
Non-current liabilities incl. deferred tax liabilities	59,053	56,293
Current liabilities incl. tax liabilities	104,188	115,125
Balance sheet total	328,830	336,405
Net financial debt	39,363	29,630
Equity ratio in %	50.4	49.1
Debt ratio in %	49.6	50.9

Despite the drop in earnings, equity increased by EUR 0.6 mill. The rate of return on equity after taxes was 1.8 % (previous year: 6.1 %). The increase in non-current liabilities of EUR 2.8 mill. resulted from a net loan of EUR 1.9 mill. as well as a rise in non-current provisions of EUR 0.5 mill. and deferred taxes of EUR 0.4 mill. The balance sheet total decreased by EUR 7.6 mill., or 2.3 %. The net financial debt rose as compared to the same date of the previous year by EUR 9.7 mill. (previous year: EUR +6.0 mill.). The improvement of the equity ratio by 1.3 percentage points resulted primarily from the lower balance sheet total. Despite the rise in non-current liabilities and deferred tax liabilities, the improvement of the debt ratio is primarily due to the reduction of current liabilities, provisions and tax liabilities by a total of EUR 10.9 mill. or 9.5 %.

(13) Subscribed capital

In thousands of €	31.12.2011	31.12.2010
Subscribed capital	47,500	47,500
Capital increase	0	0
	47,500	**47,500**

The subscribed capital (capital stock) of the parent company, MEDICLIN Aktiengesellschaft, is split up into 47,500,000 (previous year: 47,500,000) no-par value bearer shares and is paid up in full. MediClin is not subject to any external minimum capital requirements.

(14) Capital reserve

In thousands of €	31.12.2011	31.12.2010
Capital reserve pursuant to Sec. 272 (2) No. 1 HGB and Sec. 150 AktG	127,708	127,708
Reserve pursuant to IFRS 2	48	48
Gains from the sale of treasury stock	1,636	1,636
	129,392	**129,392**

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.

(15) Revenue reserve

The consolidated revenue reserves are structured as follows:

In thousands of €	31.12.2011	31.12.2010
Legal reserve pursuant to Sec. 150 AktG	2,045	2,045
Result of the first IAS consolidation	– 1,742	– 1,742
Negative non-controlling interests Kraichgau	– 695	– 695
Adjustment of the negative non-controlling interests Kraichgau	409	409
	17	**17**

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 €	31.12.2011	31.12.2010
Loss carry-forward	– 11,987	– 19,647
Distribution of dividends	– 2,375	– 2,375
Result attributable to shareholders of MediClin AG	3,005	10,035
Consolidated balance sheet loss	**– 11,357**	**– 11,987**

Distributed dividends

In thousands of €	2011	2010
Agreed and distributed dividends during the respective financial year:		
Dividends for the 2010 financial year (5 cents per share)	2,375	–
Dividends for the 2009 financial year (5 cents per share)	–	2,375

At the Annual General Meeting on 26 May 2011, it was decided that EUR 2,375,000.00 would be distributed in dividends to shareholders from the 2010 net profit of MediClin AG totalling EUR 15,287,080.83. The remaining net profit was transferred to retained earnings. For the 2011 financial year, the intention is to carry forward the net profit totalling EUR 16,208,184.88 to new account.

(17) Non-controlling interests

The disclosed amount concerns the pro-rata result assignment for the 2011 reporting year for the shares of the existing shareholders of Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau (unchanged at 5.515 %). Due to the insolvency of the companies, the initial consolidation of the Kraichgau-Klinik Group resulted in a negative proportion of non-controlling interests, which in accordance with IAS 27.35 (2008) was offset against Group equity (revenue reserve). A charge or credit to the consolidated statement of comprehensive income through the reporting of a non-controlling interest does not occur until a positive minority interest arises, which would then be presented separately in the consolidated balance sheet within equity. From the 2010 financial year onwards, in accordance to IAS 27.28 (revised 2009) non-controlling interests are to be disclosed within the equity, but separated from the equity of the shareholders of MediClin AG. The result assignments have also been carried out, if this leads to the non-controlling interests showing a negative balance. Due to a transitional regulation (IAS 27.45 (a) revised 2009), a company may not adjust profit or loss allocations for the reporting periods which occurred before the application of IAS 27 (revised 2009). In the consolidated statement of comprehensive income, the result is recorded as a pro-rated figure under the item "Result after tax – thereof attributable to the non-controlling interests".

Non-current liabilities

(18) Liabilities to banks

Liabilities to banks are as follows:

In thousands of €	31.12.2011	31.12.2010
Liabilities to banks	19,341	16,205
less current repayment share	5,226	4,723
	14,115	**11,482**

Repayments that are expected to be due in the next twelve months were allocated to current liabilities to banks.

An EUR 10.0 mill. annuity loan taken out in 2008 is collateralised by three land charges totalling EUR 11,504 thou. The loan has a term of four years, expiring on 30 December 2012, and is subject to a fixed 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 outstanding liability totalled EUR 2,657 thou. as at 31 December 2011 (31.12.2010: EUR 5,207 thou.).

Of the remaining liabilities to banks, a total of EUR 16,272 thou. (previous year: EUR 10,531 thou.) is secured through real property liens (book value: EUR 35,215 thou.; previous year: EUR 30,289 thou.). In the year under review, an annuity loan was taken out for EUR 7.6 mill., with a loan period until July 2026, to finance the purchase of properties for MediClin Rose Klinik, Horn-Bad Meinberg. The average interest for the first ten years (fixed interest rate period) is EUR 249 thou. p.a. The loan is secured through a land charge on the buildings of the Rose Klinik.

In total, interest rates for bank loans were between 4.0 % and 7.0 %. Based on the full loan amount, interest paid totalled EUR 811 thou. (previous year: EUR 655 thou.), which results in an average interest rate of 4.5 % p.a. (previous year: 3.5 % p.a.; without taking into account the deferred interest payment of the previous year: 4.6 %).

Interest and loan repayments on liabilities are as follows:

In thousands of € 2011	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on bank loans	4,989	809	619	1,549	2,012
Bank loan repayments	19,341	5,226[1]	1,893	2,688	9,534

In thousands of € 2010	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on bank loans	2,913	662	463	817	971
Bank loan repayments	16,205	4,723[1]	4,444	2,426	4,612

[1] For information only

(19) Other financial liabilities

In thousands of €	31.12.2011	31.12.2010
Loans from public corporations	1,144	1,263
Loans from acquisition of remaining Crivitz shares	188	338
Liabilities from finance leases	7,244	7,676
	8,576	**9,277**

Of the two loans granted from **public corporations,** one was repaid.

After completion of building measures on **MediClin Krankenhaus am Crivitzer See**, the remaining 31.0 % 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 4.0 % 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 143 thou. (previous year: EUR 136 thou.) and interest payments EUR 21 thou. (previous year: EUR 28 thou.).

Liabilities from finance leasing relate to the sale-and-leaseback agreement for the real estate of Rehabilitationszentrum Gernsbach, which went into effect on 1 December 2008, as well as the leasing of medical and technical infrastructure at MediClin Herzzentrum Lahr.

Other financial liabilities are as follows:

In thousands of €	31.12.2011	31.12.2010
Other financial liabilities	9,277	10,014
Less current repayment share		
Loans from institutions for statutory accident insurance and prevention	0	48
Loans from public corporations	119	127
Loans from acquisition of remaining Crivitz shares	150	143
Liabilities from finance leases	432	419
	8,576	**9,277**

Interest expenses will develop in the future as follows:

In thousands of € **2011**	**Total**	**1 year or less**	**1 to 2 years**	**3 to 5 years**	**more than 5 years**
Interest on loans from institutions for statutory accident insurance and prevention	0	0	0	0	0
Interest on loans from public corporations	134	25	22	52	35
Interest on finance leases					
Reha-Zentrum Gernsbach real estate	6,820	421	414	1,189	4,796
Herzzentrum Lahr medical-technical infrastructure	23	21	2	0	0
	6,977	**467**	**438**	**1,241**	**4,831**

In thousands of € 2010	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on loans from institutions for statutory accident insurance and prevention	1	1	0	0	0
Interest on loans from public corporations	161	27	25	60	49
Interest on finance leases					
Reha-Zentrum Gernsbach real estate	7,249	429	422	1,215	5,183
Herzzentrum Lahr medical-technical infrastructure	64	41	21	2	0
	7,475	**498**	**468**	**1,277**	**5,232**

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

In thousands of €		Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on acquisition of remaining Crivitz shares	**2011**	20	14	6	0	0
	2010	40	21	13	6	0

The future loan repayments will develop as follows:

In thousands of € **2011**	**Total**	**1 year or less[1]**	**1 to 2 years**	**3 to 5 years**	**more than 5 years**
Repayments on loans from institutions for statutory accident insurance and prevention	0	0	0	0	0
Repayments on loans from public corporations	1,263	119	121	377	646
Repayments on acquisition of remaining Crivitz shares	338	150	158	30	0
Repayments on finance leases					
Reha-Zentrum Gernsbach real estate	7,257	132	140	474	6,511
Herzzentrum Lahr medical-technical infrastructure	419	300	119	0	0
	9,277	**701**	**538**	**881**	**7,157**

In thousands of € 2010	Total	1 year or less[1]	1 to 2 years	3 to 5 years	more than 5 years
Repayments on loans from institutions for statutory accident insurance and prevention	48	48	0	0	0
Repayments on loans from public corporations	1,390	127	119	370	774
Repayments on acquisition of remaining Crivitz shares	480	143	150	187	0
Repayments on finance leases					
Reha-Zentrum Gernsbach real estate	7,383	125	132	447	6,679
Herzzentrum Lahr medical-technical infrastructure	713	294	300	119	0
	10,014	**737**	**701**	**1,123**	**7,453**

[1] For information only

(20) Other non-current liabilities

In 2009, the Pension Insurance Association (PSVaG) decided to distribute portions of the required contributions for financing the 2009 losses resulting from bankruptcy damages to the years 2009 to 2013. The contribution rate for 2009 totalled 14.20 per mille points of the contribution threshold, of which 8.2 per mille points were due on 31 December 2009. The remaining 6.0 per mille points are due at a rate of 1.5 per mille points on 31 December of the years 2010 to 2013. A discounting was foregone due to the insignificance. The stated amount will become due in 2013.

Provisions

(21) Provisions for pensions and similar commitments

Some 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 old-age, disability and surviving dependants' pensions on the basis of defined contribution and benefit plans.

In thousands of €	**31.12.2011**	31.12.2010
Employees Provident Fund	19,806	19,249
Kraichgau-Klinik Group	8,089	8,105
Reinsurance policies	−267	−245
	27,628	**27,109**

Five individual obligations are also recorded in the provisions of the Employees Provident Fund of the Allied Clinic Companies (MAUK). They are of minor significance. Provisions for the Kraichgau-Klinik Group and other pension provisions are offset against various reinsurance policies with a reported premium reserve totalling EUR 1,778 thou. (previous year: EUR 1,714 thou.). Of these, two policies with a coverage volume of EUR 267 thou. (previous year: EUR 245 thou.) have been pledged to the insurance beneficiaries and will be accounted for, i.e. deducted from the calculation of pension commitments and provisions reporting. The remaining reinsurance policies (EUR 1,511 thou.; previous year: EUR 1,469 thou.), which do not fulfil the cumulative criteria for qualified insurance policies, will continue to be reported at their fair value as refund claims.

Defined benefit obligations
Provisions for the Employees Provident Fund of the Allied Clinic Companies (MAUK)

Up until 31 December 2001, the defined benefit obligations were processed through 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. Service expense reported starting in 2009 is attributable to three of the recognised individual obligations.

The pension obligations are fully endowed and were re-evaluated for the purpose of preparing the IFRS balance sheet. The Group's obligations 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 using the projected unit credit method in accordance with IAS 19 (Employee Benefits), taking future developments into account. The current pension payments, with the exception of two of the individual obligations, are made from Employees Provident Fund. MAUK receives sufficient funds from MediClin AG for this purpose.

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

In %	2011	2010
Discount rate	5.00	5.00
Annual rate of expected pension increases	+2.00	+2.00
Expected income from plan assets	1.10	1.60

The 2005 mortality tables of Prof. 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 pension provisions during the financial year is reflected in the following tables.

The defined benefit liability are determined as follows:

In thousands of €	2011	2010
Present value of total obligation as at 31.12.	25,384	24,645
Plan assets as at 31.12.	–1,623	–1,393
Funded status	**23,761**	**23,252**
Adjusted amount due to not realised actuarial gains/losses	–3,955	–4,003
Defined benefit liability as at 31.12.	**19,806**	**19,249**

In addition to the assets of MAUK, the plan assets also include a reinsurance policy (EUR 32 thou.; previous year: EUR 29 thou.), which is attributable to an individual obligation and taken into account in the calculation and disclosure.

The following table presents the change in the present value of the total obligation in the years 2007 to 2011:

In thousands of €	2011	2010	2009	2008	2007
Present value of total obligation as at 01.01.	24,645	23,801	23,179	22,212	23,795
Effects from the consolidation of plans	–	–	354	–	–
Service cost	9	9	8	–	–
Interest cost	1,232	1,190	1,176	1,111	1,011
Benefit payments	–459	–400	–374	–312	–258
Settlement rate of benefit payments	–11	–10	–9	–8	–5
Gains/losses from expected and actual obligations	–32	55	–533	176	–2,331
Present value of total obligation as at 31.12.	**25,384**	**24,645**	**23,801**	**23,179**	**22,212**

The pertaining plan assets developed as follows:

In thousands of €	2011	2010	2009	2008	2007
Plan assets at fair value as at 01.01.	1,393	1,068	729	1,063	1,384
Effects from the consolidation of plans	–	–	22	–	–
Expected return from plan assets	16	17	23	33	42
Contributions to the plan assets	722	652	630	–	–
Benefit payments	–434	–375	–349	–312	–258
Expected value of plan assets	**1,697**	**1,362**	**1,055**	**784**	**1,168**
Gains/losses from expected and actual plan assets	–74	31	13	–55	–105
Fair value of assets as at 31.12.	**1,623**	**1,393**	**1,068**	**729**	**1,063**

Contributions to the plan assets were posted to pension costs. They serve to guarantee the liquidity of MAUK.

The following actuarial experience adjustments were made due to:

In thousands of €	2011	2010	2009	2008	2007
Balance changes in the present value of pension claims	–32	55	–533	176	151
Changes in evaluation parameters	0	0	0	0	–2,481
Changes in plan assets	–74	31	13	–55	–105

The actual benefit payments of the plan assets, as well as the interest received as of 31 December 2011, are as follows:

In thousands of €	2011	2010
Actual benefit payments	540	399
Actual interest income	22	13

Pursuant to Section 12 of the statute of the Employees Provident Fund, the assets of the association are to be invested profitably and may only be used for the purposes of the association and administration costs.

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

In %	31.12.2011	31.12.2010
Fixed income funds		
With generally mixed terms	6.8	7.9
With generally short terms	5.9	6.9
Fixed interest securities	9.4	20.2
Fixed deposits	0.0	29.3
Current accounts	77.9	35.7
Plan assets (MAUK)	**100.0**	**100.0**

The result recorded in the annual expenses with the formation of the provision in accordance with IAS 19 is structured as follows:

In thousands of €	2011	2010
Settlement rate of current service cost	9	8
Interest cost	1,232	1,190
Expected return of plan assets	– 16	– 17
Expected benefit payments	– 25	– 25
Interest on benefit payments	– 11	– 10
Contribution to the plan assets	– 722	– 652
Actuarial gains/losses	90	107
	557	**601**

Provisions to the plan assets (EUR 722 thou., previous year: EUR 652 thou.) that MediClin allocated to the Provisions for the Employees Provident Fund of the Allied Clinic Companies (MAUK) to safeguard liquidity and which are represented in this chart as deduced items, are also charged to staff costs. In the upcoming financial year, including provisions to the MAUK plan assets, prospectively approx. EUR 1.3 mill. will be paid into this pension plan.

Pension provisions of the Kraichgau-Klinik Group

The pension provisions of the Kraichgau-Klinik Group are attributable to the acquisition of the majority of shares of Kraichgau-Klinik AG in 2008. Within the scope of the transition, the existing commercial law-related pension liabilities 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 1,590 thou. (previous year: EUR 1,548 thou.) have been acquired. One of the reinsurance claims has been pledged to the beneficiary and will be accounted for as liabilities or plan assets in the calculation of benefit obligations (EUR 235 thou.; previous year: EUR 216 thou.). The parameters for the calculation of the defined benefit obligations, with the exception of income from planned assets, correspond to those applied to the calculation of obligations for the Employees Provident Fund. Actuarial gains and losses are also recognised as income pursuant to the "10 % corridor approach".

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

In %	2011	2010
Discount rate	5.00	5.00
Annual rate of expected pension increases	+ 2.00	+ 2.00
Expected income from plan assets	4.00	4.00

The net pension provisions are determined as follows:

In thousands of €	2011	2010
Present value of total obligations as of 31.12.	8,193	8,256
Fair value of plan assets as at 31.12.	–235	–216
Funded status	**7,958**	**8,040**
Adjustment amount due to non-recognised actuarial gains/losses	131	65
Net pension provisions as of 31.12.	**8,089**	**8,105**

The development of present value of the total obligations is as follows:

In thousands of €	2011	2010	2009	2008
Present value of total obligations as of 01.01.	8,256	8,160	8,230	9,675
Service cost	100	103	106	149
Interest cost	401	396	400	453
Benefit payments	–487	–487	–490	–472
Disposal of assets	0	0	0	–1,678
Gains/losses from anticipated and actual total obligations	–77	84	–86	103
Present value of total obligations as of 31.12.	**8,193**	**8,256**	**8,160**	**8,230**

The pertaining plan assets developed as follows:

In thousands of €	2011	2010	2009
Plan assets at fair value as at 01.01.	216	197	0
Expected return from plan assets	9	8	177
Contributions to the plan assets	21	21	20
Expected value of the plan assets	**246**	**226**	**197**
Gains/losses from expected and actual plan assets	–11	–10	0
Fair value of assets as at 31.12.	**235**	**216**	**197**

The plan assets pertain to the pledged reinsurance policy.

Actuarial experience adjustments were made in the reporting year as well as in previous years due to:

In thousands of €	2011	2010	2009	2008
Balance changes in the present value of pension claims	76	–84	86	45
Changes in evaluation parameters	0	0	0	58
Changes in plan assets	–11	–10	177	0

The annual expenses in accordance with IAS 19 are structured as follows:

In thousands of €	2011	2010
Service cost	102	100
Interest cost	397	401
Actuarial gains/losses	–10	–9
	489	**492**

In the upcoming financial year, an anticipated EUR 0.5 mill. will be paid into the pension plans of the Kraichgau-Klinik Group.

Defined contribution plans

As a defined contribution plan, MediClin pays an annual contribution of EUR 225.41 (since 01.11.2011) into MediClinRent as the pension insurance scheme (basic care) for its active employees up to the age of 65, 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 %). The basic care encompasses a monthly pension, or alternatively, a one-time lump sum payment. The pension automatically increases by 1 % annually and is guaranteed for at least ten years. Furthermore, MediClinRent offers entitled employees the possibility to build up a private pension (additional retirement benefit) consisting of portions of their gross salary (2011 and 2010 for a maximum of EUR 2,640.00 per year).

MediClin transfers these amounts directly to the MediClin-Unterstützungskasse e.V. (MUK e.V.). 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 753 thou. (previous year: EUR 731 thou.).

Due to collective bargaining agreements for a percentage of the employees at three clinics, there are employer-financed support fund provisions at the "Unterstützungskasse für Krankenhäuser in Mecklenburg-Vorpommern e.V. (UMVK)", at the "Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (ufba)" and the "Rheinische Zusatzversorgungskasse (RZVK)". The contributions are charged in the framework of a "pay-as-you-go" system of multi-employer plans between several employers. The pension benefits via independent, public-law supplementary pension schemes in accordance with IAS 19 are defined benefit plans, as the individual benefits of the pension funds to former employees of the member companies are not dependent on the level of contributions paid. Since employees are insured in these pension schemes by a number of member companies, this form of retirement pension is considered a multi-employer plan (IAS 19.27), for which special regulations in accordance with IAS 19.30 apply. As the information required for detailed calculation of the share of future payment commitments attributable to MediClin is not available, the recording of a provision is not admissible pursuant to IAS 19. Consequently, in accordance with IAS 19.30 a, 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. Upon continuing membership in the pension funds, no further benefit commitments exist upon payment of the ongoing contributions.

(22) Other provisions

In thousands of €	As at 01.01.2011	Addition	Consumption	Reversal	Reclassification	As at 31.12.2011
Provisions for renewal of lease agreements	123	7	0	0	0	130
Provisions for partial retirement	767	174	284	17	0	640
Provisions for anniversary obligations	1,347	447	130	0	0	1,664
Provisions for archival storage	636	0	0	0	0	636
Provisions for insurance	2,820	0	0	0	0	2,820
Provisions for share appreciation rights	266	0	0	0	–266	0
	5,959	**628**	**414**	**17**	**–266**	**5,890**

Interest accretions incurred are included in the additions column. If not otherwise indicated, they are only of minor importance.

The provisions for renewal of lease agreements relate to future reinstatement costs in conjunction with the leasing of a medical care centre in Leipzig. The additions here totalled EUR 7 thou. in 2011 (previous year: EUR 6 thou.). 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. On the balance sheet date, a total of 19 semi-retirement agreements existed (13 block and 6 part-time models), of which 9 agreements will expire in 2012. An anticipated total of EUR 200 thou. will be drawn upon in 2012, and EUR 251 thou. in 2013 to 2015. The interest shares here totalled EUR 12 thou.

The provisions for anniversary obligations concern other non-current payable benefits pursuant to IAS 19. The provisions have been calculated according to the projected unit credit method, taking as a basis the same parameters used in the calculation of the pension provisions. An increase or decrease in the interest rate of 0.5 % would result in a reduction of the provisions by EUR 56 thou. or a rise of EUR 53 thou., respectively. Of the provisions for anniversary obligations, an estimated EUR 124 thou. will be used in the 2012 financial year, and EUR 1,540 thou. in the subsequent years. The interest shares here totalled EUR 79 thou.

The provisions for share appreciation rights relate to obligations from agreements signed with the members of the Management Board in 2009 regarding participation in the future appreciation in Company value (share appreciation right). At the Supervisory Board Meeting on 10 November 2011, it was decided that the agreement on share appreciation rights would be prematurely ended on 31 December 2011 due to changes in the framework conditions. All previously acquired rights will be compensated for through a single payment valued at 75 % of the maximum profit-sharing bonus. Due to this concretisation of the obligation, the existing provisions were reassigned into other current liabilities. The amount used to settle this obligation on 31 December 2011 was EUR 563 thou.

The interest shares included in the provisions for partial retirement, for anniversary obligations and for share appreciation rights are posted to staff costs.

The provisions for archival storage relate to the accrued costs for the legal obligation to retain business records. These will not be discounted, as the expected cost increases are primarily covered by the interest created from the deduction of accrued interest.

The provisions for insurance are related to the risks under liability insurance (KSA Kommunaler Schadensausgleich) for two hospitals.

It is not anticipated that the provisions accounted for as at 31 December 2011 for archival storage and insurance 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 December 2011 and the previous year's cut-off date, the deferred tax liabilities are as follows:

In thousands of €	Difference		Tax	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
Intangible assets	13,552	12,405	2,145	1,963
Property, plant and equipment	3,488	2,032	552	322
Others	644	589	102	93
			2,799	**2,378**

Current liabilities

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

(24) Current liabilities to banks and insurance companies

Current liabilities to banks and insurance companies relate primarily to liabilities to insurance companies. These represent maturity loans with fixed-interest rates from three insurance companies, which in the reporting year are, or were, shareholders or subsidiaries 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: EUR 158,834 thou.). The loans have been fixed at 6.5 % p.a. since 1 August 2010 (01.08.2009 to 31.07.2010 at 6.8 % p.a.). In the reporting year, interest paid totalled EUR 3,988 thou. (previous year: EUR 4,095 thou.). The loans were repaid on 16 February 2012. The interest paid until that point was EUR 510 thou.

The loans have been replaced by a syndicated loan totalling EUR 50.0 mill. The loan consists of a redeemable loan at a value of EUR 45.0 mill. and a line of credit for a further EUR 5.0 mill. in the form of a revolving credit, which can be used if necessary. The volume of the syndicated loan shall be increased to EUR 60.0 mill.: EUR 50.0 mill. in the form of a redeemable loan and EUR 10.0 mill. in a line of credit. The term of the loan is five years. The repayment of the redeemable loans will occur in half-yearly repayment instalments starting on 31 January 2013, and with a final instalment due of EUR 30.0 mill. The first interest period ends on 31 July 2012 and thereafter extends to six months, respectively. The interest rate of the redeemable loan consists of the EURIBOR (reference rate) and a margin, which depends upon the development of a fixed financial performance figure. The extent of this margin is limited to 50 basis points.

The liabilities to banks totalling EUR 4,512 thou. (previous year: EUR 4,723 thou.). relate to the reclassification, in the reporting year, of redemption payments expected in the coming 12 months, from non-current to current. This item also includes deferred interest totalling EUR 4 thou. (previous year: EUR 25 thou.).

(25) Other financial liabilities

These primarily concern the current portion of the figure disclosed under the non-current other financial liabilities.

In thousands of €	31.12.2011	31.12.2010
Finance leasing	432	419
Other loans	309	357
	741	**776**

(26) 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.

(27) Other liabilities

They mainly relate to the following:

In thousands of €	31.12.2011	31.12.2010
Staff costs	10,057	9,389
Wage and value-added taxes payable	3,102	3,069
Public charges and fees	343	445
Payments received	146	784
Energy costs	142	70
Other liabilities	2,577	3,081
	16,367	**16,838**

(28) Provisions

In thousands of €	As at 01.01.2011	Addition	Consumption	Reversal	As at 31.12.2011
Provisions for costs of annual financial statement	1,245	1,013	832	204	1,222
Provisions for billing risks and litigation	3,312	100	169	1,666	1,577
Other provisions	3,219	21	327	2,817	96
	7,776	**1,134**	**1,328**	**4,687**	**2,895**

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

Provisions for billing risks and litigation are due to, among other things, inspections by the Medical Review Board of the Statutory Health Insurance Funds, pursuant to Section 275 of the German Social Security Code V (SGB) and Section 17c of the hospital financing law, as well as possible repayment obligations pursuant to Section 4 (10) of the German Hospital Remuneration Law (KHEntgG).

Other provisions essentially encompass the provision for renewal of the lease agreement for the MediClin Rose Klinik, which was acquired in the reporting year. Accordingly, the provisions for lease agreement renewal, which had accumulated to a value of EUR 2,269, were dissolved.

(29) Tax liabilities

Tax liabilities totalling EUR 0.6 mill. in the previous year primarily encompassed the corporate tax and solidarity surcharge payable to the fiscal authorities. Tax assets exist in the 2011 reporting year.

Notes to the consolidated statement of comprehensive income

(30) Sales

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

In millions of €	2011	2010
Post-acute	241.7	238.5
Acute	202.5	201.4
Nursing care	12.0	10.9
Others	37.4	36.4
Sales revenues	**493.6**	**487.2**
thereof against related parties	1.9	2.3

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

Other sales include revenues from outpatient services, which total EUR 15.9 mill. (previous year: EUR 16.3 mill.). Furthermore, in addition to service revenues, other sales include revenues from the sale of pharmacy merchandise totalling EUR 2.5 mill. (previous year: EUR 1.1 mill.), from private accommodation totalling EUR 3.5 mill. (previous year: EUR 3.5 mill.) and from cafeterias, kiosks and meals totalling EUR 5.5 mill. (previous year: EUR 5.4 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.

(31) Other operating income

Other operating income in the consolidated financial statements is structured as follows:

In millions of €	2011	2010
Release of provisions and liabilities	5.7	1.9
Subsidies	1.0	0.9
Rental income	0.7	1.1
Services to staff	0.5	0.5
Other revenues	4.5	5.8
Other operating income	**12.4**	**10.2**

The release of provisions concerns, with EUR 2.3 mill., the provision for lease renewals for the MediClin Rose Klinik, which was released following the acquisition of the clinic.

(32) Raw material and consumables used

At EUR 110.4 mill., the level of raw materials and consumables used was practically at the previous year's end (previous year: EUR 110.3 mill.). The cost of raw materials and supplies, which decreased by EUR 1.4 mill., was offset by the cost of purchased services, which rose by EUR 1.5 mill. The decrease in the cost of raw materials and supplies is primarily attributable to reduced charges for pharmaceutical products and medical material (EUR –1.2 mill.). The increased cost of purchased services is primarily attributable to the rise of approximately EUR 1.7 mill. for external medical services (2011: EUR 13.3 mill.; previous year: EUR 11.6 mill.). The cost of materials ratio improved slightly to 22.4 % (previous year: 22.6 %).

(33) Staff costs

Staff costs of EUR 278.6 mill. rose by 4.3 % as compared to the previous year's total (previous year: EUR 267.0 mill.). The staff costs ratio for the 2011 financial year was 56.5 %, following 54.8 % in the previous year. Pension expenses incurred in addition to those for statutory pension insurance, including contribution payments to external provider facilities, totalled EUR 3.5 mill. (previous year: EUR 3.6 mill.). They concern:

In millions of €	2011	2010
Payments into		
defined benefit plans	1,732	1,784
defined contribution plans	1,580	1,623
Other pension benefits	204	194
	3,516	**3,601**

Payments into defined benefit plans include EUR 1.0 mill. (previous year: EUR 1.1 mill.) for pension provisions and EUR 0.7 mill. (previous year: EUR 0.7 mill.) for the provisions of the Employees Provident Fund of the Allied Clinic Companies (MAUK). Of the payments into defined contribution plans, EUR 0.8 mill. (previous year: EUR 0.7 mill.) are allocated to the MediClinRent and EUR 0.8 mill. (previous year: EUR 0.9 mill.) to three supplementary pension funds.

(34) Depreciation and amortisation

In the 2011 financial year, depreciation and amortisation totalled EUR 16.7 mill. (previous year: EUR 13.8 mill.), with EUR 2,775 thou. (previous year: EUR 1,372 thou.) attributable to intangible assets and EUR 13,962 thou. (previous year: EUR 12,425 thou.) to property, plant and equipment. The depreciation rate increased by 0.6 percentage points to 3.4 % (previous year: 2.8 %).

(35) Other operating expenses

Most attributable to other operating expenses are with EUR 48.9 mill. rental and leasing expenses for real estate and medical equipment (previous year: EUR 47.3 mill.). Some EUR 41.6 mill. (previous year: EUR 40.8 mill.) thereof concerns payments to related parties pursuant to IAS 24, of which EUR 40.8 mill. (previous year: EUR 40.0 mill.) relates to rental payments for 21 clinics transferred to a real estate fund and leased back during the years 1999 and 2002. A total of EUR 0.8 mill. (previous year: EUR 0.8 mill.) continues to be attributable to real estate management. An overview of future rental payments is presented under other financial obligations.

Totalling EUR 89.3 mill., other operating expenses remained at the same level as in the previous year (previous year: EUR 89.3 mill.). The expense ratio improved slightly overall, from 18.3 % to 18.1 %. In addition to rental costs, other operating expenses primarily include maintenance and repair costs totalling EUR 15.9 mill. (previous year: EUR 16.6 mill.), insurance expenses totalling EUR 2.5 mill. (previous year: EUR 2.6 mill.), legal and advisory costs totalling EUR 3.8 mill. (previous year: EUR 3.8 mill.), public charges and fees totalling EUR 1.1 mill. (previous year: EUR 1.2 mill.) as well as other expenses totalling EUR 17.1 mill. (previous year: EUR 17.8 mill.), which include numerous expenses with values which are only of immaterial importance in each individual case. Of the insurance expenses, EUR 0.7 mill. (previous year: EUR 0.8 mill.) concern related companies.

(36) Financial result

The financial result is structured as follows:

In thousands of €	2011	2010
Other financial revenues	360	244
Other financial costs	–5,482	–5,539
	–5,122	**–5,295**

The underlying financial instruments for interest income and interest expenses are evaluated at amortised costs and assigned to the category "Loans and Receivables" pursuant to IAS 39.

The interest income and interest expenses are structured as follows:

In thousands of €	2011	2010
Income from participations	2	26
Interest and similar revenues	358	218
Thereof from		
Receivables	18	38
Current account balances, fixed deposits, overnight money	331	180
Other interest-related revenues	9	0
Other financial revenues	**360**	**244**
thereof against related parties	0	0

In thousands of €	2011	2010
Interest on loans	4,863	4,824
Commitment fees	73	76
Interest on finance leases	471	504
Other interest-related expenses	75	135
Other financial costs	**5,482**	**5,539**
thereof against related parties	3,545	4,095

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

(37) Taxes on income

The taxes on income are structured as follows:

In thousands of €	2011	2010
Actual taxes on income	1,313	701
Deferred taxes on income	1,454	773
	2,767	**1,474**

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

In thousands of €	2011	2010
Consolidated result before tax	5,744	11,574
Resultant calculational tax charge (15.825 %)	909	1,832
Tax effect of:		
Reduction of loss carried forward on 01.01. due to altered ownership structure	947	0
Non-capitalisable losses in the financial year	1,078	0
Tax rate effect from non-capitalisable losses carried forward	–489	0
Trade tax expenditure	195	0
Corporation tax credit SEStEG	–3	–4
Non-deductible expenses	21	38
Change in allowance for deferred taxes	0	–350
Use of previously unused tax losses	0	–161
Others	109	119
Actual tax expenses	**2,767**	**1,474**

(38) 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.

	2011	2010
Result attributable to equity holders (in thousands of €)	3,005	10,035
Average number of shares issued (in thousands)	47,500	47,500
Earnings per share undiluted (in €)	0.06	0.21

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	2011	2010	Change
Medical	749	716	+ 33
Nursing care	1,892	1,856	+ 36
Medical-technical	1,398	1,393	+ 5
Functional	372	359	+ 13
Medical services	**4,411**	**4,324**	**+ 87**
Support functions	927	898	+ 29
Technical	122	121	+ 1
Administration	509	499	+ 10
Other	53	69	– 16
Non-medical services	**1,611**	**1,587**	**+ 24**
	6,022	**5,911**	**+ 111**

Contingencies and other financial obligations

The Group's total obligations arising from rental and leasing contracts, as well as fixed incidental expenses, totalled EUR 47.8 mill. in the reporting year (previous year: EUR 46.7 mill.). Of this amount, a total of EUR 40.8 mill. (previous year: EUR 40.0 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 % p.a.).

From 2005 to 2007, rental reductions of approximately EUR 7 mill. p.a. were granted for ten of the leased properties. In connection with these rent reductions, 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 (2012: EUR 0.8 mill.; 2013 to 2016: EUR 3.3 mill.; 2017 to 2027: EUR 9.0 mill.). The expenses for other rentals and leases totalled EUR 2,895 thou. (previous year: EUR 2,628 thou.).

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

In millions of €	**Nominal value 31.12.2011**	Nominal value 31.12.2010
Remaining term up to 1 year	42.1	42.3
Remaining term 1 – 5 years	167.3	163.7
Remaining term > 5 years	450.3	483.1
	659.7	**689.1**

Leasing expenses relating to movable property, such as vehicles, office equipment and medical technology, totalled EUR 3,247 thou. (previous year: EUR 3,268 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.

It is estimated that existing obligations on the balance sheet date will develop as follows:

In millions of €	**Nominal value 31.12.2011**	Nominal value 31.12.2010
Remaining term up to 1 year	1.9	1.9
Remaining term 1 – 5 years	1.6	2.5
Remaining term > 5 years	0.0	0.0
	3.5	**4.4**

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

In millions of €	Nominal value 31.12.2011	Nominal value 31.12.2010
Remaining term up to 1 year	0.9	0.9
Remaining term 1 – 5 years	2.5	2.8
Remaining term > 5 years	10.2	10.8
	13.6	**14.5**

At a total of EUR 12.7 mill., the finance lease agreements encompass the leasing contract for the buildings of the Rehabilitationszentrum Gernsbach as well as EUR 0.4 mill. for four leasing contracts for medical and technical facilities in the Herzzentrum Lahr. The presentation of the payment flow is structured under the premise that the purchase option for the real estate will be exercised at the end of the contract period.

In the leasing instalments for the property leasing contract, a tenant loan has accumulated over the last ten years, which toward the end of the contract will have to be repaid. The repayment of the loan totalling approximately EUR 2.0 mill. as well as the annual contribution to administrative expenses totalling EUR 36 thou. were taken into account this year in the presentation of the payment structure. The figure for the previous year has been adapted accordingly.

Furthermore, the individual clinics have customary obligations from laboratory, pharmaceutical, cleaning and catering contracts, as well as from contracts for medicine and sterile products supply, for laundry service and supply, for power, heating and air-conditioning, and other maintenance agreements.

In association with the leasing agreement between Rehabilitationszentrum Gernsbach and the lessor VR-LEASING ABYDOS GmbH & Co. Immobilien KG, MediClin AG 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 context of acquisition of property, plant and equipment, as of 31 December 2011, contractual obligations exist totalling approximately EUR 10.7 mill. (previous year: EUR 5.7 mill.).

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

Declarations of surety

To authorise a medical care centre in the form of a legal entity under private law, one condition is that the partners submit directly liable suretyships for receivables of the Associations of Statutory Health Insurance Physicians and health insurance funds to the medical care centre for services performed by statutory health service physicians. MediClin GmbH & Co. KG submitted the required suretyships for the medical care centres it operates.

Financial risk management

Within the framework of its business activities, the Group is primarily exposed to a **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 social security pension funds, as well as with public 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.

Sufficient liquid assets are available to strengthen the liquidity position as well as provide sufficient financing resources for external growth.

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 expect them 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. On 16 February 2012, loans totalling EUR 61.355 mill. were repaid to insurance companies, two of which are shareholders of MediClin AG. As follow-up financing, a syndicated loan totalling EUR 50 mill. was taken out under the lead management of DZ Bank AG Deutsche Zentral-Genossenschaftsbank (DZ-Bank), Frankfurt am Main. The credit consists of a redeemable loan for EUR 45.0 mill. and a revolving credit as a cash reserve for a further EUR 5 mill. in the form of a credit line. The credit package also includes an option to increase the redeemable loan and the line of credit for a further EUR 5.0 mill. in each case. The contract period for the credit agreement is five years. The loan must be repaid in six-month repayment instalments of EUR 2.5 mill., plus a final instalment of EUR 30 mill. The interest rate for the loan consists of the six-month EURIBOR for the respective interest period.

Supervisory Board in the 2011 financial year

Dr. Jan Boetius (Chairman), Munich
Former member of the Management Board of ERGO Versicherungsgruppe AG

Hans Hilpert[1] (Vice Chairman), Kirkel
Sports Therapist, MediClin GmbH & Co. KG, Blieskastel branch

Michael Bock, Leverkusen
Member of the Management Board of Provinzial Rheinland Versicherung AG, Düsseldorf (until 31 March 2011)
Managing Director of REALKAPITAL Vermögensmanagement GmbH
Supervisory Board mandates:
Vice Chairman of the Supervisory Board
- KDV Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG, Düsseldorf

Member of the Supervisory Board
- DIC Asset AG, Frankfurt am Main
- DICP Capital SE, Munich

Dr. Daniel von Borries, Munich
Member of the Management Board of ERGO Versicherungsgruppe AG, Düsseldorf
Supervisory Board mandates:
Chairman of the Supervisory Board
- ERGO Direktversicherung AG, Nuremberg
- ERGO Direkt Lebensversicherung AG, Nuremberg
- ERGO Direkt Krankenversicherung AG, Nuremberg

Member of the Supervisory Board
- MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, Munich

Gerd Dielmann[1], Berlin
Division Manager Professional Policy, ver.di – Vereinte Dienstleistungsgewerkschaft Bundesverwaltung, specialist division Health, Social Services, Welfare and Churches

Prof. Dr. Erich Donauer[1], Plau am See
Medical Director, MediClin GmbH & Co. KG, Krankenhaus Plau am See branch

[1] Employee representative on the Supervisory Board

Carsten Heise, Hofheim am Taunus and Düsseldorf
Lawyer / Partner
Attorneys v. Woedtke & Partner, Düsseldorf
Supervisory Board mandates:
Vice Chairman of the Supervisory Board
- ems new media AG, Dortmund

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
Chairman of the Management Board of ERGO International AG, Düsseldorf
Supervisory Board and Administrative Board mandates:
Chairman of the Administrative Board
- ERGO Grubu Holding A.S., Istanbul

Member of the Supervisory Board
- D.A.S. Allgemeine Rechtsschutz-Versicherungs-AG, Munich (until 24 March 2011)
- DAS Nederlandse Rechtsbijstand Verzekeringsmaatschappij N.V., Amsterdam (since 11 May 2011)
- Österreichische Volksbanken AG, Vienna
- Investkredit Bank AG, Vienna (from 19 May 2011 until 31 December 2011)

Klaus Müller[1], Oberthal
Sports and Recreational Therapist, MediClin GmbH & Co. KG, St. Wendel branch

Udo Rein[1], Frankfurt am Main
Lawyer,
Managing Director of Marburger Bund Landesverband Hessen, Frankfurt am Main

Uwe Rohde[1], Dorfmark
Physiotherapist, MediClin Therapie GmbH

[1] Employee representative on the Supervisory Board

Dr. Hans Rossels, Kall (until 31 December 2011)
Managing Director of Kreiskrankenhaus Mechernich, Mechernich
President of Krankenhausgesellschaft Nordrhein-Westfalen
Supervisory Board mandates:
Chairman of the Supervisory Board

- Gemeinnützige Gesellschaft der Franziskanerinnen zu Olpe mbH, Olpe
- Marienhospital Brühl GmbH, Brühl
- Katholische Kliniken Oberberg gGmbH, Engelskirchen

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
Dr. Jan Boetius (Chairman)
Michael Bock
Gerd Dielmann
Prof. Dr. Erich Donauer
Hans Hilpert
Dr. Jochen Messemer

Audit Committee
Dr. Daniel von Borries (Chairman)
Michael Bock (until 31 December 2011)
Prof. Dr. Erich Donauer
Carsten Heise
Klaus Müller
Uwe Rohde

Mediation Committee pursuant to Section 27 MitbestG
Dr. Jan Boetius (Chairman)
Hans Hilpert
Dr. Jochen Messemer
Udo Rein

Nomination Committee
Dr. Jan Boetius (Chairman)
Carsten Heise
Dr. Hans Rossels (until 31 December 2011)

Advisory Board

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

It is appointed by the Management Board, with the consent of the Supervisory Board, for a period of two years.

Dr. Jörg W. Knorn (Chairman)
(until 31 December 2011)

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

Wilfried Gleitze, Former First Director of the Deutsche Rentenversicherung (DRV) Westfalen

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 Institut für Gesundheitsökonomik München GbR

Management Board

The following persons were members of the MEDICLIN Aktiengesellschaft Management Board during the 2011 financial year:

Frank Abele, Chairman of the Management Board (since 11 November 2011), Gerlingen

Dr. Ulrich Wandschneider, Chairman of the Management Board (until 10 November 2011), Hamburg
Member of the Management Board (since 11 November 2011)
Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and Chairman of the Corporate Management of the Asklepios Group
Vice President of Bundesverband Deutscher Privatkliniken e.V., Berlin
Member of the Supervisory Board of Vanguard AG, Berlin

Management remuneration

In the reporting year, remuneration for the Management Board totalled EUR 1,826 thou. (previous year: EUR 1,640 thou.), for the Supervisory Board EUR 216 thou. (previous year: EUR 214 thou.) and for the Advisory Board EUR 70 thou. (previous year: EUR 75 thou.). The disclosure of the remuneration of the Supervisory Board and Advisory Board does not include VAT.

In the 2011 financial year, as in 2010, there were no loans to members of the Supervisory Board.

Disclosures pursuant to Section 314 (1) No. 6 a of the German Commercial Code (HGB), and further disclosures on management remuneration 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 Aktiengesellschaft under the section "Report on compensation".

Report concerning related parties pursuant to IAS 24

Related parties are considered both individuals and legal entities, which either control or can exert a substantial influence over MediClin AG as a reporting entity, or one of its subsidiaries. More over, related parties include individuals or legal entities, which are either controlled by MediClin AG or one of its subsidiaries, or upon which MediClin AG or one of its subsidiaries can exert substantial influence, either directly or indirectly.

Business relations to related parties are handled at normal market conditions and amount to the following:

In millions of €	2011	2010
Income		
Revenues from post-acute, acute and nursing care services	1.5	1.9
Real estate management income	0.4	0.4
Expenses		
Leasing expenses	41.4	40.6
Real estate management costs	0.8	0.8
Insurance premiums	1.4	1.5
Interest expenses	3.5	4.1
Service contracts	5.7	5.5

In millions of €	31.12.2011	31.12.2010
Receivables		
Repayment claims from preliminary financing of clinic expansions/building measures	0.9	1.4
Receivables from post-acute, acute and nursing care services	0.1	0.2
Liabilities		
to insurance companies	40.9	61.4
Service contracts	0.7	0.8

Related parties

The Supervisory Board member Michael Bock resigned as of 31 March 2011 from the Management Board of Provinzial Rheinland Versicherung AG, Düsseldorf, and is therefore no longer included in the group of related parties. The Supervisory Board members Dr. Daniel von Borries and Dr. Jochen Messemer are members of the Management Board of ERGO Versicherungsgruppe AG, Düsseldorf, and executive officers of subsidiaries of Münchener Rückversicherungs-Gesellschaft AG, Munich, which holds indirect voting rights in MediClin AG. In addition to his position as Management Board member of MediClin AG, Dr. Ulrich Wandschneider has been Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and Chairman of the Management Board of the Asklepios Group since 1 November 2011. Stephan Leonhard, Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and Deputy Chairman of the Corporate Management of the Asklepios Group, was appointed a member of the Supervisory Board of MediClin by court of law.

Related companies

MediClin AG was given three loans at the same terms in the amount of EUR 61.4 mill. The loans were repaid on 16 February 2012. The lenders were DKV Deutsche Krankenversicherung AG, Cologne, Victoria Lebensversicherung AG, Düsseldorf, both subsidiaries of Münchener Rückversicherungs-Gesellschaft AG, and Provinzial Rheinland Versicherung AG. These loans from insurance companies had existed at a constant amount since 2000. The interest had been constant at 6.5 % p.a. since 31 July 2010. Collateral for these loans existed in the form of a pledge of shares in a Group company. Interest expense recorded in the consolidated statement of comprehensive income for the three loans totalled EUR 3,988 thou. in 2011 (previous year: EUR 4,095 thou.); the corresponding liability items are posted in the balance sheet under current financial liabilities. Since Provinzial Rheinland Versicherung AG dropped out of the group of related companies, effective as of 1 September 2011, the share of the loans from insurance companies of Provinzial Rheinland Versicherung AG totalling EUR 20,452 thou., as well as the accrued interest for them between 1 September 2011 and 31 December 2011 (EUR 443 thou.), are no longer contained in the above overview.

MediClin-Unterstützungskasse e.V. (MUK) has taken out a reinsurance policy with Victoria Lebensversicherung AG as part of a Group reinsurance contract to protect the retirement benefit plans of MediClin, "MediClin Rent". The contribution for this totalled EUR 753 thou. in 2011 (previous year: EUR 731 thou.). Furthermore, several insurance agreements continue to exist with subsidiaries of ERGO Versicherungsgruppe. In addition, very marginal revenues in post-acute, acute and nursing care services were generated with three health insurance companies which are also part of ERGO Versicherungsgruppe. These revenues represent less than 0.4 % of sales.

Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and its affiliated companies in the Asklepios Group have been part of the group of related companies since September 2011. Inclusion as a sub-group in the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung will take place as of 1 September 2011. Essentially, as of the balance sheet date there exists only one contract for shipments of pharmaceuticals between a MediClin hospital and an Asklepios hospital. The revenues from this are insignificant.

Moreover, IVG Institutional Funds GmbH (IVG), Frankfurt am Main, is considered part of the group of related companies. The inclusion of IVG results from the management of the real estate asset "OIK-Fonds MediClin" by IVG. Münchener Rückversicherungs-Gesellschaft AG has a majority stake in this special real estate asset, either directly or indirectly through Group companies, which gives it a significant influence over the financial and operational decisions of IVG Institutional Funds GmbH. There exist extensive leasing transactions as well as two contracts resulting from these transactions concerning real estate administration between MediClin and IVG. In the context of these contracts, in addition to leasing payments, MediClin also has repayment claims to IVG for the advance financing of clinic expansions and other construction measures. The corresponding expenses or income are disclosed in the consolidated statement of comprehensive income 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 the leasing transactions is disclosed under contingencies and other financial obligations.

In addition to business relationships to fully consolidated companies included in the consolidated financial statements, relationships exist to five companies of MediClin AG, which, in line with the materiality principle, are not included in the consolidated financial statements of MediClin AG. These companies are local service enterprises, which were founded by four clinics and into which have been outsourced specific services such as catering, cleaning and administrational tasks, as well as medical services. The services purchased from these enterprises totalled EUR 4.6 mill. (previous year: EUR 4.6 mill.).

Since December 2008, a finance leasing contract has existed with VR-LEASING ABYDOS GmbH & Co. Immobilien KG in the scope of a sale-and-leaseback agreement concerning the property and real estate of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, which holds a capital share of 47 % in VR-LEASING ABYDOS GmbH & Co. Immobilien KG. Payments for finance leasing obligations totalled EUR 0.6 mill. (previous year: EUR 0.6 mill.).

Within the scope of its normal business activities, MediClin AG has had business relationships with Vanguard AG, Berlin for several years. At the Annual General Meeting of Vanguard AG on 15 December 2009, Dr. Ulrich Wandschneider was elected member of the Supervisory Board, including Vanguard AG in the group of related parties from this point in time. Sales in the year under report amounted to EUR 0.9 mill. (previous year: EUR 0.9 mill.).

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

The conformity declaration of MEDICLIN Aktiengesellschaft, pursuant to Section 161 AktG, has been, and continues to remain, accessible on a permanent basis in the respective updated version on the Company's website. The current conformity declaration has also been included in the corporate governance declaration, pursuant to Section 289 a HGB, which is also accessible on the Company's website.

Auditor's fees

The total fee invoiced by the audit firm for the financial year consists of the following amounts:

In thousands of € excluding VAT	2011	2010
Annual audit	442	442
Other attestation services	15	11
Tax consulting services	0	0
Other services	14	13
	471	**466**

Proposed appropriation of earnings

It is proposed that the net profit of MEDICLIN Aktiengesellschaft as of 31 December 2011, totalling EUR 16,208,184.88, be carried forward to new account.

Offenburg, 1 March 2012

Frank Abele

Dr. Ulrich Wandschneider

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.

Offenburg, 1 March 2012

Frank Abele

Dr. Ulrich Wandschneider

Auditor's report

We have audited the consolidated financial statements prepared by MEDICLIN Aktiengesellschaft, Offenburg, comprising the balance sheet, the statement of comprehensive income, 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 2011 to 31 December 2011. 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 315 a 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.

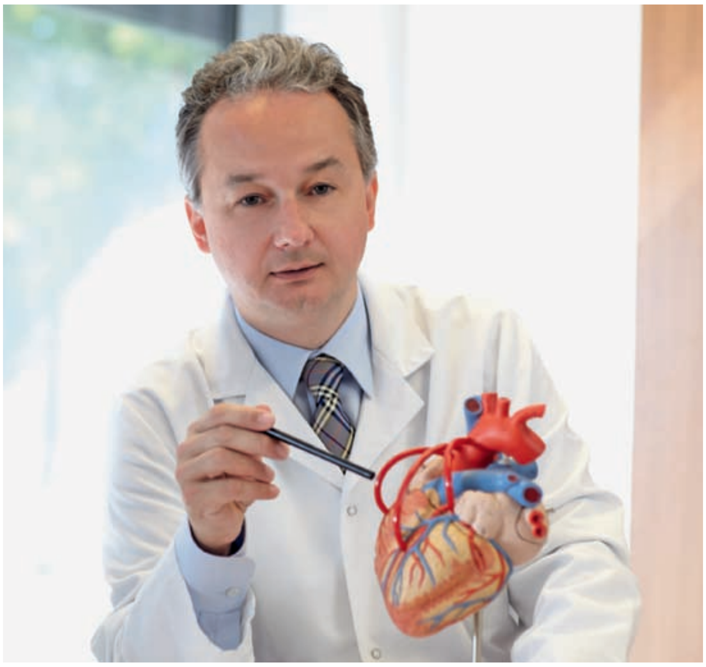
We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that 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 315 a 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 i. Br., 2 March 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

(Preis)	(ppa. Bauer)
Wirtschaftsprüfer	Wirtschaftsprüferin

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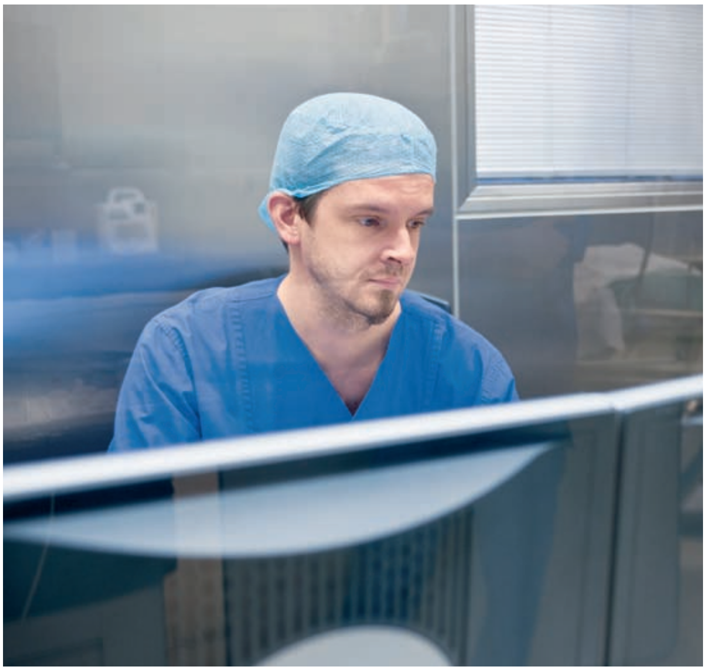
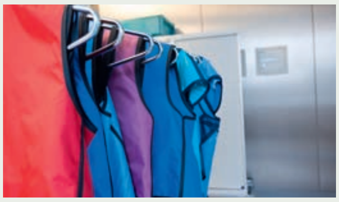


HYBRID OPERATING THEATRES

Gentle and safe surgical treatment for high-risk patients

A hybrid operating theatre enables many patients to receive particularly gentle treatment. This technology has proven its worth in the MediClin Herzzentrum Lahr/Baden since as early as 2009. The MediClin Herzzentrum Coswig is now developing an operating theatre that combines a catheter laboratory and a heart surgery operating theatre.




Interdisciplinary cooperation increases quality

The current developments in heart surgery are moving towards using the gentlest, minimally invasive surgical procedures. In particular, older high-risk patients can benefit, however many other people with serious accompanying diseases, where surgical intervention was thought to be too risky, can now also receive a heart valve replacement using catheter technology.

"In order to achieve less invasive heart surgery, it is necessary for heart surgeons and cardiologists to work together more closely," says PD Dr. med. Harald Hausmann, Director and Head Physician at the Clinic for Heart and Vascular Surgery at the MediClin Herzzentrum Coswig. "This requires a treatment room that enables surgical interventions and catheter treatment, as well as delivering comprehensive diagnostic capabilities. It is here that we find the decisive advantage of a so-called "hybrid operating theatre", which includes the combination of a fully equipped operating theatre with a heart-lung machine and a complete cardiac catheter laboratory, including an X-ray unit that is completely movable around the patient. This enables physicians to monitor the surgical intervention in real time during a heart-valve operation. The beating heart is shown in 3-D images on the monitors. This also makes it easier to insert larger vascular stents, so-called "aorta stents", in the aorta as well as to complete sclerotherapy for cardiac arrhythmias. Heart and vascular surgeons, cardiologists, anaesthetists and radiologists can diagnose a patient and provide treatment at the same time in a hybrid operating theatre. And if an emergency arises, the patient can be diagnosed without being moved. "This represents an important saving in time and lowers the risks," explains Hausmann.

The result is that many seriously ill patients can be treated more gently and safely than when using conventional interventions and can recover faster and experience fewer complications. This significantly improves the quality of the medical provision provided, and also contributes towards reducing costs. However, Hausmann emphasises that the new techniques will not be used as an alternative to conventional valve replacement via a sternotomy (opening of the breastbone) but will bring an additional option to the existing range of treatments available for high-risk patients. "The conventional operation remains the procedure of choice for 'normal' patients."

The MediClin Herzzentrum Coswig will be the only clinic in Saxony-Anhalt equipped with this hybrid technology. The development of the operating theatre is being funded by the local state government – "this represents a clear commitment from the state government to our clinic," emphasises Hausmann.

Further information

Contents

DR. JAN BOETIUS Chairman of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

In the 2011 financial year, the Supervisory Board of MEDICLIN Aktiengesellschaft (MediClin) took great care in fulfilling its duties as mandated by law, the Articles of Incorporation and the Rules of Procedure.

Monitoring and support of the Management Board

The Supervisory Board provided counsel routinely to the Management Board and accompanied and monitored its management of the Company. We have convinced ourselves of the legality and regularity of corporate management as well as of the efficiency and profitability of the organisation. 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 were, in particular, the business development in the Group and in the individual segments, the acquisition and investment projects recommended by the Management Board, the staff situation as well as basic issues of corporate planning and strategy. Another important range of topics were the lower occupancy rates in the post-acute segment and associated possible consequences, due to the changing referral and authorisation practices on the part of coverage providers. The Supervisory Board also concerned itself with the risk situation and risk management, as well as the compliance programme and legal management of the corporation.

At five rotational Supervisory Board meetings, the Management Board thoroughly fulfilled its reporting duties with regard to the aforementioned topics. The duties the Supervisory Board is mandated to fulfil by law, the Articles of Incorporation and the Rules of Procedure were fully performed and the required decisions were made.

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. 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.

The Supervisory Board regularly concerned itself with the question of possible conflicts of interest of the Management Board and Supervisory Board members, particularly in the context of issuing the joint statement from the Management Board and Supervisory Board on the public takeover bid of Asklepios Kliniken Gesellschaft mit beschränkter Haftung (Asklepios), Hamburg, to the MediClin shareholders. 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.

Corporate Governance

At the Supervisory Board meeting on 22 March 2011, the Management Board and Supervisory Board jointly issued an updated conformity declaration in accordance with Section 161 German Stock Corporation Act (AktG). This conformity declaration was supplemented at the Supervisory Board meeting of 10 November 2011, and jointly issued in updated form from the Management Board and the Supervisory Board. As with all previous declarations, it is published on the MediClin website.

Information on the corporate governance in the Group as well as a detailed report on the total amounts and structure of remuneration for the Supervisory Board and the Management Board can be found on pages 157 ff. and 36 ff. of the Annual Report.

Efficiency audit

The members of the Supervisory Board examined the efficiency of their work in the 2011 financial year on the basis of a questionnaire. The results were discussed in detail in the meeting on 23 August 2011. The Supervisory Board will take the suggested improvements into consideration in its future work and conduct another efficiency audit in the 2012 financial year on the same basis.

In their meeting on 9 November 2011, the members of the Audit Committee also reviewed the efficiency of their work in the context of a critical discussion.

Meetings and resolutions of the Supervisory Board

The current development of occupancy rates, sales and earnings in the Group, the segments and selected individual clinics, as well as the status of upcoming or currently implemented investment and acquisition projects, were constant components of all Supervisory Board meeting consultations. In 2011, with only a few exceptions, members of the Supervisory Board participated in all of the Supervisory Board meetings; all members of the Supervisory Board have participated in more than half of the Supervisory Board meetings.

The focal points of the Supervisory Board consultancy during the reporting period are summarised in the following section.

At the first meeting of the reporting year, on 22 March 2011, the Supervisory Board discussed in detail the 2010 annual financial statements and consolidated financial statements, already verified by the Audit Committee in the presence of the auditors, before endorsing them. In so doing, it followed the recommendation of the Audit Committee. The annual financial statements were thereby approved. The annual financial statements and the consolidated financial statements were approved for publication. In this context the Supervisory Board also decided to propose to the Annual General Meeting on 26 May 2011 a dividend payout of EUR 0.05 per share. In so doing, the Supervisory Board sanctioned the proposal of the Management Board on the payment of a dividend, after discussing in detail the proposal on the allocation of the unappropriated profit with the Management Board. When setting the agenda for the Annual General Meeting, the Supervisory Board, after receiving a statement of independence from the intended auditor and the resulting recommendation from the Audit Committee, decided to propose to the Annual General Meeting that BDO AG Wirtschaftsprüfungsgesellschaft be appointed as auditor and Group auditor for the 2011 financial year. Additionally, the 2011 conformity declaration was discussed and adopted.

Furthermore, in the meeting on 22 March 2011, the Chairman of the Supervisory Board, in his function as Chairman of the General and Personnel Committee, informed the Supervisory Board about the General and Personnel Committee’s proposed resolutions regarding the level of profit-sharing bonuses for 2010. The Supervisory Board approved the payment of the profit-sharing bonuses to the members of the Management Board. After extensive discussions, the Supervisory Board approved the payment of the profit-sharing bonuses for the Management Board members.

On 4 April 2011, the Supervisory Board conducted a telephone conference to make an official decision on the joint statement of the Management Board and Supervisory Board in accordance with Section 27 Securities Acquisition and Takeover Act (WpÜG) on the voluntary public takeover bid of Asklepios, which had been delivered to the Management Board on 24 March 2011. After closer examination and a lengthy discussion, the Supervisory Board resolved to adopt a joint statement and announce this publically.

In the meeting of the Supervisory Board following the Annual General Meeting on 26 May 2011, the Management Board reported on the current Group business development during the first quarter of 2011, and about the development of the medical care centres. The 2012 financial calendar was approved.

In the meeting on 23 August 2011, the Supervisory Board was informed about the development of business during the first half of 2011, as well as the current status of the acquisition projects. Additionally, the evaluation of the efficiency audit conducted on the work of the Supervisory Board was discussed.

In the meeting on 10 November 2011, the Supervisory Board discussed the business development for the first nine months of the 2011 financial year as presented by the Management Board. On the recommendation of the General and Personnel Committee, the Supervisory Board passed a resolution to rescind the appointment of Dr. Ulrich Wandschneider as Chairman of the MediClin Management Board by mutual agreement upon expiration of 10 November 2011, and to appoint Frank Abele as the new Chairman of the MediClin Management Board, effective as of 11 November 2011. Against this backdrop and with a view toward the altered framework conditions after the takeover of a majority stake in MediClin by Asklepios, the Supervisory Board passed a resolution to change the remuneration regulations in the Management Board member contracts. Due to this, an augmentation and updating of the hitherto valid conformity declaration became necessary, which was resolved on the same day and subsequently published.

In the Supervisory Board meeting on 15 December 2011, the Supervisory Board was informed in detail by the Management Board about the planned corporate and business development for 2012 and 2013, including the intended measures on the levels of both the Group and the individual hospitals. The Supervisory Board noted with approval the target figures presented for 2012/2013 and the accompanying explanations by the Management Board. The Supervisory Board approved the catalogue of targets for the 2012 profit-sharing bonus for Mr Frank Abele as presented by the General and Personnel Committee.

Work in the committees of the Supervisory Board

In order to perform its tasks, the Supervisory Board set up a total of four committees, which effectively support the work of the full board. In particular, the committees prepared the resolutions of the Supervisory Board. This division of responsibilities promotes the efficiency of the Supervisory Board's working methods and has proved to be effective in practice. With the exception of the Audit Committee, the Chairman of the Supervisory Board presides over all the committees. The Supervisory Board was regularly and comprehensively informed about the work of the committees.

The Audit Committee convened for one meeting and four telephone conferences during the reporting year. On 2 March 2011, it held intensive consultations with the Management Board during a telephone conference on the preliminary financial statements for 2010, and on the final financial statements for 2010 during a meeting on 21 March 2011. In the meeting on 21 March 2011, it verified the independence of the annual auditor, recommended the approval of the annual financial statements and consolidated financial statements and expressed recommendations regarding the choice of annual auditor for 2011 and the allocation of the unappropriated profits from 2010. It also approved the audit planning for 2011, including the audit focal points. The summary report on risk management and internal auditing was submitted to the members of the Audit Committee and discussed by them at length.

In its meeting on 9 November 2011, the Audit Committee obtained comprehensive information about the efficiency of MediClin's internal control system, risk management system and internal revision system. The members of the Audit Committee unanimously approved the current version of the revision plan for 2012, which they had received prior to the meeting.

Moreover, the Audit Committee intensively discussed the preliminary figures and interim reports with the Management Board by telephone on 2 March 2011, 10 May 2011, 10 August 2011 and 9 November 2011, and approved them for publication.

In the framework of five meetings during the reporting year, the General and Personnel Committee dealt with matters of the Management Board. Based on calculation methods approved in 2010, it established the amount of profit-sharing bonuses for the Management Board and drafted a proposal for payment of the profit-sharing bonuses. Due to the takeover of the majority stake by Asklepios, and with it the altered personnel situation on the Management Board, it prepared a recommendation with respect to the modification of the Management Board member contracts as well as a recommendation for the definition of the profit-sharing bonus criteria for 2012.

The Nomination Committee and the Mediation Committee did not convene in 2011.

Changes in the Supervisory Board and the Management Board

On 13 October 2011, Dr. Hans Rossels informed the Supervisory Board in writing that he would resign from his position on 31 December 2011. The Supervisory Board would like to thank Dr. Hans Rossels for his competent and constructive collaboration on this committee. In accordance with a resolution issued by the District Court of Freiburg i. Br. on 30 December 2011, at the request of the majority shareholder, Asklepios, Stephan Leonhard was legally appointed as member of the Supervisory Board of MediClin AG.

By mutual agreement, Dr. Ulrich Wandschneider has resigned from his post as Chairman of the Management Board, effective as of 10 November 2011, and remains a member of the Management Board for MediClin. The member of the Management Board Frank Abele was appointed Chairman of the Management Board of MediClin AG, effective 11 November 2011.

Annual financial statements and consolidated financial statements

The annual financial statements of MediClin and the consolidated financial statements prepared by the Management Board for the 2011 financial year, including the accounting records and the summarised management report and Group management report of the Company, were audited by BDO AG Wirtschaftsprüfungsgesellschaft. The audit firm was elected to be the auditor of the annual financial statements and consolidated financial statements for the 2011 financial year at the Annual General Meeting on 26 May 2011, and commissioned with the audit by the Supervisory Board. The auditor of the annual financial statements and consolidated financial statements issued an unqualified auditor's report on the 2011 annual financial statements of MediClin and the 2011 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 315 a (1) of the German Commercial Code (HGB).

The audit documents and the reports of the auditor of the annual financial statements and consolidated financial statements, 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.

In its meeting on 21 March 2012, the Supervisory Board intensively discussed and examined the annual financial statements of MediClin, 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 confirmed that there were no weaknesses in the internal control system or the risk management system. They were available for questions and supplementary information. Based on their own examination, the Audit Committee and the Supervisory Board concurred with the results of the audit issued by the auditor of the annual financial statements and consolidated financial statements, with respect to the annual financial statements of MediClin 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 discussed in detail the Management Board's proposal to carry forward the net profit totalling EUR 16.2 mill. to new account. Although MediClin fulfilled nearly all of the criteria defined by the Management Board and the Supervisory Board for a dividend distribution, the Supervisory Board agreed with the opinion of the Management Board to use the cash and cash equivalents for investments in internal growth, i. e. for the location-based optimisation and development of the service range.

BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg, also examined the report prepared by the Management Board in accordance with Section 312 of the German Stock Corporation Act (AktG) on relationships with affiliated companies ("dependency report"). The auditor of the annual financial statements and consolidated financial statements reported on the results of the audit and issued the following unrestricted audit opinion:

"Following the completion of our obligatory audit, we confirm that:

1. the information contained in this report is correct
2. the compensation paid by the Company with respect to the transactions listed in the report was not inappropriately high."

The dependency report and the audit report prepared by the auditor of the annual financial statements and consolidated financial statements were provided to the Supervisory Board in good time. The Supervisory Board examined in detail the dependency report and the audit report in its meeting on 21 March 2012. It did not raise any objections to the concluding declaration of the Management Board contained in the dependency report or to the result of the audit conducted by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg.

The Supervisory Board would like to thank the Management Board and all MediClin employees for the work they performed and their great personal commitment during the 2011 financial year.

Cologne, 21 March 2012

On behalf of the Supervisory Board

Dr. Jan Boetius
Chairman of the Supervisory Board

Corporate governance report

Efficient cooperation between the Management Board and the Supervisory Board, a management approach that is focused on long-term and sustainable growth of shareholder value, as well as openness and transparency in internal and external corporate communications are the key elements of good corporate governance.

The German Corporate Governance Code summarises the rules on corporate governance which apply in Germany and reveals which of these rules are, and which ones are not, observed. The Government Commission on the German Corporate Governance Code monitors the development of corporate governance in legislation and in practice and examines at least once a year whether or not the Code should be modified.

Conformity declaration

On 22 March 2011, the Management Board and the Supervisory Board of MediClin AG submitted a new conformity declaration regarding the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG). The declaration was supplemented in November 2011. The current declaration, along with the declarations from the past five years, is published on the corporate website. The conformity declaration that is currently valid is also part of the Corporate Governance Declaration pursuant to Section 289 a of the German Commercial Code (HGB), which is also published on the corporate website (www.mediclin.de/investor-relations).

Management and controlling bodies of MediClin AG

MediClin AG has a Management Board consisting of two persons and a Supervisory Board consisting of twelve persons. The Supervisory Board is made up in equal parts of representatives of the shareholders and the employees. The Management Board and the Supervisory Board are made up in accordance with the German Stock Corporation Act (AktG) and the German Co-Determination Law (MitBestG).

Independence of the corporate bodies

In accordance with the Rules of Procedure of the Supervisory Board, 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 are, and were, performed applying the arm's length principle and, therefore, do not affect the independence of the Supervisory Board members, in the opinion of MediClin.

Detailed information about business connections can be found in the Notes to the consolidated financial statements (Other disclosures/Report concerning related parties pursuant to IAS 24).

Composition and tasks of the Supervisory Board and the committees

A description of the working methods of the Management Board and the Supervisory Board, as well as the composition and working methods of the committees, are part of the Corporate Governance Declaration. This is published on the corporate website (www.mediclin.de/investor-relations) pursuant to Section 289 a of the German Commercial Code (HGB).

In addition to the already existing goals, the Supervisory Board has set itself further objectives regarding the composition of the Supervisory Board.

According to Section 5.4.1 of the German Corporate Governance Code, the Supervisory Board is to name specific objectives regarding its composition which take into consideration the company-specific situation as well as the Group's international activities, potential conflicts of interest, an age limit to be established for members of the Supervisory Board and the issue of diversity. In particular, these specific objectives are to provide for an appropriate participation of women.

The Supervisory Board already made sure in the past that defined objectives concerning its composition were met not only with respect to the structure of the shareholders but also by at least two members of the Supervisory Board. These objectives were the independence of the functions of consultants and organs towards customers, suppliers, creditors and other business partners of MediClin, as well as the diversity of the professional expertise, especially in the areas of the health care market, financial and capital market, financial accounting, annual audit and controlling, its international character (including international experience), legal issues and co-determination. On the basis of the objectives, in particular regarding a diversity of professional expertise on the Supervisory Board, the Supervisory Board has always endeavoured to propose to the Annual General Meeting for election those candidates whom it considered to be the most suitable from a professional point of view. The Supervisory Board passed a new resolution that, as regards upcoming vacancies on the Supervisory Board, it considers the participation of at least one woman as desirable and appropriate, and in the medium to long term, the participation of at least three women on the Supervisory Board. An age limit for members of the Supervisory Board had already been defined in the Rules of Procedure for the Supervisory Board.

Dr. Hans Rossels resigned from the Supervisory Board, effective as of 31 December 2011. Stephan Leonhard was appointed in his place by court order, effective as of 1 January 2012. The tenure of four members of the Supervisory Board will end on conclusion of the 2015 Annual General Meeting, and the tenure of one member on conclusion of the 2012 Annual General Meeting. The new election of the six employee representatives on the Supervisory Board will be held in 2012.

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 15 a of the Securities Trading Act (WpHG), to disclose the acquisition or sale of securities of MediClin AG 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.

No transactions were reported in the 2011 financial year.

Total holdings of MediClin AG shares held by all members of the Management Board and the Supervisory Board on 31 December 2011 amounted to less than 1 % of the shares issued by the Company.

Communications with shareholders

The annual financial statements of the Group and of MediClin AG are presented to the public at the financial statements press and analysts' conference in March every year. During the year, the business development is commented on in detail in the quarterly reports. Relevant information is published in news updates. All information is clearly presented on the Company's website and available for download.

The Annual General Meeting normally takes place in Frankfurt am Main in May. Within the scope of investor relations activities, individual talks are held with investors and capital market conferences are attended.

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 Act on the Disclosure of Management Board Remuneration (VorstOG) enacted on 11 August 2005 and by the Act on the Appropriateness of Management Board Remuneration (VorstAG) enacted on 19 June 2009, is a component of the notes, pursuant to Section 314 HGB or the management report, pursuant to Section 315 HGB.

As the main features and the organisation of the Management Board remuneration system, including the remuneration figures, have already been presented 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 and the individualised and itemised components of the remuneration are also presented in the summarised management report and Group management report of MediClin AG.

The individual remuneration of the Supervisory Board members was as follows:

In € excluding VAT	Remuneration	Performance-based remuneration	Total 2011	Total 2010
Dr. Jan Boetius (Chairman)	24,500.00	3,000.00	27,500.00	26,454.31
Hans Hilpert (Vice Chairman)	18,500.00	3,000.00	21,500.00	21,056.46
Michael Bock	15,000.00	3,000.00	18,000.00	16,556.46
Dr. Daniel von Borries	16,250.00	3,000.00	19,250.00	19,056.46
Gerd Dielmann	13,500.00	3,000.00	16,500.00	15,556.46
Prof. Dr. Erich Donauer	15,250.00	3,000.00	18,250.00	18,056.46
Carsten Heise	14,000.00	3,000.00	17,000.00	17,056.46
Dr. Jochen Messemer	13,000.00	3,000.00	16,000.00	15,056.46
Klaus Müller	14,000.00	3,000,00	17,000,00	16,806.46
Udo Rein	11,000.00	3,000.00	14,000.00	15,056.46
Uwe Rohde	14,000.00	3,000.00	17,000.00	14,000.00
Dr. Hans Rossels	11,250.00	3,000.00	14,250.00	13,556.46
Günter Schlatter (Chairman until 12.08.2009)	–	–	–	3,408.61[1]
Walburga Erichsmeier (until 31.12.2009)	–	–	–	2,556.46[1]
Total	**180,250.00**	**36,000.00**	**216,250.00**	**214,233.98**

[1] Profit-related remuneration for the 2010 financial year

In the 2011 financial year, the members of the Supervisory Board did not receive any compensation or benefits for services provided individually, in particular advisory or agency services.

D&O insurance

MediClin AG 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. The deductibles for the Management and Supervisory Boards are in accordance with the requirements of the German Stock Corporation Act (AktG) as they have been modified by the Act on the Appropriateness of Management Board Remuneration (VorstAG).

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. Each member of the Advisory Board receives attendance fees of EUR 10 thou. per year. Furthermore, all expenses arising from the execution of the mandate as well as the VAT payable for the fees are reimbursed.

The Advisory Board is normally made up of eight members. It is appointed by the Management Board, with the consent of the Supervisory Board, for a period of two years. The membership of all members of the Advisory Board was confirmed in 2010 for another two years. In 2011, one member of the Advisory Board resigned.

The remuneration totalled EUR 70 thou. in the 2011 financial year (2010: EUR 75 thou.). 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 eliminate the risks. The Management Board reports 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. Detailed information on this, as well as on the internal control system regarding the financial reporting process can be found in the summarised management report and Group management report under the chapter 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 annual financial statements are verified by auditors and approved by the Supervisory Board. The annual consolidated financial statement is made available to the public within 90 days after the end of the financial year; the interim consolidated financial statements within 45 days after the end of the quarter.

The auditor, BDO AG Wirtschaftsprüfungsgesellschaft, reports all the significant audit findings and events arising from the audit to the Chairman of the Audit Committee and the Supervisory Board immediately. Furthermore, the auditor is obliged to inform the Supervisory Board and to record in the auditor's report respectively 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).

Corporate decision-making bodies

Management Board

Frank Abele
Chairman of the Management Board

Dr. Ulrich Wandschneider
Member of the Management Board

Supervisory Board

Dr. Jan Boetius
Chairman
Former member of the Management Board of ERGO Versicherungsgruppe AG

Hans Hilpert[1]
Vice Chairman
Sports Therapist, MediClin GmbH & Co. KG, Blieskastel branch

Michael Bock
Managing Director of REALKAPITAL Vermögensmanagement GmbH

Dr. Daniel von Borries
Member of the Management Board of ERGO Versicherungsgruppe AG

Gerd Dielmann[1]
Division Manager Professional Policy, ver.di – Vereinte Dienstleistungsgewerkschaft Bundesverwaltung, specialist division Health, Social Services, Welfare and Churches

Prof. Dr. Erich Donauer[1]
Medical Director, MediClin GmbH & Co. KG, Krankenhaus Plau am See branch

Carsten Heise
Lawyer, Partner of the law firm v. Woedtke & Partner

[1] Employee representative on the Supervisory Board

Stephan Leonhard
Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung

Dr. Jochen Messemer
Member of the Management Board of ERGO Versicherungsgruppe AG

Klaus Müller[1]
Sports and Recreational Therapist, MediClin GmbH & Co. KG, St. Wendel branch

Udo Rein[1]
Lawyer,
Managing Director of Marburger Bund Landesverband Hessen

Uwe Rohde[1]
Physical Therapist, MediClin Therapie GmbH

Supervisory Board Committees

General and Personnel Committee
Dr. Jan Boetius (Chairman)
Michael Bock
Gerd Dielmann
Prof. Dr. Erich Donauer
Hans Hilpert
Dr. Jochen Messemer

Audit Committee
Dr. Daniel von Borries (Chairman)
Prof. Dr. Erich Donauer
Carsten Heise
Stephan Leonhard
Klaus Müller
Uwe Rohde

Mediation Committee pursuant to Section 27 MitbestG
Dr. Jan Boetius (Chairman)
Hans Hilpert
Dr. Jochen Messemer
Udo Rein

Nomination Committee
Dr. Jan Boetius (Chairman)
Carsten Heise
Stephan Leonhard

[1] Employee representative on the Supervisory Board

Advisory Board

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

Wilfried Gleitze
Former First Director of the Deutsche
Rentenversicherung (DRV) Westfalen

Irmtraut Gürkan
Business Director of the
Universitätsklinikum Heidelberg

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

Prof. Dr. Günter Neubauer
Director of the Institut für Gesundheitsökonomik München GbR

Members of Management Boards of consolidated subsidiaries of MediClin AG

Frank Abele
- MediClin Geschäftsführungs-GmbH
- MediClin Medizinisches Versorgungszentrum GmbH (since 11 January 2012)
- MC Service GmbH
- Cortex Software GmbH
- MediClin à la Carte GmbH
- Yvonne Mobilien-Leasing GmbH
- Kraichgau-Klinik Aktiengesellschaft

Dr. Ulrich Wandschneider
- MediClin Geschäftsführungs-GmbH
- MediClin Medizinisches Versorgungszentrum GmbH (until 31 January 2012)
- MVZ MediClin Bonn GmbH
- Yvonne Mobilien-Leasing GmbH
- Kraichgau-Klinik Aktiengesellschaft
- MVZ-Müritz GmbH (until 31 January 2012)

Roland Grabiak
- MediClin Krankenhaus am Crivitzer See GmbH (since 21 December 2011)
- MVZ-Müritz GmbH (since 1 February 2012)

Uwe Hektor
- MediClin à la Carte GmbH

Manfred Hof
- MediClin Pflege GmbH

Sabine Mylek
- Cortex Software GmbH

Dirk Schmitz
- MediClin Geschäftsführungs-GmbH
- MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig
- KB Krankenhausbeteiligungs-verwaltungsgesellschaft mbH
- Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH

Bernd Schulz
- MediClin à la Carte GmbH
- MediClin Immobilien Verwaltung GmbH
- MediClin Therapie GmbH
- MediClin Pflege GmbH

Hermann Steppe
- Cortex Software GmbH

Dr. Hans-Heinrich Uhlmann
- MediClin Krankenhaus am Crivitzer See GmbH

Philippe Zwiebel
- MediClin Therapie GmbH


Rietschel & Henneberg
Nachheizregister
Kleines Bew.bad
Rücklauf
Rietschel & Henneberg
Nachheizregister
Kleines Bew.bad
Vorlauf

SUSTAINABILITY

Saving energy, increasing patient comfort and protecting the environment

Energy efficiency does not need to be expensive, nor does it have to be to the detriment of the range of therapy offered. This has been proved by the MediClin Technical Department at the MediClin Klinik am Rennsteig. Here, the flue gas heat from a cogeneration plant (combined heat and power) is ensuring that the optimal temperature is achieved in the therapy pool.




Rising energy costs call for intelligent solutions

While energy costs in many clinics are permanently increasing, the rehabilitation facility in Tabarz in Thuringia has been able to heat their therapy pool for almost no additional charge. This is made possible by a comparatively simple technical trick. The heat comes from the 120 °C flue gas emitted from the cogeneration plant installed in the clinic, which normally escapes unused through the chimney. In order to gain the required energy from the flue gas to heat both of the therapy pools to 32 °C and 28 °C, respectively, heat exchangers were fitted in the flue gas line. These heat exchangers transfer the latent heat of condensation from the flue gas to the bathing water so that an additional supply of heat is no longer necessary.

The heat output from the cogeneration plant has increased due to the use of this latent heat of condensation by almost 20 %. This results in an additional benefit of 10 % to the energy balance for this already highly efficient plant, which provides electricity and heating through its cogeneration system. As a result of this increase in efficiency, the expenditure for the required technology will have paid for itself after only three years.

"The example of the MediClin Klinik am Rennsteig shows that it does not always require high levels of investment in order to also operate a range of therapies requiring high energy consumption in an economical way," says Franz Ebert, Head of the Central Technical Building Equipment at MediClin, who is gradually optimising the energy supply to the MediClin Group together with his team. "The decisive factor is that every clinic develops their own solution and optimally exploits the potential of the technology employed at each location." In terms of the MediClin Group as a whole, this type of continuous optimisation of existing technology is more sustainable than expensive and isolated "flagship projects".

Cogeneration plants already deliver electricity and heat at comparatively inexpensive prices to eleven MediClin facilities. Three of the clinics use heat from cogeneration plants that are operated using climate-neutral biogas. The use of flue gas heat, such as in the MediClin Klinik am Rennsteig, has also proved successful in the MediClin clinics in Königsfeld and Bad Elster, as well as in the MediClin Reha-Zentrum Spreewald, where the flue gas heat contributes towards the heating of drinking water. The cogeneration plants also improve the Group's carbon balance. As a result of the electricity and heat produced by the cogeneration plants deployed in the Group, MediClin reduces its yearly CO_2 emissions by 4,000 tonnes.

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 persons who are ill or contribute to prevention. It comprises inter alia all hospitals, rehabilitation facilities, physicians, pharmacies, nursing care homes and services, pharmaceutical companies, producers of medical equipment, health insurance funds and research facilities. The health sector as a branch has approximately five million employees. Sales revenues are estimated at EUR 500 bill.

Integrated medical service
Health insurance funds 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 self-paying 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 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
IFRS 8 requires an entity to report financial and descriptive information about its reportable operating segments. The division into reportable operating segments corresponds to that used for the internal controlling and reporting of the Group. The post-acute and acute segments are the operating segments which MediClin has identified as reportable.

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

Share appreciation right
This right, which may only be exercised after a four-year vesting period, entitles the Management Board member to the payment of a lump sum. The amount of payment is calculated by the appreciation in company value within four years multiplied by a personal percentage rate. The share appreciation payment amount is limited to the maximum profit-sharing bonus contractually agreed upon by the respective Management Board member. If no appreciation in company value has occurred upon the settlement date, the right will expire without substitution.

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

Sustainable incentive programme
The members of the Management Board are to focus on the continual and sustainable appreciation in Company value. Through a sustainable incentive programme, which is based on share appreciation rights, they will be able to participate in the positive corporate development.

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.

Medical Terms

Anaesthetist
A specialist who administers narcosis.

Cardiac catheter
A thin, flexible plastic tube used to investigate and treat illnesses of the coronary arteries and the heart valves.

Cardiac catheter laboratory
A cardiac catheter laboratory is used for a variety of diagnostic and therapeutic catheter examinations in the treatment of cardiovascular illnesses.

Cardiology
The branch of medicine that deals with the functions and illnesses of the heart.

Computer tomogram (CT)
Computer tomography is an imaging process used in radiology in which X-ray images are recorded from different directions. The computer-assisted images created are described as computer tomograms.

Heart-lung machine
A heart-lung machine can take over the functions of the heart and the lungs during an operation.

Hybrid operating theatre
A hybrid operating theatre combines a fully equipped operating theatre, including a heart-lung machine, with a complete cardiac catheter laboratory, including an X-ray unit that is completely movable around the patient. This makes it possible to carry out surgical interventions, catheter treatment and a comprehensive level of diagnostic examinations all at the same time.

Lokomat®Pro
A robotised gait orthosis.

Orthosis
An orthopaedic device that provides support and relief in the treatment of functional disorders, especially in the area of the vertebral column and the joints.

Radiology
The science dealing with X-rays or radiation from radioactive substances and their application.

Sternotomy
The surgical separation of the sternum.

Teleradiology
A process in which radiological images are sent to a diagnostic station with the aid of electronic data transfer.

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This Annual Report is also available in German.
Dieser Geschäftsbericht liegt auch in deutscher Sprache vor.

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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 2011	Q2 2011	Q3 2011	Q4 2011	Year total
Post-acute	452,740	475,296	486,234	490,401	1,904,671
Acute	106,508	103,924	105,037	103,012	418,481
Nursing care	34,721	35,272	36,612	38,457	145,062
Total	**593,969**	**614,492**	**627,883**	**631,870**	**2,468,214**

Nursing days	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Year total
Post-acute	465,897	489,522	489,233	475,896	1,920,548
Acute	103,493	102,833	104,475	104,520	415,321
Nursing care	33,484	33,422	34,633	34,529	136,068
Total	**602,874**	**625,777**	**628,341**	**614,945**	**2,471,937**

Cases	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Year total
Post-acute	18,280	19,281	19,727	19,897	77,185
Acute	10,618	10,510	10,746	10,402	42,276
Total	**28,898**	**29,791**	**30,473**	**30,299**	**119,461**

Cases	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Year total
Post-acute	18,730	19,867	19,879	19,416	77,892
Acute	10,642	10,642	10,779	10,706	42,769
Total	**29,372**	**30,509**	**30,658**	**30,122**	**120,661**

Occupancy rates in %	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Year total
Post-acute	82.2	85.4	85.5	85.9	84.8
Acute	85.1	82.2	82.2	79.6	82.2
Nursing care	94.6	95.0	94.9	94.4	94.7
Total	**83.4**	**85.3**	**85.4**	**85.3**	**84.8**

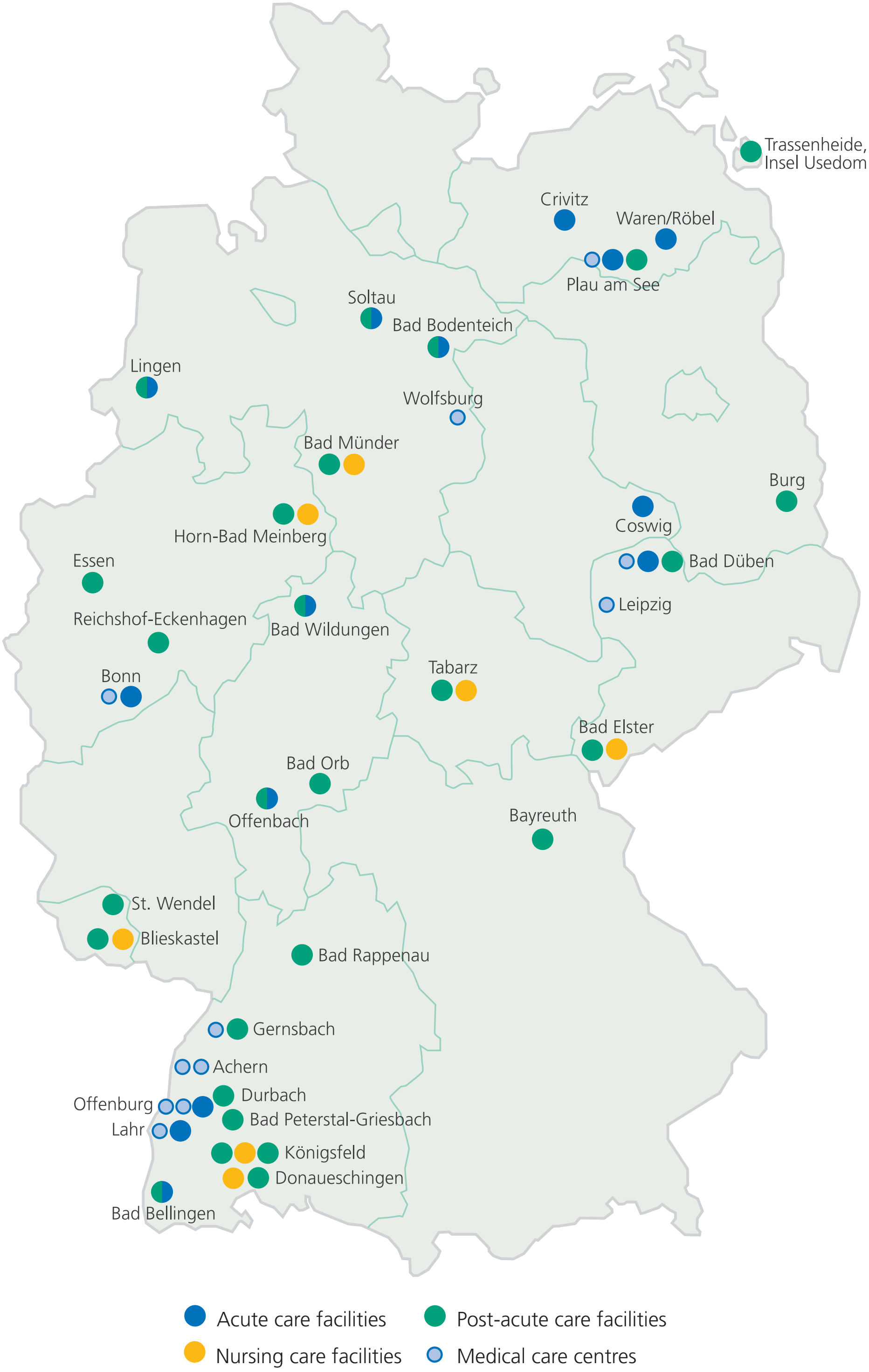
Occupancy rates in %	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Year total
Post-acute	86.2	89.5	87.5	85.1	87.0
Acute	84.3	82.4	82.7	82.7	83.0
Nursing care	91.2	90.0	92.3	92.0	91.4
Total	**86.1**	**88.2**	**86.9**	**85.0**	**86.6**

Financial calendar

2 March 2012	Presentation of the interim figures for the 2011 financial year
22 March 2012	Financial statements press and analysts' conference for the 2011 financial year
11 May 2012	Publication of the interim report for the 1st quarter 2012
23 May 2012	Annual General Meeting
10 August 2012	Publication of the interim report 1st half-year 2012
14 November 2012	Publication of the interim report for the 1st – 3rd quarter 2012

MEDICLIN

The presence of MediClin



As of 12/2011

www.mediclin.de

Prevention | Acute care | Post-acute care | Nursing care