MediClin integrates.

MEDICLIN

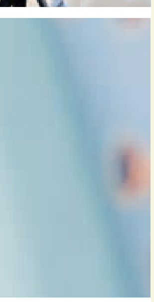
ANNUAL REPORT 2012

MEDICLIN Aktiengesellschaft

MediClin – A company of the Asklepios Group








CONTENTS

Cover **Emergency diagnostics around the clock**
In MediClin Müritz-Klinikum, the telemedical procedure ensures a quicker diagnosis for emergency patients. In 2012, 741 reports were externally requested and produced.

MediClin: Key data business development

In thousands of €	2012	2011	2010
Sales	509,739	493,562	487,167
Operating result (EBIT)	4,277	12,552	16,869
EBIT margin in %	0.8	2.5	3.5
EBITDA margin in %	4.2	5.9	6.3
EBITDAR margin in %	13.0	14.7	15.0
Financial result	–5,059	–6,655	–5,295
Result attributable to shareholders of MediClin AG	–1,403	3,134	10,035
Cash flow from operating activities	16,173	15,626	13,366
Balance sheet total	319,596	329,435	337,028
Non-current assets incl. tax refund claims and deferred tax assets	222,260	213,097	211,453
Current assets incl. tax refund claims	97,335	116,338	125,575
Thereof cash and cash equivalents	22,936	41,336	47,955
Equity	157,020	162,370	161,673
Equity ratio in %	49.1	49.3	48.0
Non-current liabilities incl. deferred tax liabilities	112,410	62,878	60,230
Current liabilities incl. tax liabilities	50,166	104,187	115,125
Gross capital expenditure	27,344	29,938	23,331
Net financial debt	43,866	39,363	29,630
Number of full-time employees (annual average)	6,256	6,099	5,984
Sales per full-time employee in €	81,480	80,925	81,412
Staff costs per full-time employee in €	46,416	45,408	44,626
Occupancy rates in %	86.3	84.8	86.6
Un/diluted earnings per share in €	–0.03	0.06	0.21
Cash flow from operating activities per share in €	0.34	0.33	0.28
Dividend per share in €	–	–	0.05
Number of 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 2012

In millions of €	Q1	Q2	Q3	Q4
Sales	125.4	128.7	129.7	125.9
Operating result	–1.2	2.2	5.0	–1.7
EBIT margin in %	–0.9	1.9	3.9	–4.0
Result attributable to shareholders of MediClin AG	–2.0	1.0	3.4	–3.8
Return on sales in %	–1.6	0.8	2.6	–3.1
Cash flow from operating activities	2.80	–0.30	10.40	3.30
Equity ratio in %	50.9	51.4	51.9	49.1
Gross capital expenditure	6.5	4.7	8.6	7.5
Net financial debt	41.2	46.0	40.3	43.9
Number of full-time employees (quarterly average)	6,155	6,201	6,274	6,394
Occupancy rates in %	86.0	87.7	87.5	83.9
Earnings per share in €	–0.04	0.02	0.07	–0.08
Cash flow from operating activities per share in €	0.06	–0.01	0.22	0.07

> MediClin: Key data business development
> Quarterly development of the Group in 2012

MEDICLIN

Health in view

Listening to our patients and residents, understanding them, speaking their language and respectfully caring for them in every situation – this is our mission which we aim to fulfill in all respects.

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 8,400 employees at year-end.

FRANK ABELE
CHAIRMAN
OF THE MANAGEMENT BOARD

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

The development of MediClin in the 2012 financial year very clearly highlights the demand situation on the health care market and the repercussions of the statutory regulations which aim also to keep the cost increases in the health care sector within a manageable framework. The radical changes in connection with demographic developments are fuelling demand for medical services; however, the service budgets and case volume compensate each other to an only limited extent.

As a result of the higher demand for medical services, MediClin posted a sales increase in 2012 of EUR 16.1 mill., or 3.3 %, allowing group sales of EUR 509.7 mill. to clear the EUR 500 mill. mark for the first time. The largest share of the increase was achieved by the post-acute segment where sales were raised by EUR 13.7 mill., or 4.9 %, to EUR 293.0 mill. In the nursing care business area, sales climbed by EUR 1.1 mill. to EUR 13.1 mill. In both sectors, the occupancy rate visibly exceeded the previous year's values, indicating that demand for rehabilitation and nursing care services is accelerating. MediClin also managed to upgrade the occupancy rate in the acute segment; however, due also to shifts in the product mix, the additional services failed to upgrade sales or only partially upgraded them. Sales in this segment came to EUR 200.2 mill. and were thus EUR 0.7 mill. lower than the previous year's value, despite the increase in cases and higher number of nursing days.

2012 without the usually high earnings contribution of the acute segment

A stagnating sales development in 2012 in the acute segment also means that it was not possible in 2012 to compensate the increase in personnel costs and other operating expenses of nearly 5 % in each case. The acute segment thus posted a result of EUR 7.2 mill. compared with EUR 15.5 mill. in the previous year. The EBIT margin is 3.6 %.

The post-acute segment generated a segment result of EUR 2.6 mill., which was slightly lower than the previous year's value. With the exception of material costs, cost increases here were disproportionately lower than the sales increase. In the interim report as of 30 September 2012, a segment result of EUR 4.6 mill. was reported; due to a substantial decline in the occupancy rate from mid-December, the good results of the previous months could not be continued so that a negative result had to be posted for the fourth quarter.

In 2012 a total of EUR 27.3 mill. was invested, leaving capital expenditure at a high level. A further EUR 17.1 mill. was spent on maintenance. Substantial parts of the appropriated funds were spent on restructuring and expanding new business fields.

At the balance sheet date of 31 December 2012, MediClin had sufficient funds at its disposal (EUR 22.9 mill.) to finance further growth.

Expansion of capacities according to schedule

Following a thorough analysis, the Management Board consented to the expansion of capacities at certain locations and to additions to the range of medical services. Some of these projects were already completed in 2012, others are in the process of realization. This fiscal year 2013 will also focus on transforming and expanding existing capacities. By making this capital expenditure, MediClin aims to bolster the significance of its hospitals at their particular locations and to generate internal growth. Market potential exists for this.

The capacity expansion proposed or already realized primarily concerns the medical specialist fields of psychiatry, psychosomatics and neurology. But growth potential can also be noted in the orthopaedics and nursing care areas as well as in specialist themes. The keywords in orthopaedics are cross-sector diagnostics and therapy and in nursing care the specialised services for, among others, dementia patients. However, in 2012 not only was bed capacity raised and more medical services offered – the organisation structures were also modernised. Above all, the restructuring measures crucial for the realisation of our team- and patient-based model were completed in the first hospitals. The objective is for patients, during their entire hospital stay, to receive care from a fixed, interdisciplinary team of all the relevant medical specialists and nursing professionals. The patient is in the spotlight of competent service and care.

Enhancing the quality of nursing care by intensifying existing cooperations and forging new cooperation partnerships

In 2013 we will continue to develop existing cooperations and drive the expansion of new cooperation partnerships: MediClin's incorporation into the Asklepios Group at the end of 2011 offers a broad base for this. We will place this in the focus of our spectrum of medical services, based on the clear premise of being able to offer integrated, cross-sector nursing care.

A further important area of activity in 2013 will be the continuous assessment of our medical and therapeutic workflow and operating processes. In the meantime, we have achieved a high standard of measurability and verifiability in terms of the quality of our results. We keep to our goal of translating the insight thus derived into better and more innovative treatment and therapy concepts.

Outlook

In 2013 some of the measures and expansions implemented in 2012 will have a positive impact on sales and earnings. But we will continue to invest in 2013 to enable us to offer services that do justice to demand.

For this reason, the Management Board forecasts a slight sales gain in 2013 and expects a group operating result, excluding one-off and special effects, at the same level as the previous year's result – provided there is no material change in the referral behaviour of the coverage providers in 2013 and the situation of the industry is not adversely affected by new statutory regulations.

MediClin would not have succeeded in consolidating and expanding its position and competence in 2012 if it were not for a competent and highly motivated workforce. The Management Board would like to thank all of its employees for their commitment and untiring dedication during the previous financial year.

Esteemed shareholders, demand for medical, therapeutic and nursing care services will successively increase. MediClin has ideally positioned itself for this with its cross-sector and patient-oriented approach. We are convinced that MediClin and its development will continue to benefit from this trend.

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

Offenburg, 7 March 2013

Frank Abele
Chairman of the Management Board

FRANK ABELE
CHAIRMAN OF THE MANAGEMENT BOARD (left)

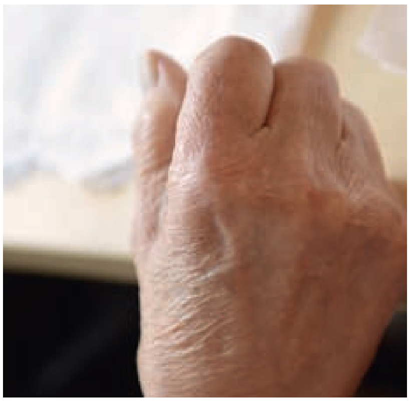
JENS BREUER
CHIEF FINANCIAL OFFICER (right)

Developing ideas – venturing into new territories – preserving what's worth preserving

The current and, to an ever greater degree, the future challenges in health care are becoming manifest in the demographic development, an ageing society, the increase in chronic diseases, greater patient autonomy and the health awareness of every individual. What's needed are ideas that are able to interact between medical, therapeutic and nursing areas and between scientific-technological development and social requirements. The restructuring of organisational procedures is as much a part of this as is the reduction of hierarchies in hospital organisation.

The demands of patients and residents of nursing facilities form the basis of all developments and innovations. The focus is always on specialist quality and competence in treatment and nursing care.

Mutual stimulus and best practice models are the basis of our activities. Selected examples of this can be found on the following pages.



MEDICLIN SENIORENRESIDENZ DEISTER WESER IN BAD MÜNDER

CARING FOR PATIENTS WITH DEMENTIA IN THE MEDICLIN SENIORENRESIDENZ DEISTER WESER IN BAD MÜNDER

DEMENTIA NEEDS NO BARRIERS

Video: Dementia
Open the QR code with your smartphone or call up the film under www.mediclin.de/demenzfilm

People with dementia have special needs. Caring for the patients, integrating the dependents and providing a dementia-focussed architecture contribute towards understanding these people and preserving their quality of life.
The nursing home in the Lower Saxony town of Bad Münder is specialised in caring for patients with dementia and puts the latest research results into practice.

PARTICIPATING IN THE STROKE RESEARCH PROJECT: MEDICLIN FACHKLINIK RHEIN/RUHR IN ESSEN

Preserving the mobility of an ageing population represents a growing medical and social challenge, requiring new technologies from the interaction between engineering science, medicine and information technology. Participants in the joint project “ReHabX-Stroke” being sponsored by the NRW Ministry of Science include the Faculty of Mechanics and Robotics of the University of Duisburg-Essen, the Neurological Hospital of the Heinrich-Heine-University Düsseldorf, the Neurology department of the MediClin Fachklinik Rhein/Ruhr and the Institute for the Technologies of Biomechanics and Biomaterials.

GAIT LABORATORY FOR STROKE PATIENTS

HYGIENE AS AN ESTABLISHED PRACTICE IN MEDICLIN MÜRITZ-KLINIKUM IN WAREN

Tackling multiresistent bacteria has become a key issue in hospital management. In practice, to achieve high standards of hygiene, it is necessary to adopt a systematic approach to dealing with the statutory framework and modern measurement methods.
In April 2012, MediClin Müritz-Klinikum was awarded the Certificate in Silver of “AKTION Saubere Hände”, a hygiene campaign sponsored by the federal government.

SYSTEMATICALLY IMPROVING HYGIENE

MediClin Herzzentrum Lahr/Baden has reorganised treatment in the hospital for cardiac, vascular and thorax surgery. The new structure guarantees continuity and smooth working procedures in patient care. The patient now receives nursing care from a fixed, interdisciplinary team during his entire stay: team leader & cardiac surgeon, cardiac surgeon, team assistant, team nursing manager, assistant physician, physician assistant, senior anaesthetist (from left to right).

Video: Medicine in a team
Open the QR code with your smartphone or call up the film under www.mediclin.de/teamfilm

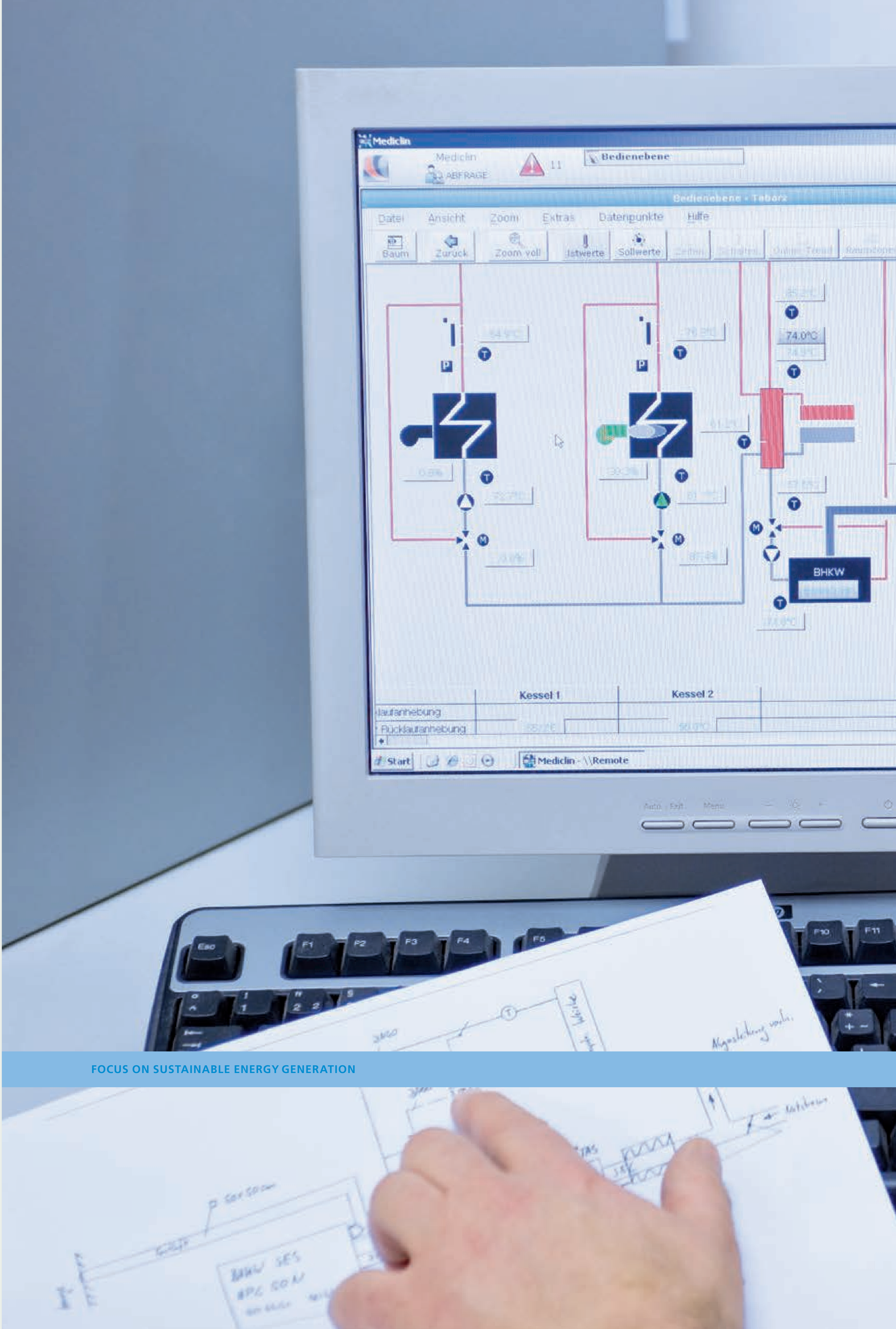
WHEN A PATIENT IS CARED FOR BY A TEAM

NEW PATHS IN HOSPITAL ORGANISATION IN MEDICLIN HERZZENTRUM LAHR/BADEN

HELPING PATIENTS BACK TO WORKING LIFE

Restoring a patient's professional capabilities is becoming increasingly important as a goal of rehabilitation. Concepts are therefore required in clinical practice which concentrate on socio-professional goals in addition to the medical goals. MBOR is a therapy that attends to the requirements of a patient's existing or desired working place.

MEDICAL-PROFESSIONAL REHABILITATION (MBOR) IN PRACTICE



FOCUS ON SUSTAINABLE ENERGY GENERATION

Fourteen modern cogeneration units (BHKW) are already simultaneously generating heating energy and power at the MediClin hospitals. In MediClin Reha-Zentrum Roter Hügel, the technical department of the company demonstrates how an elaborately designed approach can lower investment costs. In the Bayreuth-based hospital, old water storage tanks now serve as heat accumulators for a cogeneration unit.

SELF-GENERATED HEATING ENERGY AND POWER

REDUCING RISK FACTORS: HEALTH TRAINING FOR EATING DISORDERS

Key elements of rehabilitation for eating disorders are reducing the risk factors and adopting appropriate measures to deal with the illness. For this reason, we offer our patients health training in which they learn to plan their shopping, receive nutrition advice and support while eating and cooking in the demonstration kitchen.

SHOPPING, COOKING AND EATING TOGETHER

THERAPY FOR THE LEGS AND FOR THE MIND

For approximately a year now, MediClin Krankenhaus Plau am See has been offering patients gait training using Lokomat®Pro. The training device gives people with neurological diseases the chance of learning to walk again. Even patients with full paraplegia profit from the new therapy method.

GAIT TRAINING WITH LOKOMAT®PRO IN MEDICLIN KRANKENHAUS PLAU AM SEE

The MediClin share

The MediClin share

On balance, 2012 was a very good year for the stock market. The DAX, the leading index of the German stock exchange, climbed over the course of the year from 5,900 points to 7,612 points by the end of the year, closing near the peak marked at 7,683 points. This increase – a gain of 29.1 % – made the DAX one of the year's best performing indices by international comparison. The performance of the Euro Stoxx 50, for example, was around 13 % and that of the Dow Jones Industrial not even 10 %. The positive development of the DAX surprised many capital market experts who had expected the dangers facing the economy and the stability of the eurozone to burden the German stock exchange. But the trend was not always heading upwards. Towards the middle of the year, the DAX could be seen returning to the level of 6,000 points again. From July, however, it gathered fresh momentum following the European Central Bank's declaration of commitment to the euro currency zone and the German Constitutional Court's consent in September to the introduction of the European Stability Mechanism (ESM).

The investment strategists of banks expect prices on stock markets to continue rising in 2013, but this uptrend is more likely to be encountered in the second half of the year, underpinned by renewed growth in the global economy and a continuing expansive monetary policy. But there are also warnings: a final solution has yet to be found for the budget dispute in the USA. Together with the political stalemate in Italy and the jam of social and economic reforms in France – against the backdrop of the debt crisis in the eurozone – these are all risks which could prompt the available liquidity to seek other investor markets.

The MediClin share (Xetra) closed 2012 at a price of EUR 4.15, above the share price at the beginning of the year (EUR 3.70). The yearly low in 2012 was EUR 3.50; the yearly high was EUR 4.40.

Transparent, up to date and comprehensive information

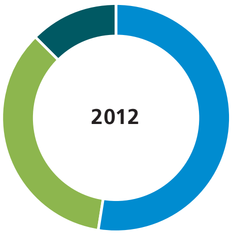
On the investor relations pages of the MediClin website, institutional and private investors will find all the information they need to evaluate their investment. MediClin's annual financial statements are presented to investors, the press and analysts at the financial statements press and analysts' 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. Additional possibilities for tapping market potential derive from the Asklepios Group's participating interest in MediClin.

DZ Bank AG, Frankfurt, continually follows and evaluates the business development of MediClin. Its recommendation, provided in the context of commentary on the 2012 nine-month figures published in November 2012, 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 2013

Share indicators

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

In € per share	2012	2011
Result undiluted/diluted	–0.03	0.06
Cash flow from operating activities	0.34	0.33
Book value[1] as of 31.12.	3.31	3.42
Year-end price	4.15	3.74
52-week high (19.07.2012)	4.40	–
52-week low (29.02.2012)	3.50	–
Market capitalisation (year-end price) in millions of €	197.1	177.7
Number of shares in millions	47.5	47.5

[1] Equity less non-controlling interests

Sources: Deutsche Börse AG; Xetra/as of: 28.02.2013

Summarised management report and Group management report of MEDICLIN Aktiengesellschaft

for the 2012 financial year

Contents

General economic conditions

According to preliminary estimates of the Federal Statistical Office (Destatis), economic growth decelerated noticeably in Germany in 2012. In 2010 and 2011, the growth rates were +4.2 % and 3.0 % respectively, but in the year under review price-adjusted gross domestic product (GDP) was only 0.7 % higher than in the previous year. In the second half of the year in particular, the effects of the economic weakness in the other European countries could also be felt in Germany.

Although the bulk of German exports go to the euro area, exports were still 4.1 % higher than the previous year's value. As more was exported than imported, net exports contributed +1.1 percentage points to GDP growth. While consumer spending contributed +0.6 percentage points to growth (private consumption +0.4 percentage points, government consumption +0.2 percentage points), the decline in gross investment impacted negatively so that domestic demand made a negative contribution to GDP growth of altogether –0.3 percentage points.

The balance of government income and expenditures shows that the federal government, state government and local government as well as the social insurance security continued their consolidation course in 2012. According to preliminary estimates, a government financing surplus is derived for 2012 of EUR 2.2 bill. State income amounted to EUR 1,192.7 bill., 3.3 % higher than the previous year's value. Taxes and social insurance security contributions accounted for the largest share of income of EUR 1,066.81 bill., 3.9 % above the previous year's value. Expenditures increased by altogether 1.4 % compared with 2011.

The number of people in employment climbed again in 2012 to mark a new record high of 41.6 million (2011: 41.1 million labour force workers). All in all, the labour market remained robust; the unemployment rate (as a percentage of all civilian employees) amounted to an average 6.8 % in 2012 (7.1 % on average for 2011).

In its annual report published in January 2013, the federal government forecasts GDP growth for 2013 of 0.4 % and a stable labour market.

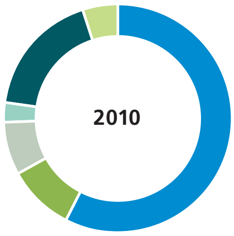
The stable economic development, compared especially with other European neighbouring countries, the high rate of dependent employees and the financially greatly improved situation of the social security pension funds served to ease the regulatory burdens on private hospital operators active in the healthcare sector in 2012. The solid state of the economy resulted in a decline in demand for acute-care and rehabilitation services.

Development of the health care sector

The health care industry is meanwhile one of the largest sectors of the German economy and is a driver of growth and employment. An aging population, greater health awareness and medical-technological progress have been boosting demand for medical and rehabilitation services for years. While this acts as a guarantor for growth, it also pushes up expenditures in the health care sector.

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

Public health insurance funds	**57.6**
Private health insurance funds	**9.3**
Social nursing care insurance	**7.5**
Statutory accident insurance/Statutory pension insurance	**3.0**
Private households/Organisations/Employer	**17.8**
Public budgets	**4.8**



Real growth in the health care sector at some 2 % per year

The Federal Statistical Office has meanwhile published data for 2010 and also partially for 2011. In 2010 expenditures for the health care sector amounted to EUR 287.3 bill. (2009: EUR 278.3 bill.), EUR 9.0 bill. or 3.2 % higher than the previous year's value. The share of expenditures in GDP stood at 11.6 % (2009: 11.7 %). The public health insurance funds accounted for the largest share of expenditures in 2010 of EUR 165.6 bill. (2009: EUR 268.5 bill.). The nursing care insurance recorded the greatest increase in expenditures in 2010, climbing by 6.0 %, or EUR 1.2 bill., to EUR 21.5 bill. The rise in the number of persons in need of care and the gradual increase in service contributions are likely to be the reasons for this. A total of EUR 10.0 bill. (2009: EUR 9.9 bill.) was invested in the health care sector, with current health care expenditures amounting to EUR 277.3 bill. (2009: EUR 268.5 bill.). According to OECD data, health care expenditures in Germany rose in real terms by an average 2 % per year between 2000 and 2010, with health care expenditures in Germany rising in real terms by 2.6 % in 2010 compared with 2009 – the opposite of the situation in many other OECD countries where the growth rates of health care expenditures decelerated noticeably in the aftermath of the global economic and financial crisis or even became negative. On the basis of this development and the expenditure restrictions prescribed by law, the health care sector can be expected to have grown again in 2011 and 2012 by around 2 % in real terms.

Funding of the German Health Fund guaranteed for 2012

Above all, the good development of Germany's labour market facilitated the financing of the public health insurance funds. The revenues of the health care funds for the whole of 2012 are estimated at EUR 188.7 bill. In accordance with legal specifications, the transfers from the German Health Fund amount to EUR 185.4 bill., while the expenditure of the health insurance funds is estimated at some EUR 181.6 bill. The combined analysis of the health insurance funds and the German Health Fund revealed that the Statutory Health Insurance had already posted a surplus in the first half-year of 2012 of approximately EUR 2.2 bill. By the end of June 2012, the financial reserves of the Statutory Health Insurance reached a total of some EUR 21.8 bill., with the health insurance funds accounting for EUR 12.8 bill. of this and the German Health Fund for around EUR 9.0 bill.

Acute-care sector adversely affected by statutory remuneration regulations

The acute-care sector was adversely affected in 2012 in particular by the statutory remuneration regulations for agreed and non-agreed additional services. High discounts of up to 65 % on these services and price increases which exceeded the increases anticipated in the basis case values burdened earnings in the acute-care sector.

According to data of the German Pension Fund, the number of applications submitted for medical rehabilitation services increased less in 2012 than a year earlier, rising by only 0.1 % to 1,692,801 applications (2011: 1,690,818 applications). The number of applications for services to participate in working life climbed by 1.6 % to 403,938 applications (2011: 397,388 applications). In recent years, around two thirds of the applications were approved, thus giving an indication of the volume of services rendered in 2012 on the basis of the utilisation figures in the post-acute sector.

Number of persons employed in the health care sector has risen

In 2011 more than 4.9 million people were employed in the health care sector, around 1.8 % more than in 2010. Thus, every ninth employee in Germany is employed in the health care sector.

MediClin in 2012

In the 2012 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 seven clinics (previous year: six clinics) we provide specific acute services in addition to medical rehabilitation measures.

MediClin's range of medical services is qualified, certified and comprehensive. The main focus is placed on neuromedicine, which spans neurology, neurological early rehabilitation, neurosurgery and neuroradiology, as well as on the psychosciences (psychosomatic medicine and psychiatry) and orthopaedics. Furthermore, certain locations have special competencies in the areas of ENT (tinnitus, cochlea implants), oncology (radiotherapy) and internal medicine (e.g. cardiology, pneumology, endocrinology).

MediClin continues to operate a total of eleven medical care centres at nine locations (as of 31 December 2012). 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.

MediClin has established a good position for itself on the market in past years with its range of medical services, and has continuously expanded its capacities, always in line with demand. In 2012, decisions were again made to further expand capacities in strongly growing fields at a number of locations, or expansion work was commenced. By making these investments, MediClin is securing the future of the locations and is generating internal growth.

The proposed capacity expansions affect, for example, the location of MediClin Seepark Klinik, Bad Bodenteich, which offers specialised treatment of eating disorders and meanwhile attracts patients from the whole of Germany. In MediClin Bosenberg Kliniken, St. Wendel, the neurology area has to be expanded in order to be able to meet the high demand for neurological services in the Saarland. MediClin Klinikum Soltau, Soltau, with its acute and post-acute focus on orthopaedics, neurology and psychosomatics (post-acute), is to expand the neurology activities also to allow the Hamburg acute facilities of the Asklepios Group located in the catchment area to use the cross-sector care provision in this specialist field. The areas of orthopaedics and nursing care also show growth. Since January 2013, MediClin Seidel-Klinik in Bad Bellingen has been offering more treatment places for patients with acute illnesses of the musculoskeletal system. The integrated structure of MediClin Seidel-Klinik has contributed towards raising the number of cases. As a specialist hospital and rehabilitation facility, the hospital offers cross-sector diagnostics and therapy – this integrated treatment concept is unique and is highly sought after by referring physicians and health insurance funds. The Ministry for Social Affairs in Baden-Württemberg has consented to raise the number of beds in the state budget. At MediClin Seniorenresidenz Deister Weser in Bad Münder, patients with dementia can now be offered an extended range of special care services.

In MediClin Herzzentrum Lahr/Baden, all the restructuring measures necessary for the full realisation of the so-called team model have been completed. Heart, thorax and vascular surgery patients now receive care from a fixed, interdisciplinary team of surgeons, medical specialists and nurses during their entire hospital stay. They are assigned a fixed reference person with clear responsibilities. All in all, the new treatment structure guarantees continuity, smooth workflows and safe provision of patient care.

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 2011, the number of beds remained more or less unchanged throughout the group. In the post-acute segment, the number declined by 22 beds, in the acute segment it rose by 25 beds.

Number of beds/nursing care places

As of 31.12.	2012	2011	Change in %
Post-acute	6,181	6,203	−0.4
Acute	1,461	1,436	+1.7
Nursing care (places)	441	443	−0.5
Group	**8,083**	**8,082**	**0.0**

Net assets, financial position and results of operation

General

The reportable operating 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) are assigned to the post-acute segment. The sales and results of the medical care centres are assigned to the acute segment.

In 2012 the revised IAS19 (2011) standard "Employee Benefits" was adopted for the first time; the previous year's figures were adjusted accordingly. As regards the altered presentation of the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement and the statement of changes in equity, please refer to the explanations in the notes to the consolidated financial statements.

Summary of development in the Group and in the segments

Group sales of EUR 509.7 mill. climbed in the 2012 financial year by EUR 16.1 mill., or 3.3 %, compared with the previous year's value. The sales increase was achieved in the post-acute segment and in the nursing care business area, while sales in the acute segment were lower than in the previous year. The Group operating result amounted to EUR 4.3 mill. and was thus EUR 8.3 mill. lower than the previous year's value. The Group result after tax came to EUR –1.5 mill. As regards the development of results in the segments, the post-acute segment failed to keep up with the good result owing to a marked decline in occupancy in the second half of December 2012. Despite a higher number of cases and an increase in nursing days, the earnings decline in the acute segment already recorded in the quarterly reports continued in the fourth quarter of the 2012 financial year. The EBIT margin in the post-acute segment is 0.9 %, in the acute segment 3.6 %.

The rise in sales in the post-acute segment and in the nursing care business area can be attributed to a significant increase in occupancy compared with the previous year and to the broader range of medical and nursing care services.

In the acute segment, sales in the 2012 financial year were lower than in the previous year in spite of the increase in cases and the greater number of nursing days. One of the reasons was additional services provided in response to demand – both agreed and non-agreed – which were not remunerated or were only partially remunerated, and another reason was the restructuring measures to introduce new treatment concepts in a number of hospitals which adversely affected sales. The available capacities could not be fully exhausted in 2012.

Sales from outpatient healthcare services, including services of the medical care centres, increased in 2012. Their share in Group sales is 3.3 % (previous year: 3.2 %).

Sales development in the Group and in the segments

The consolidated sales revenues of EUR 509.7 mill. were approximately EUR 16.1 mill., or 3.3 %, higher than the previous year's value. Sales from outpatient health care services increased by EUR 1.1 mill. to EUR 17.0 mill. (previous year: EUR 15.9 mill.); of this amount, EUR 9.2 mill. (previous year: EUR 8.1 mill.) was brought in by the medical care centres.

Sales in the Group and in the segments

In millions of €	2012	2011	Change in %
Post-acute	293.0	279.3	+4.9
Acute	200.2	200.9	−0.3
Other activities and reconciliation	16.5	13.4	+23.1
Thereof nursing care	13.1	12.0	+9.2
Group	**509.7**	**493.6**	**+3.3**

In the **post-acute segment, sales** rose by EUR 13.7 mill. to EUR 293.0 mill. as a result of higher occupancy rates. The share of the segment in total sales is 57.5 %. The PlusPrograms developed for self-paying patients achieved revenues of approximately EUR 1.0 mill. (previous year: EUR 1.0 mill.).

In spite of the increase in cases and the higher number of nursing days, sales in the **acute segment** of EUR 200.2 mill. were EUR 0.7 mill. lower than the previous year's value. Without taking into account the sales contribution of the medical care centres, totalling EUR 9.2 mill. (previous year: EUR 8.1 mill.), the decline in sales would have been EUR 1.8 mill.

Due to higher occupancy in the nursing **care business area**, sales increased by EUR 1.1 mill., or 9.2 %, to EUR 13.1 mill. (previous year: EUR 12.0 mill.).

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

The number of **nursing days** provided in 2012 increased Group-wide by 3.2 %, or 79,464 days, compared to the previous year's value.

Nursing days in the Group and in the segments

In days	2012	2011	Change in %
Post-acute	1,965,807	1,904,671	+3.2
Acute	426,754	418,481	+2.0
Other activities (only nursing care)	155,117	145,062	+6.9
Group	**2,547,678**	**2,468,214**	**+3.2**

In the post-acute clinics, the number of nursing days increased by 3.2 %, or 61,136 days. The average length of stay increased slightly to 25.1 days.

In the acute-care hospitals the number of nursing days also increased, in this case by 2.0 %, or 8,273 nursing days. The length of stay in this segment remained unchanged at 9.9 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 2012 was 7.8 days (previous year: 8.0 days).

Compared with 2011, the number of **cases** climbed in the Group by a total of 2,026 cases. In the post-acute segment, the number of cases increased by 1,245 cases (+1.6 %); in the acute segment, the number increased by 781 cases (+1.8 %).

The nursing care business area is not included in the case reporting.

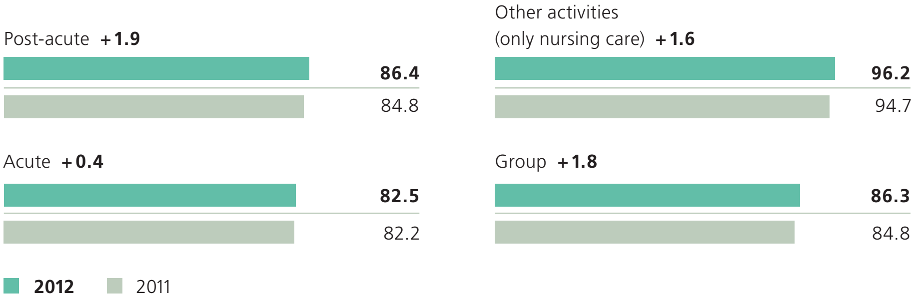
Cases in the Group and in the segments

In cases	2012	2011	Change in %
Post-acute	78,430	77,185	+1.6
Acute	43,057	42,276	+1.8
Group (without nursing care)	**121,487**	**119,461**	**+1.7**

Occupancy rates in the Group and in the segments

In the 2012 financial year, the Group achieved an occupancy rate of 86.3 %, which corresponded to an increase of 1.8 % compared with the previous year (previous year: 84.8 %).

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



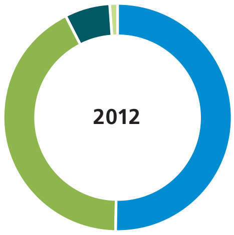
Development of the coverage provider structure

Social security pension funds and public health insurance funds still accounted for more than 90 % of the total occupancy days in the 2012 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 avoiding 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.

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

	2012	2011
Public health insurance funds	**50.9**	52.5
Social security pension funds	**42.7**	40.7
Private health insurance companies	**6.0**	6.1
Other coverage providers	**0.4**	0.7



Development of earnings in the Group and in the segments

Given the great significance of the rent and financing structure of MediClin and to simplify comparisons with other companies of the sector, the operating result (gross result) has also been shown in terms of EBITDAR (earnings before interest, taxes, depreciation, amortisation and rent).

In 2012 EBITDAR was EUR 66.2 mill. at a margin of 13.0 % (previous year: EUR 72.8 mill. at a margin of 14.7 %).

The **consolidated operating result** (earnings before interest and taxes) amounted to EUR 4.3 mill. in 2012, which was EUR 8.3 mill. below the previous year's level.

Group and segment results from operating activities

In millions of €	2012	2011
Post-acute	2.6	2.8
Acute	7.2	15.5
Other activities and reconciliation	–5.5	–5.7
Group	**4.3**	**12.6**

Despite the positive sales development, the result in the **post-acute segment** declined slightly in response to higher costs, from EUR 2.8 mill. to EUR 2.6 mill.

The **acute segment** result fell during the reporting year by EUR 8.3 mill. to EUR 7.2 mill. In the course of the financial year, bed capacity in the acute segment was raised in a total of four facilities. The newly created capacities are being successively occupied. In the years ahead, the occupancy rate of these additional capacities is expected to rise.

In 2012, the **result attributable to shareholders of MediClin AG** was EUR –1.4 mill., as compared to EUR 3.1 mill. for the previous year.

Development of net assets

Balance sheet structure

In millions of €	31.12.2012	In % of balance sheet total	31.12.2011	In % of balance sheet total
Assets				
Non-current assets	222.3	69.5	213.1	64.7
Current assets	97.3	30.5	116.3	35.3
	319.6	**100.0**	**329.4**	**100.0**
Equity and liabilities				
Equity	157.0	49.1	162.3	49.3
Non-current liabilities	112.4	35.2	62.9	19.1
Current liabilities	50.2	15.7	104.2	31.6
	319.6	**100.0**	**329.4**	**100.0**

The **balance sheet total** decreased by 3.0 %, or by EUR 9.8 mill., as compared to the previous year. This decrease, as compared to the previous year's balance sheet date, is primarily attributable to lower cash and cash equivalents, and, at the same time, lower liabilities to banks.

Non-current assets, including deferred tax assets, increased by EUR 9.2 mill. to EUR 222.3 mill. (previous year: EUR 213.1 mill.). Intangible assets decreased from EUR 52.0 mill. to EUR 50.9 mill. These include concessions, licences and goodwill from the acquisition of clinic operations, as well as payments on account.

Gross additions of EUR 1.1 mill. divide up between concessions and licences (EUR 1.0 mill.), which were exclusively for software, and payments on account (EUR 0.1 mill.). After a value adjustment totalling EUR 0.8 mill. on the goodwill of four medical care centres, the overall goodwill on the balance sheet date was EUR 49.3 mill. (previous year: EUR 50.1 mill.).

Property, plant and equipment increased by EUR 7.0 mill. to EUR 161.6 mill. (previous year: EUR 154.6 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 26.0 mill. and primarily relate to the 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 15.2 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 increased from EUR 4.6 mill. to EUR 5.7 mill., with the increase largely attributable to the change in pension provisions in accordance with IAS 19 (2011) (EUR 1.3 mill.). In addition, there is the tax loss carryover for the Kraichgau-Klinik AG of EUR 0.4 mill.

Current assets decreased by EUR 19.0 mill. to EUR 97.3 mill. (previous year: EUR 116.3 mill.). At EUR 7.2 mill., inventories were slightly higher than the previous year's level (previous year: EUR 6.8 mill.). Trade receivables increased by EUR 1.7 mill. to EUR 59.8 mill. (previous year: EUR 58.1 mill.). Other assets decreased by EUR 2.4 mill. to EUR 7.4 mill. (previous year: EUR 9.8 mill.). The recognition of receivables pursuant to the hospital financing law (KHG) is based on the settlement system commonly applied in the sector. As of 31 December 2012, receivables totalling EUR 2.0 mill. (previous year: EUR 3.0 mill.) were reported in accordance with the hospital financing law.

On the balance sheet date, cash and cash equivalents totalled EUR 22.9 mill. (previous year: EUR 41.3 mill.) in the reporting year.

The **equity** of the MediClin Group, as of 31 December 2012, amounted to EUR 157.0 mill. (previous year: EUR 162.3 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 112.4 mill. (previous year: EUR 62.9 mill.). This is primarily attributable to higher liabilities to banks (EUR +44.5 mill.).

Deferred tax liabilities increased from EUR 2.8 mill. to EUR 3.3 mill.

Current liabilities decreased by EUR 54.0 mill. to EUR 50.2 mill. (previous year: EUR 104.2 mill.). The decrease predominantly resulted from decreases in liabilities to banks and insurance companies (EUR – 58.4 mill.) in conjunction with a simultaneous increase in trade payables. On the balance sheet date, trade payables were EUR 17.3 mill. (previous year: EUR 14.6 mill.).

The increase in non-current liabilities by EUR 49.5 mill. and corresponding decrease in current liabilities by EUR 54.0 mill. reveal in particular the effects of the repayment of fixed-interest loans of EUR 61.4 mill. to three insurance companies, two of which are shareholders, as of 16 February 2012 and the subsequent refinancing through a syndicated loan of EUR 50.0 mill.

Development of the financial position

The **cash flow from operating activities** increased to EUR 16.2 mill. in the 2012 financial year (previous year: EUR 15.6 mill.).

The **cash flow from investing activities** totalled EUR – 24.9 mill. in gross terms (previous year: EUR – 27.6 mill.). Investments of EUR 23.7 mill. were made in property, plant and equipment (previous year: EUR 26.5 mill.). Overall, the cash flow from investing activities totalled EUR – 20.4 mill. in net terms (previous year: EUR – 22.2 mill.).

The **cash flow from financing activities** amounted to EUR –14.2 mill. (previous year: EUR 4.0 thou.). The outflow of funds in the 2012 financial year resulted from the repayment of current financial liabilities (EUR – 66.7 mill.). This is offset by an accrual of EUR 52.5 mill. from taking up non-current financial liabilities.

Cash and cash equivalents at the end of the period totalled EUR 22.9 mill. (previous year: EUR 41.3 mill.).

Development of results of operation

In the reporting year, MediClin generated Group sales of EUR 509.7 mill. as compared to EUR 493.6 mill. in the previous year. Sales were thus EUR 16.1 mill., or 3.3 %, above the previous year's value.

With an operating result of EUR 4.3 mill., the previous year's value could not be attained (previous year: EUR 12.6 mill.). The EBIT margin (earnings before interest and taxes) for the reporting year was 0.8 %, as compared to 2.5 % for the previous year.

At EUR 7.9 mill., **other operating income** was EUR 4.5 mill. below the previous year's value (previous year: EUR 12.4 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 2012 by EUR 0.7 mill. to EUR 111.2 mill. The cost of raw materials and supplies of EUR 62.4 mill. in 2012 remained at the previous year's level (previous year: EUR 62.4 mill.), while the cost of purchased services, including energy costs, rose by 1.5 % to EUR 48.8 mill. (previous year: EUR 48.0 mill.). The cost of materials ratio improved slightly by 0.6 percentage points from 22.4 % to 21.8 %.

Raw materials and consumables used

	2012	2011	Change in %
Raw materials and consumables used in millions of €	111.2	110.4	+0.7
Cost of materials ratio in %	21.8	22.4	

In the 2012 financial year, **staff costs** increased by a total of EUR 290.4 mill. The size of the workforce in 2012, as calculated in full-time employees, was on average 157 full-time employees above the average for 2011. 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 0.9 percentage points as compared to the previous year.

Staff costs

	2012	2011	Change in %
Staff costs in millions of €	290.4	276.9	+4.8
Staff costs ratio in %	57.0	56.1	

Depreciation and amortisation increased by EUR 0.6 mill. as compared to the previous year to EUR 17.3 mill. (previous year: EUR 16.7 mill.).

The **other operating expenses** increased by EUR 5.2 mill. to EUR 94.5 mill. The increase is primarily due to higher rental costs, maintenance and repair costs as well as legal and advisory costs.

The **financial result** of EUR –5.0 mill. was EUR 1.6 mill. below the previous year's level (previous year: EUR –6.6mill.). Other financial revenues amounted to EUR 0.2 mill. (previous year: EUR 0.5 mill.), and other financial costs totalled EUR 5.2 mill. (previous year: EUR 7.1 mill.). The decline in interest and similar expenses by EUR 1.9 mill. is essentially attributable to the refinancing activities carried out in February 2012. Of the interest expenses, a total of EUR 0.3 mill. (previous year: EUR 3.5 mill.) concerns payments to related parties in accordance with IAS 24.

In the 2012 financial year, the **consolidated result attributable to shareholders of MediClin AG** was EUR –1.4 mill. (previous year: EUR 3.1 mill.). Undiluted and diluted earnings per average share outstanding, and per participating share as well, were EUR –0.03 (previous year: EUR 0.06).

Capital expenditure

In 2012, investments were made in fixed asset items totalling a gross amount of EUR 27.3 mill. (previous year: EUR 29.9 mill.).

Licences and concessions relate almost exclusively to software. Investments in goodwill of EUR 30 thou. concern the purchase of a medical care centre in Plau am See. With the exception of goodwill and medical practice equipement, no other assets or liabilities were acquired from medical practice owners.

The addition to land and buildings concerns the reconstruction of Herzzentrum Lahr (EUR 1.0 mill.), the reconstruction and new contruction measures at Krankenhaus Plau (EUR 0.7 mill.), and the reconstruction of Reha-Zentrum Bad Düben (EUR 0.3 mill.). Other capital expenditure on land and buildings of EUR 1.1 mill. concerns several facilities.

A total of EUR 20.8 mill. was invested in technical, appliances as well as operating and office equipment, with medical equipment and accessories accounting for EUR 9.1 mill. of this amount. These purchases include a linear accelerator worth EUR 1.2 mill., an angiography system worth EUR 0.6 mill., ultrasonic scanners worth EUR 0.7 mill., an MRT (magnetic resonance tomography) system and a heart catheter measuring station, both including accessories and worth EUR 0.9 mill. each, operating equipment worth EUR 0.9 mill. and exercise therapy equipment worth EUR 0.4 mill.

Approximately EUR 3.1 mill. flowed into equipment for patient rooms, treatment rooms and office rooms, EUR 1.5 mill. into the modernisation and expansion of EDP and telecommunications systems, and EUR 0.6 mill. into furnishings for kitchens, service rooms and cafeterias. EUR 0.4 mill. flowed into the modernisation of telephone, luminous call and nurse call systems and EUR 0.5 mill. into new elevator systems. The remaining EUR 5.6 mill. encompasses a range of smaller investments at various facilities.

Payments on account and assets under construction of EUR 2.2 mill. essentially concern prepayments for the new construction of the acute ward in Röbel of EUR 0.8 mill., the reconstruction of the operation rooms in the MediClin Herzzentrum Coswig and the reconstruction measures carried out at the Reha-Zentrum Hahnberg, the Bosenberg Klinik and the Reha-Zentrum Spreewald in a total amount of EUR 0.4 mill. The remaining EUR 0.5 mill. concern prepayments made by several hospital for technical and medical systems, reconstruction measures and installations.

Additions to financial assets primarily relate to a rate cap agreement and the reinsurance values for pensions.

Gross additions to non-current assets

In thousands of €	2012	2011
Licences, concessions	1,040	1,456
Goodwill	30	175
Land, buildings	3,060	10,804
Technical equipment, EDP	5,530	1,226
Operating and office equipment	15,243	13,445
Payments on account and assets under construction	2,243	2,785
Financial assets	198	47
Total	**27,344**	**29,938**

Strategy

MediClin's strategic goal is to provide integrated medical care across the entire treatment chain on a group-wide basis. This means both linking up the locations in the outpatient, inpatient and subsequent-inpatient sector so as to ensure high-quality medical services within the community and, for special medical indications, achieving close, cross-sector cooperation throughout the entire country. This is because the rigid borders between outpatient healthcare, acute hospitals and rehabilitation clinics are man-made and – compounded by the various remuneration structures – prevent smooth collaboration between the individual sectors.

To achieve this goal, the facilities of the group actively sound out local and specialist markets for suitable cooperation partners. Suitable cooperation partners are facilities which complement the MediClin spectrum of services, registered physicians and coverage providers. All partners must be convinced of the efficiency of the MediClin facilities, a task jointly undertaken by the business management and medical management staff of the MediClin hospitals.

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,
- nationwide integrated medical care for special medical indications,
- 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 are centralised. In the 2012 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, controlling, quality management, risk management, publicity work, purchasing, training and further 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 Energie GmbH
  Trade and energy generation, operation of the equipment and cable systems required for this, maintenance and repair of own as well as third-party equipment and cable systems

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 2012, calculated on the basis of full-time staff, was 6,256 (previous year: 6,099 full-time staff).

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

Shown in full-time employees	2012	2011	Change
Post-acute	3,189	3,251	−62
Acute	2,005	1,979	+26
Other activities	1,062	869	+193
Thereof nursing care	169	158	+11
Thereof service (including administration)	893	711	+182
Group	**6,256**	**6,099**	**+157**

In the reporting year, sales per full-time employee rose by EUR 555 and thus at a weaker rate than average staff costs per full-time employee (EUR +1,007).

Key data per full-time employee in the Group

In €	2012	2011
Sales per full-time employee	81,480	80,925
Staff costs per full-time employee	46,416	45,408

The Group employed an average of 212 trainees in 2012 (previous year: 208 trainees).

Segment reporting

MediClin was able to increase sales revenues in the post-acute and other activities segments in the 2012 financial year.

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 2012 in the post-acute segment, 40.0 % (previous year: 41.9 %) of segment revenues were attributable to the public health insurance funds, and 50.8 % (previous year: 48.4 %) 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 92.8 % (previous year: 92.5 %).

The share of the post-acute segment in Group sales was 57.5 % (previous year: 56.6 %); the share of the acute segment was 39.3 % (previous year: 40.7 %).

In millions of €	Sales			Segment result	
	2012	2011	Change in %	**2012**	2011
Post-acute	293.0	279.3	+4.9	2.6	2.8
Acute	200.2	200.9	−0.3	7.2	15.5
Other activities[1] and reconciliation	16.5	13.4	+23.1	−5.5	−5.7
Group	**509.7**	**493.6**	**+3.3**	**4.3**	**12.6**

[1] Nursing care and service business areas

Sales in the **post-acute segment** rose by 4.9 %, or EUR 13.7 mill. The segment result of EUR 2.6 mill. is less than the previous year's value. The PlusPrograms developed for self-paying patients achieved revenues of approximately EUR 1.0 mill. in the reporting year. The EBIT margin was 0.9 % (previous year: 1.0 %).

In its post-acute segment, MediClin offers services in the fields of both 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.

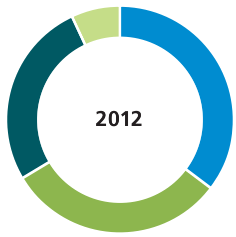
In nursing days	2012	2011	Change in %	Share 2012 in %
Subsequent nursing treatment	1,213,370	1,213,682	+0.0	61.7
Curative treatment	724,601	640,547	+13.1	36.9
Other	27,836	50,442	−44.8	1.4
Post-acute segment	**1,965,807**	**1,904,671**	**+3.2**	**100.0**

In 2012 the share of subsequent nursing treatment totalled approximately 62 % (previous year: approximately 64 %) of all rehabilitative services furnished in the post-acute segment, calculated in nursing days.

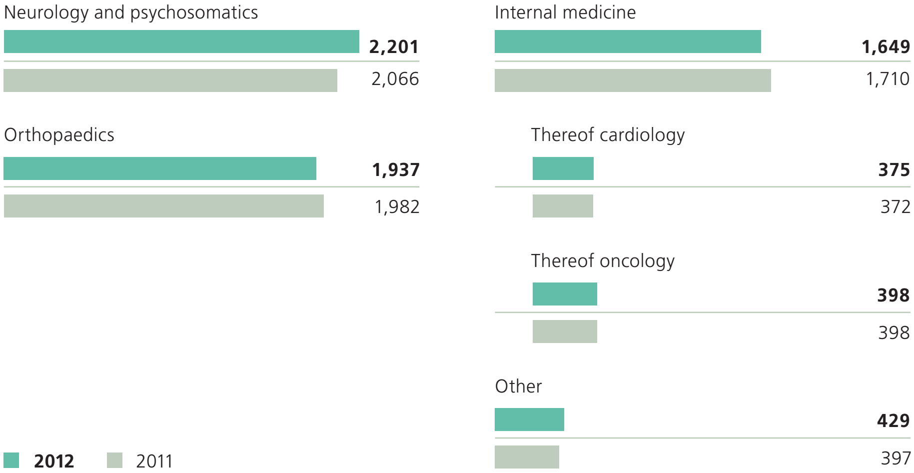
The average number of beds in the post-acute segment increased by a total of 61 beds as compared to 2011. MediClin's three largest medical fields continue to be orthopaedics, neurology and psychosomatic medicine and internal medicine. Their share of the total average number of beds (6,216 beds) amounted to 93.1 % (previous year: 93.6 % / 6,155 beds). The number of beds on the reporting date decreased by 22 beds (31.12.2012: 6,181 beds; 31.12.2011: 6,203 beds).

Yearly average of number of beds
in %

Neurology and psychosomatics	**35.4**
Orthopaedics	**31.2**
Internal medicine	**26.5**
Other	**6.9**



Yearly average of number of beds



An annual average of 3,189 full-time staff were employed in the post-acute segment (previous year: 3,251 full-time staff).

A total of EUR 9.8 mill. (previous year: EUR 17.3 mill.) was invested in this segment.

Sales in the **acute segment** decreased by 0.3 % or EUR 0.7 mill. At EUR 7.2 mill., the result was EUR 8.3 mill. less than the previous year's value (previous year: EUR 15.5 mill.).

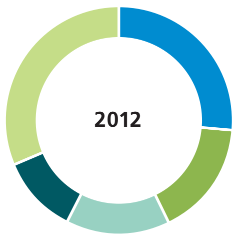
The segment EBIT margin totalled 3.6 % (previous year: 7.7 %).

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 68.8 % (previous year: 69.3 %).

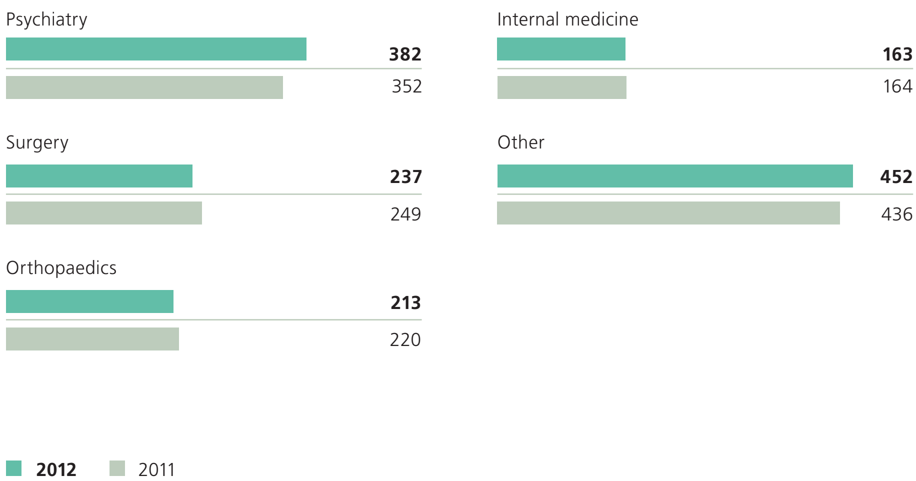
The number of beds increased by 26 beds as an average value; on the reporting date, the average number of beds increased by 25 beds (31.12.2012: 1,461 beds; 31.12.2011: 1,436 beds).

Yearly average of number of beds
in %

Psychiatry	**26.4**
Surgery	**16.4**
Orthopaedics	**14.7**
Internal medicine	**11.3**
Other	**31.2**



Yearly average of number of beds



An annual average of 2,005 full-time staff were employed in the acute segment (previous year: 1,979 full-time staff).

A total of EUR 15.9 mill. (previous year: EUR 12.0 mill.) was invested in the segment in 2012.

The **other activities segment** recorded sales of EUR 52.5 mill. (previous year: EUR 40.2 mill.) in 2012. The nursing care business area achieved sales of EUR 13.1 mill. (previous year: EUR 12.0 mill.). The number of places as of 31 December 2012 decreased as compared to the previous year's balance sheet date to 441 places (31.12.2011: 443 places).

Altogether, an average of 1,062 full-time employees (previous year: 869 full-time employees) served in the other activities segment in 2012, which represents an increase of 22.2 %.

A total of 169 full-time employees (previous year: 158 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 €	31.12.2012	In % of balance sheet total	31.12.2011	In % of balance sheet total
Assets				
Non-current assets	235.3	92.2	236.4	87.6
Current assets	20.0	7.8	33.4	12.4
	255.3	**100.0**	**269.8**	**100.0**
Equity and liabilities				
Equity	196.5	77.0	194.6	72.1
Non-current liabilities	52.0	20.4	6.7	2.5
Current liabilities	6.8	2.6	68.5	25.4
	255.3	**100.0**	**269.8**	**100.0**

The **balance sheet total**, structured according to IFRS regulations, is EUR 14.5 mill. less than in the previous year.

The increase in non-current liabilities and corresponding decrease in current liabilities reveal in particular the effects of the repayment of fixed-interest loans of EUR 61.4 mill. to three insurance companies as of 16 February 2012 and the subsequent refinancing of EUR 50.0 mill. A syndicated loan was taken out to refinance this.

Development of results of operation

MediClin AG recorded no sales for the reporting year.

Other operating income at MediClin AG essentially comprises income from management services, which remained unchanged compared with the previous year at EUR 146 thou., and income from the release of provisions (2012: EUR 114 thou.; previous year: EUR 71 thou.) which primarily relate to legal and consultancy expenses (2012: EUR 80 thou.; previous year: EUR 8 thou.), expenses for the annual financial statements (2012: EUR 23 thou.; previous year: EUR 50 thou.) and provisions for other open accounts (2012: EUR 9 thou.; previous year: EUR 0 thou.).

Other operating expenses essentially comprise auditing and consultancy costs (2012: EUR 783 thou.; previous year: EUR 827 thou.). Further operating expenses include other administrative expenses (2012: EUR 333 thou.; previous year: EUR 390 thou.), which are primarily attributable to Supervisory Board costs (2012: EUR 211 thou.; previous year: EUR 253 thou.), costs of the Annual General Meeting (2012: EUR 68 thou.; previous year: EUR 70 thou.) and incidental costs of monetary transactions (2012: EUR 51 thou.; previous year: EUR 61 thou.). They also contain expenses for print media (2012: EUR 158 thou.; previous year: EUR 291 thou.), insurance costs (2012: EUR 99 thou.; previous year: EUR 93 thou.), rents and leases (2012: EUR 57 thou.; previous year: EUR 54 thou.) and other costs.

The financial result of MediClin AG for the 2012 financial year covers advance dividends for the 2012 result of EUR 6.3 mill. (previous year: EUR 10.8 mill.; share for 2010: EUR 0.6 mill.), interest and similar income totalling EUR 1.6 mill. (previous year: EUR 1.8 mill.) and interest and similar expenses totalling EUR 2.2 mill. (previous year: EUR 4.4 mill.).

MediClin AG generated a net profit of EUR 1.9 mill. in the 2012 financial year (previous year: EUR 3.3 mill.).

The number of employees was three on annual average (previous year: four 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 2013 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 comprises a fixed salary, a variable profit-sharing bonus approved by the Supervisory Board and a pension commitment for Frank Abele and Dr. Ulrich Wandschneider.

The fixed salary is paid out as a monthly salary. The profit-sharing bonus is contingent upon the attainment of specific targets and consists of two profit-sharing bonus components. For the Chairman of the Management Board, the profit-sharing bonus component I amounts to a maximum 70 % of the contractually defined profit-sharing bonus and is based on the performance indicator EBITDAR (earnings before interest, taxes, depreciation and rent). The profit-sharing bonus component II amounts to a maximum 30 % of the contractually defined profit-sharing bonus and is based on qualitative criteria.

MediClin subsidises the pension insurance policies signed for Frank Abele and Dr. Ulrich Wandschneider on account of pension commitments by an annual amount of a maximum EUR 60 thou. The subsidisation of the pension commitments for Dr. Ulrich Wandschneider was made on a pro rata basis for 2012.

Since 1 June 2012, Jens Breuer has been Chief Financial Officer of MediClin AG.

A fixed salary was agreed for Jens Breuer of EUR 220 thou. p.a. and a variable remuneration, which consists of a short term incentive (STI) of a maximum EUR 120 thou. p.a. and a long-term incentive of a maximum EUR 120 thou. for three years (corresponds to a maximum EUR 40 thou. p.a.) which, depending on performance, is determined by the Supervisory Board. The Supervisory Board can resolve to pay an additional voluntary profit-sharing bonus to a member of the Management Board for special achievements and contingent upon the economic success of MediClin AG.

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. No severance payment was agreed in the case of Dr. Ulrich Wandschneider's resignation.

Compensation totalling EUR 1.2 mill. was paid to the Management Board in the 2012 financial year (previous year: EUR 1.8 mill.) which divided up as follows:

In € 2012	Dr. Ulrich Wandschneider	Frank Abele	Jens Breuer	Management Board (total)
Fixed remuneration	105,000	350,000	128,333	583,333
Variable remuneration, STI and LTI inclusive of change in provisions for variable remuneration, STI and LTI	–	450,000	93,333	543,333
Subsidy retirement pension	25,000	60,000	–	85,000
Other remuneration components	3,933	9,438	4,368	17,739
Total	**133,933**	**869,438**	**226,034**	**1,229,405**

In € 2011	Dr. Ulrich Wandschneider	Frank Abele	Management Board (total)
Fixed remuneration	392,000	308,000	700,000
Variable remuneration inclusive of 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**

Owing to the changes in the Management Board, the Supervisory Board has adjusted the compensation and the compensation rules to the new circumstances.

Dr. Ulrich Wandschneider, since 1 November 2011 Chairman of the Management Board of Asklepios Kliniken GmbH and Chairman of the Management Board of the Asklepios Group, resigned his post as Chairman of the Management Board of MediClin AG as of 31 May 2012. Since 10 November 2011 Frank Abele, until then Chief Financial Officer of MediClin AG, has been Chairman of the Management Board.

The Management Board salaries were therefore newly regulated at the Supervisory Board meeting on 10 November 2011. From November 2011, the fixed salary of Dr. Ulrich Wandschneider was reduced to 60 % of the previous fixed compensation and the variable performance bonus was eliminated. For 2011 the variable remuneration was awarded on a pro rata basis for a period of eleven months. The pension subsidy remains unchanged. Due to his new tasks as Chairman of the Management Board, the fixed salary of Frank Abele was raised in 2011 to EUR 350 thou. p.a. and the profit-sharing bonus was fixed at EUR 450 thou.

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, the Management Board members Dr. Ulrich Wandschneider and Frank Abele were each granted a share appreciation right in the 2009 financial year. The incentive agreement was prematurely rescinded with effect from 31 December 2011. The members of the Management Board were each paid 75 % of the agreed maximum profit sharing bonus as a settlement. The amount shown in the compensation table for 2011 relates to the increase in the provision accumulated to date to these disbursement amounts (Dr. Ulrich Wandschneider altogether EUR 337.5 thou., Frank Abele altogether EUR 225.0 thou.). The amounts were paid out in 2012.

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

Supervisory Board compensation

The Articles of Incorporation govern compensation for the Supervisory Board. The currently valid compensation regulation for the Supervisory Board was adopted by the Annual General Meeting 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 thou. for each Supervisory Board member, payable after the close of the financial year. In addition, each member receives the amount of EUR 3 thou. 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 thou. The payment is effected after the conclusion of the Annual General Meeting, which decides on the allocation of profits for the financial year for which the compensation 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 compensation 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 2012 no performance-based (variable) compensation was paid out (previous year: EUR 36 thou.) as the Annual General Meeting of 23 May 2012 resolved not to pay out a dividend for the 2011 financial year.

In € excluding VAT	Remuneration	Performance-based remuneration	**Total 2012**	Total 2011
Dr. Jan Boetius (Chairman until 31.05.2012)	10,167	–	10,167	27,500
Dr. Ulrich Wandschneider (Chairman since 01.06.2012)	13,833	–	13,833	–
Hans Hilpert (Vice Chairman)	16,598	–	16,598	21,500
Michael Bock	12,750	–	12,750	18,000
Dr. Daniel von Borries	14,546	–	14,546	19,250
Gerd Dielmann (until 19.09.2012)	8,904	–	8,904	16,500
Prof. Dr. Erich Donauer (until 19.09.2012)	10,232	–	10,232	18,250
Walburga Erichsmeier (since 20.09.2012)	3,642	–	3,642	–
Dr. Tom Giesler (since 20.09.2012)	3,642	–	3,642	–
Uwe Rohde (until 19.09.2012)	9,982	–	9,982	17,000
Carsten Heise	14,250	–	14,250	17,000
Stephan Leonhard (since 01.01.2012)	15,954	–	15,954	–
Dr. Jochen Messemer	12,250	–	12,250	16,000
Klaus Müller	13,296	–	13,296	17,000
Thomas Müller (since 20.09.2012)	3,695	–	3,695	–
Dr. Hans Rossels (until 31.12.2011)	–	–	–	14,250
Udo Rein (until 19.09.2012)	7,936	–	7,936	14,000
Eleonore Seigel (since 20.09.2012)	3,642	–	3,642	–
Total	**175,319**		**175,319**	**216,250**

As in the 2011 financial year, there were no loans extended to members of the Supervisory Board in the 2012 financial year. 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, and 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 MediClin facilities and the central specialist areas and departments.

Organisationally, risk management is part of the central quality, organisation and auditing department, which is also responsible for developing 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,
- reporting and benchmark systems in the operational area.

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

Under the provisions of 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. On the one hand, it guarantees an efficient financial reporting process, and on the other hand, it 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 possess 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 as well as the equity recorded in the consolidated balance sheet and debt capital.

The equity ratio is used as an important key figure vis-à-vis investors, analysts, banks and rating agencies. As a listed company, the possibility exists of managing the capital structure by means of an appropriate dividend disbursement policy, by the issuance of new shares and by acquiring own shares if authorised by the Annual General Meeting. Other measures to manage the ratios include liquidity optimisation through sale-and-leaseback transactions.

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 2012

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 2012 risk inventory, a total of 439 risk reports, 48 opportunity reports and 18 trend reports were submitted by the medical facilities and corporate departments of MediClin.

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 2012 two new risks were identified on a Group level, two risks from the previous year were removed. Additionally, the assessment of six 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 18 trend reports submitted for the 2012 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 48 opportunity reports included in this year's risk inventory could be summarised into seven main categories. In the context of analysis, the following relevant areas emerged:

- Opportunities arising from the expansion of the portfolio at the facility level
- Opportunities arising from building up and expanding bed capacities
- Opportunities arising from cooperations with facilities of the Asklepios Group

- Opportunities arising from cooperations with other service suppliers
- Opportunities arising from optimising the procedures for staff recruitment
- Opportunities arising from establishing profession-oriented medical rehabilitation (MBOR)
- 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 and are causing costs in the health care sector to rise.

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 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.

Within the context of subsequent nursing treatment, post-acute hospitals as well as specialist hospitals, for example cardiac centres, mostly receive their referrals from conservative or operative acute hospitals. The acquisition of a strategically important coverage provider by a public or private hospital operator or the merger between regional coverage providers can have negative consequences for the occupancy of MediClin facilities. This is especially the case for the post-acute hospitals of MediClin with high subsequent nursing treatment occupancy and for the specialist hospitals of MediClin.

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 remain inestimable at the current time and could have negative effects on the revenue development in the coming years.

In psychosomatic rehabilitation, the majority of the measures are borne by the social security pension funds. Demand for psychosomatic rehabilitation remains high so that waiting lists can be expected to increase and the costs for the coverage providers to rise. The usual length of stay for inpatient measures was limited in 2011 to four weeks or six weeks. In April 2012 a standard limitation on the usual length of stay was defined by the German pension insurance of five weeks which is only authorized in this amount. This amendment highlights the flexible response of the German pension insurance when determining the usual lengths of stay.

General legal conditions

The assessment of the valuation of physicians' fee contracts for the purposes of classification under social insurance law (keyword: bogus self-employment) is partially contentious from the social insurance providers' perspective, with jurisdiction yet to pass any definitive ruling. The key factors determining whether social security contributions must be paid are the overall picture of the work carried out and the resultant assessment of the criteria that define self-employment and dependent employment.

With the labour market situation in some regions tight, physicians' fee contracts are an important instrument for the provision of labour services. New fee contracts are examined by the German pension insurance on the basis of an established procedure. The assumption is that such fee contracts rule out the possibility of bogus self-employment and of payments of social insurance contributions having to be made in arrears as a result of this. This was also confirmed by an audit of the social security funds in 2011.

The increasing division of labour in the provision of health care services is spurring discussion over the health care services which are subject to VAT and those exempt from VAT. The assessment of specific services as subject to VAT creates an additional burden for MediClin due to the fact that no input tax is deducted. Furthermore, as part of the efforts to harmonise antitrust trade laws, attempts are being made at European Union level to put an end to the possibility, exclusive to Germany as well as to the whole of Europe, of creating a tax group for VAT purposes. For the moment, however, we are unlikely to see any changes to the obligation to pay VAT at federal level as well as to antitrust regulations at European Union level.

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 segments and in the Group through services related to nursing care and self-payment programmes and through a realignment of the range of services in the demand-strong medical specialist areas. 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 subsection "Development of net assets" in the section "Net assets, financial position and results of operation").

Opportunities

Growth prospects

MediClin anticipates that growth in the health care market will, primarily, be driven by demographics. This applies to the acute sector, to the post-acute sector and particularly to the nursing care sector. As a result of the strained financial situation in governmental budgets, the market share of private operators will increase in the acute sector and 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" Ausgabe 2: "Altersgerechte Arbeitsgestaltung" (Age-Appropriate Working World Edition 2: Age-Appropriate Work Structuring), published in January 2013 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 65-year-olds who were employed in 2000 was 37.5 %, while in 2011 the proportion of the same age group in the labour force was 59.6 %. The employment rate for 60- to 65-year-olds has risen from 19.9 % to 44.0 %. Everything indicates that the working lifetime will extend 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.

Opportunities for growth exist in the years ahead. MediClin's opportunity management plans to increase sales revenues through internal growth 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.

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.

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 2012 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. MediClin wants to do so at a place that is easily accessible and is therefore posting the declaration on the company's 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 and the corporate governance report.

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

"We declare that the Company received appropriate compensation for all legal transactions in the 2012 financial year 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

Since 1 January 2013 there have been no occurrences of events of particular significance which MediClin believes could have a material impact on the group's net assets, financial position and results of operations.

The German economy should post stronger growth in 2013 than in the previous year

In its 2013 Annual Economic Report, the German government expects the German economy to grow successively more strongly than the average economic growth forecast for the eurozone. Domestic demand should account for a large share of this growth as the markets in the eurozone to which German goods are exported will remain weak. This scenario is confirmed in the monthly report of the Deutsche Bundesbank for February 2013 which forecasts economic expansion for the first quarter of 2013. All in all, the forecasts of the German government and the economic research institutes on the development of German gross domestic product in 2013 lie at between +0.3 % and +0.9 %.

As regards the labour market, the German government expects unemployment in 2013 to remain more or less at the level of the previous year. Sound employment development and stable prices are viewed as an opportunity to favourably influence the economic development and strengthen the belief of consumers and investors in a further economic upswing.

In 2012 the government budget recorded a balanced financing position. The German government is keeping to its growth-oriented consolidation course with its 2013 government budget and the financial budget until 2016. The German government will already achieve its goal of a structural deficit of at least 0.35 % of GDP in 2013, i.e. three years earlier than prescribed by the Basic Law. In a resolution to be passed in March 2013 on the key figures for the 2014 government budget, the cabinet will stipulate that from 2014 the government is to prepare its budget without a structural deficit.

The greatest risk in 2013 is the ongoing debt crisis in a number of eurozone countries. At the moment it looks as though the financial sector will remain stable and that the economic expectations in Germany and the eurozone will remain positive. Provided the labour market remains stable and further progress is achieved in budget consolidation, demand for medical services are not expected to perceptibly decline but at the same time the privatisation wave in the health care sector is unlikely to accelerate.

New legal regulations in 2013 primarily affecting the nursing care sector

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: in 2011 a good 4.9 million people were employed in this sector, and the trend is rising.

But it is also an industry continuously faced with statutory amendments which are aimed at altering the financing structure in such a way as to create cost savings.

The following new regulations will become effective in the health care and nursing care sector in 2013:

- On 29 October 2012, the Act on the Reorientation of Nursing Care Insurance was proclaimed in the Federal Law Gazette (Bundesgesetzblatt). Besides regulating the provision of basic nursing care and domestic services, this new act also introduces services into the nursing care insurance which for the first time cover a much-needed range of outpatient healthcare to cater in particular for handicapped people and their dependents, but most notably for people suffering from dementia and their dependents. At the same time, considerably more financial funds have been assigned to pay for these services. With the increase in the contribution rate by 0.1 percentage points as of 1 January 2013, it will be possible to finance these service improvements. The general contribution rate for nursing care insurance increases from 1.95 % of earnings subject to contribution payments to 2.05 % (childless persons: 2.3 %). Private supplementary nursing care insurance, which fulfils specific statutory specifications, is to be state-subsidised. The insurance companies will be able to apply for the subsidy for the first time retroactively for 2013 at the beginning of 2014.
- Nursing care services for handicapped persons are to be improved by the Act on the Resident Care Requirement in Inpatient Preventive Medical and Rehabilitation Institutions ("Assistenzpflegebedarf in stationären Vorsorge- oder Rehabilitationseinrichtungen" – "Assistenzpflegegesetz"). As of 1 January 2013, the entitlement to resident care support is to be extended to encompass inpatient treatment in preventive medical and rehabilitation institutions. Until now carers of handicapped persons in great need of nursing care could only be admitted for inpatient treatment in hospitals.
- The payment system for psychiatric and psychosomatic facilities (PsychEntgeltgesetz) aims to create a fairer system of payments between the facilities by gradually replacing the daily hospital rate by a performance-oriented daily fee calculated on the basis of empirical data. The payment system will be introduced as part of a learning system with a four-year introduction phase (budget-neutral phase from 2013 to 2016) and a five-year transition phase (convergence phase from 2017 to 2021). In the budget-neutral phase, no profits or losses are to be accrued for the facilities as a result of

using the new payment system. For the years 2013 and 2014 the psychiatric and psychosomatic institutions are free to decide whether to make use of the new payment system (option years). The adoption of the system is only mandatory for all facilities from 2015.

- The discount for additional services introduced within the context of hospital financing has been limited to the years 2013 and 2014. Its amount is to be fixed and the effect of the discount for extra services for the year 2013 extended into the year 2014. In 2015 the discount for extra services will then be adjusted; from then onwards, volume management is to be conducted on the basis of a statutory regulation and must include the results of research and the proposals of the self-governing partners in the health care sector – the German Hospital Federation, the National Associations of the Health Insurance Funds and the Association of Private Health Insurance. In 2013 the discount for additional services will lower the additional expenses for public health insurance by some EUR 10 mill. (all coverage providers by some EUR 12 mill.) and in 2014 by some EUR 300 mill. (all coverage providers some EUR 370 mill.).
- From 1 January 2013, the consultation fee introduced on 1 January 2004 will no longer be charged. To offset the additional expenses of the public health insurance funds as a result of the abolition of the consultation fee, an amount of EUR 1.78 bill. will be allocated to the health care funds from the liquidity reserve in 2014.

Funding of the German Health Fund secured for 2013

The revenues of the health care funds are expected to amount to EUR 191.8 bill. in 2013. A forecast estimates the expenses of the health insurance funds at EUR 190.2 bill. It should therefore be possible to fully cover the expenses of the health insurance funds expected for 2013 through the referrals from the German Health Fund.

MediClin to continue growing internally in 2013

In terms of the number of beds, the Group is one of the largest providers of rehabilitation services in Germany, and is the only clinic operator to offer a relevant range of acute care facilities in addition to post-acute clinics. 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 2012) give MediClin access to the market for acute outpatient services, and ensure occupancy of both acute and post-acute facilities at various locations.

MediClin rigorously pursues its corporate strategy – the provision of cross-sector integrated medical services – by successively expanding its spectrum of services in the years ahead with the support of disciplined company management. The expansion of the range of services also embraces the development of new medical, therapeutic and nursing care concepts aimed at making the company one of the leading providers of attractive, patient-oriented concepts nationwide, which enjoy broad market acceptance.

By cooperating with the facilities of the Asklepios Group, MediClin expects to offer the local communities optimal patient-oriented nursing care services which will create additional growth potential for MediClin in the future particularly as the services overlap at only a few locations.

Outlook

MediClin lifted group sales in the 2012 financial year by 3.3 % through internal growth, thereby exceeding the internal growth target of 3 %. In spite of this sales increase, the group operating result of EUR 4.3 mill. was visibly below the previous year's value. A marked decline in occupancy in the post-acute segment at year-end and the generally weaker earnings development in the acute segment compared with the previous year were the main reasons for the drop in earnings. The group operating result was additionally burdened by special and one-off effects.

In 2012 capital expenditure of a total of EUR 27.3 mill. (gross) was made with the goal of meeting demand for location-based medical services or special medical and therapeutic treatment. A large share of the capital expenditure was channelled into medical machines and equipment as well as into the modernisation and expansion of buildings. These construction measures are aimed primarily at expanding capacities. In 2013 and in subsequent years, MediClin will continue to expand capacities in strongly growing areas and make targeted additions to the range of services. The financing of the internal growth is guaranteed and will derive primarily from the cash flow.

The additions to the range of services made in 2012 will have a positive impact on sales and earnings at MediClin in 2013. The internal possibilities which can improve group earnings in the medium to long term have been defined and are being successively implemented. This also applies to the future cooperation with the facilities of the Asklepios Group.

The Management Board forecasts a slight sales gain in 2013 and expects a group operating result, excluding one-off and special effects, at the same level as the previous year's result – provided there is no material change in the referral behaviour of the coverage providers in 2013 and the situation of the industry is not adversely affected by new statutory regulations. Assuming conditions remain unchanged, the Management Board expects a further sales increase and solid earnings development in subsequent years.

MEDICLIN Aktiengesellschaft

Offenburg, 7 March 2013

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.

Consolidated financial statements of MEDICLIN Aktiengesellschaft

for the 2012 financial year

Contents

Consolidated balance sheet as of 31 December 2012

ASSETS

	Appendix		31.12.2012 in €	31.12.2011 in thou. of €	01.01.2011 in thou. of €
NON-CURRENT ASSETS					
Intangible assets	(1)				
Concessions, licences		1,542,885		1,710	2,236
Goodwill		49,250,541		50,056	51,181
Payments on account		130,558		239	158
			50,923,984	**52,005**	**53,575**
Property, plant and equipment	(2)				
Land, land rights and buildings including buildings on third-party land		112,041,384		114,468	112,394
Technical equipment and machines		12,346,998		8,499	8,972
Operating and office equipment		35,079,390		30,047	26,732
Payments on account and assets under construction		2,126,087		1,537	2,173
			161,593,859	**154,551**	**150,271**
Other financial assets	(3)				
Investment in stock of subsidiaries		58,600		59	59
Other loans and other financial assets		40,641		2	8
Reinsurance cover		1,465,119		1,510	1,469
			1,564,360	**1,571**	**1,536**
Other non-current assets					
Non-current tax refund claims	(4)	273,164		346	396
Receivables pursuant to hospital financing law	(5)	2,250,000		0	0
			2,523,164	**346**	**396**
Deferred tax assets	(6)		**5,654,995**	**4,624**	**5,675**
			222,260,362	**213,097**	**211,453**
CURRENT ASSETS					
Inventories	(7)		**7,142,043**	**6,778**	**6,502**
Trade receivables	(8)		**59,826,228**	**58,066**	**61,643**
Other current assets					
Prepaid expenses		1,296,794		1,414	1,393
Receivables pursuant to hospital financing law	(9)	2,029,729		2,965	3,821
Other assets	(10)	4,025,397		5,464	4,082
			7,351,920	**9,843**	**9,296**
Current tax refund claims	(11)		**78,792**	**79**	**79**
Cash and cash equivalents	(12)		**22,936,313**	**41,336**	**47,955**
Assets held for sale	(13)		**0**	**236**	**100**
			97,335,296	**116,338**	**125,575**
			319,595,658	**329,435**	**337,028**

EQUITY AND LIABILITIES

	Appendix		31.12.2012 in €	31.12.2011 in thou. of €	01.01.2011 in thou. of €
EQUITY					
Shares MediClin Group					
Subscribed capital	(14)	47,500,000		47,500	47,500
Capital reserve	(15)	129,391,829		129,392	129,392
Revenue reserve	(16)	−8,027,171		−4,186	−4,152
Consolidated balance sheet loss	(17)	−11,775,629		−10,373	−11,132
			157,089,029	**162,333**	**161,608**
Non-controlling interests	(18)		−69,027	37	65
			157,020,002	**162,370**	**161,673**
NON-CURRENT LIABILITIES					
Non-current financial liabilities					
Liabilities to banks	(19)	58,575,373		14,115	11,482
Other financial liabilities	(20)	8,385,831		8,576	9,277
			66,961,204	**22,691**	**20,759**
Other non-current liabilities	(21)		**0**	**46**	**88**
Non-current provisions					
Provisions for pensions and similar commitments	(22)	36,432,690		31,452	31,046
Other provisions	(23)	5,731,187		5,890	5,959
			42,163,877	**37,342**	**37,005**
Deferred tax liabilities	(24)		**3,284,876**	**2,799**	**2,378**
			112,409,957	**62,878**	**60,230**
CURRENT LIABILITIES					
Trade payables			**17,316,025**	**14,623**	**15,222**
Current financial liabilities					
Liabilities to banks and insurance companies	(25)	8,227,284		66,585	66,103
Other financial liabilities	(26)	674,121		741	776
			8,901,405	**67,326**	**66,879**
Other current liabilities					
Liabilities pursuant to hospital financing law	(27)	3,629,696		2,976	7,783
Other liabilities	(28)	17,710,202		16,367	16,838
			21,339,898	**19,343**	**24,621**
Current provisions	(29)		**2,445,413**	**2,895**	**7,776**
Current tax liabilities	(30)		**162,958**	**0**	**627**
			50,165,699	**104,187**	**115,125**
			319,595,658	**329,435**	**337,028**

Consolidated statement of comprehensive income

for the financial year from 1 January to 31 December 2012

	Appendix	Jan.–Dec. 2012 in €	Previous year in thou. of €
I. CONSOLIDATED PROFIT AND LOSS ACCOUNT			
Sales	(31)	509,739,071	493,562
Other operating income	(32)	7,865,800	12,379
Total operating performance		**517,604,871**	**505,941**
Raw materials and consumables used	(33)		
a) Cost of raw materials and supplies		–62,398,421	–62,383
b) Cost of purchased services		–48,756,425	–48,053
		–111,154,846	**–110,436**
Staff costs	(34)		
a) Wages and salaries		–246,615,864	–236,005
b) Social security, pension and retirement		–43,760,314	–40,940
		–290,376,178	**–276,945**
Depreciation and amortisation	(35)	–17,318,318	–16,737
Other operating expenses	(36)	–94,478,139	–89,271
Operating result		**4,277,390**	**12,552**
Financial result	(37)		
a) Other financial revenues		174,336	460
b) Other financial costs		–5,233,486	–7,115
		–5,059,150	**–6,655**
Result before tax		**–781,760**	**5,897**
Taxes on income	(38)	–694,730	–2,791
Result after tax		**–1,476,490**	**3,106**
Thereof attributable to shareholders of MediClin AG		–1,402,948	3,134
Thereof attributable to the non-controlling interests		–73,542	–28
II. OTHER COMPREHENSIVE INCOME		**–3,873,260**	**–34**
Thereof attributable to shareholders of MediClin AG		–3,840,664	–34
Thereof attributable to the non-controlling interests		–32,596	0
III. OVERALL RESULT		**–5,349,750**	**3,072**
Thereof attributable to shareholders of MediClin AG		–5,243,612	3,100
Thereof attributable to the non-controlling interests		–106,138	–28
Result after tax attributable to shareholders of MediClin AG per share	(39)		
Undiluted (in €)		–0.03	0.06
Diluted (in €)		–0.03	0.06

Consolidated cash flow statement

	Jan.–Dec. 2012 in €	Jan.–Dec. 2011 in €
Operating result (EBIT)	**4,277,390**	**12,552,285**
Result of finance activities	–5,059,150	–6,655,111
Result of income taxes	–694,730	–2,790,779
Total consolidated result	**–1,476,490**	**3,106,395**
Depreciation on fixed asset items	17,318,318	16,736,787
Change in deferred taxes	–545,008	1,471,856
Change in non-current provisions	4,821,638	336,536
Change in current provisions	–450,052	–4,880,632
Result from the disposal of fixed asset items	–59,208	–55,152
Result from other non-cash items	–3,873,260	–34,041
Change in non-current tax refund claims	72,529	50,707
Change in current tax refund claims	0	–139
Change in other non-current assets	–2,250,000	0
Change in other current assets	238,255	7,806,315
Change in other non-current liabilities	–45,695	–41,988
Change in other current liabilities	2,421,987	–8,871,062
Cash flow from operating activities	**16,173,014**	**15,625,582**
Payments received from the disposal of fixed assets	**912,911**	**325,589**
From the disposal of property, plant and equipment	912,911	325,589
Payments received from investment subsidies	**3,617,514**	**4,995,922**
Cash used for investments in fixed assets	**–24,949,157**	**–27,570,181**
In intangible assets	–1,032,054	–1,064,684
In property, plant and equipment	–23,719,314	–26,458,314
In financial assets	–197,789	–47,183
Cash flow from investing activities	**–20,418,732**	**–22,248,670**
Dividend distribution to shareholders of MediClin AG	0	–2,375,000
Assumption of financial liabilities	52,500,000	7,600,000
Repayment of financial liabilities	–66,654,172	–5,221,011
Cash flow from financing activities	**–14,154,172**	**3,989**
Cash flow for the period	**–18,399,890**	**–6,619,099**
Cash and cash equivalents at beginning of period	41,336,203	47,955,302
Cash and cash equivalents at end of period	**22,936,313**	**41,336,203**

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 01.01.2010	47,500,000	129,391,829	17,089
Group comprehensive income	–	–	–
Distribution of dividends	–	–	–
As of 31.12.2010	**47,500,000**	**129,391,829**	**17,089**
Adjustment in accordance with IAS 19	–	–	–4,169,555
As of 01.01.2011 (adjusted)	**47,500,000**	**129,391,829**	**–4,152,466**

In €	Subscribed capital	Capital reserve	Revenue reserve
As of 01.01.2011	47,500,000	129,391,829	–4,152,466
Distribution of dividends	–	–	–
Group comprehensive income	–	–	–34,041[1]
As of 31.12.2011	**47,500,000**	**129,391,829**	**–4,186,507**

In €	Subscribed capital	Capital reserve	Revenue reserve
As of 01.01.2012	47,500,000	129,391,829	–4,186,507
Distribution of dividends	–	–	–
Group comprehensive income	–	–	–3,840,664[1]
As of 31.12.2012	**47,500,000**	**129,391,829**	**–8,027,171**

[1] Adjustment in accordance with IAS 19 (2011)

Consolidated balance sheet result	**Shares MediClin Group**	Non-controlling interests	**Total equity**
–19,647,151	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	**164,922,077**	**64,645**	**164,986,722**
855,230	–3,314,325	–	–3,314,325
–11,131,611	**161,607,752**	**64,645**	**161,672,397**

Consolidated balance sheet result	**Shares MediClin Group**	Non-controlling interests	**Total equity**
–11,131,611	161,607,752	64,645	161,672,397
–2,375,000	–2,375,000	–	–2,375,000
3,133,930	3,099,889	–27,534	2,977,414
–10,372,681	**162,332,641**	**37,111**	**162,369,752**

Consolidated balance sheet result	**Shares MediClin Group**	Non-controlling interests	**Total equity**
–10,372,681	162,332,641	37,111	162,369,752
0	0	–	0
–1,402,948	–5,243,612	–106,138	–5,349,750
–11,775,629	**157,089,029**	**–69,027**	**157,020,002**

Basic information

General

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 8,100 beds (as of 31.12.2012). 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. The MediClin Group has been included at full consolidation in the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung (Asklepios), Hamburg, since September 2011. Asklepios has a stake in MediClin which amounts to a total of 52.73 %.

The present notes were prepared for the consolidated financial statements of MEDICLIN Aktiengesellschaft for the 2012 financial year. The underlying consolidated financial statements were approved for publication by the Management Board on 7 March 2013. 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 2012 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 Interpretations Committee (IFRIC), as valid on the cut-off date and admitted by the European Union.

Changes to the accounting and valuation methods adopted

First-time application of IAS 19 (2011) – Restatement in the IFRS consolidated financial statements of MediClin AG as of 31 December 2012

Until now MediClin had used the so-called corridor method to record defined benefit plans. In 2011 the requirements under IAS 19 for the classification of employee benefits were revised and the application of IAS 19 has become obligatory for the financial years beginning 1 January 2013. A premature application is admissible and is in conformity with the endorsement passed by the EU in June 2012. MediClin has made use of the possibility of premature application. As IAS 19 (2011) does not contain any specific transition regulations, the classification of defined benefit plans was altered in keeping with the provisions of IAS 8.19 ff.

On 16 June 2011, the IASB published the final version of the amendments to IAS 19 (rev. 2011). The amendments concern new regulations introduced for reporting employee benefits in the balance sheet. The amendments must be adopted in the financial year beginning on or after 1 January 2013. Premature adoption is admissible.

The most important amendment to IAS 19 (rev. 2011) is the fact that, in future, actuarial gains and losses must be recognised immediately in other comprehensive income (OCI). The former option of immediate recognition in profit or loss, in OCI or of deferred recognition according to the so-called corridor method has been abolished.

A second amendment in pension accounting according to IAS 19 (rev. 2011) is the fact that, in future, the entity should no longer estimate the interest rate of the plan assets in accordance with the expected return. Instead, a return based on the expected interest rate of the plan assets may only be recorded in the amount of the discount rate of the pension obligation.

A further amendment to IAS 19 (rev. 2011) concerns the treatment of termination benefits, specifically the point in time when an entity recognises a liability for termination benefits.

Until now the top-up amounts were classified as benefits resulting from the termination of a working relationship which were accordingly deferred in their full amount at the time the pre-retirement part-time employment contract was agreed. Due to the change in the definition of benefits resulting from the termination of a working relationship, according to IAS 19 (rev. 2011) the top-up amount no longer fulfils the conditions for recognition as benefits resulting from the termination of a working relationship. Instead they essentially concern other long-term employee benefits which are to be accumulated through instalments over the employee's period of service.

The amendments to IAS 19 (rev. 2011) also call for more extensive information in the notes to the financial statements. In future, entities must for the first time provide information on the financing strategy of their pension plans and not only describe but also quantify the financing risks of their plans; among other things, a sensitivity analysis will have to be prepared on this in future which highlights the extent to which pension obligations fluctuate in response to changes in material valuation assumptions. In future the average residual maturity of the pension obligations must also be stated.

According to IAS 19 (2011), net interest income can be recognised in the operating result, i.e. as a component of the staff costs, or in the financial result. MediClin makes use of the option to recognise the net interest income in the financial result so that the corresponding adjustments have been made in the statement of comprehensive income.

Furthermore, MediClin no longer individually states the pension provisions of the Kraichgau-Klinik Group and the Mitarbeiterunterstützungskasse der vereinigten Klinikbetrieb (MAUK) but summarises them together in a single statement.

By prematurely applying the new standard, the summarised statement and the future statement of net interest expense in the financial result, MediClin believes that the obligations arising from the defined benefit plans are more appropriately depicted from an economic viewpoint.

Altered representation in the consolidated balance sheet and the consolidated statement of comprehensive income

The changes in the accounting method have been retrospectively applied, with the actuarial gains and losses already recognised in current earnings as of the year 2004 by using the corridor method having been corrected in the consolidated loss carryover. A retroactive change in the interest rate of the plan assets was only made as of the comparison period because no changes could be made for earlier periods due to the passage of time.

The corresponding previous year's values have been adjusted and are shown in the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement and the statement of changes in equity as well as in the notes to the consolidated financial statements. However, the altered accounting method has not necessitated a change in the representation of the business segments.

This method change has resulted in the following adjustments:

Changes in the consolidated balance sheet as of 1 January 2011 / 31 December 2011

In thousands of €	Adjusted 31.12.2011	Adjustment IAS 19	31.12.2011	Adjusted 01.01.2011	Adjustment IAS 19	31.12.2010
Current assets	4,624	605	4,019	5,675	623	5,052
Equity	162,370	−3,219	165,589	161,673	−3,314	164,987
Provisions for pensions and similar commitments	31,452	3,824	27,628	31,046	3,937	27,109
Balance sheet total	329,435	605	328,830	337,028	623	336,405

The change in the equity results from the following:

In thousands of €	Adjusted 31.12.2011	Adjustment IAS 19	31.12.2011	Adjusted 01.01.2011	Adjustment IAS 19	31.12.2010
Revenue reserve	–4,186	–4,203	17	–4,152	–4,169	17
Consolidated balance sheet loss	–10,373	984	–11,357	–11,132	855	–11,987
Remaining equity components	176,929	0	176,929	176,957	0	176,957
	162,370	**–3,219**	**165,589**	**161,673**	**–3,314**	**164,987**

The revaluations and altered estimates stated under capital reserve are recognised in the revenue reserve.

In 2011 the following items were adjusted in the consolidated statement of comprehensive income:

Changes in the consolidated statement of comprehensive income for the financial year 1 January to 31 December 2011

In thousands of €	Adjusted Jan.–Dec. 2011	Adjustment IAS 19	Reclassification	Jan.–Dec. 2011
Staff costs	–276,945	54	+1,633	–278,632
Operating result	**12,552**	**54**	**+1,633**	**10,866**
Financial result	–6,655	100	–1,633	–5,122
Result before tax	5,897	153	–	5,744
Taxes on income	–2,791	–24	–	–2,767
Total consolidated result	**3,106**	**129**	–	**2,977**
Income not recognised in profit and loss	–34	–34	–	0
Overall result	**3,072**	**95**	–	**2,977**
Group earnings per share (undiluted/diluted) attributable to shareholders of MediClin in €	0.06	–	–	0.06

Altered representation of the consolidated cash flow statement

As a result of the change in the methodology for valuing and accounting defined benefit plans, the net profit for 2011 has risen by EUR 128,981. There was also an increase in the pension provision by EUR 3,824,632. The change in the pension provision of EUR 153,230 can be attributed to the lower staff costs; the other amount is attributable to the actuarial gains/losses not recognised in the income statement. Of the resultant increase in deferred tax assets of EUR 605,248, a partial amount of EUR 24,249 refers to the pension provision recognised in net profit or loss. Interest was reclassified from staff costs to the financial result. These adjustments do not have any consequences for the cash flow from operating activities. Further information can be found in the table below.

Changes in the consolidated cash flow statement

In thousands of €	Adjusted Jan.–Dec. 2011	Adjustment IAS 19	Reclassification	Jan.–Dec. 2011
Operating result (EBIT)	12,552	53	1,633	10,866
Result of finance activities	−6,655	100	−1,633	−5,122
Result of income taxes	−2,791	−24	–	−2,767
Total consolidated result	**3,106**	**129**	**0**	**2,977**
Change in deferred taxes[1]	1,478	24	–	1,454
Change in non-current provisions[1]	296	−153	–	449
Cash flow from operating activities	**15,626**	**0**	**–**	**15,626**

[1] In the cash flow statement, only the change in non-current provisions recognised in net profit or loss is stated in deferred taxes.

Standards and interpretations published by the EU Commission

In the Official Journal of 6 June 2012 (Commission Regulation (EU) No. 475/2012 of 5 June 2012), the European Union published the amendments to IAS 1 "Presentation of Financial Statements – Presentation of Other Comprehensive Income" and to IAS 19 " Employee Benefits".

The amendments to **IAS 1 "Presentation of Financial Statements – Presentation of Items Recognised in Other Comprehensive Income"** aim to achieve greater clarity in the presentation of the growing number of items recognised in other comprehensive income and to make it easier for addressees of the financial statements to distinguish between items of other comprehensive income which could be reclassified to profit and loss at a future point in time and items which will never be reclassified in this way.

The objective of the amendments to **IAS 19 "Employee Benefits"** is to make it easier for addressees of the financial statements to comprehend the way in which defined benefit plans influence a company's finances, earnings and cash flows. The amendments to IAS 19 become effective from the first financial year beginning on or after 1 January 2013. MediClin decided to already apply the published new version of IAS 19 (rev. 2011) in the 2012 financial year.

On 1 June 2012, the Accounting Regulatory Committee (ARC) adopted a directive which makes provisions for the first time mandatory adoption of **IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements"** and **IAS 28 "Investments in Associates and Joint Ventures"** for financial years beginning on or after 1 January 2014. A (voluntary) premature adoption of these new consolidation standards would be admissible after these standards have been endorsed by the EU. The mandatory effective date for the first-time adoption for EU-IFRS users will therefore deviate from the IASB effective date of 1 January 2013. The ARC assumes a regulatory function and makes statements on the Commission's proposals for the acceptance of an international accounting standard.

In the Official Journal of 29 December 2012, the European Union published Commission Regulations (EU) No. 1254/2012 and No. 1255/2012 of 11 December 2012 and Commission Regulation (EU) No. 1256/2012 of 13 December 2012. With these commission regulations, the following international accounting standards and interpretations published by the IASB on 20 December 2010, 12 May 2011, 19 October 2011 and 16 December 2011 were incorporated into EU law. They concern the following:

Commission Regulation (EU) No. 1254/2012 of 11 December 2012

On 12 May 2011, the International Accounting Standards Board (IASB) published

- IFRS 10 “Consolidated Financial Statements”,
- IFRS 11 “Joint Arrangements”,
- IFRS 12 “Disclosure of Interests in Other Entities”

and the amended versions of

- IAS 27 “Separate Financial Statements”,
- IAS 28 “Investments in Associates and Joint Ventures”.

The objective of **IFRS 10 “Consolidated Financial Statements”** is to provide a single consolidation model that identifies control as the basis for consolidation for all types of entities. IFRS 10 replaces IAS 27 “Separate Financial Statements” and SIC-12 “Consolidated – Special Purpose Entities” of the Standing Interpretations Committee (SIC).

IFRS 11 “Joint Arrangements” defines principles for the financial reporting by parties to a joint arrangement and replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities – Non-monetary Contributions by Venturers”.

IFRS 12 “Disclosure of Interests in Other Entities” combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. As a consequence of these new IFRS, IAS 27 “Separate Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” also had to be amended.

These standards and amendments to existing standards or interpretations contain some references to IFRS 9 “Financial Instruments” that at present cannot be applied as IFRS 9 has not yet been adopted by the European Union. Therefore, any reference to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to IAS 39 “Financial Instruments – Recognition and Measurement”.

The companies shall apply the amendments by no later than the first financial year beginning on or after 1 January 2014.

Commission Regulation (EU) No. 1255/2012

On 20 December 2010 the International Accounting Standards Board (IASB) published amendments to

- IFRS 1 "First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters", and
- IAS 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets".

The objective of the amendments to **IFRS 1 "First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"** is to introduce a new exemption in the scope of IFRS 1. Entities that have been subject to severe hyperinflation are allowed to use fair value as the deemed cost of their assets and liabilities in their opening IFRS statement of financial position instead of the acquisition costs or manufacturing costs. In addition, these amendments replace the references to fixed dates in IFRS 1 with references to the date of transition.

IAS 12 "Income Taxes – Deferred Tax: Recovery of Underlying Assets" prescribes the accounting treatment for income taxes. The objective of the amendments to IAS 12 is to introduce an exception to the measurement principle in IAS 12 in the form of a rebuttable presumption that assumes that the carrying amount of an investment property measured at fair value would be recovered through sale and an entity would be required to use the tax rate applicable to the sale of the underlying asset. The amendments made by IAS 12 supersede SIC-21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets".

On 12 May 2011, the IASB issued **IFRS 13 "Fair Value Measurement"**. IFRS 13 defines a single IFRS framework for measuring fair value and provides comprehensive guidance on how to measure the fair value of both financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or permits fair value measurement or disclosures about fair value measurements.

On 19 October 2011, the IASB issued **IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine"**. The objective of IFRIC 20 is to provide guidance on recognition of production stripping costs as an asset and on the initial and subsequent measurement of the stripping activity asset, the objective being to reduce the diversity in practice as to how entities account for stripping costs incurred in the production phase of a surface mine.

These standards, amendments to existing standards or interpretations contain some references to IFRS 9 "Financial Instruments" that at present cannot be applied as IFRS 9 has not yet been adopted by the Union. For this reason, any reference to IFRS 9 as laid down in the Annex to this Regulation should be read as a reference to IAS 39 "Financial Instruments: Recognition and Measurement".

The companies shall apply the amendments by no later than the first financial year beginning on or after 1 January 2013.

Commission Regulation (EU) No. 1256/2012

On 16 December 2011, the International Accounting Standards Board (IASB) published amendments to

- IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities",
- IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities".

The amendment to **IFRS 7 "Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"** aims to require the provision of additional quantitative information in order to allow the users to better compare and reconcile the disclosures under IFRS and the Generally Accepted Accounting Principles (GAAP) of the United States. In the context of amending IFRS 7, an error in IFRS 7 was corrected from the last amendment to IFRS 7 of 23 November 2011. In addition, the IASB amended **IAS 32 "Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities"** to provide additional guidance to reduce inconsistent application of the standard in practice.

The companies shall apply the amendments to IFRS 7 from the commencement date of its first financial year starting on or after 1 January 2013 and the amendments to IAS 32 by no later than the commencement date of its first financial year starting on or after 1 January 2014.

The company does not expect the consolidated financial statements to be materially affected as a result of the amendments or new versions named above.

Standards and interpretations published by the IASB in 2012 but not yet adopted by the EU Commission

In 2012 the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) published a series of amendments to existing IFRS and IAS, and new interpretations which are not yet binding as they have yet to be endorsed by the EU.

On 13 March 2012, further amendments to **IFRS 1 "First-time Adoption of International Financial Reporting Standards"** were published. The amendment discusses the issue of how first-time adopters should account for loans received from governments at a below market rate of interest in the transition period. IFRS 1 in the amended version must be applied for financial years beginning on or after 1 January 2013. Premature application is permitted. The amendment is of no relevance to MediClin.

On 17 May 2012, **"Annual Improvements to IFRS 2009–2011"** was published containing amendments to five International Financial Reporting Standards (IFRS).

The amendments were as follows:

Standard	Amendment
IFRS 1 "First-time Adoption of the International Financial Reporting Standards"	Repeated application of IFRS 1; borrowing costs
IAS 1 "Presentation of Financial Statements"	Clarification of requirements for comparative information
IAS 16 "Property, Plant and Equipment"	Classification of servicing equipment
IAS 32 "Financial Instruments: Presentation"	Tax effects of distributions to holders of equity instruments
IAS 34 "Interim Financial Reporting"	Interim financial reporting and segment information for total assets and liabilities

The amendments become effective for reporting years beginning on or after 1 January 2013. MediClin does not expect the amendments to have any material effects on the financial statements.

On 28 June 2012, the IASB published amendments to the transition guidance of **IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements"** and **IFRS 12 "Disclosure of Interests in Other Entities"**. The objective of these amendments is to clarify the transition guidance of IFRS 10. The amendments also contain further simplifications for the transition to IFRS 10, IFRS 11 and IFRS 12. Adjusted comparative information is demanded solely for the preceding comparison period. Furthermore, the obligation to state comparative information for periods before the first-time adoption of IFRS 12 does not apply to the disclosures on non-consolidated structured entities made in the notes to the financial statements. The amendments become effective for reporting years beginning on or after 1 January 2013. Mediclin does not expect these amendments to have any substantial repercussions for the financial statements.

On 31 October 2012, the International Accounting Standards Board (IASB) published the statement "Investment Entities" as further amendments to IFRS 10, IFRS 12 and IAS 27 "Separate Financial Statements". The amendments contain a definition of the term Investment Entities, and remove such investment entities from the scope of IFRS 10 and make provisions for mandatory disclosures on Investment Entities in the notes to the financial statements. Investment entities should not consolidate investments in entities that they control in their consolidated financial statements. Instead they should measure such investments in controlled entities at fair value so that the addressees of the financial statements can make better use of the information.

The amendments become effective for reporting years beginning on or after 1 January 2014. Premature adoption is permitted. The amendment is of no relevance to MediClin.

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). In the meantime, the standard setters have decided to prepare a second standard draft which is due to be published in the first quarter of 2013. It transpires that this second draft contains extensive amendments to the original version which concern virtually all elements of the first standard draft. The basic intentions of the reform to abolish the difference between finance leasing and operating leasing and to introduce the right-of-use model are being retained.

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 existing parameters or adapting them 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.

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).

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 in 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.

Changes in consolidation scopes

As of 30 June 2012, MediClin Müritz-Klinikum GmbH & Co. KG was dissolved and its business operations, including its assets and liabilities, were taken over by MediClin GmbH & Co. KG. Prior to this, the sole limited partner MediClin AG incorporated its sole limited partner's share in MediClin Müritz-Klinikum GmbH & Co. KG into MediClin GmbH & Co. KG in return for the granting of shareholder rights. In the course of this restructuring, MediClin Geschäftsführungs-GmbH sold its share interest of EUR 1.00 in MediClin Müritz-Klinikum GmbH & Co. KG to MediClin GmbH & Co. KG.

As of 30 September 2012, Reha-Klinik GmbH & Co. KG Soltau was dissolved and its business operations, including its assets and liabilities, were taken over by MediClin GmbH & Co. KG. Prior to this, the sole limited partner MediClin AG incorporated its sole limited partner's share in Reha-Klinik GmbH & Co. KG Soltau into MediClin GmbH & Co. KG in return for the granting of shareholder rights.

In December 2012, MediClin Energie GmbH, Offenburg, was founded. The object of this company is the trading, efficient generation and distribution of energy, in particular electricity, heating energy and cooling energy, the operation of the technical equipment and cable systems required for this, the maintenance and repair of own installations and cable systems as well as those of third parties. The company is empowered to acquire enterprises of the same or similar kind, to invest in such enterprises, to accept their personal liability and representation, to establish branches on domestic and foreign markets and to operate all business activities which are suitable towards furthering the company's undertakings. The sole shareholder is MediClin GmbH & Co. KG, Offenburg. The share capital is EUR 25,000.00.

With the shareholder resolution of 17 December 2012, Yvonne Mobilien-Leasing GmbH, Offenburg, was renamed MC Kliniken Geschäftsführungs-GmbH, Offenburg. The new object of the company consists in acquiring and managing investment in stock of subsidiaries and in accepting the personal liability and management of companies that operate private hospitals, outpatient treatment centres or nursing care facilities as well as other facilities whose purpose is to treat diseases, preserve or promote healthy living or provide nursing care.

Affiliated companies

With the exception of VR-Leasing ABYDOS GmbH & Co. Immobilien KG, the affiliated companies also include the previously named companies not included in the consolidation scope in addition to the Group companies. Since 1 September 2011, the MediClin Group has been included in the Group financial statements of the Asklepios Group as a subgroup in accordance with the full consolidation regulations.

The group of companies affiliated with MediClin has therefore been expanded by the companies belonging to the Asklepios Group. The annual report of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, whose consolidated financial statements are published in the Electronic Federal Gazette, contains a statement of the companies belonging to the Asklepios Group.

Shareholdings

Affiliated companies included in the consolidated financial statements	Percentage of shares held	
	31.12.2012	31.12.2011
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	93.000	87.000
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Müritz-Klinikum GmbH & Co. KG, Waren	–	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
MC Kliniken Geschäftsführungs-GmbH, Offenburg (formerly Yvonne Mobilien-Leasing GmbH, Offenburg)	94.485[2]	94.485[2]
MediClin Energie GmbH, Offenburg	100.000	–

[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	
	2012	2011	2012	2011	2012	2011
KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz	[1]	–17,478.71	[1]	45,460.91	64.385[3]	60.231[3]
MediServ GmbH, Essen	[1]	41,832.69	[1]	109,172.53	51.000[3]	51.000[3]
Medusplus GmbH, Essen	[1]	37,556.53	[1]	85,379.55	51.000[3]	51.000[3]
Müritz-Klinikum Service GmbH, Waren	[1]	31,410.47	[1]	129,311.13	51.000[3]	51.000[3]
VR-LEASING ABYDOS GmbH & Co. Immobilien KG, Eschborn	[1]	36,095.00	[1]	–83,034.00[4]	44.408[2,3]	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 2012.

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.

To hedge a variable-rate syndicated loan, MediClin took out a **financial derivative**, a rate cap agreement (cap). It is recognised in net profit or loss at fair value.

Borrowing costs which are directly connected with the purchase, construction or production of a qualified asset must be capitalised as part of the acquisition or production costs of this asset (IAS 23.11). As in previous years, no borrowing costs which were connected with construction measures were capitalised in the 2012 financial year.

All other borrowing costs are assigned as expenses to the period in which they accrue (IAS 23.10).

Receivables are specified as the 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 contributions-based pension plans.

The **pension obligations** result from the **defined benefit plans** and are stated using the projected unit credit method in consideration of future salary and pension developments, as well as using current biometric probabilities in accordance with IAS 19 (2011). MediClin decided to prematurely and voluntarily adopt the new version of IAS 19 (2011) approved by the IASB in 2011 and published in June 2012 by the EU in the 2012 financial year. Until 31 December 2011, MediClin used the corridor method which disregards gains and losses from unscheduled changes in projected unit credit and from changes in actuarial assumptions as long as they remained within a corridor of 10 % of the projected unit credit. In the event of this corridor being breached, the amount exceeding the corridor was divided up over the remaining time of service and recognised in net profit or loss as a provision on a pro rata temporis basis. Until 31 December 2011, MediClin also made use of the option of stating the service expense and interest expense components contained in the net periodic pension cost under staff costs in the operating result.

In the course of the conversion, the service expense components (service cost and past service cost, amendments, curtailments and settlements) are shown under staff costs as of 1 January 2012. (Net) Interest expense/income relating to the net liabilities recognised in the balance sheet is reported in the financial result.

Remeasurements must be recognised in OCI, i.e. without recognition in net profit or loss. They encompass all the actuarial gains and losses of the pension obligations and plan assets accrued within a year which were not taken into account in the interest component. No deferred taxes are to be formed for these amounts reported in OCI as no possibility exists of recycling these amounts reported in OCI in later reporting periods via the consolidated profit and loss account. They are shown in equity in the revenue reserve.

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).

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 the 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, expectations 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.

Thus, an increase in the discount rate by 0.25 % from 4.25 % to 4.5 % lowers the net pension obligation by EUR 1,6 mill., or 4.4 %. By the same token, a reduction in the discount rate by 0.5 % from 4.25 % to 3.75 % increases the provision by EUR 3,6 mill., or 9.8 %. However, these would find reflection in income with no recognition in net profit or loss.

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.

Most of the sales of MediClin are subject to legally standardised compensation regulations such as the Hospital Compensation Act (KHEntgG) and the Federal Directive on Nursing Care Rates/Federal Nursing Rate Regulation (BPflV) for inpatient hospital services, or Book Nine of the Social Security Code (SGB IX) for rehabilitation services. All services are compensated prospectively by the social funds via budget agreements. Since these budget negotiations are normally held in the course of the financial year in question and in many cases only come to a conclusion after the financial year has come to an end, a degree of uncertainty hangs over the agreed service volume and/or service compensation, uncertainty which management counters with sound estimates.

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 are 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 among 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 2012 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.

With the exception of the rate cap agreement mentioned above, no further derivative financial instruments 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 0.6 mill., from EUR 15.6 mill. to EUR 16.2 mill. This includes interest received totalling EUR 0.1 mill. (previous year: EUR 0.3 mill.) and interest paid totalling EUR 2.3 mill. (previous year: EUR 4.9 mill.). Tax payments amounted to net EUR 0.6 mill. following tax refunds (previous year: EUR 1.9 mill.).

The change in non-current provisions totalling EUR 4.8 mill. (previous year: EUR 0.3 mill.) results primarily from the allocation of provisions for pensions and similar commitments. Explanations of the change in the previous year's value can be found in the chapter "Altered presentation of the cash flow statement". Other non-current provisions, adjusted for non-cash items, remain primarily unchanged.

A gross amount of EUR 1.0 mill. (previous year: EUR 1.1 mill.) was spent on intangible assets. This includes additions totalling EUR 30.0 thou. (previous year: EUR 0.2 mill.) for goodwill. Gross investments in property, plant and equipment totalled EUR 23.7 mill. (previous year: EUR 26.5 mill.).

The gross investments were offset against the investment subsidies received, which totalled EUR 3.6 mill. (previous year: EUR 5.0 mill.). The investment subsidies received were principally due to blanket subsidies for MediClin Müritz-Klinikum and MediClin Fachkrankenhaus Plau am See.

This results in a net cash flow from investment activities totalling EUR –20.4 mill. (previous year: EUR –22.2 mill.).

The cash flow from financing activities totalled EUR –14.2 mill. (previous year: EUR 4.0 thou.). This includes the taking out of loans amounting to EUR 52.5 mill. (previous year: EUR 7.6 mill.) and the repayment of existing loan obligations amounting to EUR –66.7 mill. (previous year: EUR –5.2 mill.).

Cash and cash equivalents at the end of the period decreased by EUR 18.4 mill. to EUR 22.9 mill. (previous year: EUR 41.3 mill.).

Segment reporting

The reportable operating 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 2012 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 MC Kliniken Geschäftsführungs-GmbH (formerly Yvonne Mobilien-Leasing GmbH), MediClin Energie 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 services of both segments, have all been assigned to the post-acute segment. As of 31 December 2012, seven hybrid clinics were assigned to the post-acute segment. 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 41.5 % (previous year: 43.4 %) of the demand for services in the post-acute segment, while the social security pension funds make up 51.9 % (previous year: 49.6 %) of the demand for services in this segment. In the acute segment, 94.1 % (previous year: 93.8 %) of the services demanded are attributable to the public health insurance funds.

Sectoral segmenting

In millions of €	January – December 2012					
	Post-acute	Acute	Other activities	Subtotal	Reconciliation	Total
Sales	293.0	200.2	52.5	**545.7**	–36.0	**509.7**
Thereof total sales	296.8	201.6	57.2	**555.6**	0.0	**555.6**
Thereof internal sales	3.8	1.4	4.7	**9.9**	36.0	**45.9**
Raw materials and consumables used	–70.8	–56.2	–18.6	**–145.6**	34.4	**–111.2**
Staff costs	–145.1	–104.8	–37.6	**–287.5**	–2.9	**–290.4**
Other operating expenses	–71.7	–26.4	–9.9	**–108.0**	13.5	**–94.5**
Segment result	**2.6**	**7.2**	**–2.3**	**7.5**	**–3.2**	**4.3**
Thereof non-cash items:						
Scheduled depreciations/ write-ups	–8.3	–15.7	–0.9	**–24.9**	0.0	**–24.9**
Unscheduled depreciations/ write-ups	0.0	–0.8	0.0	**–0.8**	0.0	**–0.8**
Release of special item	0.5	7.9	0.0	**8.4**	0.0	**8.4**
Allowances	–0.1	–0.3	–0.1	**–0.5**	0.0	**–0.5**
Allocation of provisions/ liabilities	–7.4	–5.4	–9.9	**–22.7**	–0.4	**–23.1**
Release of provisions/liabilities	0.6	1.5	0.2	**2.3**	0.1	**2.4**
Financial revenues	0.1	0.6	0.4	**1.1**	–0.9	**0.2**
Financial costs	–1.7	–1.8	–2.1	**–5.6**	0.3	**–5.3**
Financial result	**–1.6**	**–1.2**	**–1.7**	**–4.5**	**–0.6**	**–5.1**
Taxes on income	**–0.1**	**–0.2**	**0.1**	**–0.2**	**–0.5**	**–0.7**
Assets	**119.9**	**165.6**	**5.9**	**291.4**	**28.2**	**319.6**
Liabilities	**20.1**	**17.0**	**56.4**	**93.5**	**69.1**	**162.6**
Gross capital expenditure	9.7	15.9	1.3	**26.9**	0.4	**27.3**

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	−31.0	**−273.6**	−3.3	**−276.9**
Other operating expenses	−69.4	−25.2	−8.5	**−103.1**	13.8	**−89.3**
Segment result	**2.8**	**15.5**	**−2.0**	**16.3**	**−3.7**	**12.6**
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	−1.9	**−4.9**	−2.2	**−7.1**
Financial result	**−1.2**	**−1.2**	**−1.7**	**−4.1**	**−2.6**	**−6.7**
Taxes on income	**0.0**	**−0.9**	**−0.7**	**−1.6**	**−1.2**	**−2.8**
Assets	**118.5**	**160.0**	**5.9**	**284.4**	**45.0**	**329.4**
Liabilities	**16.4**	**15.5**	**50.8**	**82.7**	**84.4**	**167.1**
Gross capital expenditure	17.3	12.0	0.6	**29.9**	0.0	**29.9**

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 01.01.2011	14,187	76,080	158	**90,425**
Additions	916	175	111	**1,202**
Reclassifications	32	0	–30	**2**
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**
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**
Acquisition costs as at 01.01.2012	15,016	76,255	239	**91,510**
Additions	995	30	60	**1,085**
Reclassifications	168	0	–168	**0**
Disposals	–30	–35	0	**–65**
Acquisition costs as at 31.12.2012	**16,149**	**76,250**	**131**	**92,530**
Cumulated depreciation as at 01.01.2012	13,306	26,199	0	**39,505**
Scheduled depreciation	1,331	0	0	**1,331**
Unscheduled depreciation	0	800	0	**800**
Reclassifications	0	0	0	**0**
Disposals	–30	0	0	**–30**
Cumulated depreciation as at 31.12.2012	**14,607**	**26,999**	**0**	**41,606**
Balance sheet value 31.12.2012	**1,542**	**49,251**	**131**	**50,924**

Capitalised, internally developed intangible assets are not in existence. Licences and concessions 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 addition of EUR 30 thou. concerns the purchase of a medical care centre in Plau am See. With the exception of goodwill and medical practice equipment, no other assets or liabilities were acquired from medical practice owners in the course of acquiring the medical practices.

Goodwill encompasses eight cash generating units (CGUs) (previous year: eight), assigned unchanged to the acute segment. Approximately 99 % (previous year: approximately 97 %) of the goodwill remains unchanged and is attributable to six clinics and approximately 1 % (previous year: approximately 3 %) is attributable to two medical care centres (previous year: two medical care centres). 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 116.2 mill. (previous year: EUR 114.6 mill.), an impairment loss totalling EUR 0.8 mill. (previous year: EUR 1.3 mill.) 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 EBIT 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 5.4 % in the reporting year for short-term/medium-term planning (previous year: 6.7 %) 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 %	**31.12.2012**	31.12.2011
Risk-free interest rate	2.19	2.42
Market risk premium	6.25	5.00
Beta coefficient (on the basis of a peer-group analysis)	0.88	1.03
Growth discount to the perpetuity	1.00	1.00
Borrowing costs (before taxes)	3.90	5.64
Tax shield	0.62	0.89
Capital structure (equity/borrowed capital) (on the basis of a peer-group analysis)	29.4/70.6	30.8/69.2

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 %	0.80	1.70	2.30	0.00	0.00
Change in EBIT	5.0 %	0.50	1.30	2.00	0.00	0.00
Change in EBIT	10.0 %	0.10	1.00	1.70	0.00	0.00
Change in EBIT	– 5.0 %	1.20	2.00	2.60	0.20	0.00
Change in EBIT	– 10.0 %	1.60	2.30	3.90	0.60	0.00

The analysis revealed that within the context of these parameter changes, a need for write-downs totalling a maximum of EUR 3.9 mill. resulted, which corresponds to 3.3 % 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 01.01.2011	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
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
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**

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 01.01.2012	217,162	28,688	135,243	1,537	**382,630**	295
Additions	88	5,483	12,484	4,282	**22,337**	0
Reclassifications	3,076	259	358	–3,693	**0**	0
Disposals	–17	–945	–922	0	**–1,884**	**–295**
Acquisition costs as at 31.12.2012	**220,309**	**33,485**	**147,163**	**2,126**	**403,083**	**0**
Cumulated depreciation as at 01.01.2012	102,694	20,189	105,196	0	**228,079**	59
Scheduled depreciation	5,589	1,873	7,725	0	**15,187**	0
Unscheduled depreciation	0	0	0	0	**0**	0
Reclassifications	0	0	0	0	**0**	0
Disposals	–16	–924	–837	0	**–1,777**	–59
Cumulated depreciation as at 31.12.2012	**108,267**	**21,138**	**112,084**	**0**	**241,489**	**0**
Balance sheet value 31.12.2012	**112,042**	**12,347**	**35,079**	**2,126**	**161,594**	**0**

Gross additions to property, plant and equipment totalled EUR 26.0 mill. in the 2012 financial year.

Of the addition to land and buildings of EUR 3.1 mill., EUR 1.0 mill. concern the reconstruction of the MediClin Herzzentrum Lahr/Baden, EUR 0.7 mill. the reconstruction and new construction work at MediClin Krankenhaus Plau am See and EUR 0.3 mill. the reconstruction of MediClin Reha-Zentrum Bad Düben. The remaining capital expenditure in land and buildings of EUR 1.1 mill. concerns several facilities.

A total of EUR 20.8 mill. was invested in technical equipment, facilities and operating and office equipment, with EUR 9.1 mill. of this amount relating to medical equipment and accessories. Among other things, the acquisitions concern a linear accelerator worth EUR 1.2 mill., an angiography system worth EUR 0.6 mill., ultrasonic scanners worth EUR 0.7 mill., a magnetic resonance tomography (MRT) system and a heart catheter measuring station, each with accessories and each worth EUR 0.9 mill., operating equipment worth EUR 0.9 mill. and exercise therapy equipment worth EUR 0.4 mill.

Approximately EUR 3.1 mill. flowed into equipment for patient rooms, treatment rooms and office rooms, EUR 1.5 mill. into the modernisation and expansion of EDP and telecommunications systems, and EUR 0.6 mill. into furnishings for kitchens, service rooms and cafeterias. EUR 0.4 mill. flowed into the modernisation of telephone systems, luminous call systems and nurse call systems, as well as EUR 0.5 mill. into new elevator systems. The remaining EUR 5.6 mill. encompasses a range of smaller investments at various facilities.

In accordance with IAS 20, **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 87.3 mill. (previous year: EUR 91.9 mill.). Additions to subsidised assets amounted to EUR 3.7 mill. (previous year: EUR 10.0 mill.). Depreciation and amortisation were reduced by the deduction of subsidies totalling EUR 8.4 mill. (previous year: EUR 8.1 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 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 7.0 mill. (previous year: EUR 7.2 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 € 31.12.2012	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment	12,366	554	2,216	9,596
Interest component	−5,241	−414	−1,565	−3,262
Present value	**7,125**	**140**	**651**	**6,334**

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 addition, two further finance leasing agreements exist which concern the medical and technical infrastructure in MediClin Herzzentrum Lahr/Baden and in MediClin Robert Janker Klinik. One contract expires in 2013 and the other in 2016. The interest rate on which the agreements are based varies between 2.6 % 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 0.5 mill. (previous year: EUR 0.4 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 € 31.12.2012	Total	1 year or less	1 to 5 years	more than 5 years
Minimum lease payment	590	222	368	0
Interest component	−33	−12	−21	0
Present value	**557**	**210**	**347**	**0**

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**

(3) Other financial assets

Totalling EUR 1,465 thou. (previous year: EUR 1,510 thou.), the financial assets primarily relate to reinsurance policies from pension obligations. Two further reinsurance policies with a coverage volume of EUR 291 thou. (previous year: EUR 267 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.

To hedge a variable-interest syndicated loan, MediClin took out a rate cap agreement (cap) as a derivative financial instrument. The EUR-Euribor-Reuters interest rate was agreed as the basic interest rate for six-month money. The cap rate was set at 2.8 %, the reference amount at EUR 30.0 mill. The cap has a term until 31 January 2017 and is classified as held for trading. It is recognised at fair value through profit and loss. The option premium paid at the time the cap was taken out of EUR 173 thou. is shown as other loans and other financial assets under other financial assets. Due to the insignificance of the option premium, the aggregate value is not broken down according to matching maturities. For the time being, the aggregate value will be recognised as non-current and was only recognised under other current assets last year. The current market value of the cap as of 31 December 2012 amounts to some EUR 39 thou. Income and expenses from the valuation of the cap are recognised under the financial result.

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 VR-LEASING ABYDOS GmbH & Co. Immobilien KG (EUR 2 thou.).

(4) Non-current 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 2014.

(5) Receivables pursuant to hospital financing law

This item relates to subsidy funds disbursed in accordance with the hospital financing law of Mecklenburg-Western Pomerania for the measure “Expansion of Psychiatry at the Röbel location”.

(6) 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 2012. Relevant tax rates of 15.825 % (corporation tax, solidarity surcharge) and the relevant trade tax rates were applied in each case.

Deferred tax assets have risen from EUR 4.6 mill. to EUR 5.6 mill. They result from the following:

In thousands of €	Difference		Tax	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Pension obligation	22,223	21,928	3,517	3,470
Changes in accordance with IAS 19	8,426	3,825	1,333	605
Tax loss carried forward	2,837	689	443	117
Interim profits of non-current assets	311	582	49	92
Current liabilities	800	1,000	127	159
Anniversary obligations/ provisions for partial retirement	728	712	115	113
Others	449	431	71	68
			5,655	**4,624**

The increase can be primarily attributed to the conversion to IAS 19 and the capitalisation of loss carryovers at a subsidiary of MediClin AG.

Current assets

(7) Inventories

Inventories are only of minor importance for MediClin as a services corporation, and are largely attributable to inventories for medical supplies (2012: EUR 5.4 mill.; previous year: EUR 5.4 mill.), to inventories for business supplies (2012: EUR 1.4 mill.; previous year: EUR 1.1 mill.) and to inventories for administrative supplies (2012: EUR 0.3 mill.; previous year: EUR 0.3 mill.).

(8) Trade receivables

In thousands of €	31.12.2012	31.12.2011
Receivables stock	63,089	61,180
Allowance	–3,263	–3,114
Disclosure	**59,826**	**58,066**
Thereof from receivables not yet charged	19,887	20,561
Invoiced trade receivables	39,939	37,505
Thereof from related-party disclosures	117	116

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 €	2012	2011
Allowance as of 01.01.	3,114	2,947
Allocation		
Specific bad debts allowances	28	46
General bad debts allowances	396	282
Utilisation	0	0
Release	–275	–161
Allowance as of 31.12.	**3,263**	**3,114**

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 2012 financial year (previous year: expenditure totalling EUR 0.5 mill.).

In thousands of €	2012	2011
Expenses for full write-off of receivables	–729	–690
Recoveries of written-off receivables	223	210
	–506	**–480**

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 31.12.2012	39,939	30,822	5,867	930	357	952	980	31
As of 31.12.2011	37,505	30,481	4,352	943	345	633	730	21

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.

(9) Receivables pursuant to hospital financing law

In thousands of €	31.12.2012	31.12.2011
Receivables stock	2,030	3,299
Allowance	0	–334
Disclosure	**2,030**	**2,965**

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. They were valued in accordance with experience from previous years.

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 31.12.2012	2,030	2,030	0	0	0	0	0	0
As of 31.12.2011	2,965	2,965	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.

(10) Other assets

In thousands of €	31.12.2012	31.12.2011
Receivables stock	4,025	5,506
Allowance	0	–42
Disclosure	**4,025**	**5,464**
Thereof from related-party disclosures	433	918

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.

(11) 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.

(12) Cash and cash equivalents

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

(13) Assets held for sale

The item reported in the previous financial year's report concerned 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 MediClin Seniorenresidenz Am Rosengarten. As capacity expansions will not be carried out as originally planned, the property was sold in June 2012.

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 31.12.2012	Balance sheet recognition in accordance with IAS 39	Fair value 31.12.2012
				Amortised costs	
ASSETS					
Non-current assets					
Investment in stock of subsidiaries		AfS	59	59	59
Other loans		HtM	2	2	2
Interest rate hedge		FAHfT	39	–	39
Reinsurance policies		LaR	1,465	1,465	1,465
Non-current tax refund claims		LaR	273	273	273
Receivables pursuant to hospital financing law		LaR	2,250	2,250	2,250
Current assets					
Trade receivables		LaR	59,826	59,826	59,826
Prepaid expenses		LaR	1,297	1,297	1,297
Receivables pursuant to hospital financing law		LaR	2,030	2,030	2,030
Other assets		LaR	4,025	4,025	4,025
Current tax refund claims		LaR	79	79	79
Cash and cash equivalents		LaR	22,936	22,936	22,936
EQUITY AND LIABILITIES					
Non-current liabilities					
Liabilities to banks		FLAC	58,575	58,575	58,575
Other finance liabilities		FLAC	8,386	8,386	8,386
Other non-current liabilities		FLAC	0	0	0
Current liabilities					
Trade payables		FLAC	17,316	17,316	17,316
Liabilities to banks and insurance companies		FLAC	8,227	8,227	8,227
Other financial liabilities		FLAC	674	674	674
Liabilities pursuant to hospital financing law		FLAC	3,630	3,630	3,630
Other liabilities		FLAC	17,710	17,710	17,710
Tax liabilities		FLAC	163	163	163
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39					
Loans and Receivables (LaR)	**Total**	**LaR**	**94,181**	**94,181**	**94,181**
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**	**39**	**–**	**39**
Financial Liabilities Measured at Amortised Cost (FLAC)	**Total**	**FLAC**	**114,681**	**114,681**	**114,681**

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					
Non-current assets					
Investment in stock of subsidiaries		AfS	59	59	59
Other loans		HtM	2	2	2
Interest rate hedge		FAHfT	–	–	–
Reinsurance policies		LaR	1,510	1,510	1,510
Non-current tax refund claims		LaR	346	346	346
Receivables pursuant to hospital financing law		LaR	0	0	0
Current assets					
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**	**111,180**	**111,180**	**111,180**
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**
Financial Liabilities Measured at Amortised Cost (FLAC)	**Total**	**FLAC**	**124,029**	**124,029**	**124,029**

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 syndicated loan was signed with a volume of EUR 60.0 mill., consisting of a redeemable loan at a value of EUR 50.0 mill. and a line of credit for a further EUR 10.0 mill. in the form of a revolving credit, which can be used if necessary. The term of the loan is five years. The variable interest rate on which the loan is based has been hedged by a rate cap agreement.

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 €	**31.12.2012**	31.12.2011
Equity	157,020	162,370
Non-current liabilities incl. deferred tax liabilities	112,410	62,877
Current liabilities incl. tax liabilities	50,166	104,188
Balance sheet total	319,596	329,435
Net financial debt	43,866	39,363
Equity ratio in %	49.1	49.3
Debt ratio in %	50.9	50.7

As a result of the adjustment in accordance with IAS 19 and the lower result, the equity has declined by EUR 5.3 mill. The return on equity after tax is –0.9 % (previous year: 1.8 %). The increase in non-current liabilities by EUR 49.5 mill. can be primarily attributed to the long-term part of the redeemable loan of a nominal EUR 45 mill. Altogether, the balance sheet total decreased by EUR 9.8 mill. or 3.0 %. Net financial debt increased in comparison with the previous year's balance sheet date by EUR 4.5 mill. (previous year: EUR +9.7 mill.). The slight deterioration in the equity ratio by 0.2 percentage points results primarily from the adjustment in accordance with IAS 19 (2011). The debt ratio has deteriorated marginally.

(14) Subscribed capital

In thousands of €	**31.12.2012**	31.12.2011
Subscribed capital	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.

(15) Capital reserve

In thousands of €	**31.12.2012**	31.12.2011
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.

(16) Revenue reserve

The consolidated revenue reserves are structured as follows:

In thousands of €	**31.12.2012**	Adjusted 31.12.2011	Adjustment IAS 19 (2011)	31.12.2011
Legal reserve pursuant to Sec. 150 AktG	2,045	2,045	0	2,045
Result of the first IAS consolidation	–1,742	–1,742	0	–1,742
Negative non-controlling interests Kraichgau	–695	–695	0	–695
Adjustment of the negative non-controlling interests Kraichgau	409	409	0	409
Reserve pursuant to IAS 19	–8,044	–4,203	–4,203	0
	–8,027	**–4,186**	**–4,203**	**17**

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

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 unless a positive minority interest comes about, which would then be presented separately in the consolidated balance sheet within equity.

From the 2010 financial year onwards in accordance with 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).

As of 2012, the actuarial losses/gains from calculating the pension provisions in accordance with IAS 19, shown in the other comprehensive income, shall be reported in the revenue reserves.

(17) Consolidated balance sheet loss

The consolidated balance sheet loss developed as follows:

In thousands of €	31.12.2012	Adjusted 31.12.2011	Adjustment IAS 19 (2011)	31.12.2011
Loss carryforward	–10,373	–11,132	855	–11,987
Distribution of dividends	–	–2,375	0	–2,375
Result attributable to shareholders of MediClin AG	–1,403	3,134	129	3,005
Consolidated balance sheet loss	**–11,776**	**–10,373**	**984**	**–11,357**

The adjustment to IAS 19 (2011) concerns the correction of actuarial gains and losses charged to expenditure in the years after 2005 in connection with the corridor method which are reflected in the Group result.

Appropriation of the annual result of MediClin AG

In the 2012 financial year, no dividends for the 2011 financial year were distributed. At the Annual General Meeting on 23 May 2012, the resolution was passed to carry forward the net profit of the 2011 financial year of EUR 16,208,184.88 to new account. For the 2012 financial year, the intention is to also carry forward the net profit totalling EUR 18,076,381.87 to new account.

(18) Non-controlling interests

The disclosed amount concerns the pro-rata result assignment for the 2012 reporting year for the shares of the existing shareholders of Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau (unchanged at 5.515 %). 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" and under the item "other comprehensive income – thereof attributable to the non-controlling interests".

Non-current liabilities

(19) Liabilities to banks

Liabilities to banks are as follows:

In thousands of €	31.12.2012	31.12.2011
Liabilities to banks	66,227	19,341
less current repayment share	7,652	5,226
	58,575	**14,115**

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

In the reporting year, a syndicated loan of EUR 50 mill. was taken out. The loan serves to refinance three short-term loans of a total of EUR 61.355 mill. (cf. current financial liabilities).

The credit consists of a redeemable loan for EUR 50.0 mill. and a credit line for a further EUR 10.0 mill. in the form of a revolving credit which can be utilised as required. The term 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 30.0 mill. 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 certain financial ratios. The margin range is limited to 50 basis points. Of the loan redemptions payable, EUR 5.0 mill. relate to the redemption payments of the syndicated loan due in 2013. Depending on the term of the loans, these are shown under current financial liabilities. The valuation of this loan is reported in the balance sheet using the effective interest rate method. For a partial amount of EUR 30.0 mill., the interest was hedged in the form of a rate cap agreement. The reference rate to be used (6-month Euribor) was limited to a max. 2.8 % p.a. The premium payable on this came to EUR 173 thou. and was capitalised under other financial assets among the other loans and other financial assets. Owing to the current development of the Euribor, the company does not expect the rate cap agreement to be utilised. The book value of the rate cap agreement was correspondingly written off at the market value of EUR 39 thou. Interest totalling some EUR 1.3 mill. was paid for the loan during the reporting year. This corresponds to an average interest rate of 2.6 % p.a.

Three further annuity loans were taken out to finance a linear accelerator and a magnetic resonance tomograph as well as to finance a cogeneration unit with a volume totalling EUR 2.5 mill. The interest rates of the loans lie between 3.6 % and 4.05 % p.a., with interest of around EUR 432 thou. to be paid in 2013. For two of the loans, the ownership title of the financed equipment has been assigned as security. These loans have terms until 2017. For one loan (term until 2020) the Deutsche Bundesbank carried out an "eligibility examination" on MediClin GmbH & Co. KG and confirmed the eligibility of MediClin GmbH & Co. KG in its letter of 1 February 2012.

In the previous year 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.

Of the remaining liabilities to banks, EUR 14.1 mill. (previous year: EUR 16.3 mill.) is secured through real property liens (book value: EUR 33.2 mill.; previous year: EUR 35.1 mill.) For the remaining existing bank loans for the whole year, interest paid totalled EUR 740 thou. (previous year: EUR 673 thou.), which corresponds to an average interest rate of 4.8 % p.a.

The future interest and redemption payments of liabilities to banks are structured as follows:

In thousands of € 2012	Total	1 year or less	1 to 2 years	3 to 5 years	more than 5 years
Interest on bank loans	8,174	1,814	1,602	3,173	1,585
Bank loan repayments	66,227	7,652[1]	6,142	43,742	8,691

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

[1] For information only

(20) Other financial liabilities

In thousands of €	31.12.2012	31.12.2011
Loans from public corporations	1,023	1,144
Loans from acquisition of remaining Crivitz shares	30	188
Liabilities from finance leases	7,333	7,244
	8,386	**8,576**

The loan granted from **public corporations** has a term until 2021 and an interest rate of 2.0 % p.a.

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 150 thou. (previous year: EUR 143 thou.) and interest payments EUR 13 thou. (previous year: EUR 21 thou.).

Liabilities from finance leasing relate essentially 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 in MediClin Herzzentrum Lahr/Baden and in MediClin Robert Janker Klinik.

Other financial liabilities are as follows:

In thousands of €	31.12.2012	31.12.2011
Other financial liabilities	9,014	9,277
Less current repayment share		
Loans from public corporations	121	119
Loans from acquisition of remaining Crivitz shares	158	150
Liabilities from finance leases	349	432
	8,386	**8,576**

Interest expenses will develop in the future as follows:

In thousands of € 2012	Total	1 year or less[1]	1 to 2 years	3 to 5 years	more than 5 years
Interest on loans from public corporations	109	22	20	45	22
Interest on finance leases					
Reha-Zentrum Gernsbach real estate	6,398	414	405	1,160	4,419
Herzzentrum Lahr medical-technical infrastructure	34	13	8	13	0
	6,541	**449**	**433**	**1,218**	**4,441**

In thousands of € 2011	Total	1 year or less[1]	1 to 2 years	3 to 5 years	more than 5 years
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**

[1] For information only

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

In thousands of € 2012	Total	1 year or less[1]	1 to 2 years	3 to 5 years	more than 5 years
Interest on acquisition of remaining Crivitz shares	6	6	0	0	0

In thousands of € 2011	Total	1 year or less[1]	1 to 2 years	3 to 5 years	more than 5 years
Interest on acquisition of remaining Crivitz shares	20	14	6	0	0

[1] For information only

The future loan repayments will develop as follows:

In thousands of € 2012	Total	1 year or less[1]	1 to 2 years	3 to 5 years	more than 5 years
Repayments on loans from public corporations	1,144	121	123	385	515
Repayments on acquisition of remaining Crivitz shares	188	158	30	0	0
Repayments on finance leases					
Reha-Zentrum Gernsbach real estate	7,125	140	149	502	6,334
Herzzentrum Lahr medical-technical infrastructure	557	209	71	277	0
	9,014	**628**	**373**	**1,164**	**6,849**

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 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**

[1] For information only

(21) 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 14.2 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. The amount reported in the previous year will become due in 2013 and was therefore reclassified under current financial liabilities.

Provisions

(22) Provisions for pensions and similar commitments

MediClin has decided to prematurely adopt the new version of IAS 19 (2011) for the calculation of the pension obligations. In essence, this means a change from the corridor method to the OCI method. Detailed explanations can be found in the notes to the financial statements under "Changes in the accounting and valuation methods adopted".

The pension provisions are offset against various reinsurance policies with a reported premium reserve totalling EUR 1,756 thou. (previous year: EUR 1,777 thou.). Of these, two policies with a coverage volume of EUR 291 thou. (previous year: EUR 267 thou.) have been pledged to the insurance beneficiaries and will be accounted for, i.e. deducted, from the calculation of pension obligations and in the reporting of the provisions. The remaining reinsurance policies (EUR 1,465 thou.; previous year: EUR 1,510 thou.), which do not fulfil the cumulative criteria for qualified insurance policies, will continue to be reported at their fair value as refund claims.

In thousands of €	31.12.2012	Adjusted 31.12.2011	Adjustment IAS 19	31.12.2011
Net obligation	36,724	31,719	3,824	27,895
Reinsurance policies	–291	–267	–	–267
	36,433	**31,452**	**3,824**	**27,628**

Defined benefit obligations

The defined benefit obligations concern two pension plans which are meanwhile closed, the Provident Fund of the Allied Clinic Companies (Mitarbeiterunterstützungskasse der Vereinigten Klinikbetriebe – MAUK) and the pension schemes of the pension plan of the Kraichgau-Klinik Group. As a result of converting to the regulations of IAS 19 (2011), the pension plans are summarised in the reporting. Both pension plans are closed which means that new beneficiaries are barred from joining the plans. No amendments, curtailments or settlements were made which could result in a risk concentration. The number of persons covered by these plans who are entitled to or in receipt of benefits developed as follows:

	31.12.2012	31.12.2011
Active employees	1,822	1,915
Departed employees with vested rights	636	597
Pensioners	523	481
	2,981	**2,993**

The Provident Fund of the Allied Clinic Companies (Mitarbeiterunterstützungskasse der Vereinigten Klinikbetriebe – MAUK) is a relief fund into which lump-sum endowments are paid for appropriation as tax-exempt special assets to cover employee benefit entitlements. MAUK is an incorporated pension fund with no legal redress to the benefits provided for by the benefit plan. These benefits are financed through the contributions of MediClin to MAUK. At the MediClin level, the benefits constitute, depending on certain circumstances and within a limited framework, deductible business expenses (Section 4d German Income Tax Act – EStG). As a social institution pursuant to Section 5 (1) No. 3 letter e Corporation Tax Act (KStG) and Section 6 (6) Corporation Tax Act (KStG), the relief fund is exempt from taxation. Section 4d Income Tax Act restricts this tax exemption to the assets permissible under tax regulations. If the amount of the assets permissible under tax regulations is exceeded by more than 25 %, the relief fund must pay tax on that part of the excess amount. The assets permissible under tax regulations are derived by multiplying eightfold the permissible contributions for the persons eligible to relief and the premium reserve for the current benefits pursuant to Annex 1 Income Tax Act. For a person with an entitlement to relief, the assets permissible under tax regulations thus amount to approximately two annual pensions. The assets permissible under tax regulations as of 31 December 2012 amount to EUR 9,211 thou. (31.12.2011: EUR 8,958 thou.). No minimum endowment obligation exists.

As of 31 December 2001, this defined benefit plan was replaced by a defined contribution plan. The retirement benefits of the active employees accumulated at MAUK up to that time point were in effect frozen. Under the terms of the benefit plan, lifelong or time-limited benefits are paid out in the form of a retirement pension, a premature retirement pension or a disability pension. The amount of the pension, depending on the eligible service year and average working week, amounts to between EUR 5.00 and EUR 10.00 per month. In the case of premature entitlement (i.e. before completion of the 65th year), the vested entitlement for each month of the premature claim is reduced by 0.5 %. The current pension payments, with the exception of two of the individual obligations, are made from the assets of the Employees Provident Fund. MAUK receives sufficient funds from MediClin AG for this purpose. The assets of the Employees Provident Fund are made up of voluntary contributions from MediClin as well as income from investing the assets. Pursuant to Section 12 of the statute of the MAUK, the assets of the association are to be invested profitably and may only be used for the purposes of the association and administration costs. Loans may be extended to the sponsoring company at an appropriate interest rate; however, no use is made of this possibility.

The pension provisions of the Kraichgau-Klinik Group result from the acquisition of the majority of shares in Kraichgau-Klinik AG in 2008. The pension benefits paid in accordance with the pension statute of Kraichgau-Klinik AG are a retirement pension or premature retirement pension and a deferred disability pension. The monthly retirement pension amounts to 0.5 % per year of service – but no more than 12 % – of the average monthly salary received in the last twelve months prior to the insured event. In the event of premature retirement, the pension thus calculated is lowered by 0.5 % per month of the premature retirement commenced before the retirement age is reached. In the event of premature retirement due to invalidity, a deferred invalidity pension is paid until the retirement age is reached. The calculation of this amount is based on the retirement pension, but with account only taken of the employee’s years of service until the invalidity event. The age limit for employees who commenced employment on or before 31 December 1994 is 60 years for women and 65 years for men. For employees who commenced employment after 31 December 1994, the age limit is 65 years for women and for men. Since August 1997, new beneficiaries have been barred from acceptance to this scheme.

In addition, an individual obligation exists to a former executive staff member of Kraichgau-Klinik AG. This person's entitlement to retirement benefit is made up of a basic claim of 32.55 % and linear increases of 0.9 % of the annual pensionable salary. Increases have only been taken into account from 1 April 2000. The maximum claim is 48.75 % of the pensionable salary. This person's entitlement to invalidity benefit is 100 % of the retirement pension reached. In the event of the beneficiary's death, the surviving wife receives a widows' pension of 60 % of the pension to which the beneficiary was entitled or would have been entitled at the time of his death if he had become an invalid. The age limit is completion of the 65th year.

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 as well as future pension entitlements. As a rule, pensions are assessed on the basis of the length of service at the Company and remuneration relevant to retirement benefits. 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 service expense is computed using the projected unit credit method which is calculated at the beginning of the financial year and which pays interest until the end of the financial year. The Defined Benefit Obligation (DBO) at the balance sheet date is the present value of the benefits vested in preceding accounting periods calculated by means of the projected unit credit method. For assigning the benefits to the length of service, the same method must be used as for determining the current service expense. According to IAS 19 (2011), the adjustment effects accrued in the financial year resulting from actuarial gains and losses are recorded in "other comprehensive income".

The amounts reported under "other comprehensive income" are those which in future will not be recycled in the profit and loss account (IAS 19 82A (a) (2011)).

Due to the fact that, in the above-mentioned pension plans, new beneficiaries are to be barred from acceptance in the plans so that only the existing benefit claims are to be settled from these obligations, no additional risks can be noted at the moment which would result in a future risk concentration. No risk concentrations can be noted from investing the defined planned assets since most of the investments of the defined planned assets are short term.

The essential parameters which are decided at the beginning of the financial year and which determine the part of the pension expenses to be taken into account in the profit and loss account are shown in the following table:

In %	2012	2011
Discount rate	4.25	5.00
Pension trend	2.00	2.00

For the biometric calculations, the mortality tables of Prof. Dr. Klaus Heubeck (Richttafel 2005 G) were used.

The discount rate was determined on the basis of the returns generated at the end of the reporting period on first-ranking, fixed-interest industrial bonds with corresponding maturities and currencies.

An increase in the discount rate by 0.25 % from 4.25 % to 4.5 % lowers the net pension obligation by EUR 1.6 mill., or 4.4 %, while a reduction in the discount rate by 0.5 % from 4.25 % to 3.75 % would increase the provision by EUR 3.6 mill., or 9.8 %.

A change in the pension by +/– 0.25 % would result in an increase/decrease in the net pension obligation of around EUR 1.0 mill.

According to the regulations of IAS 19 (2011), the entire defined benefit obligation (DBO) must be shown in the balance sheet minus external plan assets. For the plan assets, instead of recognising the expected return, including possible value increases, in the profit and loss account, a standard rate of interest is used based on the same interest rate as that used for the calculation of the defined benefit obligations.

The expense is broken down into the components service cost, net interest and remeasurement. In the profit and loss account, the service expense is recognised under staff costs and the net interest return under the financial result. Remeasurement is recorded under equity without recognition in profit and loss and under "Income not recognised in profit and loss". Valuation changes to be accounted for in "Income not recognised in profit and loss" result from experience-based demographic adjustments, from the definition of an asset ceiling, from changes in the financial assumptions (i.e. the discount rate) and the accompanying deviation of the actual income of the plan assets from the returns calculated using the discount rate.

The net pension obligation of the financial year amounts to EUR 36,724 thou. (previous year: EUR 31,720 thou.) at plan assets of EUR 2,080 thou. (previous year: EUR 1,857 thou.).

The values recognised in the balance sheet show the following development:

In thousands of €	31.12.2012	31.12.2011
Development of recognition in the balance sheet		
Present value of the DBO	38,804	33,577
Fair value of plan assets	–2,080	–1,857
Net defined benefit liability at the end of the financial year	**36,724**	**31,720**
Reconciliation of the carrying amount		
Net obligation at the end of the preceding financial year	31,720	31,291
Service cost	111	110
Net interest expense on the reported net obligation	1,554	1,534
Remeasurements recognised in "other comprehensive income"	4,601	40
Employer contributions	–745	–743
Benefits paid directly by the employer	–517	–512
Carrying amount: net defined benefit liability at the end of the financial year	**36,724**	**31,720**

The present value of the DBO and the fair value of the plan assets showed the following development:

In thousands of €	31.12.2012	31.12.2011
DBO at the end of the preceding financial year	33,577	32,901
Current service cost	111	110
Interest expense on the DBO	1,654	1,622
Actuarial profit (–)/loss due to experience-based adjustment to the obligation	–126	–110
Actuarial profit (–)/loss due to changes in financial assumptions	4,592	0
Benefits paid from plan assets	–486	–434
Benefits paid directly by the employer	–518	–512
Pension obligation at the end of the financial year	**38,804**	**33,577**

In thousands of €	31.12.2012	31.12.2011
Fair value of plan assets at the end of the preceding financial year	1,857	1,609
Income from plan assets calculated with the discount rate	99	88
Amount by which the actual income of the plan assets in the current financial year lies below the income calculated with the discount rate	–135	–149
Employees' contributions	745	743
Benefits	–486	–434
Fair value of plan assets at the end of the financial year	**2,080**	**1,857**

The plan assets comprise the following:

In %	31.12.2012	31.12.2011
Bond funds		
with generally mixed maturities	5.8	5.8
with generally short-term maturities	4.7	5.0
Fixed interest securities	7.2	8.1
Cash and cash equivalents	68.3	66.7
Reinsurance policies	14.0	14.4
	100.0	**100.0**

With the exception of the reinsurance policies, the plan assets relate to the MAUK. The shares in the bond funds are listed. The reinsurance policies are valued at their fair value.

Total pension costs of the defined benefit obligations during the reporting year amount to EUR 6,267 thou. (previous year: EUR 1,683 thou.), of which EUR 1,665 thou. (previous year: EUR 1,643 thou.) are recognised in profit and loss and EUR 4,602 thou. (previous year: EUR 40 thou.) are recorded under "other comprehensive income".

The development of the pension costs can be seen in the chart below:

In thousands of €	31.12.2012	31.12.2011
Consolidated profit and loss account:		
Current service cost	111	110
Net interest expense/income on the reported net defined benefit liability/assets	1,554	1,533
Pension costs, recognised in consolidated profit and loss account	**1,665**	**1,643**
Other omprehensive income		
Actuarial gain (–)/loss of experience adjustment	–126	–109
Actuarial gain (–)/loss of changes in financial assumptions (on the obligation side)	4,592	0
Actuarial gain (–) / loss accrued in the course of the financial year	**4,466**	**–109**
Amount by which the actual income of the plan assets in the current financial year lies below the income calculated with the discount rate	136	149
Adjustment effects carried in "other comprehensive income"	**4,602**	**40**
Total pension costs	**6,267**	**1,683**

The expected pension costs recognised in net profit or loss for the coming year are forecast at EUR 1,587 thou., with current service expense accounting for EUR 54 thou. of this amount and net interest expense for EUR 1,533 thou.

For the year 2013, employer contributions to the plan assets are expected at EUR 745 thou., benefits paid directly by the employer at EUR 543 thou. and benefits to be paid from the plan assets at EUR 511 thou.

The following benefits are expected for the coming years:

In thousands of €	
Expected benefits for the year 2013	1,140
Expected benefits for the year 2014	1,221
Expected benefits for the year 2015	1,266
Expected benefits for the year 2016	1,335
Expected benefits for the year 2017	1,448
Expected benefits for the years 2018 to 2022	8,699

The average duration is calculated at 13.5 years (previous year: 14.5 years).

The pension obligation and plan assets are expected to develop as follows in 2013:

In thousands of €	
Pension obligation as of 31.12.2012	38,804
Current service cost	54
Interest expense on the DBO	1,627
Expected benefits	–1,054
Estimated pension obligation as of 31.12.2013	**39,431**
Estimates of plan assets	
Fair value of plan assets as of 31.12.2012	2,080
Income expected from the plan assets	93
Expected employer contributions	745
Expected benefits	–511
Expected fair value of plan assets as of 31.12.2013	**2,407**
Estimated net pension obligation	
Estimated pension obligation as of 31.12.2013	39,431
Estimated fair value of plan assets as of 31.12.2013	–2,407
	37,024

Defined contribution plans

As a defined contribution plan, MediClin pays an annual contribution 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 eligible employees the possibility to build up a private pension consisting of portions of their gross salary. MediClin transfers these amounts directly to MediClin-Unterstützungskasse e.V. (MUK e.V.). A reinsurance policy taken out with a life insurance company secures the relief fund payments. These defined contribution plans do not involve the formation of a provision. The respective expenses in the reporting year totalled EUR 663 thou. (previous year: EUR 753 thou.).

Due to collective bargaining agreements, employer-financed support fund provisions exist at a further three hospitals for a section of the employees; these relief funds are Unterstützungskasse für Krankenhäuser in Mecklenburg-Vorpommern e.V. (UMVK), Unterstützungskasse zur Förderung der betrieblichen Altersversorgung e.V. (ufba) and Rheinische Zusatzversorgungskasse (RZVK). In the reporting year, EUR 772 thou. (previous year: EUR 826 thou.) was spent on this. We have reported the current contribution payments as retirement benefit expenses in the operative result for the respective years. With the payment of current contributions for continuous membership in the pension funds, no further benefit commitments arise.

(23) Other provisions

In thousands of €	As of 01.01.2012	Addition	Interest	Consumption	Reversal	As of 31.12.2012
Provisions for renewal of lease agreements	130	7	0	0	0	137
Provisions for partial retirement	640	75	7	271	3	448
Provisions for anniversary obligations	1,664	271	60	113	14	1,868
Provisions for archival storage	636	98	0	0	284	450
Provisions for insurance	2,820	8	0	0	0	2,828
	5,890	**459**	**67**	**384**	**301**	**5,731**

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 2012 (previous year: EUR 7 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 eleven semi-retirement agreements existed (six block and five part-time models), of which one agreement will expire in 2013. An anticipated total of EUR 110 thou. will be drawn upon in 2013, and EUR 207 thou. in 2014 to 2016. The interest shares here in the 2013 reporting year totalled EUR 7 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 an interest rate of 3.75 %. An increase or decrease in the interest rate of 0.5 % would result in a reduction of the provisions by EUR 61 thou. or a rise of EUR 64 thou., respectively. Of the provisions for anniversary obligations, an estimated EUR 119 thou. will be used in the 2013 financial year, and EUR 1,749 thou. in the subsequent years. The interest shares here in the 2012 reporting year totalled EUR 60 thou. The provisions for archival storage relate to the accrued costs for the legal obligation to retain business records.

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

It is not anticipated that the provisions accounted for as at 31 December 2012 for archival storage and insurance will be consumed in the coming year.

(24) 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 2012 and the previous year's cut-off date, the deferred tax liabilities are as follows:

In thousands of €	Difference		Tax	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
Intangible assets	15,179	13,552	2,402	2,145
Property, plant and equipment	4,877	3,488	772	552
Others	701	644	111	102
			3,285	**2,799**

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.

(25) Current liabilities to banks and insurance companies

In thousands of €	31.12.2012	31.12.2011
Loans from insurance companies	0	61,355
Reclassifications from long-term loans	7,652	5,226
Accrued interest	575	4
	8,227	**66,585**

Current liabilities to banks and insurance companies related primarily to liabilities to insurance companies. These represented maturity loans with fixed-interest rates from three insurance companies, which 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. existed in the form of a pledge of shares in an affiliated company (book value: EUR 158,834 thou.). The interest rate for the loans has been fixed at 6.5 % p.a. since August 2010. In the reporting year, interest paid totalled EUR 510 thou. (previous year: EUR 3,988 thou.).

The other liabilities to banks totalling EUR 7,652 thou. (previous year: EUR 5,226 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 575 thou. (previous year: EUR 4 thou.). Of this amount, EUR 563 thou. relate to interest for the syndicated loan of EUR 50.0 mill. for the period August to December 2012.

(26) Other financial liabilities

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

In thousands of €	31.12.2012	31.12.2011
Finance leasing	349	432
Other loans	321	309
Outstanding interest	4	0
	674	**741**

(27) 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.

(28) Other liabilities

They mainly relate to the following:

In thousands of €	31.12.2012	31.12.2011
Staff costs	10,168	10,057
Wage and value added taxes payable	3,934	3,102
Public charges and fees	185	343
Payments received	257	146
Energy costs	804	142
Other liabilities	2,363	2,577
	17,710	**16,367**

(29) Current provisions

In thousands of €	As at 01.01.2012	Addition	Consumption	Reversal	As at 31.12.2012
Provisions for costs of annual financial statement	1,222	1,035	919	103	1,235
Provisions for billing risks and litigation	1,577	147	129	664	931
Other provisions	96	267	53	31	279
	2,895	**1,449**	**1,101**	**798**	**2,445**

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).

(30) Current tax liabilities

In the previous year, there were tax liabilities. The tax liabilities stated in the 2012 reporting year primarily concerned corporation tax, the solidarity surcharge and other taxes payable to the fiscal authorities.

Notes to the consolidated statement of comprehensive income

(31) Sales

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

In millions of €	2012	2011
Post-acute	252.5	241.7
Acute	205.6	202.5
Nursing care	13.1	12.0
Others	38.5	37.4
Sales revenues	**509.7**	**493.6**
Thereof against related parties	2.4	1.9

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 17.0 mill. (previous year: EUR 15.9 mill.). Furthermore, in addition to service revenues, other sales include revenues from the sale of pharmacy merchandise totalling EUR 2.4 mill. (previous year: EUR 2.5 mill.), from private accommodation totalling EUR 3.4 mill. (previous year: EUR 3.5 mill.) and from cafeterias, kiosks and meals totalling EUR 5.5 mill. (previous year: EUR 5.5 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.

(32) Other operating income

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

In millions of €	2012	2011
Release of provisions and liabilities	2.4	5.7
Subsidies	0.8	1.0
Rental income	0.7	0.7
Services to staff	0.6	0.5
Other revenues	3.4	4.5
Other operating income	**7.9**	**12.4**

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

(33) Raw materials and consumables used

Raw materials and consumables used rose slightly to EUR 111.2 mill. (previous year: EUR 110.4 mill.). Costs of raw materials, consumables and supplies of EUR 62.4 mill. remained at the previous year's level (previous year: EUR 62.4 mill.). In contrast, an increase could be noted in costs for purchased services to EUR 48.8 mill. (previous year: EUR 48.0 mill.). This is attributable above all to the EUR 0.9 mill. higher economic demand for purchased services (2012: EUR 17.6 mill.; previous year: EUR 16.7 mill.). The cost of materials ratio improved slightly to 21.8 % (previous year: 22.4 %).

(34) Staff costs

In thousands of €	2012	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Wages and salaries	246,616	236,005	–	236,005
Social security, pension and retirement	43,760	40,940	1,687	42,627
	290,376	**276,945**	**1,687**	**278,632**

Staff costs of EUR 290.4 mill. rose by 4.8 % as compared to the previous year's total (previous year: EUR 276.9 mill.). The staff costs ratio for the 2012 financial year was 57.0 %, following 56.1 % in the previous year. Pension expenses incurred in addition to those for statutory pension insurance, including contribution payments to external provider facilities, totalled EUR 1.7 mill. (previous year: EUR 1.8 mill.). They concern the following:

In thousands of €	2012	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Payments into				
defined benefit plans	68	45	1,687	1,732
defined contribution plans	1,435	1,580	–	1,580
Other pension benefits	208	204	–	204
	1,711	**1,829**	**1,687**	**3,516**

As of the 2012 financial year, MediClin will make use of the option of reporting accrued interest expense in the financial result for the calculation of the pension provisions. In the 2012 financial year, this amounted to EUR 1,533 thou. (previous year: EUR 1,633 thou.). The adjustment column IAS 19 (2011) contains reclassifications of EUR 1,633 thou. of the interest reported under staff costs in the previous year and a reduction in staff costs by EUR 54 thou. resulting from the conversion to IAS 19 (2011). As for the calculation of pension provisions, the interest share accounts for more than 90 % of the pension costs to be reported in the consolidated statement of comprehensive income for recognition in current earnings, payments into the defined benefit plans are correspondingly low. Of the payments into defined contribution plans, EUR 0.7 mill. (previous year: EUR 0.8 mill.) are allocated to MediClinRent and EUR 1.0 mill. (previous year: EUR 0.8 mill.) to three supplementary pension funds.

(35) Depreciation and amortisation

In the 2012 financial year, depreciation and amortisation totalled EUR 17.3 mill. (previous year: EUR 16.7 mill.), with EUR 2,130 thou. (previous year: EUR 2,775 thou.) attributable to intangible assets and EUR 15,188 thou. (previous year: EUR 13,962 thou.) to property, plant and equipment. The depreciation rate of 3.4 % lies at the previous year's level (previous year: 3.4 %).

(36) Other operating expenses

Most attributable to other operating expenses are, with EUR 50.4 mill., rental and leasing expenses for real estate and medical equipment (previous year: EUR 48.9 mill.). Some EUR 43.4 mill. (previous year: EUR 41.6 mill.) thereof concerns payments to related parties pursuant to IAS 24, of which EUR 41.8 mill. (previous year: EUR 40.8 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.

Other operating expenses of EUR 94.5 mill. exceed the previous year's level (previous year: EUR 89.3 mill.). The cost ratio deteriorated slightly overall from 18.1 % to 18.5 %. In addition to rental costs, other operating expenses primarily include maintenance and repair costs totalling EUR 17.1 mill. (previous year: EUR 15.9 mill.), insurance expenses totalling EUR 2.5 mill. (previous year: EUR 2.5 mill.), legal and advisory costs totalling EUR 5.1 mill. (previous year: EUR 3.8 mill.), public charges and fees totalling EUR 1.2 mill. (previous year: EUR 1.1 mill.) as well as other expenses totalling EUR 18.2 mill. (previous year: EUR 17.1 mill.), which include numerous expenses with values which are only of immaterial importance in each individual case. Of the insurance expenses, EUR 0.6 mill. (previous year: EUR 0.7 mill.) concern related companies.

(37) Financial result

The financial result is structured as follows:

In thousands of €	**2012**	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Other financial revenues	174	460	100	360
Other financial costs	−5,233	−7,115	−1,633	−5,482
	−5,059	**−6,655**	**−1,533**	**−5,122**

The interest expense reported in the adjustment column concerns interest reclassifications from staff costs. Interest income results from the new system of calculating interest in connection with the conversion to IAS 19 (2011).

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 €	2012	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Income from participations	64	2	–	2
Interest and similar revenues	110	458	–100	358
Thereof from				
Receivables	13	18	–	18
Interest income from deposits at credit institutions	47	169	–	169
Other interest-related revenues	50	271	–100	171
Other financial revenues	**174**	**460**	**–100**	**360**

In thousands of €	2012	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Interest on loans	2,615	4,863	–	4,863
Interest on pension provision	1,554	1,633	–1,633	0
Interest on finance leases	444	471	–	471
Other interest-related expenses	620	148	–	148
Other financial costs	**5,233**	**7,115**	**–1,633**	**5,482**
Thereof against related parties	340	3,545	–	3,545

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

(38) Taxes on income

The taxes on income are structured as follows:

In thousands of €	2012	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Actual taxes on income	512	1,313	–24	1,289
Deferred taxes on income	183	1,478	–	1,478
	695	**2,791**	**–24**	**2,767**

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

In thousands of €	2012	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Consolidated result before tax	−782	5,897	153	5,744
Resultant calculational tax charge (15.825 %)	−124	933	24	909
Tax effect of				
Reduction of loss carried forward on 01.01. due to altered ownership structure	0	947	–	947
Non-capitalisable losses in the financial year	1,277	1,078	–	1,078
Tax rate effect from non-capitalisable losses carried forward	−674	−489	–	−489
Trade tax expenditure	71	195	–	195
Corporation tax credit SEStEG	−3	−3	–	−3
Non-deductible expenses	23	21	–	21
Others	125	109	–	109
Actual tax expenses	**695**	**2,791**	**24**	**2,767**

As a result of the conversion to IAS 19 (2011), an improvement in 2011 can be seen in the comparable Group result before tax of EUR 153 thou., which calculates into an additional tax charge of EUR 24 thou. Comparable net profit thus improved by EUR 129 thou.

(39) 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.

In thousands of €	2012	Adjusted 2011	Adjustment IAS 19 (2011)	2011
Result attributable to equity holders (in thousands of €)	−1,403	3,134	129	3,005
Average number of shares issued (in thousands)	47,500	47,500	–	47,500
Earnings per share undiluted (in €)	−0.03	0.06	–	0.06

Other disclosures

Number of employees

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

Shown in full-time employees	2012	2011	Change
Medical	786	749	+37
Nursing care	1,941	1,892	+49
Medical-technical	1,436	1,398	+38
Functional	380	372	+8
Medical services	**4,543**	**4,411**	**+132**
Support functions	938	927	+11
Technical	121	122	–1
Administration	525	509	+16
Other	50	53	–3
Non-medical services	**1,634**	**1,611**	**+23**
	6,177	**6,022**	**+155**

Contingencies and other financial obligations

The Group's total obligations arising from rental and leasing contracts, as well as fixed incidental expenses, totalled EUR 48.9 mill. in the reporting year (previous year: EUR 47.8 mill.). Of this amount, a total of EUR 41.8 mill. (previous year: EUR 40.8 mill.) is attributable to real estate rented over the long term. Due to contractual design, the respective 21 long-term leasing contracts qualify as operating leases pursuant to IAS 17. The underlying rental contracts are due to expire on 31 December 2027. The 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 (2013: EUR 0.8 mill.; 2014 to 2017: EUR 3.4 mill.; 2018 to 2027: EUR 8.5 mill.). The expenses for other rentals and leases totalled EUR 2,945 thou. (previous year: EUR 2,895 thou.).

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

In millions of €	**Nominal value 31.12.2012**	Nominal value 31.12.2011
Remaining term up to 1 year	44.5	42.1
Remaining term 1 – 5 years	176.3	167.3
Remaining term > 5 years	429.8	450.3
	650.6	**659.7**

Leasing expenses relating to movable property, such as vehicles, office equipment and medical technology, totalled EUR 3,339 thou. (previous year: EUR 3,247 thou.) in the financial year. The terms of leasing agreements are between one 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 31.12.2012**	Nominal value 31.12.2011
Remaining term up to 1 year	1.5	1.9
Remaining term 1 – 5 years	3.1	1.6
Remaining term > 5 years	0.0	0.0
	4.6	**3.5**

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

In millions of €	**Nominal value 31.12.2012**	Nominal value 31.12.2011
Remaining term up to 1 year	0.8	0.9
Remaining term 1 – 5 years	2.7	2.5
Remaining term > 5 years	9.6	10.2
	13.1	**13.6**

The finance leasing agreements of a total of EUR 12.5 mill. primarily concern the leasing agreement for the real estate of Rehabilitationszentrum Gernsbach. Two leasing agreements concern medical and technical infrastructure in MediClin Herzzentrum Lahr/Baden (EUR 0.1 mill.) and MediClin Robert Janker Klinik (EUR 0.5 mill.). 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.

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 an extent that endangers the fulfilment of the agreement.

In order to finance the loan for the acquisition of MediClin Rose Klinik, a joint and several liability was furnished to MediClin AG in the amount of EUR 7.6 mill.

Within the context of acquisition of property, plant and equipment, as of 31 December 2012, contractual obligations exist totalling approximately EUR 4.7 mill. (previous year: approximately EUR 10.7 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.

Fixed interest rate loans totalling EUR 61,355 thou. to insurance companies, two of which are also shareholders of MEDICLIN Aktiengesellschaft, were repaid on 16 February 2012. A syndicated loan of EUR 50.0 mill. was taken out as follow-up finance by DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, leading the syndicate. The credit agreement includes an option to raise the loan by a further EUR 10.0 mill. so that the credit agreement amounts to a total of EUR 60.0 mill. The term of the credit agreement is five years. The loan is repaid in six-month repayment instalments of EUR 2.5 mill. and a final instalment of EUR 30.0 mill. The first redemption instalment is to be paid on 31 January 2013. Interest is paid on the loan at a variable rate based on the 6-month Euribor of the particular interest period plus a margin. The interest rate has been hedged by means of a rate cap agreement at the following conditions:

Starting date	31.07.2012
Ending date	31.01.2017
Reference amount	EUR 30,000,000.00
Premium	EUR 173,000.00
Cap rate	2.8 % p.a.
Reference rate	EUR-Euribor Reuters for 6-month money

At the time of publication of this annual report (March 2013), the 6-month Euribor lies below 0.4 % p.a. A +/– 50 basis points higher or lower 6-month Euribor would have resulted in a deterioration or improvement in the financial result by EUR 222 thou.

Supervisory Board in the 2012 financial year

Dr. Jan Boetius (Chairman), Munich (until 31 May 2012)
Former member of the Management Board of ERGO Versicherungsgruppe AG

Dr. Ulrich Wandschneider (Chairman), Hamburg (since 1 June 2012)
Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg
Chairman of the Corporate Management of the Asklepios Group, Hamburg
Vice President of Bundesverband Deutscher Privatkliniken e.V., Berlin
Supervisory Board mandates:
Member of the Supervisory Board
- Asklepios Kliniken Hamburg GmbH, Hamburg
- Vanguard AG, Berlin

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

Michael Bock, Leverkusen
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, Meerbusch
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
- ERGO Pensionskasse AG, Nuremberg (since 19 September 2012)
- ERGO Pensionsfonds AG, Düsseldorf (since 19 September 2012)
- Hamburg-Mannheimer Pensionskasse AG, Hamburg (since 19 September 2012)

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

Gerd Dielmann[1], Berlin (until 19 September 2012)
Division Manager Professional Policy, ver.di – Vereinte Dienstleistungsgewerkschaft
Bundesverwaltung, Fachbereich Gesundheit, Soziale Dienste, Wohlfahrt und Kirchen

[1] Employee representative on the Supervisory Board

Prof. Dr. Erich Donauer[1], Plau am See (until 19 September 2012)
Medical Director, MediClin GmbH & Co. KG, Krankenhaus Plau am See branch

Walburga Erichsmeier[1], Blomberg (since 20 September 2012)
Trade Union Secretary at ver.di, Herford-Minden-Lippe district

Dr. Tom Giesler[1], Markkleeberg (since 20 September 2012)
Director of the Klinik für Kardiologie und Angiologie, MediClin GmbH & Co. KG, Coswig branch
Member of the Supervisory Committee of Ärzteversorgung Sachsen-Anhalt

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
- DEIKON GmbH i.L., Cologne

Stephan Leonhard, Oberursel (since 1 January 2012)
Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg
Vice Chairman of the Corporate Management of the Asklepios Group, Hamburg

Dr. Jochen Messemer, Düsseldorf
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 (until 1 Juli 2012)

Member of the Supervisory Board
- DAS Nederlandse Rechtsbijstand Verzekeringsmaatschappij N.V., Amsterdam (until 30 April 2012)
- Österreichische Volksbanken AG, Vienna (until 26 April 2012)

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

[1] Employee representative on the Supervisory Board

Thomas Müller[1], Neunkirchen (since 20 September 2012)
Trade Union Secretary at ver.di, Saar state district

Udo Rein[1], Frankfurt am Main (until 19 September 2012)
Lawyer
Managing Director of Marburger Bund Landesverband Hessen, Frankfurt am Main

Uwe Rohde[1], Dorfmark (until 19 September 2012)
Physiotherapist, MediClin Therapie GmbH

Eleonore Seigel[1], Offenburg (since 20 September 2012)
Medical-technical Assistant, MediClin GmbH & Co. KG,
Durbach branch

Supervisory Board Committees

As a result of the departure of the Chairman of the Supervisory Board, Dr. Jan Boetius, as of 31 May 2012 and the election or re-election of Supervisory Board members by the Annual General Meeting on 23 May 2012 and the election of the employee representatives to the Supervisory Board on 20 September 2012, changes took place in the office of Chairman and in the composition of the committees in the reporting year. At the balance sheet date 31 December 2012, the committees consisted of the following members:

General and Personnel Committee
Dr. Ulrich Wandschneider (Chairman)
Michael Bock
Dr. Tom Giesler
Hans Hilpert
Dr. Jochen Messemer
Thomas Müller

Mediation Committee pursuant to Section 27 MitbestG
Dr. Ulrich Wandschneider (Chairman)
Hans Hilpert
Dr. Jochen Messemer
Klaus Müller

Audit Committee
Stephan Leonhard (Chairman)
Dr. Daniel von Borries
Walburga Erichsmeier
Dr. Tom Giesler
Carsten Heise
Eleonore Seigel

Nomination Committee
Dr. Ulrich Wandschneider (Chairman)
Carsten Heise
Stephan Leonhard

[1] Employee representative on the Supervisory Board

Advisory Board

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

Management Board

The following persons were members of the MEDICLIN Aktiengesellschaft Management Board during the 2012 financial year:

Frank Abele, Chairman of the Management Board, Gerlingen

Jens Breuer, Chief Financial Officer, Hamminkeln (since 1 June 2012)

Dr. Ulrich Wandschneider, Member of the Management Board, Hamburg
(until 31 May 2012)
Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg
Chairman of the Corporate Management of the Asklepios Group, Hamburg
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 1,229 thou. (previous year: EUR 1,826 thou.), for the Supervisory Board EUR 175 thou. (previous year: EUR 216 thou.) and for the Advisory Board EUR 60 thou. (previous year: EUR 70 thou.). The disclosure of the remuneration of the Supervisory Board and Advisory Board does not include VAT.

In the 2012 financial year, as in 2011, 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. Moreover, 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 €	2012	2011
Income		
Revenues from post-acute, acute and nursing care services	1.9	1.5
Real estate management income	0.4	0.4
Expenses		
Leasing expenses	42.5	41.4
Real estate management costs	0.8	0.8
Insurance premiums	1.3	1.4
Interest expenses	0.3	3.5
Service contracts	6.3	5.7

In millions of €	31.12.2012	31.12.2011
Receivables		
Repayment claims from preliminary financing of clinic expansions and building measures	0.4	0.9
Receivables from post-acute, acute and nursing care services	0.1	0.1
Liabilities		
to insurance companies	0.0	40.9
Provision for insurance payments	0.0	0.1
Service contracts	0.6	0.7

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. Dr. Ulrich Wandschneider is Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and Chairman of the Management Board of the Asklepios Group, Hamburg. Until 31 May 2012, he was member of the Management Board of MediClin AG, and since 17 June 2012, he has been Chairman of the Supervisory Board of MediClin AG. Since 1 January 2012, Stephan Leonhard has been Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and Vice Chairman of the Management Board of the Asklepios Group, Hamburg, member of the Supervisory Board of MediClin AG.

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. Two of the lenders, DKV Deutsche Krankenversicherung AG, Cologne, and Victoria Lebensversicherung AG, Düsseldorf, subsidiary of Münchener Rückversicherungs-Gesellschaft AG, are related companies. These loans from insurance companies have existed unchanged since 2000. In the period from 31 July 2010 to 16 February 2012, the interest rate remained unchanged at 6.5 % p.a.

MediClin-Unterstützungskasse e.V. (MUK) has taken out a reinsurance policy with Victoria Lebensversicherung AG, a wholly owned subsidiary of ERGO Versicherungsgruppe AG, Düsseldorf, as part of a Group reinsurance contract to protect the retirement benefit plans of MediClin, MediClinRent. The contribution for this totalled EUR 663 thou. in 2012 (previous year: EUR 753 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. Until now there has only been one contract for shipments of pharmaceuticals between a MediClin hospital and an Asklepios hospital. The revenues from this are insignificant (2012: EUR 0.1 mill.; 2011: EUR 0,04 mill.).

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 with fully consolidated companies included in the consolidated financial statements, relationships exist with 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 5.4 mill. (previous year: EUR 4.8 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.). The incidental costs amounted in the reporting year to EUR 0.2 mill. (previous year: EUR 20.0 thou.) due to a back payment of real estate tax for the years 2009 until and including 2012.

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 289a 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	2012	2011
Annual audit	447	442
Other attestation services	19	15
Tax consulting services	0	0
Other services	0	14
	466	**471**

Proposed appropriation of earnings

It is proposed that the net profit of MEDICLIN Aktiengesellschaft as of 31 December 2012, totalling EUR 18,076,381.87, be carried forward to new account.

Offenburg, 7 March 2013

Frank Abele

Jens Breuer

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, 7 March 2013

Frank Abele Jens Breuer

Auditor's report

We have audited the consolidated financial statements prepared by the MEDICLIN Aktiengesellschaft, Offenburg, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January 2012 to 31 December 2012. The preparation of the consolidated financial statements and the 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 (1) of the HGB are the responsibility of the legal representatives of the parent company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the 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 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 group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the financial information of those components consolidated, the scope of the consolidation, the accounting and consolidation principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not 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 (1) of the 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 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., 8 March 2013

BDO AG
Wirtschaftsprüfungsgesellschaft

(Preis)	(ppa. Bauer)
Wirtschaftsprüfer	Wirtschaftsprüferin

Further information

Contents

DR. ULRICH WANDSCHNEIDER
CHAIRMAN OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Dear Shareholders,

In the 2012 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.

We regularly provided counsel to the Management Board and consistently supported 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. These were, in particular, the business development in the group and in the individual segments, the structural analysis of the MediClin locations, the capacity restraints in certain medical indications, the staff situation and potential synergies between the facilities of MediClin and Asklepios. The Management Board also regularly discussed questions of corporate management and strategy with the Supervisory Board. It promptly and comprehensively informed about all issues of relevance to the company such as corporate planning, strategy, corporate management, the risk situation, risk management, compliance and the legal management of the company. Any deviations in business development from the budgets and goals were discussed between the Management Board and the Supervisory Board. The Supervisory Board also concerned itself with the new appointment of the position of Chief Financial Officer and with the changes in the Supervisory Board.

At all 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 intensively examined the question of possible conflicts of interest of the Management Board and Supervisory Board members during the financial year. 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

The Supervisory Board concerned itself with current issues and the demands and objectives of corporate governance, and reported on these together with the Management Board in the corporate governance report. This corporate governance report is published on the MediClin website in connection with the conformity declaration. The report deals with the Supervisory Board's objectives regarding its composition as well as with details on the current status of the implementations. The remuneration report, which provides a detailed and comprehensive report on the remuneration of the Management Board and Supervisory Board, can be found on pages 39 ff of the 2012 Annual Report.

Efficiency audit

The members of the Supervisory Board examined the efficiency of their work in the 2012 financial year on the basis of a questionnaire. The current examination encompasses the work during the period from the 2011 Annual General Meeting to the 2012 Annual General Meeting. The questionnaire takes up the issues of organisational efficiency and personnel efficiency as well as the efficiency of the Supervisory Board in terms of form and content. The results were discussed in the meeting on 23 August 2012 and a resolution was passed to conduct another efficiency audit on the same basis in the 2013 financial year.

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 projects, were constant components of all Supervisory Board meeting consultations. In 2012, 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. Resolutions which could not be passed at the time of the meetings or which required urgent action were passed through circulation.

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 21 March 2012, and in the resolution passed through circulation on 10 April 2012, the Supervisory Board dealt with and approved the appointment of Jens Breuer as Chief Financial Officer of MediClin AG. The General and Personnel Committee unanimously supported the appointment of Jens Breuer as a member of the Management Board of the company, and the Supervisory Board followed the recommendation. Jens Breuer commenced his period of office on 1 June 2012, which ends on 31 May 2015 after a three-year period.

Furthermore, the annual financial statements and the consolidated financial statements for 2011, which had already been audited by the Audit Committee, were discussed in detail by the Supervisory Board at this meeting in the presence of the auditors and subsequently approved. 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 connection with this, the Supervisory Board followed the Management Board's proposal on the allocation of unappropriated profit, as had the Audit Committee prior to this, and resolved to propose to the Annual General Meeting on 23 May 2012 to carry forward the net profit of MEDICLIN Aktiengesellschaft to new account, after discussing once again in detail the proposal on the allocation of the unappropriated profit with the Management Board and having audited it. The main reason for the decision was in particular the decline in the annual result to a low single-digit amount and the failure to achieve two internally defined ratios for a dividend payment.

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 2012 financial year. Additionally, the 2012 conformity declaration was discussed and adopted.

The following changes to the Supervisory Board were discussed in the meeting on 21 March 2012: As Dr. Daniel von Borries had resigned his post as chairman of the Audit Committee on conclusion of the meeting on 20 March 2012, the Supervisory Board elected Stephan Leonhard as new chairman of the Audit Committee. Furthermore, the representatives of the shareholders in the Supervisory Board resolved, on the recommendation of the Nomination Committee, to propose to the Annual General Meeting on 23 May 2012 the re-election of Dr. Jochen Messemer and the election of the Supervisory Board member Stephan Leonhard, appointed in place by court order. The updated declaration of compliance was also approved.

At the Supervisory Board meeting following the Annual General Meeting on 23 May 2012, the Management Board reported on the current business development in the group in the first quarter of 2012. The Management Board explained the need to expand capacities at three locations. The Supervisory Board unanimously approved the expansion work due to the demonstrably high demand and in the interests of securing the existence of the locations.

As a result of the resolution passed through circulation on 17 June 2012, Dr. Ulrich Wandschneider was elected Chairman of the Supervisory Board and the representatives of the shareholders in the committees were re-elected or newly appointed. In addition, Stephan Leonhard was appointed Chairman of the Audit Committee and Dr. Ulrich Wandschneider Chairman of the Nomination Committee.

In the meeting on 23 August 2012, the Supervisory Board was informed about the business development in the first half-year of 2012. The Management Board reported on the status of the analysis of the synergy possibilities between MediClin and Asklepios and on the status of the structural analysis of the MediClin locations. With the aid of the structural analysis, the internal growth potential of MediClin is to be established. The evaluation of the efficiency examination conducted on the work of the Supervisory Board was also discussed.

In the meeting on 14 November 2012, the Supervisory Board discussed the business development in the first nine months of the 2012 financial year on the basis of the explanations of the Management Board, and approved the expansion of the capacities at a further location. In the new election of the employee representatives to the Supervisory Board on 20 September 2012, the employee representatives were re-elected or newly elected to the committees of the Supervisory Board, and Hans Hilpert was elected Vice Chairman of the Supervisory Board on 14 November 2012.

In the Supervisory Board meeting on 13 December 2012, the Supervisory Board was informed by the Management Board about the planned corporate and business development for 2013 and 2014, 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 2013/2014 and the accompanying explanations by the Management Board. At this meeting, the Supervisory Board also approved the adjustment to the Rules of Procedure of the Management Board, the Rules of Procedure of the Supervisory Board and the objectives governing the composition of the Supervisory Board on the basis of the amendments to the German Corporate Governance Code according to the version of 15 May 2012.

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. In individual cases, the decision authorities of the Supervisory Board can be transferred to the committees if this is permitted by law. 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.

In a telephone conference on 29 February 2012, it discussed the preliminary financial statements for 2011 and the final financial statements with the Management Board and the auditors and approved the publication of the preliminary figures for the 2011 financial year.

On 20 March 2012, the Audit Committee intensively discussed the final annual financial statements for 2011 and the consolidated financial statements for 2011 with the Management Board and the auditors and resolved to recommend the Supervisory Board to approve the annual financial statements. It examined the auditors' independence certification and again recommended BDO AG Wirtschaftsprüfungsgesellschaft as auditors for MediClin for 2012. The Audit Committee followed the Management Board's proposal for the allocation of profits. The meeting was also informed about the satisfactory audit of the annual financial statements and the consolidated financial statements conducted by Deutsche Prüfstelle für Rechnungslegung (DPR) and the fact that no objections were raised by DPR.

Furthermore, the Audit Committee intensively discussed the financial reports as of 31 March 2012, 30 June 2012 and 30 September 2012 with the Management Board in telephone conferences on 10 May 2012, 9 August 2012 and 31 October 2012 respectively, and approved each report for publication. In the telephone conference on 9 August 2012, the audit planning and the audit focal points for 2012 were also discussed and approved. The audit planning was presented to the members of the Audit Committee and was discussed in detail along with the summary report on risk management and on internal auditing.

The General and Personnel Committee concerned itself with the new appointment of the position of Chief Financial Officer in the 2012 financial year and in its meeting on 21 March 2012 proposed Jens Breuer to the Supervisory Board as suitable candidate. In its second meeting, convened on 13 December 2012, the members discussed the framework conditions for the profit-sharing bonus payments to the Managing Directors for 2012 as well as first proposals for the profit-sharing bonus criteria for 2013.

The Nomination Committee convened for one meeting in the 2012 reporting year, on 21 March 2012. After examining the candidates and considering the composition of the full board, it recommended at this meeting and as a result of the resolution passed through circulation on 10 April 2012 to propose to the Supervisory Board of the Annual General Meeting on 23 May 2012 the re-election of Dr. Jochen Messemer, the election of Stephan Leonhard and the election of Dr. Ulrich Wandschneider. In accordance with a resolution issued by the District Court of Freiburg i. Br., Stephan Leonhard had already been appointed member of the Supervisory Board with effect from 1 January 2012 as representative of the company's shareholders, succeeding Dr. Hans Rossels.

There was no need for the Mediation Committee to convene in the 2012 reporting year.

Changes in the Supervisory Board and the Management Board

On 23 May 2012, the Annual General Meeting elected Stephan Leonhard – until then appointed by court resolution – to the Supervisory Board, re-elected Dr. Jochen Messemer and appointed Dr. Ulrich Wandschneider to the Supervisory Board with effect from 1 June 2012. As per the resolution passed through circulation on 17 June 2012, Dr. Ulrich Wandschneider was elected Chairman of the Supervisory Board. Dr. Jan Boetius, member and chairman of the Supervisory Board until 31 May 2012, resigned from his post with effect from 31 May 2012. The Supervisory Board would like to thank Dr. Jan Boetius for his strong leadership and specialist competence as head of the full Supervisory Board and its committees.

There were the following changes in the Management Board of MediClin: Dr. Ulrich Wandschneider resigned his office as member of the Management Board of MediClin with effect from 31 May 2012. Jens Breuer was appointed Chief Financial Officer of MediClin and took up his office on 1 June 2012.

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 2012 financial year, including the accounting records and the summarised management report and Group management report of the Company, were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg. The audit firm was elected to be the auditor of the annual financial statements and consolidated financial statements for the 2012 financial year at the Annual General Meeting on 23 May 2012, 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 2012 annual financial statements of MediClin and the 2012 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 2013, 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. On the basis of 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 for the 2012 financial year totalling EUR 18,076,381.87 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 on the basis of its own examination, 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 2013. 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 2012 financial year.

Hamburg, 21 March 2013

On behalf of the Supervisory Board

Dr. Ulrich Wandschneider
Chairman of the Supervisory Board

Corporate decision-making bodies

Management Board

Frank Abele
Chairman of the Management Board

Jens Breuer
Chief Financial Officer

Supervisory Board

Dr. Ulrich Wandschneider
Chairman
Chairman of the Management Board of Asklepios Kliniken GmbH

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

Walburga Erichsmeier[1]
Trade Union Secretary at ver.di Herford-Minden-Lippe district

Dr. Tom Giesler[1]
Director of Klinik für Kardiologie und Angiologie, MediClin GmbH & Co. KG, Coswig branch

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

Stephan Leonhard
Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung

[1] Employee representative on the Supervisory Board

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

Thomas Müller[1]
Trade Union Secretary at ver.di
Saar state district

Eleonore Seigel[1]
Medical-technical Assistant,
MediClin GmbH & Co. KG,
Durbach branch

Supervisory Board Committees

General and Personnel Committee
Dr. Ulrich Wandschneider (Chairman)
Michael Bock
Dr. Tom Giesler
Hans Hilpert
Thomas Müller
Dr. Jochen Messemer

Audit Committee
Stephan Leonhard (Chairman)
Dr. Daniel von Borries
Walburga Erichsmeier
Carsten Heise
Dr. Tom Giesler
Eleonore Seigel

Mediation Committee pursuant to Section 27 MitbestG
Dr. Ulrich Wandschneider (Chairman)
Hans Hilpert
Dr. Jochen Messemer
Klaus Müller

Nomination Committee
Dr. Ulrich Wandschneider (Chairman)
Carsten Heise
Stephan Leonhard

[1] Employee representative on the Supervisory Board

Advisory Board

The committee is in the process of reconstituting.

Members of Management Boards of consolidated subsidiaries of MediClin AG

Frank Abele
- MediClin Geschäftsführungs-GmbH
- MediClin Medizinisches Versorgungszentrum GmbH
- Cortex Software GmbH
- MediClin à la Carte GmbH
- MC Kliniken Geschäftsführungs-GmbH[1]
- Kraichgau-Klinik Aktiengesellschaft
- MVZ MediClin Bonn GmbH

Jens Breuer
- MediClin Geschäftsführungs-GmbH
- MC Service GmbH
- MC Kliniken Geschäftsführungs-GmbH[1]
- Kraichgau-Klinik Aktiengesellschaft
- MediClin Energie GmbH

Franz Ebert
- MediClin Energie GmbH

Roland Grabiak
- MediClin Krankenhaus am Crivitzer See GmbH
- MVZ-Müritz GmbH

Uwe Hektor
- MediClin à la Carte GmbH

Manfred Hof
- MediClin Pflege GmbH

[1] Yvonne Mobilien-Leasing GmbH was renamed MC Kliniken Geschäftsführung-GmbH on 19 December 2012.

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

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

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.

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EBITDAR
Earnings before interest, taxes, depreciation, amortisation and rent

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.

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

IASB
International Accounting Standards Board.

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.

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.

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.

Biomechanics
Science which deals with the musculoskeletal systems of biological organisms and their movement processes.

Dementia
Term for a chronic degenerative disease of the brain, usually over a period of months or years, characterised by the loss of previously acquired cognitive capabilities such as memory loss.

Lokomat®Pro
A robotised gait orthosis.

Neurology
Specialist field in medicine which deals with the exploration, diagnostics and treatment of diseases of the central nervous system and muscles.

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.

Physician Assistant
A person who is qualified (with a bachelor's degree) to carry out medical activities delegated to him by and under the supervision of a physician.

Psychosomatics
Term for a pathology which examines the way in which the psyche can influence physical events.

Psychiatry
Specialist field in medicine which encompasses all measures undertaken for the diagnostics, therapy, prevention and rehabilitation of patients with psychic disorders.

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

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

Addresses and imprint

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Publisher:
MEDICLIN Aktiengesellschaft,
Offenburg

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

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

Concept and design
Designerwerk/Janine Weise,
Frankfurt am Main

Consulting and media design
medienhaus:frankfurt GmbH,
Frankfurt am Main

Development of nursing days, cases and occupancy rates

Nursing days	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Year total
Post-acute	483,425	501,080	503,323	477,979	1,965,807
Acute	108,780	105,296	107,412	105,266	426,754
Nursing care	38,808	37,897	39,348	39,064	155,117
Total	**631,013**	**644,273**	**650,083**	**622,309**	**2,547,678**

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**

Cases	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Year total
Post-acute	19,391	19,973	19,923	19,142	78,430
Acute	11,122	10,567	10,858	10,511	43,057
Total	**30,513**	**30,540**	**30,781**	**29,653**	**121,487**

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**

Occupancy rates in %	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Year total
Post-acute	85.3	88.4	88.0	84.1	86.4
Acute	85.7	82.2	82.4	79.8	82.5
Nursing care	97.1	94.4	96.8	96.3	96.2
Total	**86.0**	**87.7**	**87.5**	**83.9**	**86.3**

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**

Present nationwide

- Asklepios: acute-care hospital
- Asklepios: post-acute/rehabilitation hospital
- Asklepios: other health care facilitiy
- * Facility under management

- MediClin: acute-care hospital
- MediClin: post-acute/rehabilitation hospital
- MediClin: other health care facilitiy

Financial calendar

1 March 2013
Presentation of the interim figures for the 2012 financial year

22 March 2013
Financial statements press and analysts' conference for the 2012 financial year

15 May 2013
Publication of the interim report for the 1st quarter 2013

23 May 2013
Annual General Meeting

14 August 2013
Publication of the interim report for the 1st half-year 2013

13 November 2013
Publication of the interim report for the 1st – 3rd quarter 2013

2012
2013
Q1
Q2
Q3

www.mediclin.de

The future:
Integrating and specialising
Developing and networking

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