MediClin integrates.





MediClin - A company of the Asklepios Group













SPOT ON: LEADERSHIP AND COMMUNICATION

3 Foreword by the Chairman of the Management Board

ACUTE CARE AND REHABILITATION -A HOLISTIC TREATMENT APPROACH

The MediClin share

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Present nationwide

Cover Acute care and rehabilitation – a holistic treatment approach

The crucial factor in treating a stroke is time. The sooner the treatment starts, the better the chances of survival and rehabilitation prospects.

We would like to express our sincerest thanks to the employees and patients of MediClin Krankenhaus Plau am See and MediClin Reha-Zentrum Plau am See, who gave us a photographic insight to their clinic life.

MediClin: key data on business development

In thousands of €	2014	2013
Sales	538,035	514,954
EBITDAR	79,694	64,830
EBITDAR margin in %	14.8	12.6
EBITDA	34,079	19,611
EBITDA margin in %	6.3	3.8
EBIT (operating result)	15,563	2,148
EBIT margin in %	2.9	0.4
Financial result	-3,877	-4,718
Result attributable to shareholders of MediClin AG	8,503	-2,638
Earnings per share in €	0.18	-0.06
Balance sheet total	319,615	312,867
Equity	153,947	152,188
Equity ratio in %	48.2	48.6
Financial liabilities (to banks)	52,912	59,203
Cash and cash equivalents	26,347	13,219
Net debt	26,565	45,985
Net Debt/EBITDA	0.8x	2.3 x
Cash flow from operating activities	32,127	9,953
Cash flow from operating activities per share in €	0.68	0.21
Gross capital expenditure	21,010	18,640
Thereof subsidies	4,449	2,912
Dividend per share in €	_	_
Number of shares in millions	47.50	47.50
Number of cases (inpatient)	120,971	118,838
Number of beds as of 31.12.	7,985	8,046
Number of full-time employees (annual average)	6,432	6,372
Occupancy rates in %	87.3	84.6

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

Quarterly development of the Group in 2014

In millions of €	Q1	Q2	Q3	Q4
Sales	132.4	134.3	136.1	135.2
EBIT (operating result)	-1.0	4.1	9.1	3.4
EBIT margin in %	-0.8	3.1	6.7	2.5
Result attributable to shareholders of MediClin AG	-1.7	2.7	7.0	0.5
Earnings per share in €	-0.04	0.06	0.15	0.01
Cash flow from operating activities	4.1	3.5	19.1	5.4
Cash flow from operating activities per share in €	0.09	0.07	0.40	0.11
Equity ratio in %	47.3	47.3	47.9	48.2
Gross capital expenditure	5.0	4.5	4.7	6.8
Net financial debt	45.0	44.6	28.4	26.6
Number of full-time employees (quarterly average)	6,364	6,408	6,442	6,513
Occupancy rates in %	86.1	88.3	88.3	86.3



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 fulfil in all respects.



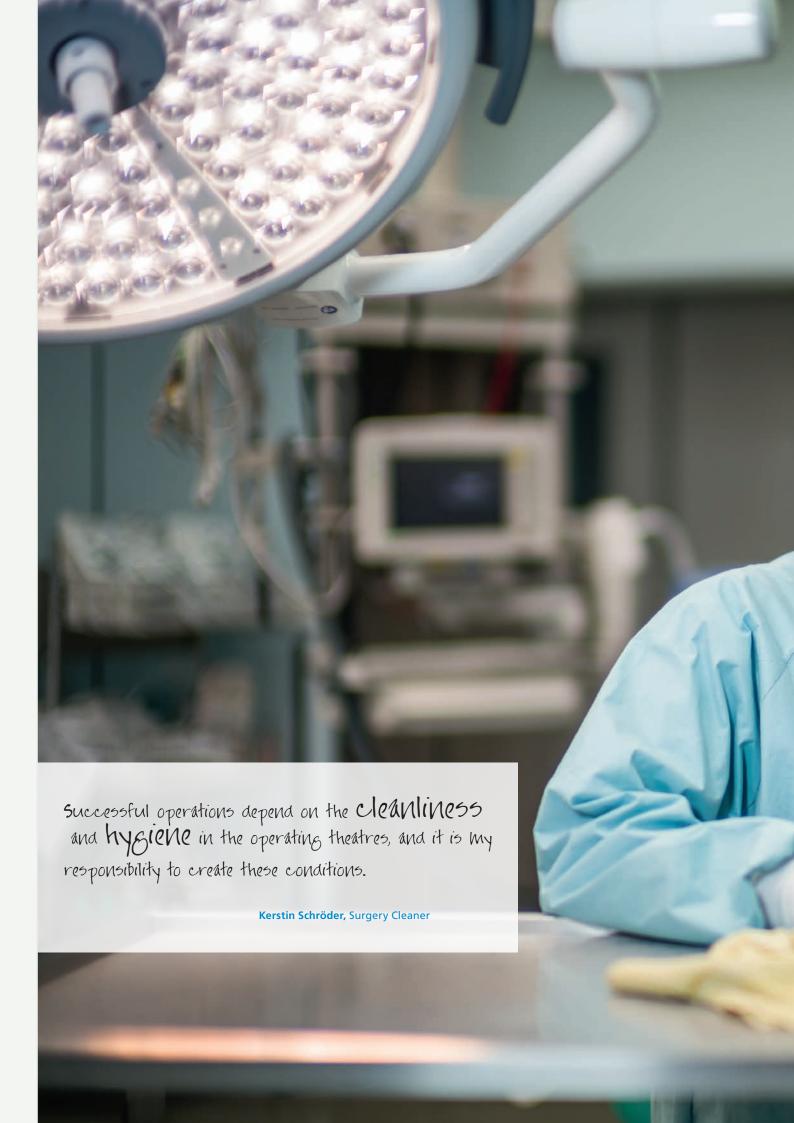


How do MediClin employees understand leadership and communication? What do they associate with these terms?

We have asked our employees and have found out that these topics are important. Some wish for more leadership, for more communication – others for less.

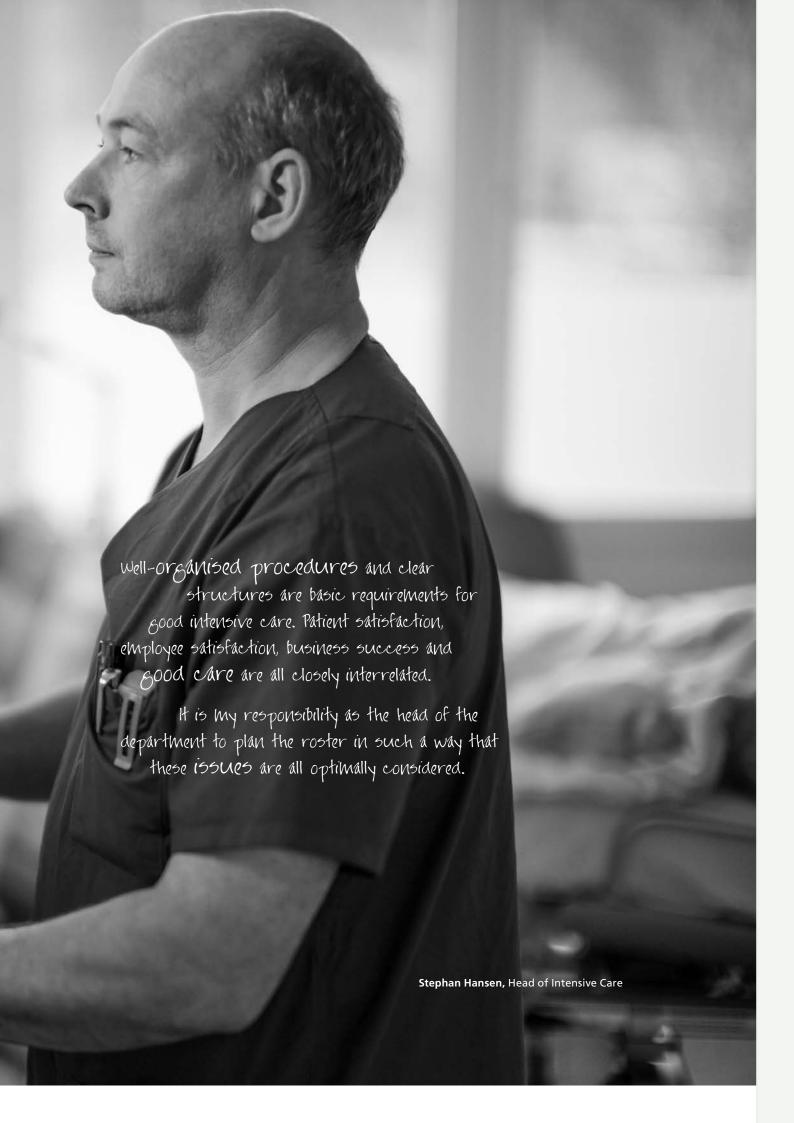
But they all agree that good leadership and communication skills are essential at all levels of the hierarchy. They are indispensable for a responsible and transparent working environment. Good leadership and communication are highly challenging tasks, and require that the duties and degree of discretion as well as the rules for working together are clearly defined at all management levels. In order to meet the clearly communicated targets, the communication channels within the organisation must be specified. In 2014 MediClin worked very hard towards creating the corresponding structural conditions.













This ward offers us great opportunities to help our patients return to a normal life. We manage to reach this goal when nurses, therapists, doctors and the administration all pull together. Professional expertise, great commitment and a pleasant working environment are the foundations of a good therapy outcome.





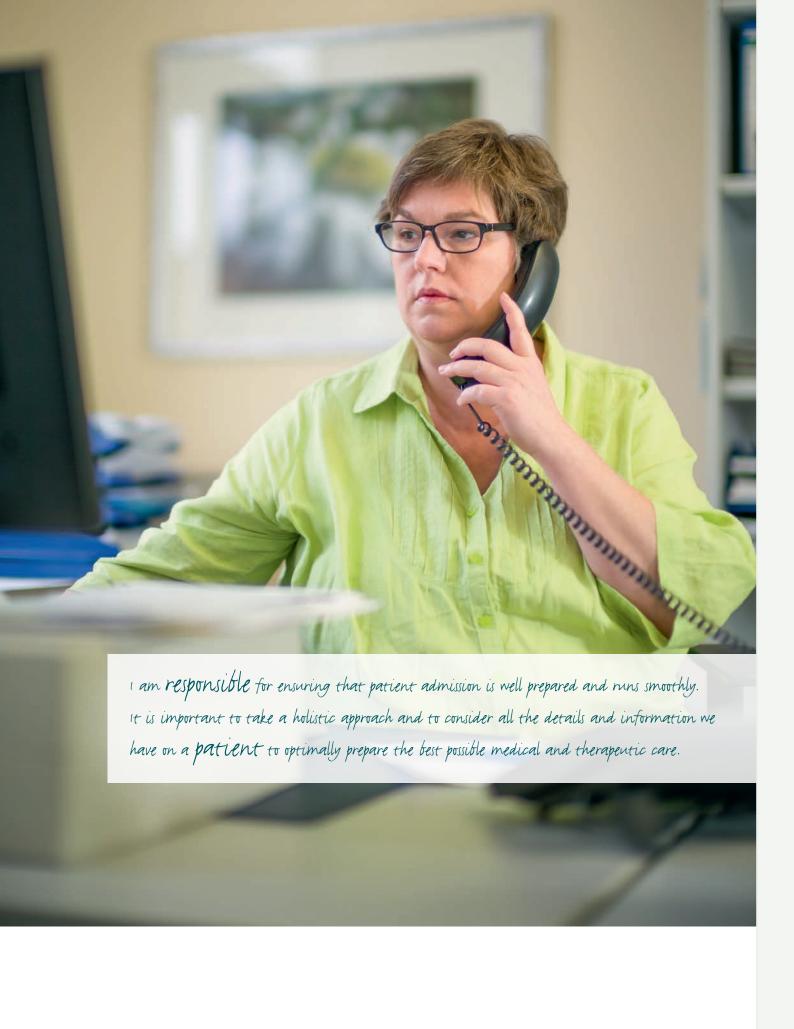


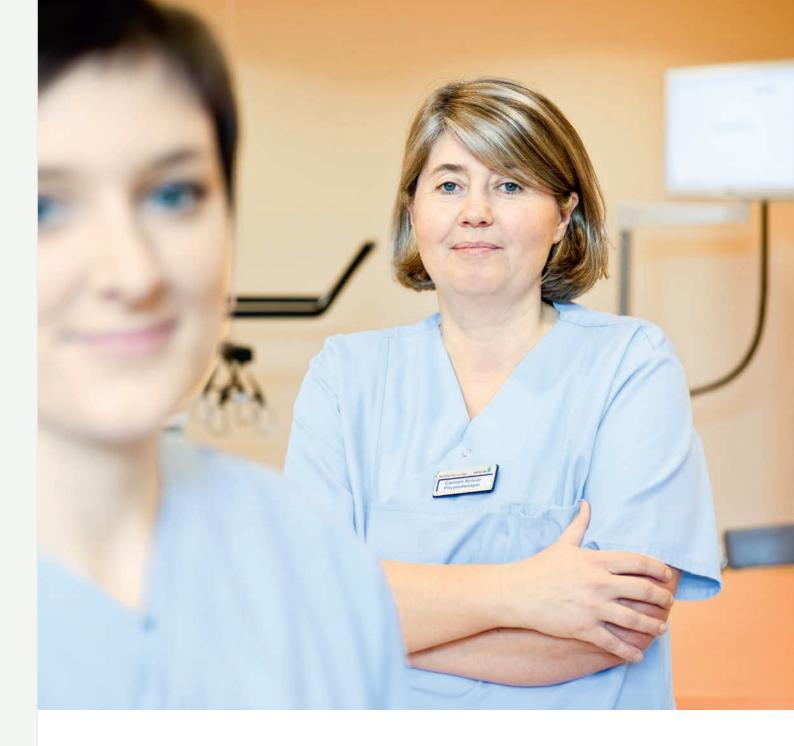
Our patients place great confidence in us and that is the challenge we need to live up to every single day. Therefore good leadership is also demanding, and I can achieve this by treating both employees and patients with respect and by holding them in equally high esteem.











Trust is an essential prerequisite to working with patients. A therapy can only be successful if I manage to win the patients' trust. It fills me with joy and satisfaction to see a patient's progress from intensive care to early rehabilitation and then to ordinary rehabilitation.

Carmen Schulz, Head of Therapy

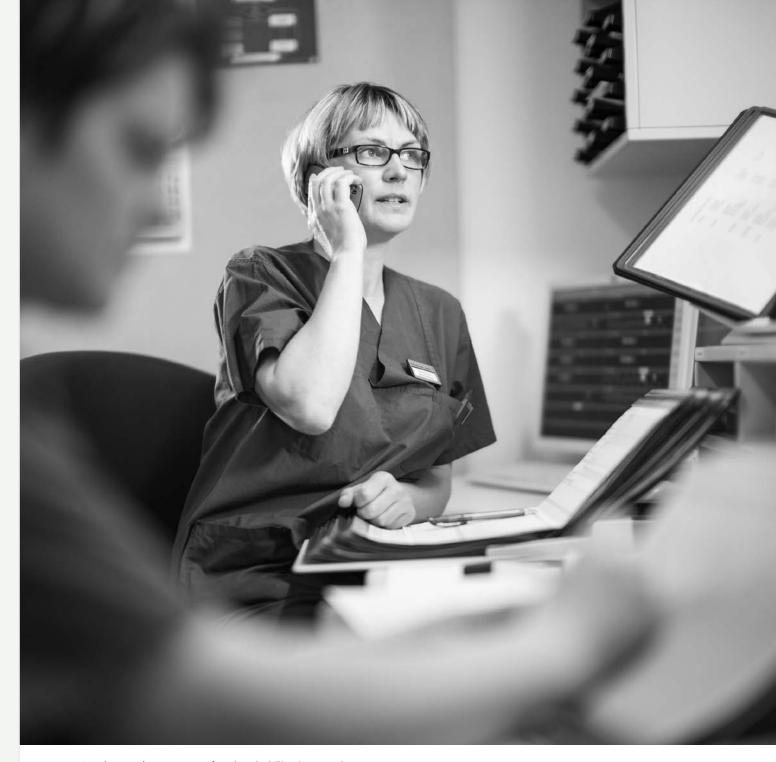




success is always the achievement of many: the medical staff, for instance, had the idea for the new respiratory care unit, but the actual construction measures and the coordination of procedures while hospital operations continued was something we all achieved together by carefully coordinating all the parties involved.

Jörg Hausmann, Hospital Technician





Sandra Brych, Manager of early rehabilitation ward



Positive feedback from our patients shows that our work is successful.

For our patients, this means that they regain the ability to lead an active life.

This is something one can only manage as a team. It is material that care and therapy staff are in close communication with each other and work hand in hand—this makes us so successful.



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 eight medical care centres in 11 German federal states, MediClin has a total capacity of approximately 8,000 beds.

The hospitals are acute-care hospitals providing basic, standard and specialised care, as well as specialist clinics for medical rehabilitation.

MediClin had approximately 8,900 employees at year-end.







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

The 2014 financial year was a good year for MediClin. Group sales of EUR 538.0 mill. exceeded the previous year by EUR 23.1 mill. or 4.5 %, respectively. The post-acute segment accounted for the largest share in sales growth, some 80 %. Higher Group sales and expenses that only increased by EUR 9.7 mill. over the previous year raised the Group operating result by EUR 13.4 mill. from EUR 2.2 mill. to EUR 15.6 mill.

This performance shows that MediClin started expanding capacities in the right medical and therapeutic indications in the 2013 financial year, as these newly created capacities and the adjusted range of services already contributed to sales growth in 2013 and, with a rather significant share, in 2014. In addition to optimising the portfolio, the Group also worked on optimising the expense items during the last two years, for instance by setting up cogeneration units to have better control over energy costs or by using opportunities to cooperate with the Asklepios Group in the field of procurement.

It has become clear that our business model of integrated medical care, which regards acute medical measures and rehabilitation as a holistic chain of treatment, is the right approach. Medical specialisation and interdisciplinary cooperation between physicians are gaining significance when it comes to optimally working towards the patients' recovery. This means we have to offer a service range that combines medical services, therapy and nursing care. Thanks to the local settings, we are able to offer integrated acute and rehabilitation care basically under the same roof at our Plau am See and Bad Düben locations. In the next few years we are planning to promote this

integrated – and therefore patient-oriented – form of care by cooperating with partners outside of our Group, i.e. with the operators of other clinics. We have also noticed that preventive and medical rehabilitation measures, which are aimed at maintaining the patients' independence and ability to work, are on the rise. We will continue to monitor this trend.

What was important in the 2014 financial year?

My overriding objective in the 2014 financial year was to accommodate three aspects:

- Ensuring optimal care of our patients and residents while continuing the Company's growth strategy.
- Improving the cost structure by optimising processes while maintaining the high quality.

And the third aspect is:

• Creating a clear focus on staff, so we are able to offer attractive jobs.

Concerning the optimal care and improved cost structures, we concentrated on quality, integrated medical care and process optimisation in 2014. The figures prove that we were successful: a 4.5 % increase in Group sales and a reduction of the material cost ratio from 21.5 % to 19.9 %.

My understanding of the third issue, the clear focus on staff, is as follows: managers must be enabled to lead by example or, in other words, they must keep an eye on the well-being of our staff and the interests of the Company in their capacity as executives. This is the responsibility they have to take on at their respective work places and they must lead their staff on the basis of these principles.

In 2013 we conducted an employee survey on the issue of leadership culture; in the scope of redefining our corporate leadership approach, the executives of the clinics and the headquarters regarded the results of this survey to be their joint responsibility.

We revised the existing Rules of Procedure of MediClin and added more precise provisions to incorporate the expectations and requirements of executives and employees. One important topic was, among others, to clearly define the discretionary leeway of the individual areas and to ensure that the competence granted matches the duties. It was just as necessary and material to clearly specify the individual communication channels and to determine what information is to be passed on through these lines of communication. All this refers to structures that will enable our exec-

utives and staff to act on their own responsibility, to live their leadership role and set examples. The role of the clinic management as the most important leadership function at the individual locations was given particular attention in the revision and redefinition process to promote both medical care competence as well as administrative and commercial authority.

The new Rules of Procedure have been in force since 30 September 2014. They define the division of labour, govern how we treat each other and specify how leadership is understood within the group. All these issues are important prerequisites for further developing MediClin with the help of a motivated and committed team and to do this efficiently and successfully.

What do we want to achieve in 2015?

As in 2014, sales growth in 2015 is to concentrate on indications with strong demand and regional shortages; this we want to achieve by expanding the respective capacities. In the post-acute segment, capacity expansions are inevitable as the occupancy rates have already reached a high level. In the acute segment, we are also seeking to raise the number of cases and case mix points by offering additional services, while further improving the processes and procedures in our acute care facilities. We are planning to invest a similar sum as in the year under review, i.e. some EUR 21 mill. This capital expenditure will be primarily financed from our cash flow.

On the expense side, raw materials and consumables used should continue to show a disproportionately low increase in relation to Group sales in 2015 as we continue to apply a combination of economies of scale from central procurement, an optimised range of services and improved processes. With regard to staff costs, we assume that a 3.0 % increase is required to be able to appropriately meet the coverage providers' and the patients' quality requirements and to effectively deal with the shortage of skilled professionals.

Below the line, MediClin's positive business performance is set to continue in 2015, also because no material changes to the general economic environment and the situation of the health care sector are visible at the moment.

Outlook

The Management Board assumes that the occupancy rates of the clinics in the post-acute segment and the number of cases in the acute segment will remain at least at the previous year's level in 2015. The post-acute occupancy rates in the first few weeks of the 2015 financial year and the performance of cases and case mix points in the acute segment confirm this assumption.

We anticipate weaker sales growth year-on-year in the post-acute segment, as the occupancy rates for the existing capacities already amounted to 88.4% in 2014. We are implementing capacity expansions, but the effects will only become visible with a certain time lag. In the acute segment, the process optimisations implemented in 2014 will have a positive effect on the result in 2015.

In 2015 we forecast 3.0 % growth for Group sales and a Group operating result in the range of EUR 15.0 to EUR 17.0 mill. Here the post-acute segment is supposed to generate sales growth between 4.0 % and 4.5 %, whereas the acute segment is expected to post 2.0 % to 2.5 % growth. Both segments are projected to generate a margin between 4.5 % and 5.0 %.

Everything we achieved in the 2014 financial year, we achieved thanks to our energetic and motivated staff. Therefore, my colleague Jens Breuer and I would like to thank all our employees for the work done. We have seen a good start into 2015 and we ask you to continue supporting our Group with your usual competence and great commitment in the months to come.

Esteemed shareholders, due to the rising demand for medical, therapeutic and nursing care services, MediClin is set to grow further – as will the other market participants. What sets us apart from those other market participants, however, is our business model of integrated medical care. In our opinion cross-sector and patient-oriented care with high medical standards is the most promising concept for the future. This is the only way we can sustainably master the needs of an ageing society and the rising cost of the health care system. We will position MediClin's range of services to meet demand, efficiently organise its structures and processes and thus make the Group fit for the future. It is a matter of fact that this is a continuous process that seeks to meet long-term trends in the health care sector.

MediClin, my colleague Jens Breuer and I would like to thank you for your trust.

Volker Feldkamp

Chairman of the Management Board

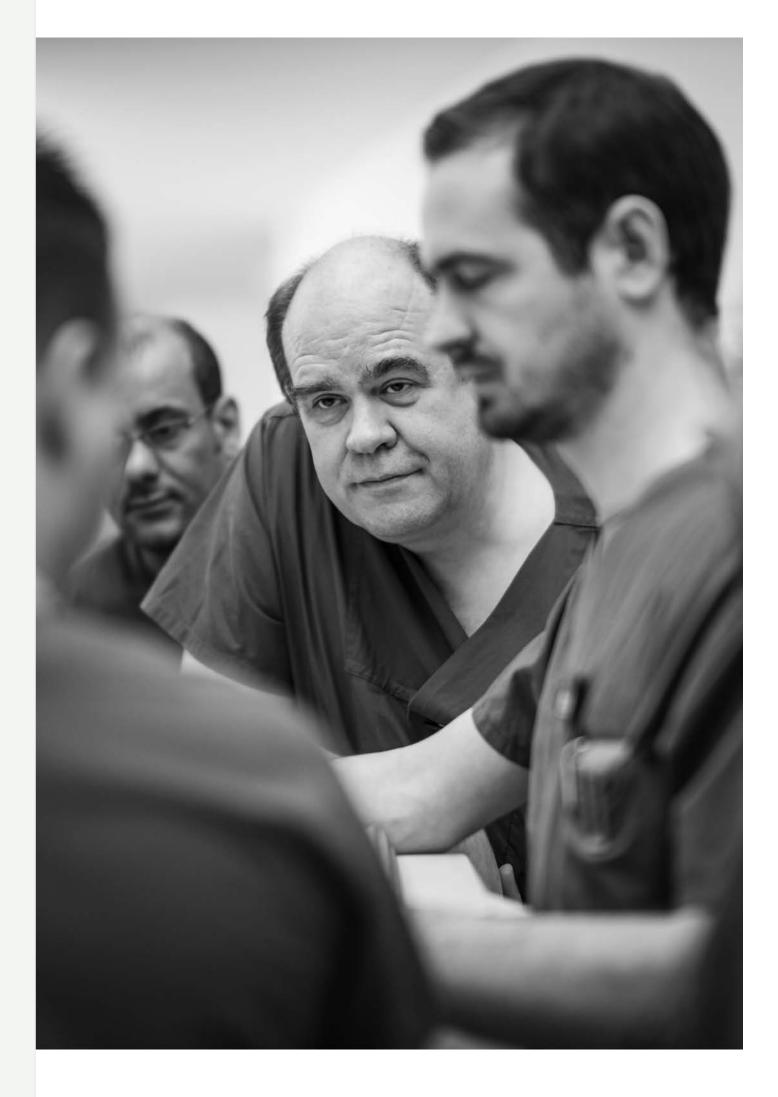


VOLKER FELDKAMP

CHAIRMAN OF THE MANAGEMENT BOARD (left)

JENS BREUER

CHIEF FINANCIAL OFFICER (right)



Acute care and rehabilitation – a holistic treatment approach

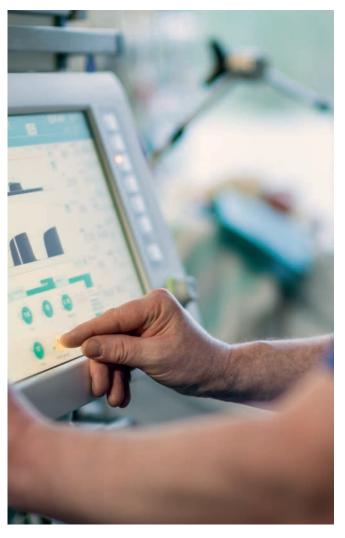
The MediClin location Plau am See optimally combines acute care and rehabilitation. This brings added benefits to stroke patients, for instance, as rehabilitation can commence directly after acute care or even at the same time. In the case of damage to the brain and the nervous system, this is particularly important.











Integrated care at one and the same location

MediClin integrates: this means that MediClin covers the entire treatment chain at some of its locations, including inpatient and outpatient care, acute treatment and rehabilitation.

The Plau am See location consists of a MediClin hospital, a MediClin rehabilitation centre and a medical care centre, which form a medical unit. Even neurosurgical and neurological clinics that are far away refer their patients to this location for treatment.

The example of how patients are treated after a stroke or cerebral haemorrhage shows how patients benefit from this integrated care concept.

Following a stroke, patients are taken to the specialised **stroke unit** of the hospital for emergency care. The main objective here is to maintain vital functions such as respiration and circulation and to dissolve any blood clots that might be affecting the brain. At this stage, "time is brain". The hospital is open 24/7 for the admission of emergency patients with cerebral circulation disorders.

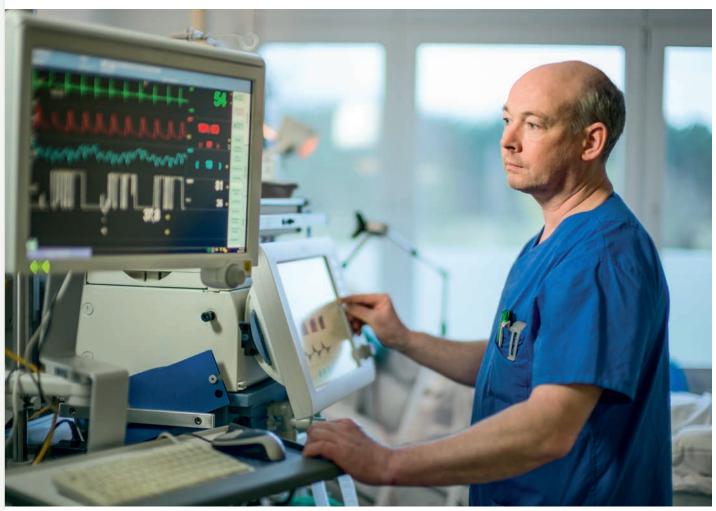






"Time is brain": after a stroke, time is of the essence.





Early rehabilitation begins in the intensive care unit

Following emergency treatment, the care focuses on limiting the negative consequences of a stroke.

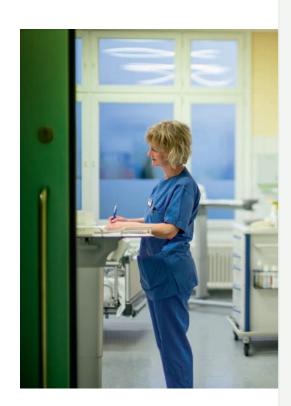
The earlier and the more assiduously rehabilitation begins after the initial acute treatment, the higher the chances of being able to limit the effects of a stroke or haemorrhage. Under the direction of Prof. Erich Donauer, Medical Director, MediClin Krankenhaus Plau am See set up a neurosurgical/neurological early rehabilitation unit.

A clinic for the so-called early rehabilitation phase B (for details, refer to the neurological phase model) is directly integrated into the acute and intensive care unit of the MediClin hospital. In Plau, phase B is part of the acute treatment. Stroke patients are continuously treated under intensive care conditions while a highly trained team monitors their condition and works with them. This integrated multi-modular approach ensures that complications are kept to a minimum. The aim is to avoid complications in general. If they nevertheless occur, rapid treatment is guaranteed.





During the treatment phase B, the patient is constantly monitored.



Intensive treatment and care reduce complications.













Success is the result of teamwork

Excellent communication is essential for optimal treatment results.

In order to provide individual and optimal stimulation during early rehabilitation, the different professions work together closely in teams including doctors, nurses, psychologists, speech therapists, occupational therapists, physiotherapists and social workers. All the parties involved in the treatment exchange information at regular meetings, where they coordinate the diagnostic results, therapies and therapy objectives of individual patients and consult on the steps to be taken. If, for instance, a patient with dysphagia received swallowing training from a speech therapist in the morning, the responsible nurse will be informed. Treatment and care thus go hand in hand to avoid complications.











Early rehabilitation even for critically ill patients

During rehabilitation, the patient trains basic skills like eating, moving or getting dressed.

During early rehabilitation, the doctors, nurses, psychologists, speech therapists, occupational therapists and physiotherapists start to support and stimulate the remaining brain functions at the earliest possible stage.

Whenever required, social workers and ward secretaries organise further treatment and special care at an early stage, while dealing with bureaucratic matters and keeping the patients' relatives informed.

In 2014 phase B was expanded. The care of patients with critical neurological conditions was further improved by setting up 20 respirators, which is something only very few neurological hospitals in Germany are able to offer.

As soon as the medical condition of the patient allows for further rehabilitation measures and the insurer has agreed to cover the cost, phase C and D of the rehabilitation can commence immediately at the rehabilitation centre, which is part of the Plau am See location.





Social workers and ward secretaries will organise all the necessary steps in this phase.



Patients are supervised while practising with therapeutic training devices.



Step by step: it is important to actively involve the patient.

This not only means that the patient does not need to travel far. It also means that the medical staff involved in the treatment can easily coordinate and ensure that the same medical standards are met from acute care up to the rehabilitation phase. All this benefits the patient. Complications can be treated immediately and safely in the acute hospital. Resources, like Armeo® or Lokomat® therapeutic training devices, are available for use by all the different units.





During this phase, patients are primarily supported in relearning everyday skills, like eating independently and dressing themselves, while receiving training to improve impaired speech, movement or swallowing skills. The treatment uses the ability of our brain to relearn lost skills even after severe injuries by causing adjacent areas of the brain to assume some of the tasks of the destroyed tissue.

The aim of the rehabilitation measures is that patients regain the greatest possible independence and, if possible, are enabled to return to their previous social environment with the help of intensive training and a care approach that encourages own activity.





Teamwork – this also applies to working with patients

Intensive work with patients cannot succeed without commitment and empathy.

During rehabilitation, physicians, physiotherapists and occupational therapists, psychologists and nurses all work together with the patients to enable them to lead a life that is as normal as possible.



The so-called neurological phase model is generally applied to determine where and how intensively a patient is treated after an acute neurological disease. The model defines the individual stages of the condition and provides an organisational structure for the individual steps from early rehabilitation down to the later types of treatment. Consequently, the phase model allows for exact coordination of the individual treatment steps and the degree of treatment required in each individual case.



Every success that an ill person achieves is a success for the clinic team.

The neurological phase model

PHASE A

Acute treatment (stroke unit or intensive care)

Maintaining vital functions (respiration, circulation)

PHASE B

Early rehabilitationIntensive care

PHASE C

Further rehabilitation Relearning everyday skills

PHASE D

Subsequent nursing treatment (AHB)
Improving everyday skills with the aim of recovering utmost independence; objective: taking up or returning into employment

PHASE E

Occupational rehabilitation and follow-up care

Patient is largely independent

Phase of occupational reintegration

PHASE F

Long-term nursing care

Patient remains permanently dependent on care

The MediClin share

The MediClin share

Balance at the end of the year: the DAX rose by just under 3 %

Compared to 2013, where the German stock exchange index (DAX) showed a substantial increase on its initial value at the start of the year, the total increase of the stock exchange is rather moderate in 2014 at 2.65 %. This is at a variance with the fact that the DAX reached new record highs in 2014, actually climbing above the 10,000-point benchmark twice. The highest value was reached on 5 December 2014 at 10,093.03 points, while the stock exchange closed at 9,805.55 points at year-end. The annual high is contrasted with the low-point of the year that was reached on 16 October 2014 at 8,354.97 points – with the DAX showing a total fluctuation of more than 1,700 points. The crisis in Ukraine, overly high growth expectations for the eurozone and speculations regarding a potential prime rate increase by the Federal Reserve Bank are deemed to be the cause of this strong volatility.

With regard to 2015, the experts at banks, investment and insurance companies assume that the upwards trend shown by share prices will persist as cheap money from central banks continues to flow freely. They estimate that the DAX will fluctuate between 9,200 and 11,000 points and close just under 10,800 points at year-end 2015; this corresponds to a total increase of about 10 %. This assumption accounts for the mixed picture expected in 2015: the Ukraine crisis and the corresponding sanctions against Russia and lower economic growth in China might be countered by a stronger rise in exports due to the weaker euro and a more favourable performance in some of the European countries that are affected by the crisis.

Detailed investor information is available on our website

The Investor Relations section on MediClin's website provides all the information relevant for private and institutional investors, such as the financial calendar, key company data, press releases, annual and interim reports and information on the Annual General Meeting; this includes current data and information referring to previous years.

The MediClin share (Xetra) closed 2014 at a price of EUR 3.54, below the share price at the beginning of the year (EUR 4.32). The yearly low in October 2014 was EUR 3.32; the yearly high was EUR 4.60 in January 2014.

DZ Bank AG, Frankfurt, continually follows and evaluates the business development of MediClin. Its recommendation, provided in the context of commentary on the 2014 ninemonth figures published in November 2014, was "buy (previously hold)". The current fair value given by DZ Bank AG for the share is EUR 4.50.

Shareholder structure

The major shareholders of MediClin AG are the Asklepios Kliniken Group with 52.73 % and ERGO Versicherungsgruppe AG with 35.00 %. 12.27 % of the shares are in free float.

Share indicators

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

In € per share	2014	2013
Result undiluted/diluted	0.18	-0.06
Cash flow from operating activities	0.68	0.21
Book value ¹ as of 31.12.	3.24	3.21
Year-end price	3.540	4.295
52-week high (14.01.2014)	4.600	_
52-week low (17.10.2014)	3.322	_
Market capitalisation (year-end price) in millions of €	168.2	204.0
Number of shares in millions	47.5	47.5

 $^{^{\}scriptsize 1}$ Equity less non-controlling interests

Sources: Deutsche Börse AG; Xetra

Summarised management report and Group management report of MEDICLIN Aktiengesellschaft

for the 2014 financial year

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Basis of Group activities

Business model of the Group

The MEDICLIN Aktiengesellschaft Group (MediClin) is a hospital operator active in Germany in the legal form of an Aktiengesellschaft (stock corporation). The Group offers professional medical services in the fields of acute care and rehabilitation at 50 medical facilities throughout Germany; some of the locations also offer nursing care services.

Focuses within the range of services are neuromedicine (neurology, neurological early rehabilitation, neurosurgery and neuroradiology), psychosomatics and psychiatry and orthopaedics. Furthermore, certain locations have special competencies in the areas of ENT (tinnitus, cochlea implants), oncology (radiotherapy) and internal medicine (cardiology, pneumology, endocrinology).

Its cross-sector presence enables MediClin to pursue a business model that allows offering its patients integrated medical care. The network of outpatient and inpatient medical services across sector boundaries increases the efficiency of health care while guaranteeing a high quality standard along the entire treatment chain. The usual interruptions in treatment between sectors can be avoided within the Group through integrated medical care at individual locations and at a regional and national level. This enables patient-oriented treatment as well as efficiency enhancements at the individual clinics through synergies and standardisation.

In order to provide integrated medical care at a regional and national level, MediClin has adopted a regional concept. While complying with the applicable Group standards and Rules of Procedure, the executives that are responsible for a certain region are in charge of the operational and strategic development of the range of services in their respective regions. Location development includes establishing regional networks among Group companies and between in-house and third-party medical facilities by way of cooperation, regional sales activities and the implementation of projects across several locations. MediClin's regional concept enhances the integrative patient care within a region and allows the establishment of a medical services offer that meets the specific needs within a region.

MEDICLIN Aktiengesellschaft (MediClin AG) is a holding company and handles the functions arising in the Group within the framework of corporate planning, financing and cooperation management. As a listed company, it meets all the requirements of the capital market and can use the latter for capital procurement.

Subscribed capital, shareholder structure and company bodies

MediClin AG has its registered office in Offenburg, Baden-Württemberg. The Group's subscribed capital amounts to EUR 47.5 mill. and is split up in 47,500,000 no-par value bearer shares. MediClin AG's main shareholders are the Asklepios Group with 52.73 % and ERGO Versicherungsgruppe AG with 35.00 %; 12.27 % of the shares are in free float.

The Supervisory Board acts as the highest controlling and supervisory body and is subject to the provisions of the German codetermination law (MitbestG). It consists of twelve members, six of which are elected by the shareholders and six by the employees. The Supervisory Board appoints the members of the Management Board and supervises its management of the Group. The members of the Supervisory Board have formed several committees to which the Board delegated advisory functions as well as, to some extent, decision-making authorities.

Group structure

MediClin AG acts as a Group holding company. The medical services are rendered by the medical facilities, who are thus responsible for generating operating business locally. Service functions for these medical facilities, like finance and accounting, personnel and social benefits, purchasing and technology, quality management and organisation, are bundled by MediClin GmbH & Co. KG, Offenburg. In order to efficiently allocate resources and achieve cost degression effects (economies of scale), the following subsidiaries perform certain services on behalf of the entire Group:

- Cortex Software GmbH
 Co-responsibility for the Group's IT strategy, software development, installation of network technology, user support, training
- MediClin Immobilien Verwaltung GmbH
 Real estate management, investment management, cost and income management in the real estate segment
- MediClin à la Carte GmbH
 Operation of the catering and cafeteria segment, quality and hygiene management
- MC Service GmbH
 Maintenance and cleaning services, optimisation of cleaning procedures

- MediClin Therapie GmbH
 Organisation, analysis and evaluation of therapies, development of therapy concepts
- MediClin Energie GmbH
 Power trade, operation and maintenance of power engineering equipment and cable systems, development of power concepts

As of 31 December 2014 MediClin included 34 clinics, seven nursing care facilities and nine medical care centres nationwide. As in the previous year, 8 of the 34 clinics are dedicated acute-care hospitals and 26 of the medical facilities are post-acute (rehabilitation) clinics. Nine post-acute clinics (previous year: seven) provide specific acute services in addition to medical rehabilitation measures. Two medical care centres were closed in the 2014 reporting year.

The nursing care facilities offer full-time and short-term nursing care. These facilities are located at the same sites as the post-acute clinics, and can thus benefit from their infrastructure.

Services offered by the medical care centres mainly pertain to the outpatient acute market. MediClin has a total capacity of 7,985 beds as of the balance sheet date.

In the 2014 financial year the number of employees was approximately 8,800; calculated on the basis of full-time staff, this corresponds to an average number of 6,432 full-time employees in the 2014 financial year.

Segments and business areas

The reportable operating segments of MediClin are the post-acute, acute and other activities segments. This last segment encompasses the nursing care business area and the service business area. Post-acute clinics that offer specific acute services are allocated to the post-acute segment, because it is impossible to make a clear business-related distinction between the rehabilitation services that are primarily rendered in the facilities and acute medical services as they jointly use the existing infrastructure. The statistical performance data, such as number of beds, number of cases and length of stay, etc. is registered and reported separately, though. Sales and results of the medical care centres are assigned to the acute segment.

Range of services

The Group's bed capacity over the last few years was nearly 7,600 on average, plus an average of about 430 nursing places. Capacity expansions and adjustments within the facilities are performed on the basis of demand in line with the corporate strategy.

Number of beds/nursing care places

As of 31.12.	2014	2013	2012	2011	2010
Post-acute	6,033	6,123	6,181	6,203	6,144
Acute	1,522	1,482	1,461	1,436	1,399
Nursing care (places)	430	441	441	443	408
Group	7,985	8,046	8,083	8,082	7,951

MediClin's range of medical services is highly professional and certified with services in the fields of neurology and psychosomatics, psychiatry, orthopaedics and internal medicine. Due to the expansion and reclassification of bed capacity in 2014, especially in the fields of neurology and psychosomatics (post-acute) and psychiatry (acute), the share of this specific medical range of services now accounts for more than one third of the entire available bed capacity (without the nursing care sector).

Number of beds/places

As of 31.12.	2014	2013
Post-acute		
Neurology and psychosomatics	2,284	2,243
Orthopaedics	1,829	1,855
Internal medicine	1,475	1,596
Thereof cardiology	410	355
Thereof oncology	357	403
Other	445	429
Total	6,033	6,123
Acute		
Psychiatry	458	426
Surgery	231	231
Orthopaedics	200	210
Internal medicine	177	177
Other	456	438
Total	1,522	1,482
Nursing care	430	441
Group	7,985	8,046

Development of staff figures

MediClin has continuously increased its headcount (especially in medical services). MediClin thus has more than the personnel capacities that are required by the coverage providers based on indication and number of beds and ensures high-quality treatment provided by well-trained staff. Increasing requirements in the non-medical services segments were also met by an increase in the number of staff.

The average number of employees, on the basis of full-time employees and including the Management Board, managing directors and trainees, developed as follows in the individual segments:

Shown in full-time employees	2014	2013	2012	2011	2010
Post-acute	3,303	3,258	3,189	3,251	3,218
Acute	1,994	2,005	2,005	1,979	1,965
Other activities	1,135	1,109	1,062	869	801
Thereof nursing care	175	176	169	158	155
Thereof service (including administration)	960	933	893	711	646
Group	6,432	6,372	6,256	6,099	5,984

The average number of employees, on the basis of full-time employees and excluding the Management Board, managing directors and trainees, developed as follows in the medical and non-medical service areas:

Shown in full-time employees	2014	2013	2012	2011	2010
Medical	822	800	786	749	716
Nursing care	1,984	1,977	1,941	1,892	1,856
Medical-technical	1,453	1,464	1,436	1,398	1,393
Functional	395	384	380	372	359
Medical services	4,654	4,625	4,543	4,411	4,324
Support functions	982	969	938	927	898
Technical	126	124	121	122	121
Administration	538	529	525	509	499
Other	50	46	50	53	69
Non-medical services	1,696	1,668	1,634	1,611	1,587

On the basis of a five-year horizon, the number of full-time employees increased by $7.6\,\%$ in medical services (+330 full-time employees) and by $6.8\,\%$ in non-medical services (+109 full-time employees).

External influences that could impact the business performance

(New) legal regulations can have a major impact on MediClin's business performance. Legal regulations in the health care sector mainly affect expenditure and thus the compensation for medical and health care services rendered. The macroeconomic development in Germany has an indirect effect on MediClin's business performance, especially with regard to its impact on the labour market. A stable labour market and secure jobs have a positive effect on the demand for medical services, as treatments are not postponed and there is an increased readiness to use rehabilitation and prevention services. Moreover, falling unemployment figures and a high proportion of dependent employees improve the financial situation of social security and pension funds.

In the acute sector, the financing system provides for various premiums and discounts in addition to the case-based lump sum remuneration. The applicable provisions in the acute sector stipulate that additional services are not fully compensated where there is strong demand for medical services with the corresponding budget overruns. The settlement of additional services is agreed between the hospitals and health insurance funds at local level. If the budget is not met, the deficiency in proceeds is adjusted.

In the rehabilitation sector, the scope of services is agreed individually with the cost bearers; here there is no adjustment for deficiency in proceeds if the budget as approved by the cost bearers is not met. Maintaining the required capacities is therefore largely at the risk of the hospital operator.

Other external factors affecting the business performance are the demographic development in Germany, progress in medical technology and the personnel situation in the sector.

Objectives and strategy

Integrated medical care across sector limits

In the context of its integrated medical care concept, MediClin strives to link up the locations in the outpatient, inpatient and subsequent-inpatient sectors so as to ensure high-quality medical services within the community and, for specific medical indications, achieve close nationwide cooperation with own or other medical facilities. This is to facilitate single-source patient care and to prevent interruptions in the care chain between sectors at regional and national level. This corporate strategy is reflected in the company motto "MediClin integrates".

In order to reach this strategic objective, MediClin actively explores the circumstances within the Group and the local market for suitable cooperation partners. Potential partners are hospitals, but also registered physicians or coverage providers. The Group already maintains close networks on the basis of both location and indication.

MediClin also aims to increase the efficiency of its medical facilities. The range of services thus places special emphasis on certain indications, focusing on medically sophisticated curative treatment (e.g. neurosurgery, cardiology, oncology, geriatrics) as well as medical fields and therapies that are on the increase due to demographic and lifestyle trends (e.g. neurology, internal medicine and psychosomatics).

The consistent implementation of the strategic objectives generates organic growth and is supported by an investment policy targeted at creating the required additional capacities at locations with high potential. The long-term organic sales growth target of the Group amounts to 3.0 % p.a.

Corporate controlling

The Management Board of MediClin manages the Group on the basis of strategic and financial targets. The financial control parameter "sales growth" is determined once a year in the scope of Group and segment planning and takes into account the Group's strategic target figure for sustainable sales growth (3.0 % p.a.). The operating result (EBIT) and the EBIT margin are further financial target ratios and control parameters that serve to measure the Group's and the segments' earning power.

The financial control parameters for the Group and the segments are summarised in a financial report and monitored on a monthly basis. In addition, the Management Board also uses performance measures, such as occupancy and nursing day statistics as well as the DRG reports that are recorded on a weekly basis. This data provides current information on clinic efficiency, supporting the coordination, planning, control and monitoring of the operating processes.

At Group level, the debt ratio (Net Debt/EBITDA) is another important control parameter. The debt ratio shows to what extent a company is able to meet its payment obligations. The maximum debt ratio may not exceed 3.5.

Additional corporate key figures such as the equity ratio or the interest coverage ratio are performance indicators that refer to the Group's rating and are material in the relation to banks when granting loans (covenants).

Once a year the clinics, in close coordination with the Group's controlling department, draw up planning for the future business development of the Group for the three upcoming financial years (bottom-up approach). During the year MediClin uses the monthly and quarterly results to regularly review the business forecast and to analyse any deviations. If required, the forecast is adjusted to the new business performance and published accordingly.

In addition to the financial control parameters, the Management Board also uses non-financial performance indicators, such as quality assurance, health and safety at work, patient surveys, personnel development and subjects surrounding energy and the environment, to promote the Group's sustainable development. The non-financial control parameters are as follows:

Quality assurance

MediClin follows the quality requirements issued by the Cooperation for Transparency and Quality in Health Care (KTQ) in the acute clinics, and by the Integrated Quality Management Programme for Rehabilitation (IQMP-Reha) in its post-acute hospitals. Every MediClin clinic carries out annual audits according to DIN EN ISO 9001:2008. These reviews are conducted by an auditor from another MediClin facility together with the clinic's quality manager. About 15 to 20 such internal audits are currently carried out per year and clinic across the MediClin Group. Moreover, quality levels are regularly reviewed by third parties.

Health and safety at work

With regard to health and safety at work, the medical facilities run by MediClin correspond to the strict health and safety requirements stated in the "qu.int.as" quality management programme issued by the institution for statutory accident insurance and prevention for the health care and welfare sector (Berufsgenossenschaft Gesundheitsdienst und Wohlfahrtspflege, BGW).

Patient surveys

The quality of the work performed at the MediClin clinics and their results are reflected in the level of patient satisfaction. Therefore the individual clinics continuously survey their patients. The patients are asked to fill in anonymous questionnaires, which are evaluated by the central "Quality, Organisation and Revision" department on a quarterly basis. The results of the clinics are compared within the MediClin Group. This type of comparison is an excellent help for evaluating the information. The results of the surveys are published in a forum and can be accessed by all the clinic's employees. If required, the corresponding measures are taken to continuously improve patient care.

Personnel development

Family-friendly working conditions and personnel development are important aspects for MediClin to attract and keep qualified personnel. The MediClin Academy therefore supports the competences and motivation of employees through systematic personnel development and focused training and skills-enhancement programmes. Topics range from subject-specific courses to seminars imparting core personal qualifications.

Energy and environment

As energy prices are rising, an efficient hospital operator needs to keep energy costs at a manageable level in the long term.

Here MediClin mainly relies on energy efficiency and energy consumption solutions that pay off after a short period of time. Local cogeneration units, for instance, generate energy and heat at the same time. Six new in-house power generation plants were built in 2014, meaning that 20 cogeneration units at various locations are now generating about one third of MediClin's entire power consumption. The highly efficient combined generation of heat and power also reduces CO_2 emission.

Research and development

MediClin supports scientific projects

MediClin supports the ongoing development of medical services, corresponding quality criteria and their measurability by participating in scientific projects that focus on the development and evaluation of medical care, and by sponsoring research activities. For this purpose, individual MediClin facilities collaborate with coverage providers or individual local health insurance funds and universities.

Report on the economic position

General statement on results of operations, financial position and net assets

The sales and earnings figures for the Group and the segments in the first nine months of the 2014 financial year confirmed the 2014 forecasts that were published in the 2013 Annual Report. However, the sales and earnings decline that usually occurs in the fourth quarter failed to materialise in 2014, which is why the forecasts were exceeded at the end of the year following the performance in the fourth quarter.

In the 2014 financial year Group sales amounting to EUR 538.0 mill. were up EUR 23.1 mill. or +4.5 % on sales in 2013. The fourth quarter of 2014 contributed EUR 10.0 mill. to sales and EUR 3.4 mill. to the Group operating result.

The good occupancy rates of the new capacities in acute neurology and acute psychosomatics that were built in the post-acute segment in 2013 and 2014 and the shift in the range of services to fields with higher budgets had a positive effect on the sales development. In combination with a slight decline in raw materials and consumables used and a lower rise in staff costs than anticipated the segment result exceeded the original forecast. In the acute segment, the higher number of cases and a rise in case mix points led to higher sales. Segment sales and the segment result were thus slightly higher than the forecasts. As in the post-acute segment, lower raw materials and consumables used and a lower rise in staff costs than planned had a positive effect on earnings.

MediClin's balance sheet and financial structures show that the Group is in a sound position. In addition to cash and cash equivalents of EUR 26.3 mill., the Group has access to credit lines in the amount of EUR 25.0 mill. The cash position is therefore strong enough to support capacity expansions in MediClin's medical focus areas as well as generate additional sales growth.

The equity ratio is 48.2 % and net financial debt amounts to EUR 26.6 mill.

The Management Board assumes that the capacity expansions and investments made in 2014 will have a sustainable positive effect on the business performance of the Group and the segments. The Management Board describes MediClin's results of operations as secure and the financial position and net assets as sound.

The macroeconomic and sector-specific environment

The health care market is a growth market

The health care industry is one of the large sectors of the German economy and is a driver of growth and employment. An ageing 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. A look at the period from 2008 until 2012 reveals that expenditures rose by EUR 7.1 bill. or 2.7 % on average per year in this five-year period.

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

In billions of €	2012	2011
Public health insurance funds	172.4	168.5
Private health insurance funds	28.0	27.7
Social nursing care insurance	23.0	22.0
Statutory accident insurance/statutory pension insurance	9.1	8.9
Private households/organisations/employers	53.5	52.7
Public budgets	14.4	13.9
Total	300.4	293.7

Source: Federal Statistical Office

(New) legal regulations can have a major impact on MediClin's business performance. In 2014, the discounts for additional services that were introduced in hospital financing reduced sales in the acute segment.

The macroeconomic development in Germany has an effect on the business performance, especially with regard to its impact on the labour market. A stable labour market and secure jobs have a positive effect on the demand for medical services. Moreover, falling unemployment figures and a high proportion of dependent employees improve the financial situation of social security and pension funds.

According to first calculations made by the Federal Statistical Office, growth of the gross domestic product (GDP) amounted to +1.5 %, on a price-adjusted basis (previous year: +0.1 %). The labour market (unemployment ratio¹: 6.7 %; previous year: 6.9 %) was highly stable in 2014. The number of people in employment reached a new record high in 2014 at 42.7 million. The prospects for 2015 lead us to assume another improvement in the overall economic situation.

¹ Annual average unemployment rate on the basis of the total civilian labour force.

Given the overall positive environment, MediClin's business performance did not suffer any disadvantages.

MediClin is one of the major private hospital operators

The market of private hospital operators is heterogeneous with a small number of large providers in the acute sector. On the basis of the number of beds, private hospital operators hold an overall market share of about 18 % (as per 2013). In the rehabilitation sector, MediClin is one of the larger providers.

Selected sector figures

	2013	2012	2011
Preventive care and rehabilitation facilities			
Facilities	1,187	1,212	1,233
Beds	166,889	168,968	170,544
Cases	1,953,636	1,964,711	1,926,055
Length of stay in days	25.3	25.5	25.4
Occupancy rates in %	81.2	81.0	78.7
Hospitals			
Facilities	1,996	2,017	2,045
Beds	500,671	501,475	502,029
Cases	18,787,168	18,620,442	18,344,156
Length of stay in days	7.5	7.6	7.7
Occupancy rates in %	77.3	77.4	77.3

Source: Federal Statistical Office and our own calculations

MediClin share in 2013

	Facilities	Beds	Cases
Preventive care and rehabilitation facilities			
Total	1,187	166,889	1,953,636
MediClin share in %	2.1	3.7	3.9
Owned by private operators	641	108,783	1,247,643
MediClin share in %	3.9	5.6	6.1
Hospitals			
Total	1,996	500,671	18,787,168
MediClin share in %	0.4	0.3	0.2
Owned by private operators	694	89,953	3,127,311
MediClin share in %	1.2	1.6	1.4

Source: Federal Statistical Office and our own calculations

Development of occupancy rates

In %	2013	2012	2011
Preventive care and rehabilitation facilities			
Total	81.2	81.0	78.7
Owned by private operators	77.9	78.0	75.8
MediClin	84.7	86.4	84.8
Hospitals			
Total	77.3	77.4	77.3
Owned by private operators	75.6	76.1	76.8
MediClin	80.9	82.5	82.2

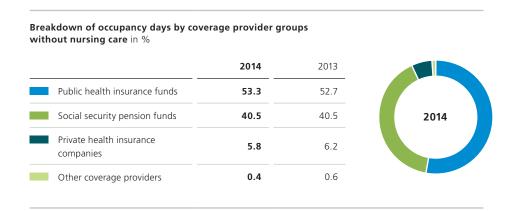
Source: Federal Statistical Office and our own calculations

There were no major changes in the sector-specific environment compared to the previous year.

Business development

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 2014 financial year. The statutory social security pension funds and the public health insurance funds are the two largest funding agencies for medical rehabilitation (post-acute segment). In the acute sector, the public health insurance funds are the main funding agencies.



Range of services has been expanded

MediClin underwent expansions in certain indications in the 2014 financial year by creating new bed capacities or therapy places or by reclassifying existing capacity. This refers primarily to the medical indications of acute psychosomatics and acute neurology. The expansion of acute beds in post-acute clinics (rehabilitation clinics) increased the number of clinics that offer both acute services and medical rehabilitation services from seven to nine in the 2014 financial year. The following locations, among others, underwent capacity expansions or included new medical services in their offering:

Since January 2014 MediClin Seepark Klinik has offered 60 fully inpatient therapy places for the acute psychosomatic care of patients with eating disorders. The need for suitable therapy, particularly speedy admittance in cases of emergency, continues to exceed the supply in the region; the 16 new therapy places are therefore used to capacity.

- MediClin Reha-Zentrum Gernsbach started treatment of neurological patients in the so-called treatment phase B (early rehabilitation) as from 1 January 2014. Previously it had only been possible to treat phase C (continued rehabilitation) and phase D (subsequent nursing treatment) patients, who did not need intensive care. The relevant state department approved the requested addition of 18 beds in the neurological rehabilitation phase B to the state hospital planning for Baden-Württemberg.
- In April 2014 MediClin Klinik am Rennsteig opened a new specialist clinic for neuro-logical rehabilitation with a total of 30 beds. The clinic treats patients, for instance, after a stroke or brain surgery following their stay in hospital or people with neuro-logical diseases like multiple sclerosis and Parkinson's disease. The neurology clinic complements the existing main fields of therapy at MediClin Klinik am Rennsteig, i.e. cardiology and angiology, metabolic disorders and conservative orthopaedics.
- In September 2014 MediClin Herzzentrum Coswig inaugurated a state-of-the-art hybrid operating theatre. The hybrid operating room opens up a range of new therapies: using a catheter, artificial heart valves can now be implanted by minimally invasive surgery without having to open the entire chest. This new and gentle approach is particularly beneficial for elderly people or high-risk patients who cannot undergo traditional surgery. Patient recovery is faster than with traditional surgery and the hospital stay is shorter.

In the 2014 financial year MediClin treated 120,971 cases throughout the Group, 2,133 more than in the previous year. The occupancy rate climbed by 2.7 percentage points or by 3.2 % to 87.3 % (previous year: 84.6 %).

Results of operation, financial position and net assets

Results of operation

Sales development and performance of the Group operating result

Group sales of EUR 538.0 mill. in the 2014 financial year were EUR 23.1 mill. or 4.5 % higher than in the previous year. The post-acute segment accounted for the largest share in sales growth, some 80 %. This segment did not show the usual seasonal decline in occupancy rates, neither in the first nor in the fourth quarter of 2014, which is partly due to the new and additional capacities in acute neurology and acute psychosomatics that were created in 2013. Sales were affected by price effects; in the acute segment, this refers to the annual adjustments to base rates at state level, while the post-acute segment saw some increases in hospital rates.

In millions of €	2014			2013
	Group sales	Group EBIT	Group sales	Group EBIT
1st quarter	132.4	-1.0	124.5	-5.9
2nd quarter	134.3	4.1	132.9	2.3
3rd quarter	136.1	9.1	132.3	5.8
4th quarter	135.2	3.4	125.2	0.0
Year total	538.0	15.6	514.9	2.2

Sales from outpatient health care services amounted to EUR 17.0 mill. (previous year: EUR 17.8 mill.); of this amount, EUR 10.3 mill. (previous year: EUR 10.1 mill.) was generated by the medical care centres.

Higher Group sales, and expenses that only increased by EUR 9.7 mill. over the previous year, raised the **Group operating result** (Group EBIT) by EUR 13.4 mill. from EUR 2.2 mill. to EUR 15.6 mill.

Expense items

Raw materials and consumables used declined by EUR 4.1 mill. or 3.6% compared to the same period of the previous year, now amounting to EUR 106.9 mill. (previous year: EUR 111.0 mill.). The cost of raw materials and supplies declined by EUR 0.8 mill., while the cost of purchased services dropped by EUR 3.2 mill. Here energy and fuel costs showed a decline (EUR -0.7 mill.) as did, due to the re-insourcing of maintenance cleaning, expenses for laundry and maintenance cleaning (EUR -1.9 mill.) and expenses for third party services (EUR -0.3 mill.).

As is typical of the sector, **staff costs** are the largest expense item within the Group. Compared to the same period of the previous year, they increased by EUR 12.2 mill. or 4.1% to EUR 310.1 mill. (previous year: EUR 297.9 mill.). The main reasons for the increase in staff costs are wage increases, a higher number of employees (+60 full-time employees), which is also owed to the re-insourcing of maintenance cleaning, and higher one-off expenses for severance payments (2014: EUR 0.8 mill.). MediClin assumes that staff costs will rise by at least 3 % p.a. in the future, which is also a result of higher wages due to the shortage of skilled professionals. Without these one-off expenses, staff costs would have increased by EUR 11.4 mill. or 3.8 %.

Depreciation and amortisation totalled EUR 18.5 mill. (previous year: EUR 17.5 mill.), with EUR 1.2 mill. (previous year: EUR 1.3 mill.) attributable to intangible assets and EUR 17.3 mill. (previous year: EUR 16.1 mill.) to property, plant and equipment. The depreciation and amortisation ratio of 3.4 % is unchanged compared to the previous year.

Compared to the previous year's period, other operating expenses climbed EUR 0.5 mill. to a total of EUR 93.9 mill. (previous year: EUR 93.4 mill.). The largest item in other operating expenses is, with EUR 50.7 mill. (previous year: EUR 50.3 mill.), rental and leasing expenses for real estate and medical equipment. Of this amount, a total of EUR 43.2 mill. (previous year: EUR 42.6 mill.) is attributable to real estate rented over the long term and pertains to the post-acute segment. The underlying rental contracts have a term until 31 December 2027. The contracts provide for an annual adjustment of rents in accordance with changes in the German consumer price index – the maximum, however, is 2 % p.a.

	2014	2013	Change in %
Raw materials and consumables used in millions of €	106.9	111.0	-3.6
Cost of materials ratio in %	19.9	21.5	
Staff costs in millions of €	310.1	297.9	+4.1
Staff costs ratio in %	57.6	57.9	
Depreciation and amortisation in millions of €	18.5	17.5	+6.0
Other operating expenses in millions of €	93.9	93.4	+0.5

The **financial result** amounted to EUR -3.9 mill. (previous year: EUR -4.7 mill.). Interest expenses decreased by EUR 0.8 mill.

The **tax ratio** in the main Group segments was 15.825 % (corporation tax, solidarity surcharge). A change to the tax rate is not expected.

In the 2014 financial year the **consolidated result attributable to shareholders of MediClin AG** was EUR 8.5 mill. (previous year: EUR -2.6 mill.). Undiluted and diluted earnings per average share outstanding as well as per participating share were EUR 0.18 (previous year: EUR -0.06).

Segment reporting

Sales and segment results

More than 90 % of the Group's sales were generated with the statutory social security pension funds and the public health insurance funds. In the post-acute segment, 47.9 % (previous year: 48.0 %) of segment sales were attributable to the statutory social security pension funds in 2014 and 43.4 % (previous year: 42.3 %) were attributable to the public health insurance funds. In the acute segment, the share of segment sales attributable to the public health insurance funds was 92.7 % (previous year: 93.0 %).

The share of the post-acute segment in Group sales was 58.4 % (previous year: 57.4 %), the share of the acute segment was 38.5 % (previous year: 39.3 %) and the nursing care business area contributed 2.4 % (previous year: 2.6 %).

Sales

In millions of €	2014	2013	Change in %
Post-acute	314.4	295.6	+6.4
Acute	207.3	202.9	+2.2
Other activities and reconciliation	16.3	16.4	-1.2
Thereof nursing care business area	13.1	13.4	-2.0
Group	538.0	514.9	+ 4.5

With a sales increase of EUR 18.8 mill., the post-acute segment contributed the largest share to Group sales growth of EUR 23.1 mill. Post-acute clinics that offer services in acute neurology and acute psychosomatics in addition to their neurological and psychosomatic rehabilitation services were particularly successful in 2014. Capital expenditure in 2012 and 2013 had focused on expanding these acute services, and the inpatient number of cases in this segment increased by 2.5 % or 1,911 cases. The occupancy rate was 88.4 %, up from 84.7 % in the previous year.

Sales in the acute segment of EUR 207.3 mill. were EUR 4.4 mill. or 2.2 % higher than the previous year's value. This includes sales generated by the medical care centres, which amounted to EUR 10.3 mill. in the reporting period (previous year: EUR 10.1 mill.). Discounts for additional services have had negative effects on sales with nearly EUR 2.0 mill. in 2014. The number of cases rose by 0.5 % or 223 cases on the previous year and the case mix points increased by 1.1 % or 542 case mix points.

The other activities segment recorded sales of EUR 64.4 mill. before consolidation of intra-Group sales in 2014 (previous year: EUR 64.4 mill.). The nursing care business area generated sales of EUR 13.1 mill. (previous year: EUR 13.4 mill.).

Segment results

In millions of €	2014	2013
Post-acute	15.5	1.7
Acute	11.3	6.7
Other activities and reconciliation	-11.2	-6.2
Group	15.6	2.2

The operating segment results (EBIT) improved considerably on the previous year. Higher sales and lower cost of raw materials and consumables used were able to more than compensate for higher staff costs in the post-acute and acute segments. The results of the acute segment and the other activities segment include EUR 3.0 mill. in other operating income or depreciation of financial assets that accrued because MediClin AG waived claims vis-à-vis MediClin Krankenhaus am Crivitzer See GmbH.

Expense items

In the post-acute segment, raw materials and consumables used showed a EUR 1.4 mill. decline on the previous year; savings pertain primarily to energy and fuel costs (EUR -0.7 mill.), expenses for laundry and maintenance cleaning and expenses for third party services (EUR -0.4 mill.).

In the acute segment, material costs were EUR 1.9 mill. below the previous year's value; in addition to savings in the fields of energy and fuel costs (EUR -0.3 mill.) and laundry and maintenance cleaning (EUR -0.5 mill.), expenses for medicines, laboratory supplies and medical supplies (EUR -1.5 mill.) also declined.

Raw materials and consumables used

	2014	2013	Change in %
Post-acute			
Raw materials and consumables used in millions of €	69.4	70.8	-1.9
Cost of materials ratio in %	22.1	24.0	
Acute			
Raw materials and consumables used in millions of €	55.7	57.6	-3.4
Cost of materials ratio in %	26.9	28.4	

Staff costs in the post-acute segment rose by EUR 6.6 mill., while the number of full-time employees increased by 45. In the acute segment, staff costs climbed by EUR 3.2 mill.; adjusted for one-off expenses for severance payments, staff costs would have increased by EUR 1.6 mill. or 1.5 %. The number of employees dropped by 11 full-time employees.

Staff costs

	2014	2013	Change in %
Post-acute			
Staff costs in millions of €	154.4	147.8	+4.4
Staff costs ratio in %	49.1	50.0	
Acute			
Staff costs in millions of €	110.6	107.4	+3.0
Staff costs ratio in %	53.4	52.9	

Capital expenditure

A total of EUR 21.0 mill. (gross amount) was invested in non-current assets in 2014, about half of which was spent on clinics in the post-acute segment and especially on the expansion of acute neurology and acute psychosomatics. The largest investment in the acute segment pertained to the installation of a hybrid operating theatre at MediClin Herzzentrum Coswig.

Gross investments in fixed assets

In millions of €	2014	2013
Post-acute	10.1	10.3
Acute	9.6	6.3
Other activities	1.3	2.1
Group	21.0	18.7

Statistical performance data

The statistical performance data, which is collected on a regular basis, provides current information on clinic services for informational purposes and to support the coordination, planning, control and monitoring of the operating processes.

Post-acute segment

	2014	2013	Change in %
Number of cases (inpatient)	77,690	75,780	+2.5
Length of stay in days	25.0	25.2	-0.6
Occupancy rate in %	88.4	84.7	+4.3
Beds on reporting date	6,033	6,123	-1.5

Acute segment

	2014	2013	Change in %
Number of cases (inpatient)	43,281	43,058	+0.5
Case mix points	51,841	51,299	+1.1
Length of stay in days	10.2	10.0	+2.4
Length of stay in days without psychiatry/psychosomatics	7.6	7.7	-0.9
Beds on reporting date	1,522	1,482	+2.7

Nursing care business area

	2014	2013	Change in %
Occupancy rate in %	92.7	95.8	-3.3
Nursing care places on reporting date	430	441	-2.5

Group

	2014	2013	Change in %
Number of cases (inpatient)	120,971	118,838	+1.8
Occupancy rate in %	87.3	84.6	+3.2
Beds/nursing care places on reporting date	7,985	8,046	-0.8

Nine post-acute clinics (previous year: seven) provide specific acute services in addition to medical rehabilitation measures. The statistical data of these acute services is recorded in the statistical performance data for the acute segment.

Financial position

MediClin covers its capital requirements from operating cash flow, from investment subsidies and primarily from long-term external financing. This refers mainly to a syndicated loan of MediClin AG in the amount of EUR 40.0 mill. (previous year: EUR 45.0 mill.) with a term until 2017. To hedge this syndicated loan, MediClin AG took out a rate cap agreement (cap) as a derivative financial instrument. The EUR-Euribor-Reuters interest rate for six months was agreed as the basic interest rate. The cap rate was set at 2.8 %, the reference amount at EUR 30.0 mill. Further, the Group has taken out long-term loans totalling EUR 11.3 mill. with terms until 2026 at the longest. The loan agreements include customary clauses on compliance with certain key ratios (covenants).

In addition, the Group has approved credit lines of a total of EUR 25.0 mill. Essential components are a syndicated credit line of EUR 10.0 mill. with a term until 2017 and a credit line provided to MediClin AG by the Group's house bank of EUR 15.0 mill.

There were no substantial changes compared to the previous year with regard to credit facilities.

Financing is complemented by operating lease agreements for properties rented on a long-term basis. The underlying rental contracts have a term until 31 December 2027. The contracts provide for an annual adjustment of rents in accordance with changes in the German consumer price index – the maximum, however, is 2 % p.a.

In all, the future liabilities from these operating lease agreements are as follows:

In millions of €	Nominal value 31.12.2014	Nominal value 31.12.2013
Remaining term up to 1 year	43.6	43.5
Remaining term 1–5 years	174.3	173.9
Remaining term more than 5 years	348.5	391.4
	566.4	608.8

In addition, one further clinic is financed on the basis of a sale-and-leaseback agreement until 2028. The below overview shows the resulting future payment obligations:

In millions of €	Nominal value 31.12.2014	Nominal value 31.12.2013
Remaining term up to 1 year	0.6	0.6
Remaining term 1–5 years	2.2	2.4
Remaining term more than 5 years	8.5	9.0
	11.3	12.0

This financing mix provides sufficient financial resources to maintain the required liquidity.

MediClin's liquidity management secures the availability of sufficient financing resources and the required degree of financing flexibility. A further measure to cover these risks is the Group-wide liquidity supply through central cash pool management. Available cash and cash equivalents are invested in the form of short-term time deposits.

Dividend payouts are determined on the basis of the economic and balance sheet-related key figures from the previous year and the further planned development of the Group. Depending on these figures, the Management Board makes a dividend proposal to the Supervisory Board, and the proposal is then made jointly to the Annual General Meeting.

Capital expenditure

In 2014 investments were made in non-current asset items totalling a gross amount of EUR 21.0 mill. (previous year: EUR 18.6 mill.).

Gross additions to non-current assets

In thousands of €	2014	2013
Licences, concessions	1,072	1,816
Goodwill	69	75
Land, buildings	2,944	1,230
Technical equipment, EDP	2,135	1,340
Operating and office equipment	13,390	11,442
Payments on account and assets under construction	1,399	2,684
Financial assets	0	53
Total	21,009	18,640

EUR 1.7 mill. of the investments in land and buildings were spent on the installation of a hybrid operating theatre at MediClin Herzzentrum Coswig. The remaining investments in the amount of EUR 1.2 mill. refer primarily to the expansion of the acute neurology and acute psychosomatics or geriatrics departments at certain clinics.

The item "Technical equipment" mainly includes investments in cogeneration units amounting to EUR 1.3 mill.

Some EUR 4.5 mill. of investments in operating and office equipment pertain to medical equipment and accessories; this includes approximately EUR 1.0 mill. for installing the equipment in the hybrid operating theatre. About EUR 1.4 mill. was invested in equipment for patient rooms, treatment rooms, office space and utility areas. Approximately EUR 1.4 mill. was spent on IT infrastructure.

The investment ratio was 13.5 % in the reporting year (previous year: 11.7 %). EUR 16.1 mill. (previous year: EUR 17.5 mill.) was spent on maintenance.

LiquidityConsolidated cash flow statement (abridged)

In millions of €	January – December 2014	January – December 2013
Cash flow from operating activities	32.1	10.0
Payments received from the disposal of fixed assets	2.3	0.8
Payments received from investment subsidies	5.2	4.4
Cash used for investments in fixed assets	-20.0	-16.7
Cash flow from investing activities	-12.5	-11.5
Repayment of financial liabilities	-6.5	-8.2
Cash flow from financing activities	-6.5	-8.2
Cash flow for the period	13.1	-9.7
Cash and cash equivalents at the beginning of the period	13.2	22.9
Cash and cash equivalents at the end of the period	26.3	13.2

The cash flow from operating activities increased by EUR 22.1 mill., from EUR 10.0 mill. to EUR 32.1 mill. This is mainly attributable to the EUR 11.1 mill. improvement in the Group result and the EUR 9.0 mill. change in non-current provisions, up from EUR 3.0 mill. in the previous year. The increase in non-current provisions and the change in other non-cash transactions was caused mainly by actuarial additions to provisions for pensions and similar commitments. EUR 3.6 mill. of the change in other current assets is attributable to the non-recurrence of the shift of early rent payments made in December 2014 for January 2015. This effect was offset by an increase in current receivables and assets by EUR 3.0 mill.

The cash flow from investing activities totalled EUR –12.5 mill. (previous year: EUR –11.5 mill.). A gross amount of EUR 1.1 mill. (previous year: EUR 1.8 mill.) was spent on intangible assets. Gross investments in property, plant and equipment totalled EUR 18.9 mill. (previous year: EUR 14.8 mill.). The gross investments were offset against the investment subsidies received in the amount of EUR 5.2 mill. (previous year: EUR 4.4 mill.) and proceeds from disposals of fixed assets amounting to EUR 2.3 mill. (previous year: EUR 0.8 mill.). The investment subsidies received referred primarily to MediClin Herzzentrum Coswig, MediClin Hedon Klinik, MediClin Müritz-Klinikum and MediClin Krankenhaus Plau am See.

The cash flow from financing activities totalled EUR -6.5 mill. (previous year: EUR -8.2 mill.). It also includes the repayment of existing loan liabilities in the amount of EUR -6.5 mill. (previous year: EUR -8.2 mill.).

Cash and cash equivalents at the end of the period thus increased by EUR 13.1 mill. to EUR 26.3 mill. (previous year: EUR 13.2 mill.).

Net assets

Balance sheet structure

In millions of €	31.12.2014	In % of balance sheet total	31.12.2013	In % of balance sheet total
Assets				
Non-current assets	216.8	67.8	221.1	70.7
Current assets	102.8	32.2	91.8	29.3
	319.6	100.0	312.9	100.0
Equity and liabilities				
Equity	153.9	48.2	152.2	48.6
Non-current liabilities	112.3	35.1	109.5	35.0
Current liabilities	53.4	16.7	51.2	16.4
	319.6	100.0	312.9	100.0

The balance sheet total expanded by EUR 6.7 mill. or 2.1%; this was caused primarily by the rise in current assets of EUR 11.0 mill., especially due to the EUR 13.1 mill. increase in cash and cash equivalents.

Despite the EUR 1.8 mill. addition to equity, the **equity ratio** dropped by 0.4 percentage points due to the even stronger expansion of the balance sheet total.

Non-current liabilities rose by EUR 2.8 mill. The main changes compared to the previous year refer to the decline in liabilities to banks by EUR 6.2 mill. (due to scheduled repayment) and an increase in provisions for pensions and similar commitments by EUR 8.5 mill. caused mainly by changes in actuarial gains and losses.

The EUR 2.2 mill. increase in **current liabilities** compared to the previous year is mainly due to the EUR 3.2 mill. rise in obligations from staff costs on the reporting date (including, among other costs, vacation, flexitime, bonus payments) as well as a EUR 1.5 mill. increase in liabilities pursuant to hospital financing law. The rise in current provisions by EUR 1.7 mill. referred primarily to increased provisions for invoicing risks (EUR 1.1 mill.) and outstanding claims to profit-sharing bonus payments (EUR 0.5 mill.). Due to payments made, trade payables dropped by EUR 5.1 mill.

Employees

The average number of employees in 2014, calculated on the basis of full-time employees, was 6,432 (previous year: 6,372 full-time employees). The number of full-time employees has increased by 60 or 0.9 % compared to the previous year. The average number of trainees was 222 in 2014 (previous year: 210 trainees).

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

Shown in full-time employees	2014	2013	Change
Post-acute	3,303	3,258	+45
Acute	1,994	2,005	-11
Other activities	1,135	1,109	+26
Thereof nursing care business area	175	176	<u>-1</u>
Thereof service business area (including administration)	960	933	+27
Group	6,432	6,372	+60

Key data per full-time employee in the Group

In€	2014	2013
Sales per full-time employee	83,655	80,815
Staff costs per full-time employee	48,215	46,757

Sales per full-time employee rose by EUR 2,840 or 3.5 % year-on-year in the reporting year, while the average staff costs per full-time employee increased by EUR 1,458 or 3.1 %.

Subsequent events

Since 1 January 2015 there have been no occurrences or events of particular significance which MediClin believes could have a material impact on the Group's net assets, financial position and results of operations.

Forecast report

Positive economic outlook for 2015

In its annual report for 2015, the German government forecasts GDP growth (adjusted for price changes) of 1.5 %; the previous estimate was 1.3 %. Geopolitical tensions are weighing on economic growth in certain markets, and are thus putting a strain on parts of the export-oriented German economy. However, the drop of the oil price and the weak euro are cushioning this effect. The sound domestic economic performance, such as the stable employment situation and higher available income due to collectively agreed wage increases, lower inflation and a drop in raw material prices are set to boost consumer spending of private households. This means that domestic demand will continue to drive economic growth in 2015.

The expenditure of the federal government totalled EUR 295.5 bill. in the 2014 fiscal year, while income amounted to EUR 295.1 bill. The rise in income is due primarily to the good result achieved with regard to tax revenue. The public budget is expected to show a similarly even balance in 2015. On 27 November 2014 the German Federal Parliament (Bundestag) adopted the federal budget for 2015, which features expenditure in the amount of EUR 299.1 bill. and no new borrowing. The financial budget planning until 2018 does not provide for any new borrowing either.

The positive economic trend and the stable labour market give rise to the expectation that demand for medical services will not change in 2015 compared to the previous year.

New laws and regulations in the health care sector

In December 2014 the federal and state working group for the hospital reform that was established by the Federal Ministry of Health presented its "Key points of the federal and state working group for the hospital reform 2015". This paper defines the steps required for reforming the hospital system. These are to be implemented into laws and regulations in the course of 2015. One important issue is that the quality of treatment gains more significance in hospital planning and remuneration. The paper intends to introduce premiums for particularly good performance. In addition, the paper provides for service guarantee premiums to be paid to hospitals to ensure that emergency treatment is available in all neighbourhoods. The calculation of the case-based lump sum is to take more account of the clinics' cost situation. In order to ensure good service and care in hospitals, a promotional program has made a total of EUR 660 mill. available for hiring additional nursing staff. Furthermore, there are plans to establish a structural fund in the range of EUR 500 mill. from the liquidity reserves of the German Health Fund to enable the federal states to implement the required restructuring measures to improve the health care situation. This will help to finance 50 % of the cost of the restructuring projects, while the other 50 % has to be financed from state funds. The working group assumes that up to one billion euro will thus be available to improve the health care situation. Since the key points of the hospital reform will not be implemented in laws and regulations before 2015, it yet remains to be seen how these new regulations will affect the business performance of MediClin.

In September 2014 the Federal Ministry of Health (Bundesgesundheitsministerium – BMG) announced the increase of the basic wage rate for 2014 to be 2.53 % (2013: 2.81 %); this means that the remuneration for hospitals will rise by 2.53 % in 2015. However, the collective agreements and the development of costs by means of employee grading provide for an increase of at least 3 %. This will augment the pressure on hospitals to rationalise in the field of personnel. MediClin is not bound by collective agreements, but expects rises in staff costs in a similar range within the forecast horizon.

The statutory social security pension funds pay for the medical and occupational rehabilitation of people in employment. The demographic component that was introduced in 2014 ensures that any temporary additional financial needs caused by the population development will be taken into account when the annual expenditure for payments to provide medical rehabilitation measures is determined. The demographic component is calculated on the basis of the change in the share of persons aged 45 to 67 (rehabilitation-intensive age) in the total population. The increase in 2014 amounted to EUR 100 mill., while the premium for 2015 has not yet been determined. By 2017 it will climb up to EUR 233 mill. After 2017 the additional premium on the rehabilitation budget will be gradually reduced again as the baby-boomers start retiring. At present it is impossible to forecast how the recalculation of the rehabilitation budget will affect the future performance of MediClin.

The adoption of the payment system for psychiatric and psychosomatic facilities (Psych-Entgeltgesetz) will be mandatory for all treatments as from 2017. It 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.

With the adoption of the First Act to Strengthen Long-term Care and to Amend further Regulations ("Erstes Gesetz zur Stärkung der Pflegerischen Versorgung und zur Änderung weiterer Vorschriften"), insurance benefits for persons needing care and dependants providing such care will rise by a total of EUR 2.4 bill. per year. EUR 1.4 bill. is available to support nursing care patients in their homes, while EUR 1.0 bill. will be available to improve insurance benefits for persons in nursing care facilities. At present it is impossible to forecast what impact the additional funds will have on the future performance of MediClin's nursing care business area.

On 17 December 2014 the German Federal Cabinet (Bundeskabinett) approved the Act to Strengthen Care Delivery in the Public Health Insurance Funds (GKV-Versorgungsstärkungsgesetz). The act gives local decision-makers more possibilities to offer incentives for establishing branches in structurally weak areas that suffer from care shortages. To this end, it will become easier to set up structural funds for supporting such branches and the range of support options will be expanded. In addition, the alternatives for founding medical care centres will be further developed. By founding a medical care centre, municipalities can in the future actively help to shape their health care situation, especially in rural areas. In order to promote innovation in health care and health care research, an innovation fund with an annual volume of EUR 300 mill. will be set up under the leadership of the Federal Joint Committee (Gemeinsamer Bundesausschuss), initially for the period 2016 until 2019.

MediClin is planning targeted capacity expansions in 2015

Since no material changes to the general economic environment and the situation of the health care sector are visible at the moment, the Management Board of MediClin assumes that the Group's positive business performance will continue in 2015.

As in 2014, sales growth is to concentrate on indications with strong demand and regional shortages by expanding the respective capacities. Given the high occupancy rates, further improvements are limited in the post-acute segment without capacity expansions. The objective in the acute segment is to raise the number of cases and/or case mix points and to optimise processes. Organic growth is to provide for another 3.0 % increase in Group sales in 2015.

Thanks to economies of scale from central procurement and strict cost management, raw materials and consumables used will increase to a lesser degree than Group sales in 2015. Staff costs are anticipated to rise by at least 3.0 % in 2015.

In total a (gross) sum of EUR 21.0 mill. was invested in 2014. A large share of the capital expenditure was channelled into the modernisation and expansion of buildings as well as into medical machines and equipment. The construction measures mainly refer to capacity expansions in acute psychosomatics and acute neurology and the installation of a hybrid operating theatre at MediClin Herzzentrum Coswig. In 2015 MediClin will continue to expand capacities in strongly growing areas and make targeted additions to the range of services. The Group plans capital expenditure at a similar level as in the reporting year.

The financing of the internal growth is guaranteed and will derive primarily from the cash flow.

Summary and outlook

The Management Board is optimistic with regard to the MediClin Group's business performance in 2015 from today's point of view. The demand for medical, therapeutic and nursing care services will continue to rise. Given the positive domestic economic situation, the Management Board assumes that the occupancy rates of the clinics in the post-acute segment and the number of cases in the acute segment will remain at least at the previous year's level, provided that the coverage providers do not drastically change their spending behaviour. In the post-acute segment, the Management Board anticipates weaker sales growth year-on-year, as the occupancy rate for the existing capacities already amounted to 88.4 % in 2014. Without capacity expansions, growth in this segment is limited. In the acute segment, the process optimisations implemented in 2014 will have a positive effect on the result. Occupancy rates in the post-acute segment and the number of cases in the acute segment in January 2015 support this trend.

For 2015 the Management Board forecasts sales growth of 3.0% and a Group operating result (Group EBIT) in the range of EUR 15.0 to 17.0 mill. Here the post-acute segment is supposed to generate sales growth between 4.0% and 4.5%, whereas the acute segment is expected to post 2.0% to 2.5% growth. Both segments are projected to generate an EBIT margin between 4.5% and 5.0%.

Risk and opportunity report

MediClin operates its own medical facilities, where it offers medical and therapeutic services. Given its many years of experience as a hospital operator and its leading market position in the rehabilitation sector, MediClin is able to realistically assess operational and entrepreneurial risks. Regarding the exploitation of opportunities, MediClin's integrated medical care business model and the regional concept mean the Company is in a good position to use the various growth possibilities in the health care sector. However, it is generally true that the achievement of financial success and the associated exploitation of business opportunities always bears a risk as well.

The MediClin Group is active in a sensitive market. The health and well-being of patients is an obligation that sets high standards for handling risks and ensuring their minimisation. The prevention and control of treatment-related risks is just as important as the reduction of high economic risks.

Risk and opportunity management

Managing risks and opportunities is an integral part of responsible company management.

The aim of risk and opportunity management is to identify and control the main risks to which the Group and the individual medical facilities are exposed and to identify opportunities that arise for the Group or individual medical facilities. In order to establish a procedure, organisational rules were adopted and instruments implemented that are valid for the entire Group and ensure that current and future risks and opportunities are detected as early as possible. The responsibilities and communication channels are clearly defined. The basis for effective application of these rules and instruments is a distinct and uniformly understood risk and opportunity culture.

The annual risk and opportunity management report that illustrates the findings of the most current risk and opportunity inventory serves to raise awareness and communicate potential risks and how to control them within the Group. The risk inventory summary report contains the risks identified and risk evaluations from a Group perspective in aggregate form. The results of the risk and opportunity inventory, or the inventory report, help to systematically detect economic risks and opportunities early on; as the report is prepared before the annual economic planning, it is an important element of MediClin's risk and opportunity management strategy in addition to the internal monitoring and control systems.

The following internal monitoring and control systems are examples of the continuous risk identification and risk prevention that is conducted in the operating business:

- In relation to patient-oriented risk management
 - the systematic complaint management,
 - permanent patient satisfaction polls,
 - the software-supported platform for recording critical incidents (CIRS) in cooperation with Assekuranz AG in defined clinics,
 - the Group-wide data protection policy,
- In relation to employee-oriented risk management
 - the systematic implementation of vocational safety requirements (MAAS BGW),
 - and the related certification at MediClin's medical facilities,
 - a critical incident reporting system (CIRS),
 - systematic employee surveys,
- Other instruments for minimising risks
 - the Group guidelines for handling medical devices,
 - the disaster and evacuation planning/pandemic planning,
 - the Group guidelines for the prevention of legionella contamination,
 - a systematic error management (in the framework of the internal QMS),
 - the Group guidelines for collaboration with other partners in the health care service and in the industry,
 - a uniform and process-oriented quality management system (QMS),
 - internal controls of central core processes (ICS),
 - reporting and benchmark systems in the operational area.

The Management Board carries the overall responsibility for the risk and opportunity management system. Both the internal audit department and the persons responsible for risk management regularly review the efficiency of the system. Once a year, when the risk and opportunity management report is presented, the Supervisory Board receives a detailed report on the Group's current risk and opportunity status. The auditor evaluates in the scope of its audit whether the Management Board took appropriate measures under its obligations pursuant to Section 91 (2) of the German Stock Corporation Act (AktG) and whether the monitoring system that is to be established under these obligations is suitable for fulfilling these tasks.

Risk and opportunity inventory for 2014

The risk and opportunity inventory for the 2014 financial year did not reveal any risks to the survival of the Group or individual medical facilities as a going concern, neither in general nor for the relevant forecast period. Risks pertaining to the Company's survival are defined as risks that have a "high" probability of occurring and the impact of which exceeds EUR 1.0 mill. at Group level.

The opportunity inventory defined the following areas in 2014:

- Opportunities arising from the expansion of the portfolio at the facility level (horizontal diversification)
- Opportunities arising from the expansion of the range of services (vertical diversification) and the optimisation of the range of services, for example by specialisation
- Opportunities arising from building up and expanding bed capacities
- Opportunities arising from cooperations with other service providers and stronger interrelations with Asklepios when allocating bed capacity
- Opportunities arising from optimising the procedures for staff recruitment

Risks and opportunities

Macroeconomic risk

From today's point of view, the current German economic performance, and in particular the stable labour market, leads us to expect a sound economic situation and rising demand for medical and therapeutic services. Due to its specific range of services, MediClin is set to participate in this growth. At present, macroeconomic risks are not discernible.

Sector risk

Since the health care sector and its financing are regulated by law, changes in legislation, particularly with respect to the reimbursement of the cost of medical, therapeutic and nursing care services, can impact the business performance of MediClin. MediClin closely monitors legislative action and, in the context of its risk and opportunity management system, analyses the risks and opportunities this could entail with regard to the Group's results.

Since MediClin has set a focus on the treatment of neurological and psychiatric illnesses, a change in the compensation modalities could affect the earning power of the Group. Starting in 2017 the budget agreements in the psychiatric sector that were previously negotiated on the basis of the psychiatry personnel regulation (Psych-PV) are to be converted to the diagnosis-related invoicing system (DRG). 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 are inestimable at the current time.

Personnel risk

There are currently not enough qualified specialists available on the labour market. This shortage causes rising staff costs, while the lack of qualified personnel may lead to occupancy and sales declines in individual clinics. MediClin pursues an active personnel management approach and is deemed an attractive employer.

Operating risks

Operating risks are posed primarily by high fixed costs that can only be offset through flexibilisation of internal operating procedures to a certain extent. MediClin has implemented a number of measures which 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

Financial risks may arise in connection with default, changes in interest rates and liquidity risks. The Group has receivables vis-à-vis social insurance coverage providers under the Hospital Compensation Act (KHEntgG). The risk exposure from potential bad debts is controlled by means of active claims management. In order to prevent default risks, the Group set aside appropriate specific and general bad debt allowances. Provisions were also set aside for risks resulting from inspections by the association of the German Health Insurance Medical Service (MDK). A rate cap agreement was concluded as a hedge against the risk from changes in interest rates under the existing investment loans; during

the term of the agreement, the interest has a fixed maximum limit (hedge transaction). There are no significant risks in this respect. Foreign exchange risks do not exist, and financing risks are not discernible at present. A major part of external financing exists in the form of a syndicated loan contract with a balance of EUR 40 mill. on the reporting date (previous year: EUR 45 mill.), which is conditional on the compliance with financial key ratios (covenants) that have comfortably been met in the past.

Real estate risk

MediClin financed most of the real estate in the post-acute segment in a sale-and-lease-back transaction. The Group's total obligations arising from these lease contracts totalled EUR 43.2 mill. in the reporting year (previous year: EUR 42.6 mill.), which is a considerable cost item. The underlying rental contracts have a term until 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.). Strategic measures and measures relating to operating business at the post-acute locations are supposed to lead to sales and earnings improvements at the clinics with the result that the burdens from rents (including rent increases) have no negative impact on the Group. To date, this was achieved by means of additional care services, sales from self-payment programmes and the restructuring of the range of medical and therapeutic services.

Market opportunities

MediClin assumes that growth in the health care market will be primarily driven by demographics. Additionally, due to the general economic condition and the situation on the labour market, the working lifetime will become longer in the next few years. This means that the demand for qualified services in medical rehabilitation which preserve a person's capacity and ability to work will increase. MediClin is adjusting its range of services to these market changes.

Opportunities from efficiency enhancements

MediClin enhances the efficiency of patient care by placing a focus on certain indications and by offering integrated medical care across different locations and at a regional and national level. The synergies from the networks and focus on certain services could yield savings potential.

The centralisation of certain tasks and services within the Group will also lead to more efficient cost structures. A cooperation with Asklepios in the field of procurement means that larger orders are placed, leading to savings in raw materials and consumables used.

Opportunities in hiring staff

The personnel policy of MediClin is based on a broad offer of further education and a staff-oriented design of workplaces. As an attractive employer, MediClin promotes staff loyalty, giving the Group a certain degree of independence with regard to shortages on the labour market.

Opportunities for sales and earnings growth

The corporate strategy of MediClin aims to raise Group sales by 3.0 % p.a. through organic growth and to use appropriate cost structures to secure the earnings power in the long term.

This is based on the expansion of capacities in indications with strong demand in the post-acute segment, the optimisation of internal structures in the acute segment and opportunistic capacity expansions in the nursing care sector.

Financial opportunities

Through the stock exchange listing, the Group can raise funds for reducing debt levels or financing growth on the capital market, allowing it to invest in capacity expansions.

Other opportunities and risks

In the 2014 financial year the Management Board of MediClin AG was presented a legal opinion that had been commissioned by a shareholder and illustrated that shareholder's legal view. The paper states that the rents paid by MediClin to the OIK-Fonds for the clinics that were pooled in the real estate fund between 1999 and 2002 and rented back is considered too high. Furthermore, the legal opinion points out that claims might arise and illustrates the special situation in that the shareholders of the fund simultaneously are or were direct or indirect shareholders of MediClin AG (including, among others, ERGO Versicherungsgruppe AG (ERGO) and, until 2011, Provinzial Rheinland Lebensversicherung AG (Provinzial)).

The analysis of the appropriateness of rents commissioned by MediClin is still pending. The findings regarding the issue of the rents do not yet allow for a final assessment of their compliance with standard market rates now and in the past.

Evaluation and summary of current risks and opportunities

MediClin's risk portfolio consists of risks that the Company is unable to control, such as economy, legislation and the budget policy of coverage providers. The Company regularly monitors and analyses the situation in these areas. Operating risks are risks that can be influenced by MediClin and can be avoided if the corresponding moni-toring and control systems identify them at an early stage.

Risks that might arise in the 2015 financial year (forecast period) and that might lead to deviations in the sales and earnings performance include:

	Impact	Probability
Macroeconomic risk – risks arising from the regulatory environment	low	improbable
Sector risks – risks arising from the budget policy of coverage providers	medium	improbable
Risks arising from the operating business	low	improbable

There were no material changes overall to risks and opportunities in the 2014 financial year compared to the previous year. MediClin is well hedged against both external and internal risks. Potential risks and their effects are known as well as the corresponding measures to be taken. Potential opportunities are analysed and their exploitation is initiated if feasible.

From today's point of view, there are no risks for the future development of MediClin that could significantly impact the Group's results of operations, financial position and net assets.

Internal control system and risk management system for the Group accounting process

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 financial 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. Centralised areas include financial accounting, controlling, personnel management, payroll processing, quality management, insurance management and contract management.

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 data from the individual companies is centrally consolidated and, among other things, compared in detail with intra-Group balances. The staff involved in financial matters and accounting all possess the necessary qualifications. The functions in charge of these tasks are separated as required. IT controls have been installed among other measures for all relevant financial reporting processes and the four-eyes principle is adhered to. The consolidated financial statements and the separate financial statements are prepared by the Group controlling department.

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.

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 results of operations, financial position and net assets in the context of financial accounting disclosure requirements.

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 71b German Stock Corporation Act – AktG). The Management 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, Asklepios Kliniken Gesellschaft mit beschränkter Haftung, ERGO Versicherungsgruppe AG (ERGO) and DKV Deutsche Krankenversicherung AG (DKV). Those with an indirect shareholding are Münchener Rückversicherungs-Gesellschaft AG through its subsidiaries ERGO and DKV, Asklepios Kliniken Gesellschaft mit beschränkter Haftung through Asklepios Kliniken Verwaltungsgesellschaft mbH and Dr. Bernard große Broermann through Asklepios Kliniken Verwaltungsgesellschaft mbH and 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 2014 no resolution to authorise the buy-back of MediClin shares was submitted at the Annual General Meeting. The regulations regarding the appointment and withdrawal of members of the Management Board are in accordance with the statutory regulations. The same applies to the information on amendments to the Articles of Incorporation. There are no material agreements that are contingent on a change in control following a takeover offer and the Company has concluded no compensation agreements with members of the Management Board or employees that would apply in such cases.

Corporate Governance Declaration pursuant to Section 289 a HGB

The Management Board sees the corporate governance declaration as a chance to disclose the stability and sustainability of the corporate governance of MEDICLIN Aktiengesell-schaft. It wants to do so at a place that is easily accessible and therefore posts the declaration on the Company's website http://www.mediclin.de/corporate-governance. 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)

"We declare that the Company received appropriate compensation for all legal transactions in the 2014 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."

MediClin AG (short version)

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) as in the previous year. As a listed company, MediClin AG meets all the requirements of the capital market and can use the latter for capital procurement.

Development of net assets and the financial position

Balance sheet structure

In millions of €	31.12.2014	In % of balance sheet total	31.12.2013	In % of balance sheet total
Assets				
Non-current assets	234.0	92.9	233.4	93.0
Current assets	17.7	7.1	17.5	7.0
	251.7	100.0	250.9	100.0
Equity and liabilities				
Equity	200.4	79.6	196.8	78.4
Non-current liabilities	43.1	17.1	47.3	18.9
Current liabilities	8.2	3.3	6.8	2.7
	251.7	100.0	250.9	100.0

The balance sheet total, as shown in the balance sheet structured according to maturity, is EUR 0.8 mill. higher than in the previous year.

Non-current assets mainly include affiliated company shares and loans totalling EUR 233.8 mill. (previous year: EUR 233.4 mill.). Current assets pertain primarily to receivables from affiliated companies that decreased by EUR 1.6 mill. and cash and cash equivalents that increased by EUR 2.3 mill. The increase in cash and cash equivalents is mainly due to higher income from investments. The decrease in non-current liabilities is mainly due to a EUR 5.0 mill. repayment of the syndicated loan. Deferred tax liabilities increased by EUR 0.8 mill. Current liabilities rose by EUR 1.4 mill. This is primarily attributable to a rise in tax liabilities by EUR 0.8 mill. and an increase in liabilities to affiliated companies by EUR 0.4 mill.

Development of results of operation

MediClin AG does not record sales. The development of MediClin AG's other operating income and other operating expenses is shown in the following tables:

Other operating income

In thousands of €	2014	2013
Income from management services	146	146
Income from the release of provisions	72	187
Other income	30	28
	248	361

Other operating expenses

In thousands of €	2014	2013
Auditing and consultancy costs	1,240	892
Other administrative expenses	346	460
Thereof remuneration of the Management Board	206	214
Thereof costs of the Annual General Meeting	87	64
Thereof incidental costs of monetary transactions	51	109
Advertising and public relations	104	151
Insurance costs	100	101
Other expenses	174	116
	1,790	1,604

The financial result of MediClin AG includes advance payouts on the 2014 net profit of subsidiaries in the total amount of EUR 10.4 mill. (previous year: EUR 4.5 mill.) and a withdrawal from the capital reserve of a subsidiary amounting to EUR 1.9 mill. Interest and similar income amounted to EUR 1.2 mill. (previous year: EUR 1.3 mill.), while interest and similar expenses totalled EUR 1.4 mill. (previous year: EUR 1.6 mill.). Non-scheduled depreciation of financial assets stood at EUR 3.1 mill. (previous year: EUR 1.4 mill.). MediClin AG generated a net profit of EUR 3.5 mill. in the 2014 financial year (previous year: EUR 0.4 mill.).

The number of employees was two on annual average (previous year: two 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.

Statement on MediClin AG's net assets, financial position and results of operations

The Management Board assesses the results of operations of MediClin AG as secure and the financial position and net assets as sound.

Outlook

As in the previous years, the income structure of MediClin AG in 2015 will continue to depend on the economic development of the subsidiaries and thus also of the Group as a whole.

Remuneration report

The remuneration report 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 or the management report. MediClin did not make use of the opting-out clause.

Management Board remuneration

The remuneration of the Management Board comprises fixed remuneration (the fixed salary) and a variable profit-sharing bonus approved by the Supervisory Board that consists of a short-term incentive (STI) and a long-term inventive (LTI), the amount of which is based on the improvement in the operating result and the achievement of agreed qualitative targets. The following graphic illustrates the structure of the variable remuneration:

Structure of the variable remuneration STI (I) quantitative targets Short-term incentive (STI) Variable remuneration Long-term incentive (LTI) qualitative targets

The fixed remuneration is paid out as a monthly salary and amounts to EUR 350 thou. p.a. for Volker Feldkamp and EUR 220 thou. p.a. for Jens Breuer.

Since the former Chairman Frank Abele left the Company as of 31 December 2013, the profit-sharing bonus system that is applicable to him is not shown here again; instead, reference is made to the remuneration report in the 2013 Annual Report.

The variable remuneration of the Chairman Volker Feldkamp consists of an STI of a maximum of EUR 450 thou. p.a. and an LTI of a maximum of EUR 150 thou. for a total of three years. The STI is based to 70 % on the improvement of MediClin AG's Group operating result and to 30 % on the achievement of qualitative targets. The calculation of the STI is based on the achievement of the Group's target EBITDA for the respective financial year, which is determined in accordance with certain criteria and the degree to which the target was achieved. The payout of the LTI is conditional on the achievement of qualitative or quantitative targets that were agreed with the Chairman of the Management Board. If the targets are reached, the LTI amounts to a maximum of EUR 50 thou. p.a.

The variable remuneration of the Chief Financial Officer Jens Breuer is structured in line with the remuneration of the Chairman of the Management Board. The STI is limited to a maximum of EUR 180 thou. p.a. and the LTI to a maximum of EUR 120 thou. for a total of three years.

The Management Board remuneration amounted to a total of EUR 1.3 mill. in the 2014 financial year (previous year: EUR 0.9 mill.) and is composed as follows:

In € 2014	Volker Feldkamp	Jens Breuer	Management Board (total)
Fixed remuneration	350,000	220,000	570,000
Subsidy retirement pension	0	0	0
Other remuneration components	7,800	8,736	16,536
Total current remuneration	357,800	228,736	586,536
Variable remuneration for one year including change in provisions for variable remuneration	450,000	195,500	645,500
Variable remuneration for several years including change in provisions for variable remuneration	50,000	63,333	113,333
Total variable remuneration	500,000	258,333	758,833
Total	857,800	487,569	1,345,369

In € 2013	Frank Abele	Jens Breuer	Management Board (total)
Fixed remuneration	350,000	220,000	570,000
Subsidy retirement pension	60,000	0	60,000
Other remuneration components	9,438	8,736	18,174
Total current remuneration	419,438	228,736	648,174
Variable remuneration for one year including change			
in provisions for variable remuneration	220,375	64,667	285,042
Variable remuneration for several years including change			
in provisions for variable remuneration	0	40,000	40,000
Total variable remuneration	220,375	104,667	325,042
Total	639,813	333,403	973,216

At present there are no pension commitments to members of the Management Board. Until he left the Company, Frank Abele received a pension contribution of EUR 60 thou. p.a. The remaining ancillary benefits refer to payments in kind resulting from the provision of company cars.

Supervisory Board remuneration

The Supervisory Board remuneration is governed by the Articles of Incorporation. The currently valid regulation for the remuneration of 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 remuneration, amounting to EUR 10 thou. for each Supervisory Board member, payable after the close of the financial year. In addition, each member receives a variable remuneration in 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 remuneration is paid. The Chairman of the Supervisory Board receives twice the amount of the fixed remuneration and the Vice Chairman receives one and a half times the amount of the fixed remuneration. 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 remuneration. 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 remuneration. If a member of the Supervisory Board simultaneously holds several positions for which increased remuneration is granted, he or she shall only receive the remuneration for the highest-paying position.

For every participation in a meeting of the Supervisory Board and one of its committees by personal attendance, the members of the Supervisory Board receive an attendance fee of EUR 250.00 per session. If the position of a Supervisory Board member or a function associated with an increased remuneration begins or ends during the course of a financial year, the Supervisory Board member receives the compensation or increased remuneration on a pro rata basis.

In 2014 and 2013 no performance-based (variable) remuneration was paid out.

In € excluding VAT	2014	2013
Dr. Ulrich Wandschneider (Chairman)	24,000	24,500
Hans Hilpert (Vice Chairman)	18,000	18,500
DiplKfm. Michael Bock	13,000	13,500
Dr. Daniel von Borries (until 04.09.2014)	9,209	13,750
Walburga Erichsmeier	13,500	14,000
Dr. Tom Giessler	14,750	15,500
Irmtraud Gürkan (since 23.10.2014)	1,918	0
Carsten Heise	14,000	14,250
Rainer Laufs (since 23.10.2014)	2,168	0
Stephan Leonhard	15,750	16,500
Dr. Jochen Messemer (until 04.09.2014)	8,194	13,000
Klaus Müller (until 31.07.2014)	6,308	11,250
Thomas Müller	12,750	13,500
Eleonore Seigel	14,000	14,250
Matthias H. Werner (since 01.08.2014)	4,941	0
Total	172,488	182,500

In the 2014 financial year, as in 2013, there were no loans to members of the Supervisory Board.

MEDICLIN Aktiengesellschaft

Offenburg, 27 February 2015

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 annual report.

Consolidated financial statements of MEDICLIN Aktiengesellschaft

for the 2014 financial year

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Consolidated balance sheet as of 31 December 2014

ASSETS

Appendix		31.12.2014 in €	Previous year in thou. of €
NON-CURRENT ASSETS			
Intangible assets (1)			
Concessions, licences	1,764,929		1,510
Goodwill	48,588,841		49,325
Payments on account	191,971		635
		50,545,741	51,470
Property, plant and equipment (2)			
Land, land rights and buildings including buildings on third-party land	105,114,849		107,559
Technical equipment and machines	11,057,733		11,719
Operating and office equipment	36,970,125		35,068
Payments on account and assets under construction	2,392,589		4,293
		155,535,296	158,639
Other financial assets (3)			
Investment in stock of subsidiaries	65,600		65
Other loans and other financial assets	2,614		54
Reinsurance cover	1,457,882		1,519
		1,526,096	1,638
Other non-current assets			
Non-current tax refund claims (4)	141,072		209
Receivables pursuant to hospital financing law (5)	1,700,000		2,200
		1,841,072	2,409
Deferred tax assets (6)		7,339,182	6,970
(6)		216,787,387	221,126
CURRENT ASSETS			
Inventories (7)		6,359,032	6,478
Trade receivables (8)		61,974,133	61,406
		01,574,155	01,400
Other current assets	776 100		4 2 1 7
Prepaid expenses (9) Prepaid expenses (10)	776,109		4,217
Receivables pursuant to hospital financing law (10) Other assets (11)	3,339,175 3,013,954		1,762 3,810
Other assets (11)	5,015,954	7,129,238	9,789
Current tax refund claims (12)		86,092	849
Cash and cash equivalents (13)		26,347,237	13,219
Non-current assets held for sale (14)	_	931,500	0
		102,827,232	91,741
		319,614,619	312,867

EQUITY AND LIABILITIES

Арре	endix		31.12.2014 in €	Previous year in thou. of €
EQUITY				
Shares MediClin Group				
Subscribed capital	(15)	47,500,000		47,500
Capital reserve	(16)	129,391,829		129,392
Revenue reserve	(17)	-16,644,319		-10,082
Consolidated balance sheet loss	(18)	-5,910,246		-14,413
			154,337,264	152,397
Non-controlling interests	(19)		-390,064	-208
			153,947,200	152,189
NON-CURRENT LIABILITIES				
Non-current financial liabilities				
Liabilities to banks	(20)	46,267,428		52,512
Other financial liabilities	(21)	7,838,537		8,014
			54,105,965	60,526
Non-current provisions				
Provisions for pensions and similar commitments	(22)	48,166,043		39,635
Other provisions	(23)	6,018,954		5,529
			54,184,997	45,164
Deferred tax liabilities	(24)		4,040,061	3,828
			112,331,023	109,518
CURRENT LIABILITIES				
Trade payables			13,039,685	18,179
Current financial liabilities				
Liabilities to banks	(25)	6,644,608		6,692
Other financial liabilities	(26)	407,506		430
			7,052,114	7,122
Other current liabilities				
Liabilities pursuant to hospital financing law	(27)	6,067,816		4,549
Other liabilities	(28)	20,833,599		17,112
			26,901,415	21,661
Current provisions	(29)		5,931,364	4,198
Current tax liabilities	(30)		411,818	0
			53,336,396	51,160
			319,614,619	312,867

Consolidated profit and loss account

for the financial year from 1 January to 31 December 2014

Appendix	Jan.–Dec. 2014 in €	Previous year in thou. of €
Sales (31)	538,035,163	514,954
Other operating income (32)	6,939,035	6,943
Total operating performance	544,974,198	521,897
Raw materials and consumables used (33)		
a) Cost of raw materials and supplies	-62,108,472	-62,921
b) Cost of purchased services	-44,831,732	-48,030
	-106,940,204	- 110,951
Staff costs (34)		
a) Wages and salaries	-263,761,986	-253,226
b) Social security, pension and retirement	-46,339,596	-44,711
	-310,101,582	-297,937
Other operating expenses (35)	-93,853,198	-93,398
Result before interest, taxes, depreciation and amortisation/EBITDA	34,079,214	19,611
Depreciation and amortisation (36)	-18,515,967	-17,463
Operating result	15,563,247	2,148
Financial result (37)		
a) Other financial revenues	38,301	114
b) Other financial costs	-3,915,338	-4,832
	-3,877,037	-4,718
Result before tax	11,686,210	-2,570
Taxes on income (38)	-3,323,175	-172
Result after tax	8,363,035	-2,742
Thereof attributable to shareholders of MediClin AG	8,503,246	-2,638
Thereof attributable to the non-controlling interests	-140,211	-104
Result after tax attributable to shareholders of MediClin AG per share (39)		
Undiluted (in €)	0.18	-0.06
Diluted (in €)	0.18	-0.06

Consolidated statement of comprehensive income

for the financial year from 1 January to 31 December 2014

Appendix	Jan.– Dec. 2014 in €	Previous year in thou. of €
Total consolidated result	8,363,035	-2,742
Other comprehensive income (40)		
Change in actuarial gains (+)/losses (–) from DBOs and similar commitments	-7,845,860	-2,483
Taxes on income	1,241,608	393
Additions to value adjustments that are not reconciled to the Group result	-6,604,252	-2,090
Thereof attributable to shareholders of MediClin AG	-6,562,439	-2,055
Thereof attributable to non-controlling interests	-41,813	-35
Additions to value adjustments that are reconciled to the Group result	0	0
Group comprehensive income	1,758,783	-4,832
Thereof attributable to shareholders of MediClin AG	1,940,807	-4,693
Thereof attributable to the non-controlling interests	-182,024	-139

Consolidated cash flow statement

	Jan.–Dec. 2014 in €	Jan.−Dec. 2013 in €
Operating result (EBIT)	15,563,247	2,147,878
Result of finance activities	-3,877,037	-4,718,343
Result of income taxes	-3,323,175	-171,117
Total consolidated result	8,363,035	-2,741,582
Depreciation on fixed asset items	18,515,967	17,462,954
Change in deferred taxes	-157,563	-771,440
Change in non-current provisions	9,021,619	2,999,500
Change in current provisions	1,732,821	1,753,131
Result from the disposal of fixed asset items	-83,410	-199,282
Result from other non-cash items	-6,604,253	-2,090,003
Change in non-current tax refund claims	67,435	64,657
Change in current tax refund claims	763,409	-770,709
Change in other non-current assets	500,000	50,000
Change in other current assets	529,024	-4,867,806
Change in other current liabilities	-520,615	-935,953
Cash flow from operating activities	32,127,469	9,953,467
Payments received from the disposal of fixed assets	2,270,899	813,034
From the disposal of property, plant and equipment	2,270,899	813,034
Payments received from investment subsidies	5,196,069	4,413,164
Cash used for investments in fixed assets	- 19,975,888	-16,682,760
In intangible assets	-1,107,745	-1,808,428
In property, plant and equipment	-18,868,143	-14,821,497
In financial assets	0	-52,835
Cash flow from investing activities	-12,508,920	-11,456,562
Repayment of financial liabilities	-6,489,989	-8,214,541
Cash flow from financing activities	-6,489,989	-8,214,541
Cash flow for the period	13,128,560	-9,717,636
Cash and cash equivalents at the beginning of the period	13,218,677	22,936,313
Cash and cash equivalents at the end of the period	26,347,237	13,218,677

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	Consolidated balance sheet result	Shares MediClin Group	Non- controlling interests	Total equity
As of 01.01.2013 Group	47,500,000	129,391,829	-8,027,171	-11,775,629	157,089,029	-69,027	157,020,002
comprehensive income	_	_	-2,054,710 ¹	-2,637,862	-4,692,572	-139,013	-4,831,585
As of 31.12.2013	47,500,000	129,391,829	-10,081,881	-14,413,491	152,396,457	-208,040	152,188,417

In€	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	Shares MediClin Group	Non- controlling interests	Total equity
As of 01.01.2014 Group comprehensive	47,500,000	129,391,829	-10,081,881	-14,413,491	152,396,457	-208,040	152,188,417
income	-	-	-6,562,439 ¹	8,503,246	1,940,807	-182,024	1,758,783
As of 31.12.2014	47,500,000	129,391,829	-16,644,320	-5,910,245	154,337,264	-390,064	153,947,200

¹ Adjustment in accordance with IAS19

Notes

Basic information

General

MEDICLIN Aktiengesellschaft (MediClin AG) is active as a nationwide hospital operator. With 34 clinics, seven nursing care facilities and currently eight medical care centres in 11 German federal states, the MediClin Group (MediClin) has an overall capacity of approximately 8,000 beds. The clinics are divided into acute-care hospitals for basic, standard and specialised care, as well as specialist clinics for medical rehabilitation. MediClin operates exclusively on the domestic market.

The Company is registered in Germany and has been listed on the stock exchange since December 2000 (official market/Prime Standard). 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, Hamburg, (Asklepios) 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 AG for the 2014 financial year. The underlying consolidated financial statements were approved for publication by the Management Board on 27 February 2015. The annual financial statements of MediClin AG, for which BDO AG Wirtschaftsprüfungsgesellschaft issued an unqualified auditor's report, the consolidated financial statements of MediClin AG and the summarised management report and Group management report are published in the German Federal Gazette (Bundesanzeiger).

The consolidated financial statements as of 31 December 2014 were prepared in accordance with Section 315 a (1) of the German Commercial Code (HGB), pursuant to the regulations of the International Financial Reporting Standards (IFRSs), the International Accounting Standards Board (IASB), London, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as valid on the cut-off date and admitted by the European Union. The financial statements were prepared on a going concern basis. Accounting is generally based on amortised cost, unless otherwise required by an applicable accounting standard. The consolidated profit and loss account was prepared on the basis of the total cost method.

The consolidated financial statements are prepared in euro currency. All amounts are stated in thousands of euros (EUR thou.) unless otherwise specified. Within the individual components of the consolidated financial statements, as well as for data specified in the notes, rounding differences may result due to figures with decimal places. The amount shown is rounded according to standard commercial practice. The amounts shown for the previous year were calculated using the same accounting and valuation principles, in order to ensure the comparability of the disclosed data.

Applicable standards

The following new or amended standards are applicable for the first time in the period under review:

Amendments to IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces the consolidation requirements under IAS 27. IAS 27, however, is not cancelled completely. Its application will in future be limited to the accounting for subsidiaries, associates and joint ventures in the investor's separate financial statements. IFRS 10 now includes the aspects of full consolidation that were previously governed by IAS 27 in general and in SIC-12 for special purpose entities. IFRS 10 further establishes a uniform consolidation concept. The criteria "decision-making power" and "variable returns" and their interrelations determine whether a parent–subsidiary relationship exists.

Amendment to IFRS 11 "Joint Arrangements"

IFRS 11 governs accounting for circumstances where a company has joint control over a joint venture or joint operations. IFRS 11 replaces IAS 31 and SIC-13. The amended definitions mean that there are only two forms of joint arrangements: joint operations and joint ventures. The classification as jointly controlled assets (IAS 31) is now included in joint operations. The previous option of proportionate consolidation as per IAS 31 is no longer permitted for joint ventures. Instead, all joint arrangements that are classified as joint ventures are required to be accounted for using the equity method in the consolidated financial statements. Joint operations, in turn, are still accounted for with a relative share in the separate and consolidated financial statements of the joint operator.

Amendment to IFRS 12 "Disclosures of Interests in Other Entities"

IFRS 12 replaces the previous provisions on note disclosures in IAS 27, IAS 28, IAS 31 and SIC-12. It thus standardises and governs the disclosures for all types of interests in other companies. Companies must make disclosures that assist users of the financial statements to make their own assessment regarding the type, risk and financial impact associated with the company's involvement in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

Amendment to IAS 27 "Separate Financial Statements"

IAS 27 was amended as a consequence of the new standards governing consolidation (IFRS 10, IFRS 11). Following publication of the new IFRS 10, IAS 27 now only contains guidance on accounting and disclosures for subsidiaries, joint ventures and associates in separate financial statements under IFRSs.

Amendments to IAS 28 "Investments in Associates and Joint Ventures"

Due to the amendments to standards governing consolidation scopes, IAS 28 was amended as well. The amendments to IAS 28 refer more to editorial changes than changes to content.

IAS 28 governs the application of the equity method. When using the equity method, an investment is measured at cost upon addition, while the carrying amount is increased or reduced by the proportionate share in profit or loss after the time of acquisition. An associate is defined by means of the "control" concept, according to which it is required to determine whether an entity has the possibility to exercise control over the financial and business-related decisions of the investment company.

Amendments to IAS 36 "Impairment of Assets"

The amendments are due to subsequent amendments that were made to IAS 36 as a consequence of the publication of IFRS 13. With the introduction of IFRS 13, some of the disclosure requirements in IAS 36 were too broad. The recoverable amount of a cashgenerating unit, for instance, would have had to be disclosed including goodwill or intangible assets with an unlimited life, irrespective of whether impairment was recognised. The amendments, however, only require disclosure of the recoverable amount if an impairment was actually recognised in the relevant financial year. The amendments also include clarifications and extensions to the disclosure requirements for impaired assets, where the recoverable amount was determined on the basis of its fair value less costs of disposal.

Amendments to IAS 39 "Financial Instruments: Recognition and Measurement; Novation of Derivatives and Continuation of Hedge Accounting"

The aim of the amendments is to prevent effects on the accounting of hedges when derivatives are written off due to the novation. As a result of the amendments to IAS 39, derivatives are still designated as hedging instrument in a continuing hedge transaction despite novation if certain cumulative requirements are met.

Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements", "Joint Arrangements" and "Disclosures of Interests in Other Entities"

The amendments clarify the first-time adoption of IFRS 10 and include additional simplifications in all the standards governing consolidation. Furthermore, they state that the adjustment of comparative information which is needed due to the retrospective application is only required for the preceding comparative period even if reporting covers more than one comparative period.

Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment Entities"

The amendments to IFRS 10, IFRS 12 and IAS 27 serve to define the term "investment entity". Further, according to the amendments, a parent that is classified as an investment entity is required to measure its investments in individual subsidiaries at fair value through profit or loss in the consolidated and separate financial statements. The amendments also address the disclosures on investment entities required in IFRS 12 and the amended IAS 27.

IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendment to the application guidance to IAS 32 clarifies several requirements on offsetting financial assets and financial liabilities in the balance sheet. The previous offsetting method is maintained, but further specified by way of additional application guidance. The clarification states that the right to set off must be legally enforceable at the relevant time, i.e. the right may not be conditional on a future event. The claims must be legally enforceable both in the normal course of business and in the event of default, bankruptcy and insolvency.

The above amendments did not lead to any significant effects on the annual financial statements of MediClin.

Standards and interpretations adopted by the EU Commission into EU law in 2014 and applicable in the future

Commission Regulation (EU) No. 634/2014 of 13 June 2014

The European Union published the interpretation IFRIC 21 "Levies" in the Official Journal of 14 June 2014, adopting it into EU law (Commission Regulation (EU) No. 634/2014 of 13 June 2014). The interpretation that was published by the IASB in May 2013 addresses the accounting for a liability to pay a levy to public authorities, in particular the question of when such a levy that is within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" should be recognised. IFRIC 21 becomes effective in the EU for reporting years beginning on or after 17 June 2014. Premature adoption is permitted. MediClin does not expect the amendments to have a significant effect on the annual financial statements.

Commission Regulation (EU) No. 1361/2014 of 18 December 2014

In the Official Journal of 19 December 2014 (Commission Regulation (EU) No. 1361/2014 of 18 December 2014), the European Union published the "Annual Improvements to the IRFSs 2011–2013 Cycle" published by the IASB in December 2013 and adopted them into EU law. The amendments refer to IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment Property".

The amendments to IFRS 3 and IFRS 13 clarify the scope of exceptions for joint ventures and the scope of the so-called portfolio exception. The amendments to IAS 40 clarify whether real estate held by a lessee under an operating lease is classified and recognised as investment property or owner-occupied property.

The amendments become effective in the EU for financial years beginning on or after 1 January 2015. Premature adoption is permitted. MediClin does not expect the amendments to have a significant effect on the annual financial statements.

Commission Regulation (EU) No. 2015/28 of 17 December 2014

In the Official Journal of 9 January 2015 (Commission Regulation (EU) No. 2015/28 of 17 December 2014), the European Union published the "Annual Improvements to the IRFSs 2010 – 2012 Cycle" published by the IASB in December 2013 and adopted them into EU law.

The amendments were as follows:

- IFRS 2 "Share-Based Payment" clarifies the definition of "vesting conditions";
- IFRS 3 "Business Combinations" clarifies accounting for contingent consideration in a business combination;
- IFRS 8 "Operating Segments" clarifies disclosures in the notes with regard to the aggregation of reconciliation of the total of the reportable segments' assets to the entity's assets;
- IAS 24 "Related Party Transactions" clarifies the definition of "related parties" and their influence on the interpretation of the term "key management personnel";
- IAS 16 "Property, Plant and Equipment"/ IAS 38 "Intangible Assets" clarifies the proportionate restatement of accumulated depreciation and amortisation if the revaluation method is used.

Due to the amendments to IFRS 3,

- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and
- IAS 39 "Financial Instruments: Recognition and Measurement"

were adjusted.

The amendments become effective in the EU for financial years beginning on or after 1 February 2015. Premature adoption is permitted. MediClin does not expect the amendments to have a significant effect on the annual financial statements.

Commission Regulation (EU) No. 2015/29 of 17 December 2014

In the Official Journal of 9 January 2015 (Commission Regulation (EU) No. 2015/29 of 17 December 2014), the European Union published the amendments to IAS 19 "Employee Benefits" published by the IASB in November 2013 and adopted them into EU law. The amendments simplify and clarify the accounting of contributions from employees or third parties to defined benefit plans.

Commission Directive 2014/95/EU of 15 November 2014

On 15 November 2014, the EU Directive 2014/95/EU on non-financial and diversity information provided by certain large undertakings and groups was published in the Official Journal of the European Union. The member states are to implement the Commission Directive into national law by 6 December 2016. First-time adoption thereof will be mandatory for financial years beginning after 31 December 2016.

Its aim is, firstly, to request companies with more than 500 employees and either a balance sheet total of more than EUR 20 mill. or sales of more than EUR 40 mill. to provide information on environmental and social matters in a so-called non-financial statement. This information comprises principles, risks and results with regard to environmental, social and employee-related matters, respect for human rights and anti-corruption and bribery matters. Companies must state reasons whenever they have no internal principles regarding a certain area. Companies may further refrain from making such disclosures if they are included in consolidated financial statements and if the Group management report is prepared in accordance with the Directive.

Further, large capital market-oriented companies are supposed to be requested to make disclosures regarding the diversity of their management and control bodies, covering aspects like, for example, age, gender, geographical diversity and educational and professional background. Further disclosure requirements pertain to the objectives of a company's diversity strategy, how it is implemented and the results achieved in a reporting period. Companies without a diversity strategy are requested to state why they have no such strategy. Here no exemption is planned for companies that are included in consolidated financial statements.

Some of the planned new requirements are already applicable to German companies under German law (DRS 20). Therefore, the adoption of these new requirements will have no significant effect on MediClin's consolidated financial statements.

Standards that have been published by the IASB, but are not yet biding

In 2014 the International Accounting Standards Board (IASB) published a series of amendments to existing IFRSs and IASs and new interpretations which are not yet binding as they have yet to be endorsed by the EU:

On 6 May 2014 the IASB published amendments to IFRS 11 "Joint Arrangements". The amendments apply to the recognition of joint ventures and joint operations in the balance sheet and the income statement, especially to the accounting for acquisitions of interests in joint operations that constitute a business operation in terms of IFRS 3 "Business Combinations". In these cases, the acquirer shall apply the principles on business combinations accounting pursuant to IFRS 3. In addition, the disclosure requirements pursuant to IFRS 3 also apply. The amendments must be applied prospectively for financial years beginning on or after 1 January 2016. Premature adoption is permitted.

On 12 May 2014 the IASB published amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets". The amendment clarifies acceptable methods of depreciation and amortisation. With these amendments, the IASB provides additional guidance on the determination of acceptable methods of depreciation and amortisation. Revenue-based methods of depreciation and amortisation are thus not permitted for property, plant and equipment and only permitted in exceptional cases for intangible assets. The amendments must be applied prospectively for financial years beginning on or after 1 January 2016. Premature adoption is admissible.

In the scope of the convergence project between IFRSs and US-GAAP, the IASB and the Financial Accounting Standards Board (FASB) published a converged standard for revenue recognition on 28 May 2014. The IFRS 15 "Revenue from Contracts with Customers" replaces the previous

- IAS 18 "Revenue";
- IAS 11 "Construction Contracts"

and the interpretations

- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 15 "Agreements for the Construction of Real Estate";
- IFRIC 18 "Transfer of Assets from Customers"; and
- SIC-31 "Revenue Barter Transactions involving Advertising Services"

In the future a five-step model must be applied to determine when or over which period and to what amount revenue is to be recognised. In addition to the five-step model, the standard comprises a number of further regulations on specific questions, e.g. accounting for contract costs and contract modifications, explicit regulations on arrangements with

multiple elements and stricter disclosure requirements in the notes. The amendments must be applied retrospectively for financial years beginning on or after 1 January 2017. Premature adoption is permitted.

MediClin does not expect the amendments or new versions named above to have any significant effects on net assets, financial position and results of operation.

On 30 June 2014 the IASB published amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture". Pursuant to IAS 41, biological assets were previously recognised at fair value through profit or loss, less estimated costs to sell. Pursuant to the amendments, bearer plants must in the future be accounted for in the same way as property, plant and equipment as per IAS 16, while their produce is still accounted for in accordance with IAS 41. The amendments must be applied retrospectively for financial years beginning on or after 1 January 2016. The amendment is of no relevance to MediClin.

On 24 July 2014 the IASB published the fourth and final version of the new IFRS 9 "Financial Instruments". The new standard includes revised requirements for the classification and measurement of financial assets, including an impairment model, and supplements the new rules for hedge accounting published in 2013. In addition to an extensive enhancement of disclosure requirements, the changes primarily pertain to the new model for calculating impairment (especially for expected credit losses). The "incurred loss model" that was used in the past recognised credit losses on loans after they were incurred, which was too late, and the amount was insufficient. This model has now been replaced by the "expected loss model". This model recognises losses in a more timely manner as it recognises both losses already incurred and losses expected in the future. "Measurement at fair value through other comprehensive income (FVTOCI)" was introduced as a new category for financial assets. The new category is primarily applicable to the business models of banks and certain capital investment portfolios held by insurances, where assets are held both for sale and to generate cash flow. The amendments must be applied for financial years beginning on or after 1 January 2018. Premature adoption is permitted, though. These amendments will have no material effects on the consolidated financial statements of MediClin.

On 12 August 2014 the IASB published amendments to IAS 27 "Separate Financial Statements". The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments become effective for reporting years beginning on or after 1 January 2016. Premature adoption is admissible. The amendment is of no relevance to MediClin.

On 11 September 2014 the IASB published amendments to IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements". The amendments address a conflict between the requirements of IFRS 10 and IAS 28 (2011) regarding the sale of assets to associates or joint ventures or the contribution of assets to associates or joint ventures. In future the profit or loss from such a transaction will only

be recognised in full if the assets sold or contributed constitute a business as defined in IFRS 3, irrespective of whether the transaction takes the form of a share deal or an asset deal. If, however, the assets do not constitute a business, profits or losses may only be recognised in part. The amendments become effective for financial years beginning on or after 1 January 2016. Premature adoption is admissible. The amendment is of no relevance to MediClin.

On 25 September 2014 the IASB published "Annual Improvements to IFRSs 2012 – 2014 Cycle", amending four standards. The amendments were as follows:

Standard	Amendment
IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"	Changes in methods of disposal Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from "held for sale" to "held for distribution" or vice versa and cases in which "held-for-distribution" accounting is discontinued.
IFRS 7 "Financial Instruments: Disclosures"	Servicing contracts Adds additional guidance to clarify whether a servicing contract is classified as continuing involvement in a transferred asset or not. Offsetting disclosures in condensed interim financial statements Clarifies that the requirements as per the amendments to IFRS 7 (December 2011) "Disclosure-Offsetting Financial Assets and Financial Liabilities" are not applicable to condensed interim financial statements.
IAS 19 "Employee Benefits"	Regional market issue regarding the determination of the discount rate Clarifies that high-quality fixed-interest corporate bonds that are denominated in the same currency as the pension provisions shall be used to determine the discount rate for pension provisions where there is a deep market in such bonds. Where there is no deep market in such bonds, the market yields on government bonds shall be used.
IAS 34 "Interim Financial Reporting"	Disclosure of information "elsewhere in the interim financial report" Clarifies the meaning of "elsewhere in the interim financial report" and introduces a regulation to include a cross-reference to the location of this information if it is not disclosed in the main section of the report.

These amendments will have no material effects on the consolidated financial statements of MediClin.

On 16 December 2014 the IASB published the amendment "Investment Entities: Applying the Consolidation Exception" (amendments to IFRS 10, IFRS 12 and IAS 28).

The standard clarifies three issues surrounding the application of the exception from consolidation as per IFRS 10 whenever the parent company meets the definition of an investment entity. The IASB also prescribes in the amendment that an investment entity that measures all of its subsidiaries at fair value must provide the disclosures relating to investment entities required by IFRS 12. Provided they are adopted into EU law, the amendments become effective for reporting years beginning on or after 1 January 2016. Premature adoption is admissible. The amendment is of no relevance to MediClin.

On 18 December 2014 the IASB published amendments to IAS 1 "Presentation of Financial Statements" in the scope of its disclosure initiative. The initiative aims at reviewing and improving disclosure requirements in financial statements. The amendments that were recently published suggest the following clarifying amendments to IAS 1 with regard to the judgement used when preparing financial statements:

- Place stronger emphasis on the materiality requirement in the entire IFRS financial statements including the notes;
- Clarify subclassification of line items in the balance sheet and the statement of comprehensive income;
- Add requirements for the presentation of subtotals;
- Clarify that entities have more flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order;
- Remove potentially unhelpful provisions and examples for identifying significant accounting and valuation principles.

These amendments will have no material effects on the consolidated financial statements of MediClin.

Consolidation principles

The first-time recognition 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 recognised 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 fair value is recognised as goodwill, which is reported in intangible assets. In accordance with IAS 36, 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.

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 shown in 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).

The non-controlling interests within the MediClin Group refer to 5.515 % (corresponding to 1,274 shares) of shares in Kraichgau-Klinik AG, Bad Rappenau, that are in free float. This is immaterial for the Group. The profit and loss attributable thereto and their share in Group equity are stated directly in the consolidated profit and loss account, the consolidated statement of comprehensive income and the consolidated balance sheet.

Consolidated companies

All companies under the control of MEDICLIN Aktiengesellschaft as parent company qualify as subsidiaries, i.e. companies where MediClin has the power of disposition for the investment company, bears the risk of the investment's fluctuations in commercial success, has the right to such success and has the possibility of influencing the degree of this success by exercising its power of disposition over the investment company. The power of disposition is deemed to exist if the parent has rights to determine activities of the investment company with a significant impact on the company's commercial success. Several factors are considered in determining who has the power of disposition, such as existence and effects of potential voting rights that are currently exercisable or convertible and rights to appoint, exchange or remove members of the subsidiary's management.

In accordance with the principles of full consolidation, the consolidated financial statements include, in addition to the parent company, MEDICLIN Aktiengesellschaft, all subsidiaries where MediClin holds the majority of capital in addition to the aforementioned economic control. Exceptions are KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Müritz-Klinikum Service GmbH, Medusplus GmbH and MediServ GmbH. These four companies were not consolidated due to their single and common immaterial importance for the Group. The profit pertaining to the "non-controlling interests" of these subsidiaries totalled EUR 75 thou. in 2013 (2012: EUR 59 thou.). The interests in these companies continue to be recognised at their acquisition costs.

Structured 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 actually controlled by the consolidated subsidiary. VR-LEASING ABYDOS GmbH & Co. Immobilien KG is a structured company with the company purpose of performing the sale-and-leaseback transactions for the land and buildings of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG. The losses of this company that are attributable to MediClin amounted to EUR 3 thou. in 2013 and EUR 7 thou. in 2012. The prorated equity of MediClin that was carried forward amounted to EUR –63 thou. as of 31 December 2013 (31.12.2012: EUR –59 thou.). This is explained in more detail in the "Finance leasing" section in the notes on item (2), "Property, plant and equipment".

VR-LEASING ABYDOS GmbH & Co. Immobilien KG was not consolidated as a structured company, since MediClin has no power of disposition of this company and has no right to influence the returns of VR-LEASING ABYDOS GmbH & Co. Immobilien KG. Furthermore, the largest part of VR-LEASING ABYDOS GmbH & Co. Immobilien KG's assets are already shown in the consolidated financial statements of MediClin in connection with the accounting of the aforementioned sale-and-leaseback transactions concerning the land and buildings of Rehabilitationszentrum Gernsbach as finance leases.

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

The activities of the Group are explained in more detail in the "Segment reporting" section.

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 and publish their annual financial statements, in accordance with the provisions defined for corporations and certain commercial partnerships.

Changes in consolidation scopes

The consolidation scopes remained unchanged compared to the previous year. The first-time adoption of IFRSs 10, 11 and 12 did not lead to any changes in the consolidation scopes.

Affiliated companies

With the exception of VR-LEASING ABYDOS GmbH & Co. Immobilien KG, the group of companies affiliated with MediClin also includes the companies belonging to the Asklepios Group. Since the MediClin Group is included as a subgroup in the consolidated financial statements of the Asklepios Group in accordance with the full consolidation regulations, the group of companies affiliated with MediClin also includes the companies belonging to the Asklepios Group.

Shareholdings

Affiliated companies included in the consolidated financial statements	Percentage of shares held	
	31.12.2014	31.12.2013
MEDICLIN Aktiengesellschaft, Offenburg		
Cortex Software GmbH, Offenburg	100.0001	100.000¹
Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.000	100.000
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen	100.0002	100.0002
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen	100.0002	100.0002
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.4853	94.4853
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	94.485³	94.485³
MC Service GmbH, Offenburg	100.0002	100.0002
MC Kliniken Geschäftsführungs-GmbH, Offenburg	94.485³	94.485³
MediClin à la Carte GmbH, Offenburg	100.0002	100.0002
MediClin Energie GmbH, Offenburg	100.0002	100.0002
MediClin Geschäftsführungs-GmbH, Offenburg	100.000	100.000
MediClin GmbH & Co. KG, Offenburg	100.000	100.000
MediClin Immobilien Verwaltung GmbH, Offenburg	100.0002	100.0002
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	100.000	98.000
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.0002	100.0002
MediClin MVZ Südbaden GmbH, Offenburg	100.0002	100.0002
MediClin Pflege GmbH, Offenburg	100.0002	100.0002
MediClin Therapie GmbH, Offenburg	100.0002	100.0002
MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen	100.0002	100.0002
MVZ MediClin Bonn GmbH, Bonn	100.0002	100.0002
MVZ-Müritz GmbH, Waren	100.0002	100.0002
Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, Bad Rappenau	94.485 ³	94.485 ³

 $^{^{\}rm 1}$ Of which indirect participation 62.353 %

² Indirect participation

 $^{^{\}rm 3}$ Indirect participation, wholly owned by Kraichgau-Klinik AG

Companies not included in the consolidated financial	Results		Total equity		Percentage of shares held	
statements in €	2013	2012	2013	2012	2013	2012
KDC-Krankenhaus- Dienstleistungsgesellschaft Crivitz mbH, Crivitz ¹	5,268.05	32,470.15	55,268.05	77,931.06	67.846³	64.385 ³
MediServ GmbH, Essen ¹	86,861.81	8,163.28	159,966.37	117,335.81	51.000 ³	51.000³
Medusplus GmbH, Essen ¹	-11,372.45	8,577.85	51,884.95	68,957.40	51.000 ³	51.0003
Müritz-Klinikum Service GmbH, Waren¹	74,917.97	79,990.31	134,219.41	109,301.44	51.000³	51.000 ³
VR-LEASING ABYDOS GmbH & Co. Immobilien KG, Eschborn ¹	22,239.10	23,544.61	-105,201.434	-89,034.934	44.408 ^{2,3}	44.408 ^{2,3}

¹ 2014 annual financial statements not yet available

Including atypical silent participation
 Indirect participation
 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 (Krankenhausfinanzierungsgesetz or KHG), these are eliminated at Group level as far as they do not meet IFRSs.

To better illustrate the results of operation, MediClin has, since the 2013 financial year, been making use of its option to show the Group result in accordance with the "two-statement approach" (IAS 1.10 a). Here two separate statements are prepared: a profit and loss account that closes with the Group result and a second statement that commences with the Group result and shows those income and expense items (other comprehensive income) that are taken directly to equity. Other comprehensive income comprises income and expense items that may not or do not need to be recognised in the profit and loss account pursuant to IFRS/IAS provisions. The amounts shown in the consolidated statement of comprehensive income are reclassification adjustments that may not be reclassified to the profit and loss account in the future (IAS 1.7).

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 are accounted for as separate units and depreciated accordingly. Maintenance and repair costs are recorded as an expense.

Intangible assets with finite useful lives are recognised at amortised cost and are amortised according to a scheduled time frame of three to five years on a straight-line basis. A non-scheduled depreciation is recognised for an intangible asset if there are indications of impairment and the recoverable amount of the asset is less than its carrying amount. If the reason for a non-scheduled depreciation recognised in prior years has ceased to exist, a write-up is performed on the respective assets, whereby the increased carrying amount resulting from the write-up 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 indicator). 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 costs of disposal and value in use. If the reason for the unscheduled depreciation ceases to exist, a write-up is performed on the respective asset. No write-ups are performed in the case of goodwill. Development and research costs are only capitalised as an intangible asset if an intangible asset that has a future economic benefit can be identified and if the cost of this asset can be determined with certainty. Moreover, only the costs that pertain to development and fully meet the criteria of IAS 38.57 are eligible for capitalisation. Therefore, 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 is recognised at amortised cost. 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.

Most of the **financial assets** are reinsurance policies that serve to cover risks from pension obligations. Claims from reinsurance policies that are pledged to the beneficiaries of pensions are offset directly against the pension obligations. They classify as qualifying insurance policies as defined in IAS 19. Reinsurance policies that have not been pledged are recognised as plan assets when calculating the amount of pension obligations. Reinsurance policies are measured at fair value; this corresponds with the asset value that is determined by the insurance companies. Investments are measured at amortised cost.

The rate cap agreement is recognised at fair value; this is determined by the bank that concluded the rate cap agreement. The measurement is, depending on the underlying instrument, based on current observable market data and recognised measurement models, such as, for instance, the cash value method or the Libor market model and the banks' proprietary measurement models.

Depreciation of 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, and operating and office equipment 3 to 15 years.

In addition to scheduled depreciation, the carrying amounts of property, plant and equipment and intangible assets are reviewed on the reporting date (31 December) for indications of impairment (impairment indicator). If such indications are identified, the recoverable amount of the asset will be estimated in order to determine the size of any impairment loss. If the recoverable amount cannot be determined for the individual asset (e.g. an intangible asset), an estimate is made instead for the recoverable amount at the level 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 operating locations (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-up is performed, whereby the increased carrying amount resulting from the write-up may not exceed the amortised cost. Upon sale or retirement, the acquisition or manufacturing costs and related accumulated depreciation of the asset are written off the balance sheet and any profit or loss is recognised in income or expenses.

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. If, following recognition of an impairment loss, the recoverable amount of the asset or the CGU increases at a later time, the value is written up again with the maximum being the recoverable amount. The reversal of the impairment may not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. Any write-ups to be performed are recognised as income. However, impairment losses on goodwill may not be reversed and are therefore not performed by MediClin.

When determining the **value in use**, the estimated future cash flows 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 earnings performance 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 developments. Based on detailed planning for a single year, a projection is carried out for two further years, whereby the projection for the last year is based on the formula of perpetuity. The discount rate is determined on the basis of the weighted average cost of capital before tax (WACC before tax), taking the following variables into account: a risk-free interest rate, a market risk premium (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 impairment in value are taken into account by recording respective unscheduled depreciation on the carrying amount of the CGU/asset up to 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 any other available indicators for the fair value.

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

Public grants mainly relate to grants received in accordance with the hospital financing law (Krankenhausfinanzierungsgesetz – KHG) and under respective state hospital regulations. They are recognised as receivables pursuant to the hospital financing law at fair value if it can be reasonably assumed that the grants will be awarded. This is generally recognised at the time the subsidy grant notification is received. Grants which have not yet been adequately used are recognised in other current liabilities.

If the subsidies are not disbursed in one lump sum, but rather through annual payments the disbursements of which vary in schedule, the entitlement to the aid is not established until the notification of subsidy for the respective financial year is received. Therefore only the amount of the annual payment is recognised in receivables pursuant to the hospital financing law.

Subsidies for investments are deducted directly 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 profit and loss account, but disclosed under other operating income. **Subsidies**

for running costs are included in accordance with the accruals concept. The compensating items for the promotion of own funds pursuant to KHG were set off against the respective capital reserves at the subsidiaries concerned, and were thus eliminated at the time of initial consolidation of the respective company.

In accordance with IAS 17, a **finance lease** is a lease that transfers basically all the risks and opportunities incident to ownership of an asset to the lessee according to the terms of the lease. They are capitalised at the commencement of the lease term 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. The interest rate underlying the lease agreement is used as the discount rate for calculating the present value of the minimum lease payments. Lease payments are apportioned between borrowing costs and the redemption of the outstanding liability. A finance lease thus gives rise to depreciation expense for the capitalised assets as well as borrowing 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 thus incurred are generally recognised 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 recognised according to the average cost method at acquisition cost and do not include borrowing costs.

Financial instruments refer mainly to cash and cash equivalents, 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 accrue when the Company makes money, goods or services directly available to a debtor, without the intention of trading such 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 recognised as non-current assets. The carrying amounts of the current financial assets and the current liabilities essentially correspond to their fair values. With the exception of the rate cap agreement mentioned above, no further derivative financial instruments exist. Foreign currency transactions are negligible and there are no foreign exchange risks.

To hedge a variable-interest syndicated loan, MediClin took out a rate cap agreement (cap) as a **derivative financial instrument**. It is recognised at fair value through profit and loss.

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 manufacturing costs of this asset. As in previous years, there were no borrowing costs which were connected with construction measures in the 2014 financial year. All other borrowing costs are recognised as expenses for the period in which they accrue.

Receivables are initially recognised at fair value and subsequently carried at amortised cost (without bearing interest) due to their short-term nature. Specific bad debt allowances that are determined on a flat-rate basis are made for doubtful receivables; uncollectible receivables are written off.

Cash and cash equivalents encompass cash, sight deposits, other short-term, highly liquid financial assets with original terms of no more than three months, and current account balances. Current account credits drawn upon are disclosed in current financial liabilities as liabilities to banks. Cash and cash equivalents as well as current financial liabilities are valued at amortised cost.

Current and non-current liabilities are initially recognised at acquisition cost on the liabilities side and stated at their repayment amounts in the following periods provided that they are not measured at amortised cost using the effective interest method. Loans are initially recognised at their acquisition costs which correspond to the fair value of the consideration received less the cost incurred in taking out the loan. Current liabilities are recognised at the repayment amount, which corresponds approximately to the fair value. Profit and losses are recognised in the period result when the liabilities are written off, value adjusted or paid back. As far as the discharge of a debt or repayments will occur within twelve months after the balance sheet date, the corresponding amounts are reclassified as current liabilities. Liabilities from finance lease agreements are measured at the present value of the minimum leasing rates when the leased property is capitalised and, depending on the term of the lease, are recognised in other non-current financial liabilities or other current financial liabilities.

The MediClin Group has both defined benefit plans and defined contribution 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).

The service period components (service cost and past service cost, effects from amendments, curtailments and settlements) are shown in staff costs. (Net) interest expense/ income relating to the net liabilities reported in the balance sheet is recognised in the financial result. Remeasurements are recognised in other comprehensive income (OCI), i.e. without an effect on net profit or loss. They encompass all the actuarial gains and losses of the pension obligations and plan assets accrued within a year that were not taken into account in the interest component. No deferred taxes are formed for these amounts reported in OCI as these amounts reported in OCI cannot be recycled via the consolidated profit and loss account in later reporting periods. They are shown in equity in the revenue reserve.

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

In accordance with IAS 37, other provisions are recognised to the extent that present obligations from past events exist vis-à-vis third parties which will probably lead to an outflow of funds and which can be reliably estimated. Provisions are recognised for discernible risks and contingent liabilities in the amount of their probable occurrence. They are not offset against recourse claims. The settlement value 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. Provisions are reversed when the outflow of funds that is associated with an economic benefit is no longer probable. This is reviewed on every balance sheet date. Income from the reversal of provisions that are not (or no longer) needed is offset against the expense item from which the addition originates.

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

Deferred tax assets and deferred tax liabilities are determined using the balance sheet liability method in accordance with IAS 12. Accordingly, the differences between the carrying amounts of assets and liabilities as recognised in the consolidated financial statements and the amounts used for taxation purposes are recognised as probable future tax reliefs and charges in the balance sheet. 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 taken directly to equity, the change of deferred tax is also recognised in equity. The tax rate applied for deferred tax assets and tax liabilities was unchanged at 15.825 % for the main Group segments (corporation tax, solidarity surcharge).

Contingent liabilities are possible obligations to third parties or existing obligations that are unlikely, but not unable, to lead to an outflow of funds or the amount of which cannot be measured with certainty. Contingent liabilities are not recognised in the balance sheet unless they are assumed in connection with a business combination; instead they are disclosed in the notes.

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. Often the underlying budget negotiations are only concluded in the course of the year or even after the close of the budget year, leading to uncertainties regarding the agreed service volumes and/or compensation to be paid for such services.

Sales 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. Sales resulting from the sale of services are recognised in accordance with the stage of performance relative to the service already provided and the overall service to be provided in the financial year in which the services are provided. As a general rule, sales are realised when the respective service is provided. Sales from flat-rate payments are recognised 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 on the basis of either daily rates or case-based lump sums, which can be translated into fictitious daily rates.

Operating expenses are charged to expenditure at the time the service is rendered or caused. As basically no pre-tax deduction is applied, the expenses mainly include the statutory value added tax.

Write-ups, gains from the disposal of non-current assets and other off-period income are disclosed in **other operating income**.

Non-scheduled depreciation, losses from the sale of non-current assets and other offperiod expenses are recognised in **other operating expenses**.

Exercise of judgement in applying accounting and valuation principles

The application of accounting and valuation principles requires the exercise of judgement. This is particularly the case in the following circumstances:

- Financial assets are to be classified into the categories "held-to-maturity investments", "loans and receivables", "available-for-sale financial assets" and "financial assets at fair value through profit or loss".
- With respect to assets that are to be sold, it must be determined whether the assets can be sold in their present condition and whether their sale is highly probable. If both these conditions apply, the assets and any associated liabilities are recognised 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 IAS17.

- Structured companies and other investment companies must be consolidated where a parent company has the decision-making power over the investment company, bears the risk of the investment's fluctuations in commercial success, has the right to such success and has the possibility of influencing the degree of this success by exercising its decision-making powers over the investment company.
- 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 two further years, 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

The application of accounting policies and valuation methods prescribed by IFRSs and the IFRIC requires estimates and assumptions to be made about the future which, as a matter of course, may differ from actual events. All underlying estimates and assumptions made in the context of the accounting and valuation are reexamined on a regular basis and are based on historical experiences and/or on expectations regarding the occurrence of future events, which appear reasonable from a commercial viewpoint under the given circumstances.

These assumptions and estimates relate to, among other things, the accounting and valuation of provisions and liabilities. Estimates are also particularly needed to recognise tax liabilities, 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 provisions for pensions 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. A rise in the discount rate results in a reduction in the present value of the pension obligations and thereby an increase in equity, whereas a reduction in the discount rate leads to the reverse effects. Thus, an increase in the discount rate by 0.5 % from 2.5 % to 3.0 % lowers the present value of the defined benefit obligation (DBO) by EUR 4.2 mill., or 8.6 %. A reduction in the discount rate of 0.5 % from 2.5 % to 2.0 %, in turn, increases the DBO by EUR 4.8 mill., or 9.8 %. However, following deduction of deferred taxes, this would be reflected in other comprehensive income.

In order to determine whether the goodwill of a certain cash-generating unit (CGU) has been impaired, the value in use of the unit must be measured. To determine the value in use, the estimated future cash flows from the CGU are discounted to present value using an adequate discount 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 recoverability of deferred tax liabilities and assets – here, in particular, for losses carried forward – are based on adequate assumptions and estimates by management and were determined using the latest available and reliable information.

Most of MediClin's sales from inpatient hospital services and rehabilitation services are based on budget negotiations that are regularly held in the course of the respective financial year and are often even concluded after the close of the financial year. Therefore the agreed service volumes and/or the compensation to be paid for the services are subject to uncertainty. Here the management makes reasonable 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 until 31 December 2027 was agreed, which is dependent upon the achievement of economic performance criteria by 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 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 present the probability of occurrence is estimated to be virtually non-existent, so that the recognition of a financial liability was waived due to materiality considerations. If the assessment of probability of occurrence for the aforementioned performance criteria changes in the future, a financial liability will be recognised.

The results of operation, financial position and net assets of MediClin 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 deviation 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 of social insurance agencies,
- cost increases in the areas of personnel and materials,
- the entrance of new competitors or consolidation processes among existing competitors,
- decreases in patient occupancy rates due to seasonal fluctuations,
- significant legal proceedings,
- 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, assumptions concerning the future business performance are based on the assumed future development of the economic environment in the health care sector and in the regions in which the Group operates as is realistic at the time the assumptions are made. 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 carrying amounts of the assets and liabilities 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 carrying amounts of reported assets and liabilities is to be expected for the 2015 financial year.

Notes to the consolidated cash flow statement

The consolidated cash flow statement was prepared in accordance with IAS 7, and broken down into three sections: operating, investing and financing activities. The definition of cash and cash equivalents is limited to those 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 are completely booked as cash inflow and set against the full investments

The cash flow from operating activities increased by EUR 22.1 mill., from EUR 10.0 mill. to EUR 32.1 mill. This includes interest received totalling EUR 7 thou. (previous year: EUR 0.1 mill.) and interest paid totalling EUR 1.5 mill. (previous year: EUR 2.0 mill.). Tax payments amounted to EUR 1.8 mill. net of tax refunds (previous year: EUR 1.1 mill.).

The change in non-current provisions totalling EUR 9.0 mill. (previous year: EUR 3.0 mill.) results primarily from the allocation of provisions for pensions and similar commitments. Other non-current provisions, adjusted for non-cash items, remain primarily unchanged. EUR 3.6 mill. of the change in other current assets is attributable to the non-recurrence of the shift of early rent payments made in December 2014 for January 2015. This effect was offset by a rise in current receivables and assets by EUR 3.0 mill.

A gross amount of EUR 1.1 mill. (previous year: EUR 1.8 mill.) was spent on intangible assets. This includes additions totalling EUR 69 thou. (previous year: EUR 75 thou.) for goodwill. Gross investments in property, plant and equipment totalled EUR 18.9 mill. (previous year: EUR 14.8 mill.).

The gross investments were offset against the investment subsidies received, which totalled EUR 5.2 mill. (previous year: EUR 4.4 mill.). The investment subsidies received referred primarily to MediClin Herzzentrum Coswig, MediClin Hedon Klinik, MediClin Müritz-Klinikum and MediClin Krankenhaus Plau am See.

This results in a net cash flow from investing activities totalling EUR -12.5 mill. (previous year: EUR -11.5 mill.).

The cash flow from financing activities totalled EUR -6.5 mill. (previous year: EUR -8.2 mill.). It includes the repayment of existing loan liabilities in the amount of EUR 6.5 mill. (previous year: EUR 8.2 mill.).

Cash and cash equivalents at the end of the period thus increased by EUR 13.1 mill. to EUR 26.3 mill. (previous year: EUR 13.2 mill.).

Segment reporting

The reportable operating segments of the MediClin Group are the post-acute, acute and other activities segments. Changes in the segmentation or the assignment of individual clinics to segments did not take place in the 2014 financial year. The division into operating segments corresponds to that used for the internal controlling and reporting of the Group. This segmentation is not based on regional aspects, as MediClin only operates in Germany and regional characteristics were found to be irrelevant for the management of the Company.

In its **post-acute segment**, MediClin offers services in the fields of subsequent nursing treatment and curative treatment. 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 with a focus on neurology and neurological early rehabilitation as well as psychosomatic medicine, psychiatry and orthopaedics and internal medicine. Furthermore, at certain locations, special expertise is offered in the areas of cardiology, oncology and ENT. The services of the medical care centres primarily encompass acute outpatient services and are included in this segment. Assets held for sale refer to four doctor's practices at the medical care centre Achern and are therefore attributable to the acute segment. The doctor's practices were sold at the beginning of 2015.

The other activities segment consists of the nursing care and service business areas, which are disclosed together due to non-fulfilment of quantitative thresholds pursuant to an 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 business area consists of the central services, including software support provided by Cortex Software GmbH, accounting and controlling activities, quality assurance, PR activities, capex management and purchasing, and facility management for the clinics provided by employees of MediClin GmbH & Co. KG. Altogether, the following companies are subsumed under the service business 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, MC Kliniken Geschäftsführungs-GmbH and MediClin Energie GmbH.

As the management holding company, MEDICLIN Aktiengesellschaft 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 intra-Group sales are also neutralised. The reconciliation column primarily includes income and expense 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.

Intra-group sales are also disclosed within the segment reporting. Clinics that offer services of both segments are assigned to the post-acute segment. The carrying amounts 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. The segment assets item also includes goodwill.

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 refers to gross additions to non-current assets.

Pursuant to IFRSs (IFRS 8.34 "Information about Transactions with Major Customers"), an entity is required to disclose information on the degree of its dependency on major customers. As the MediClin Group is a nationwide operator of hospitals, statutory social security pension funds and public health insurance funds account for around 90 % of the total service demand. The Management Board monitors and controls sales with the coverage providers by using the monthly coverage provider statistics. These statistics document the services invoiced to the individual coverage providers on the basis of the accomplished nursing days. The public health insurance funds make up 43.4 % (previous year: 42.3 %) of the demand for services in the post-acute segment, while the social security pension funds make up 47.9 % (previous year: 48.0 %) of the demand for services in this segment. In the acute segment, 92.7 % (previous year: 93.0 %) of the services demanded are attributable to the public health insurance funds.

Sectoral segmenting

In millions of €		January – December 2014					
	Post-acute	Acute	Other activities	Subtotal	Reconcili- ation	Total	
Sales	314.4	207.3	64.4	586.1	-48.1	538.0	
Thereof total sales	317.7	209.2	69.3	596.2	0.0	596.2	
Thereof internal sales	3.3	1.9	4.9	10.1	48.1	58.2	
Raw materials and consumables used	-69.4 -154.4	55.7 110.6	-28.7 -42.5	-153.8 -307.5	46.9 -2.6	-106.9 -310.1	
Other operating expenses	-71.4	-26.1	-9.4	-106.9	13.0	-93.9	
Segment result	15.5	11.2	-4.9	21.8	-6.2	15.6	
Thereof non-cash items: Scheduled depreciations/							
write-ups	-9.3	-15.4	-1.2	-25.9	0.0	-25.9	
Unscheduled depreciations/ write-ups	0.0	-0.8	0.0	-0.8	0.0	-0.8	
Release of special item	0.6	7.6	0.0	8.2	0.0	8.2	
Allowances	-0.1	-0.2	0.0	-0.3	0.0	-0.3	
Allocation of provisions/ liabilities	-7.8	-8.7	-9.8	-26.3	-1.0	-27.3	
Financial revenues	0.2	0.2	0.5	0.9	-0.9	0.0	
Financial costs	-1.2	-1.5	-4.0	-6.7	2.8	-3.9	
Financial result	-1.0	-1.3	-3.5	-5.8	1.9	-3.9	
Taxes on income	0.0	-0.2	-0.8	-1.0	-2.3	-3.3	
Assets	122.1	157.7	7.3	287.1	32.5	319.6	
Liabilities	18.6	22.3	68.0	108.9	56.8	165.7	
Gross capital expenditure	10.1	9.6	-2.6	17.1	3.9	21.0	

In millions of €		January – December 2013						
	Post-acute	Acute	Other activities	Subtotal	Reconcili- ation	Total		
Sales	295.6	202.9	64.4	562.9	-48.0	514.9		
Thereof total sales	299.1	204.9	69.0	573.0	0.0	573.0		
Thereof internal sales	3.5	2.0	4.6	10.1	48.0	58.1		
Raw materials and consumables used	-70.8	-57.6	-29.1	-157.5	46.5	-111.0		
Staff costs	-147.8	-107.4	-40.1	-295.3	-2.5	-297.8		
Other operating expenses	-71.4	-25.8	-9.8	-107.0	13.6	-93.4		
Segment result	1.7	6.7	-3.5	4.9	-2.7	2.2		
Thereof non-cash items: Scheduled depreciations/ write-ups Unscheduled depreciations/	-8.9			-25.8	0.0	-25.8		
write-ups	0.0	0.0	0.0	0.0	0.0	0.0		
Release of special item	0.5	7.8	0.0	8.3	0.0	8.3		
Allowances	-0.7	-0.4	-0.1	-1.2	0.0	-1.2		
Allocation of provisions/ liabilities	-6.4	-7.2	-4.9	-18.5	-0.6	-19.1		
Financial revenues	0.2	0.2	1.1	1.5	-1.3	0.2		
Financial costs	-1.5	-1.7	-3.0	-6.2	1.3	-4.9		
Financial result	-1.3	-1.5	-1.9	-4.7	0.0	-4.7		
Taxes on income	-0.1	-0.5	0.2	-0.4	0.2	-0.2		
Assets	124.3	161.1	7.3	292.7	20.2	312.9		
Liabilities	19.3	19.1	59.7	98.1	62.6	160.7		
Gross capital expenditure	10.3	6.3	2.5	19.1	-0.4	18.7		

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 01.01.2013	16,149	76,250	131	92,530
Additions	1,265	75	532	1,872
Reclassifications	28	0	-28	0
Disposals	-14	0	0	-14
Acquisition costs as at 31.12.2013	17,428	76,325	635	94,388
Cumulated depreciation as at 01.01.2013	14,607	26,999	0	41,606
Scheduled depreciation	1,315	0	0	1,315
Unscheduled depreciation	0	0	0	0
Reclassifications	0	0	0	0
Disposals	-4	0	0	-4
Cumulated depreciation as at 31.12.2013	15,918	26,999	0	42,917
Balance sheet value 31.12.2013	1,510	49,326	635	51,471
Acquisition costs as at 01.01.2014	17,428	76,325	635	94,388
Additions	901	69	158	1,128
Reclassifications	601	0	-601	0
Disposals	-145	-610	0	-755
Disposals of assets held for sale	0	-916	0	-916
Acquisition costs as at 31.12.2014	18,785	74,868	192	93,845
Cumulated depreciation as at 01.01.2014	15,918	26,999	0	42,917
Scheduled depreciation	1,240	0	0	1,240
Unscheduled depreciation	0	0	0	0
Reclassifications	0	0	0	0
Disposals	-138	-610	0	-748
Disposals of assets held for sale	0	-110	0	-110
Cumulated depreciation as at 31.12.2014	17,020	26,279	0	43,299
Balance sheet value 31.12.2014	1,765	48,589	192	50,546

Capitalised, internally developed intangible assets do not exist. Licences and concessions pertain nearly exclusively to software.

Of the goodwill disclosed, a total of EUR 45.0 mill. (previous year: EUR 45.0 mill.) refers to differences from capital consolidation. The additions of EUR 68.8 thou. concern the acquisition of a doctor's practice at the medical care centre Leipzig. With the exception of goodwill and medical practice equipment, no other assets or liabilities were acquired from the medical practice owner in the course of acquiring the doctor's practice. Disposals amounting to EUR 805.5 thou. pertain to four doctor's practices at the medical care centre Achern. These were sold at the beginning of 2015 and therefore reassigned to the item "Non-current assets held for sale" as of the balance sheet date. Two further doctor's practices were sold at the medical care centre Offenburg in 2014.

Goodwill encompasses six cash-generating units (CGUs) (previous year: seven) in the acute segment. The medical care centres are each summarised on a location basis, if physically separate facilities exist at one location.

As in the previous year the mandatory annual impairment test for goodwill revealed no impairment loss in the reporting year because the recoverable amounts (according to the plan parameter) exceeded the carrying amounts. Goodwill amounted to EUR 48.6 mill. on 31 December 2014 (31.12.2013: EUR 49.3 mill.). The carrying amounts of the CGUs totalled EUR 98.2 mill. (31.12.2013: EUR 110.8 mill.). Nearly 50 % of goodwill and 40 % of the carrying amount referred to one CGU.

The recoverable amount of a CGU is determined by calculating the value in use with the discounted cash flow method (DCF) using the same assumptions for all CGUs carrying goodwill. The calculations are based on EBIT forecasts from the bottom-up annual planning as adopted and approved by the Management Board of MediClin AG. Company planning is based on the management's experience with regard to the respective unit and takes into account the legal framework for the health care sector. Based on detailed planning for one year, a projection is carried out for another two subsequent years. To calculate the present value of perpetuity, an equity risk premium of 0.5 % is factored in. A discount rate of 5.7 % before tax was determined for short and medium-term planning in the reporting period (previous year: 5.2 %). The discount rate is calculated with the help of external information sources. It is determined on the basis of weighted average cost of capital before tax (WACC before tax), taking certain variables into account:

In %	31.12.2014	31.12.2013
Risk-free interest rate	2.00	2.50
Market risk premium	6.00	6.50
Beta coefficient (on the basis of a peer-group analysis)	0.74	0.53
Growth discount to the perpetuity	0.50	0.50
Borrowing costs (before taxes)	3.24	4.06
Tax shield	0.51	0.64
Capital structure (equity/borrowed capital)		
(on the basis of a peer-group analysis)	56.7/43.3	36.6/63.4

In the context of the impairment test, an additional sensitivity analysis was conducted, which primarily examined the effects of change in the underlying EBIT (\pm 0.5 %; \pm 0.10 %) and the discount rate (\pm 0.5 %; \pm 0.10 %).

In millions of €		Change in discount rate				
		0.0 %	0.5 %	1.0 %	-0.5 %	-1.0 %
Change in EBIT	0.0%	0.00	0.00	0.00	0.00	0.00
Change in EBIT	5.0 %	0.00	0.00	0.00	0.00	0.00
Change in EBIT	10.0 %	0.00	0.00	0.00	0.00	0.00
Change in EBIT	-5.0 %	0.00	0.00	0.00	0.00	0.00
Change in EBIT	-10.0 %	0.00	0.00	0.81	0.00	0.00

The analysis revealed a need for write-downs totalling a maximum of EUR 0.8 mill. within the context of the parameter changes, which corresponds to 0.8% of the carrying amount. Impairments on intangible assets are not included in the carrying amounts of other assets; they are disclosed in the consolidated profit and loss account in the depreciation and amortisation item.

(2) Property, plant and equipment

In thousands of €	Land, land rights and buildings including buildings on third-party land	Technical equipment and machines	Operating and office equipment	Payments on account and assets under construction	Total
Acquisition and manufacturing costs					
as at 01.01.2013	220,309	33,485	147,163	2,126	403,083
Additions	959	1,391	8,768	2,684	13,802
Reclassifications	305	6	206		0
Disposals	-68	-493	-1,855	0	-2,416
Acquisition and manufacturing costs as at 31.12.2013	221,505	34,389	154,282	4,293	414,469
Cumulated depreciation					
as at 01.01.2013	108,267	21,138	112,084	0	241,489
Scheduled depreciation	5,722	1,886	8,537	0	16,145
Unscheduled depreciation	0	0	0	0	0
Reclassifications	0	0	0	0	0
Disposals	-43	-354	-1,407	0	-1,804
Cumulated depreciation as at 31.12.2013	113,946	22,670	119,214	0	255,830
Balance sheet value 31.12.2013	107,559	11,719	35,068	4,293	158,639
Acquisition and manufacturing costs as at 01.01.2014	221,505	34,389	154,282	4,293	414,469
Additions	1,856	1,943	10,233	1,399	15,431
Reclassifications	1,557	205	1,161	-2,923	0
Disposals	-51	-1,738	-3,501	-377	-5,667
Disposals of assets held for sale	0	0	-618	0	-618
Acquisition and manufacturing costs as at 31.12.2014	224,867	34,799	161,557	2,392	423,615
Cumulated depreciation					
as at 01.01.2014	113,946	22,670	119,214	0	255,830
Scheduled depreciation	5,848	1,850	8,794	0	16,492
Unscheduled depreciation	0	550	233	0	783
Reclassifications	0	0	0	0	0
Disposals	-42	-1,329	-3,275	0	-4,646
Disposals of assets held for sale	0	0	-379	0	-379
Cumulated depreciation as at 31.12.2014	119,752	23,741	124,587	0	268,080

Gross additions to property, plant and equipment before deduction of special items to-talled EUR 19.9 mill. in the 2014 financial year (previous year: EUR 16.7 mill.).

EUR 1.7 mill. of the investments in land and buildings were spent on the installation of a hybrid operating theatre at MediClin Herzzentrum Coswig. The remaining investments in the amount of EUR 1.2 mill. refer primarily to the expansion of the acute neurology and acute psychosomatics or geriatrics departments at certain clinics.

The item "Technical equipment" includes investments in cogeneration units amounting to EUR 1.3 mill.

Some EUR 4.6 mill. of investments in operating and office equipment pertain to medical equipment and accessories; this includes approximately EUR 1.0 mill. for installing the equipment in the hybrid operating theatre. About EUR 3.0 mill. was invested in equipment for patient rooms, treatment rooms, office space and utility areas. Approximately EUR 1.4 mill. was spent on IT infrastructure.

Subsidies for financing investments are deducted directly from the acquisition or manufacturing costs of the subsidised assets pursuant to IAS 20 and thus reduce the basis of assessment for the ongoing depreciation expense. This item mainly refers to adequately used subsidies pursuant to the hospital financing law with an amortised amount of EUR 78.1 mill. (previous year: EUR 81.9 mill.). Additions to subsidised assets amounted to EUR 4.4 mill. (previous year: EUR 2.9 mill.). Depreciation and amortisation was reduced by the deduction of subsidies totalling EUR 8.2 mill. (previous year: EUR 8.4 mill.) from the acquisition and manufacturing costs. There were no circumstances that would give rise to a repayment of subsidies.

Finance leasing

Assets for which the MediClin Group has signed finance leasing contracts are disclosed in the property, plant and equipment item. 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. p.a. The underlying finance interest rate for the first ten years is 5.85 % p.a. After this fixed-interest period has expired, the interest will be renegotiated.

The leased property was added to non-current assets at the beginning of the lease agreement with the present value of the minimum lease payments of EUR 7.6 mill., EUR 2.7 mill. of which is for land and EUR 4.9 mill. for the buildings. The net carrying amount at the balance sheet date totals EUR 6.7 mill. (previous year: EUR 6.9 mill.). The payments due in future from finance leases, the shares of interest contained therein and the present values of future lease payments are disclosed in the following table:

In thousands of € 31.12.2014	Total	1 year or less	1 to 5 years	More than 5 years
Minimum lease payment	11,258	554	2,216	8,488
Interest component	-4,422	-396	-1,485	-2,541
Present value	6,836	158	731	5,947
In thousands of € 31.12.2013	Total	1 year or less	1 to 5 years	More than 5 years
Minimum lease payment	11,812	554	2,170	9,088
Interest component	-4,827	-405	-1,496	-2,926
Present value	6,985	149	674	6,162

In addition, there are two more (previous year: one) finance lease contracts pertaining to the medical and technical equipment of two clinics. The contracts have terms until 2016 and 2022.

The underlying interest rates are 2.6 % p.a. and 2.9 % p.a. The net carrying amount at the balance sheet date totals EUR 0.5 mill. (previous year: EUR 0.4 mill.). The payments due in future from this finance lease, the shares of interest contained therein and the present values of future lease payments are disclosed in the following table:

In thousands of € 31.12.2014	Total	1 year or less	1 to 5 years	More than 5 years
Minimum lease payment	499	106	317	76
Interest component	-34	-11	-20	-3
Present value	465	95	297	73
In thousands of € 31.12.2013	Total	1 year or less	1 to 5 years	More than 5 years
Minimum lease payment	368	79	289	0
Interest component	-21	-8	-13	0
Present value	347	71	276	0

(3) Other financial assets

Financial assets refer primarily to reinsurance policies for pension obligations totalling EUR 1,458 thou. (previous year: EUR 1,519 thou.). Two further reinsurance policies with a coverage volume of EUR 341 thou. (previous year: EUR 314 thou.) have been pledged to the insurance beneficiaries and will be deducted from the pension provisions. Gains and losses from reinsurance policies that have not been pledged are posted in staff costs. They are of only 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 for six months was agreed as the basic interest rate. 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 in the other financial assets item. 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 is recognised as non-current and will be recognised in other current assets in the last year. The current market value of the cap as of 31 December 2014 amounts to EUR 1 thou. (31.12.2013: EUR 52 thou.). Income and expenses from the valuation of the cap are recognised in 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.), Stadtmarketing Horn-Bad Meinberg GmbH (EUR 1 thou.) and Kur und Tourismus GmbH Bad Peterstal-Griesbach (EUR 6 thou.).

(4) Non-current tax refund claims

This item primarily consists of the discounted receivable from the payment of the remaining corporation tax credit, resulting from the conversion of 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 already capitalised in the annual financial statement as of 31 December 2006. The corporation tax credit is paid out 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 2016.

(5) Receivables pursuant to hospital financing law

This item relates to outstanding subsidies pursuant to the hospital financing law of Mecklenburg-Vorpommern 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 IASs and the tax values applied for the assets and liabilities. Pursuant to 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.

In thousands of €		Difference	Tax		
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	
Pension obligations	42,733	34,015	6,762	5,383	
Tax loss carried forward	1,183	8,718	187	1,377	
Interim profits of non-current assets	16	140	2	22	
Anniversary obligations/ provisions for partial retirement	852	778	135	123	
Others	1,486	407	253	65	
			7,339	6,970	

MediClin recognised deferred taxes for tax losses carried forward, because the Group assumes that sufficient positive taxable income will be available for realising the deferred tax assets due to the restructuring measures already performed or to be performed in the future.

Current assets

(7) Inventories

Inventories are only of minor importance for MediClin as a service corporation, and are largely attributable to inventories for medical supplies (31.12.2014: EUR 4.6 mill.; previous year: EUR 4.8 mill.), to inventories for business supplies (31.12.2014: EUR 1.4 mill.; previous year: EUR 1.4 mill.) and to inventories for administrative supplies (31.12.2014: EUR 0.4 mill.; previous year: EUR 0.3 mill.).

(8) Trade receivables

In thousands of €	31.12.2014	31.12.2013
Receivables stock	66,701	65,803
Allowance	-4,727	-4,397
Disclosure	61,974	61,406
Thereof from receivables not yet invoiced	19,508	19,853
Invoiced trade receivables	42,466	41,553
Thereof from related parties	83	103

The residual term of the 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 bad debts. Additions to the value adjustments during the financial year are disclosed in the consolidated profit and loss account in other operating expenses; releases and write-ups are disclosed in other operating income. Write-ups (reinstatement of original values) are recorded when the reason for the individual value adjustment no longer applies. The Company is of the opinion that the carrying amount of trade receivables and other receivables corresponds approximately to their fair value. Receivables not yet invoiced relate to work in process on patients whose treatment was not yet invoiced on the balance sheet date.

The valuation adjustments of trade receivables developed as follows:

In thousands of €	2014	2013
Allowance as of 01.01.	4,397	3,263
Allocation		
Specific bad debt allowances	0	0
General bad debt allowances	675	1,330
Release	-345	-196
Allowance as of 31.12.	4,727	4,397

General bad debt allowances are made on the basis of the age structure and taking into account various discount rates. Specific bad debt allowances are made for specific foreseeable default risks.

The balance from expenses resulting from the full write-off of receivables as well as income from the recoveries of written-off receivables resulted in expenses totalling EUR 0.3 mill. during the 2014 financial year (previous year: expenses totalling EUR 1.1 mill.).

In thousands of €	2014	2013
Expenses for full write-off of receivables	-645	-1,350
Recoveries of written-off receivables	326	247
	-319	-1,103

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	Thereof not value adjusted but delinquent for th following time frames to the cut-off dat					
0.0		delinquent 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 31.12.2014	42,466	31,245	6,065	1,194	585	1,061	1,119	1,197
As of 31.12.2013	41,553	30,159	6,979	939	594	1,256	821	805

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) Prepaid expenses

Prepaid expenses comprise insurance payments for other periods and other prepaid expenses. In the previous year prepaid expenses of EUR 3.6 mill. referred to rents for January 2014 that were paid in advance to related companies.

(10) Receivables pursuant to hospital financing law

In thousands of €	31.12.2014	31.12.2013
Receivables stock	3,339	1,762

Receivables pursuant to the hospital financing law relate to claims under the hospital financing law and compensation claims stipulated in the Federal Directive on Nursing Care Rates (Bundespflegesatzverordnung) or the Hospital Compensation Act (Krankenhausentgeltgesetz), respectively.

The following table provides information on delinquent receivables:

Receivables pursuant to hospital financing law

In thousands of €	Book value	Thereof neither value adjusted nor	Thereof not value adjusted but delinquent for the following time frames to the cut-off date					
		delinquent 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 31.12.2014	3,339	3,339	0	0	0	0	0	0
As of 31.12.2013	1,762	1,762	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.

(11) Other assets

In thousands of €	31.12.2014	31.12.2013
Receivables stock	3,014	3,810
Thereof from related parties	90	352

This item discloses financial assets which are recognised at amortised cost. No value adjustments had to be carried out to account for recognisable risks. The residual term of the receivables is less than one year. The amounts reported are approximately equal to the fair value. Receivables from related parties refer to repayment claims against IVG Institutional Funds GmbH (formerly Oppenheim Immobilien Kapitalanlagegesellschaft mbH) from the preliminary financing of clinic expansions through MediClin. 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.

(12) Current tax refund claims

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

(13) Cash and cash equivalents

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

(14) Assets held for sale

Assets held for sale refer to four doctor's practices at the medical care centre Achern. These were sold at the beginning of 2015. The buyers take over the orthopaedics, trauma surgery, anaesthesia and surgery departments at the MediClin medical care centre Achern, including the corresponding tangible and intangible assets as well as the pertinent service contracts as SHI-accredited physicians.

Additional information on financial instruments

Net gains/losses from financial instruments

The net result of subsequent measurement of loans and receivables comprises income and expenses for the value adjustment of trade receivables. Income from disposal refers to the subsequent receipt of receivables that had already been written off. The hedge transaction that is measured at fair value refers to write-ups and write-downs on the fair value of the interest hedge transaction.

In thousands of €	From price gains	From subsequent measurement		From disposal		Net result
		at fair value	value adjustments		2014	2013
Loans and receivables	0	0	-645	326	-319	-1,103
Interest rate hedge measured at fair value	0	-51	0	0	– 51	13
	0	-51	-645	326	-370	-1,090

Fair value

Starting in the 2013 financial year, IFRS 13 defines a single framework for measuring fair value and the disclosures about fair value measurements, if such measurements are required or permitted by another IFRS.

The fair value hierarchy levels and how they are applied to the financial assets and liabilities of MediClin are described in the following:

■ Level 1: quoted prices in active markets for identical assets or liabilities

The fair value of financial instruments that are traded in active markets is based on the market price quoted on the balance sheet date. A market is deemed active if quoted prices are available from an exchange, a trader, an industry group, a pricing service or a regulatory authority easily and regularly and these prices reflect current and recurring market transactions in accordance with the arm's length principle.

■ Level 2: measurement criteria other than quoted prices that are observable for the asset or liabilities, either directly (as prices) or indirectly (derived from prices)

The fair value of financial instruments not traded in an active market is measured on the basis of a valuation technique. The fair value is thus estimated based on the results of a valuation technique that relies on market data as far as possible and company-specific data as little as possible. If all the data required for measuring the fair value is observable, the instrument is classified as level 2.

■ Level 3: measurement factors for assets or liabilities that are not based on observable market data are classified as level 3.

The following tables show the carrying amounts of the fair values of financial instruments as reported in the balance sheet by valuation categories (IAS 39). No information is disclosed on the fair value of financial assets and financial liabilities that were not measured at fair value if the carrying amount is a reasonable approximation of fair value (IAS 7.29).

Investments are measured at acquisition cost, as reliable measurement of the fair value is impossible. Investments are non-listed financial instruments without an active market. There are no intentions at present to dispose of investments that were measured at acquisition cost.

Due to the short terms of these instruments, the fair values of cash and cash equivalents, of trade receivables and payables with a remaining maturity of up to twelve months and of the other current assets and liabilities correspond approximately to their carrying amounts. Receivables are recognised accounting for an adequate estimated amount for bad debts. On the basis of this measurement, MediClin carries out value adjustments on the aforementioned receivables. The fair value of liabilities to banks and other financial liabilities is determined by discounting expected future cash flows with interest rates currently applicable to financial liabilities with comparable conditions and maturities.

A bank regularly measures the rate cap agreement at the end of each quarter and at yearend using a level 2 valuation technique and provides the results to MediClin AG. This is immaterial for the consolidated financial statements.

No transfers were made from one level to another.

In thousands of €	Category in accordance with IAS 39	Book value 31.12.2014	Balance sheet recognition in accordance with IAS 39	Fair value 31.12.2014
			Amortised costs	
ASSETS				
Non-current assets				
Investment in stock of subsidiaries	AfS	66	66	_
Other loans	HtM	2	2	2
Interest rate hedge	FAHfT	1	_	1
Reinsurance policies	LaR	1,458	1,458	1,458
Receivables pursuant to hospital financing law	LaR	1,700	1,700	1,700
Current assets				
Trade receivables	LaR	61,974	61,974	61,974
Prepaid expenses	LaR	776	776	776
Receivables pursuant to hospital financing law	LaR	3,339	3,339	3,339
Other assets	LaR	3,014	3,014	3,014
Cash and cash equivalents	LaR	26,347	26,347	26,347
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	FLAC	46,267	46,267	46,267
Other financial liabilities	FLAC	7,839	7,839	7,839
Current liabilities				
Trade payables	FLAC	13,040	13,040	13,040
Liabilities to banks	FLAC	6,645	6,645	6,645
Other financial liabilities	FLAC	407	407	407
Liabilities pursuant to hospital financing law	FLAC	6,068	6,068	6,068
Other liabilities	FLAC	20,833	20,833	20,833
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39				
Loans and Receivables (LaR)	Total LaR	98,608	98,608	98,608
Held-to-Maturity Investments (HtM)	Total HtM	2	2	2
Available-for-Sale Financial Assets (AfS)	Total AfS	66	66	-
Financial Assets Held for Trading (FAHfT)	Total FAHfT	1	-	1
Financial Liabilities Measured at Amortised Cost (FLAC)	Total FLAC	101,099	101,099	101,099

In thousands of €	Catego in accordan with IAS	ce 31.12.2013	Balance sheet recognition in accordance with IAS 39	Fair value 31.12.2013
ASSETS				
Non-current assets				
Investment in stock of subsidiaries	A	fS 66	66	_
Other loans	Ht	M 2	2	2
Interest rate hedge	FAH	fT 52	_	52
Reinsurance policies	Li	aR 1,519	1,519	1,519
Receivables pursuant to hospital financing law	Li	aR 2,200	2,200	2,200
Current assets				
Trade receivables	L	aR 61,406	61,406	61,406
Prepaid expenses	L	aR 4,217	4,217	4,217
Receivables pursuant to hospital financing law	Li	aR 1,762	1,762	1,762
Other assets	Li	aR 3,810	3,810	3,810
Cash and cash equivalents	L	aR 13,219	13,219	13,219
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	FLA	C 52,512	52,512	52,512
Other financial liabilities	FLA	8,014	8,014	8,014
Current liabilities				
Trade payables	FLA	18,179	18,179	18,179
Liabilities to banks	FLA	C 6,692	6,692	6,692
Other financial liabilities	FLA	AC 430	430	430
Liabilities pursuant to hospital financing law	FLA	AC 4,549	4,549	4,549
Other liabilities	FLA	17,112	17,112	17,112
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39				
Loans and Receivables (LaR)	Total La	R 88,133	88,133	88,133
Held-to-Maturity Investments (HtM)	Total Ht	M 2	2	2
Available-for-Sale Financial Assets (AfS)	Total A	fS 66	66	_
Financial Assets Held for Trading (FAHfT)	Total FAH	fT 52	_	52
Financial Liabilities Measured at Amortised Cost (FLAC)	Total FLA	AC 107,488	107,488	107,488

Equity

Capital management

The primary objective of the capital management of MediClin is to ensure that the Group's ability to pay back its debts and its financial substance are preserved in future, and that the capital structure continues to adequately meet the business risk. MediClin AG is not subject to any external capital requirements or capital requirements as per the Articles of Association except the minimum capital requirements pursuant to the German Stock Corporation Act (Aktiengesetz). Financial security is essentially measured using the key figures equity ratio and debt ratio. Components of these key figures are the balance sheet total in the consolidated financial statements, the equity recorded in the consolidated balance sheet and loans from banks in the form of a syndicated loan. This loan originally consisted 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 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 the dividend disbursement policy, the issuance of new shares, liquidity optimisation through sale-and-leaseback transactions and the option of acquiring treasury shares if authorised by the Annual General Meeting.

Capital management key figures

In thousands of €	31.12.2014	31.12.2013
Equity	153,947	152,189
Non-current liabilities incl. deferred tax liabilities	112,331	109,518
Current liabilities incl. tax liabilities	53,337	51,160
Balance sheet total	319,615	312,867
Net financial debt	26,565	45,985
Equity ratio (in %)	48.2	48.6
Debt ratio (in %)	51.8	51.4

Due to the remeasurements from the calculation of pension obligations pursuant to IAS 19 "Employee Benefits" in the amount of EUR -6.6 mill. that are recognised directly in equity and the result after tax in the amount of EUR 8.4 mill., equity increased by EUR 1.8 mill. The EUR 6.7 mill. increase in the balance sheet total still led to a decline in the equity ratio of 0.4 percentage points to 48.2%. The return on equity after tax is 5.4% (previous year: -1.8%). The rise in non-current liabilities totalling EUR 2.8 mill. is due primarily to a decrease in liabilities to banks in the amount of EUR 6.2 mill. and simultaneous rises in pension provisions of EUR 8.5 mill. and in other non-current provisions of EUR 0.5 mill.

(15) Subscribed capital

In thousands of €	31.12.2014	31.12.2013
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.

(16) Capital reserve

In thousands of €	31.12.2014	31.12.2013
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 (2) 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.

(17) Revenue reserve

The consolidated revenue reserves are structured as follows:

In thousands of €	31.12.2014	31.12.2013
Legal reserve pursuant to Sec.150 AktG	2,045	2,045
Result of the first IAS consolidation	-1,742	-1,742
Negative non-controlling interests Kraichgau	-695	-695
Adjustment of the negative non-controlling interests Kraichgau	409	409
Reserve pursuant to IAS19	-16,661	-10,099
	-16,644	-10,082

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 share of non-controlling interests, which in accordance with IAS 27.35 (2008) was offset against the consolidated revenue reserves. A charge or credit to the consolidated statement of comprehensive income through the reporting of a non-controlling interest did not occur unless a positive minority interest would come about, which would then be presented separately in the consolidated balance sheet within equity.

Pursuant to IAS 27.28 (revised 2009), non-controlling interests must be disclosed within the equity, but separately from the equity of the shareholders of MediClin AG from the 2010 financial year onwards. The result allocations also have to be performed if this results in the non-controlling interests having a deficit balance. Due to a transitional regulation (IAS 27.45 (a) revised 2009), a company may not adjust profit or loss allocations for reporting periods which occurred before the application of IAS 27 (revised 2009).

As from 2012 the actuarial losses/gains from calculating the pension provisions in accordance with IAS19, shown in other comprehensive income, are reported in the revenue reserve.

(18) Consolidated balance sheet loss

The consolidated balance sheet loss is composed as follows:

In thousands of €	31.12.2014	31.12.2013
Loss carryforward	-14,413	-11,775
Result attributable to shareholders of MediClin AG	8,503	-2,638
	-5,910	-14,413

Appropriation of the annual result of MediClin AG

In the 2014 financial year no dividends for the 2013 financial year were distributed. At the Annual General Meeting on 28 May 2014, the resolution was passed to carry forward the net profit as of 31 December 2013 amounting to EUR 18,456,005.62 to new account. For the 2014 financial year the intention is to also carry forward the net profit totalling EUR 21,966,765.74 to new account.

(19) Non-controlling interests

The disclosed amount concerns the pro rata result allocation for the shares of the existing shareholders of Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau, as of 31 December 2014 (unchanged at 5.515 %). In the consolidated statement of comprehensive income, the result is recorded as a prorated figure in the item "Result after tax – thereof attributable to the non-controlling interests".

Non-current liabilities

(20) Liabilities to banks

Liabilities to banks are as follows:

In thousands of €	31.12.2014	31.12.2013
Liabilities to banks	52,509	58,695
Less current repayment share	6,242	6,183
	46,267	52,512

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

Liabilities to banks originally consisted 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 was due on 31 January 2013, plus a final instalment of EUR 30.0 mill. The interest rate for the redeemable loan consists of the 6-month Euribor (reference rate) and a margin that is dependent on the performance of certain financial ratios. The margin range is limited to 85 basis points. Of the loan redemptions due, EUR 5.0 mill. pertain to the redemption payments of the syndicated loan due in 2015. Depending on the maturities, these are shown in current financial liabilities. The value with which this loan is recognised in the balance sheet is determined using the effective interest method. For a partial amount of EUR 30.0 mill., the interest rate was hedged by 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 amounted to EUR 173 thou. and was capitalised in the other financial assets item in 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 interest hedge transaction is measured at market value (31.12.2014: EUR 0.6 thou.; 31.12.2013: EUR 52 thou.; 31.12.2012: EUR 39 thou.). Interest totalling about EUR 1.1 mill. was paid for the loan in the reporting year (previous year: EUR 1.2 mill.). This corresponds to an average interest rate of 2.47 % p.a. (previous year: 2.45 %).

Three further annuity loans with a total volume of EUR 2.5 mill. were taken out in 2012 to finance a linear accelerator and a magnetic resonance tomograph as well as a cogeneration unit. The interest rates of the loans are between 3.60 % and 4.05 % p.a., with interest paid in 2014 amounting to EUR 63 thou. (previous year: EUR 79 thou.). For two of the loans, the ownership title of the financed equipment has been assigned as security (carrying amounts of EUR 1.3 mill.; previous year: EUR 1.6 mill.). These loans have terms until 2017.

Of the other liabilities to banks, EUR 11.4 mill. (previous year: EUR 12.2 mill.) is secured through real property liens (carrying amount: EUR 22.3 mill.; previous year: EUR 21.2 mill.).

All in all, the average interest rate for liabilities to banks is 3.0 % p. a. (previous year: EUR 3.0 %).

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

In thousands of € 2014	Total	1 year or less	1 to 2 years	3 to 5 years	More than 5 years
Interest on bank loans Bank loan repayments	4,467	1,377 6,242 ¹	1,202	1,129	759 6,435
ванк тоап терауттепт.	32,309	0,2 12	0,504	33,320	0,433
In thousands of € 2013	Total	1 year or less	1 to 2 years	3 to 5 years	More than 5 years
Interest on bank loans	6,734	1,739	1,548	2,246	1,201
Bank loan repayments	58,695	6,183 ¹	6,242	38,682	7,588

 $^{^{\}rm 1}$ For information only

(21) Other financial liabilities

In thousands of €	31.12.2014	31.12.2013
Loans from public corporations	775	900
Liabilities from finance leases	7,064	7,114
	7,839	8,014

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

Liabilities from finance leases relate mainly 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 leases pertaining to medical and technical infrastructure.

Other financial liabilities are as follows:

In thousands of €	31.12.2014	31.12.2013
Other financial liabilities	8,201	8,386
Less current repayment share		
Loans from public corporations	126	123
Loans from acquisition of remaining Crivitz shares	0	30
Liabilities from finance leases	236	219
	7,839	8,014

The following tables show the future development of interest expenses:

In thousands of € 2014	Total	1 year or less	1 to 2 years	3 to 5 years	More than 5 years
Interest on loans from public corporations	67	17	15	29	6
Interest on finance leases					
Reha-Zentrum Gernsbach real estate	4,192	394	385	1,093	2,320
Medical-technical infrastructure	59	9	12	3	35
	4,318	420	412	1,125	2,361
In thousands of € 2013	Total	1 year or less	1 to 2 years	3 to 5 years	More than 5 years
In thousands of € 2013 Interest on loans from public corporations	Total 87	1 year or less	1 to 2 years	3 to 5 years	
		ŕ	ŕ		5 years
Interest on loans from public corporations		ŕ	ŕ		5 years
Interest on loans from public corporations Interest on finance leases	87	20	17	37	5 years

Future loan repayments are as follows:

In thousands of € 2014	Total	1 year or less ¹	1 to 2 years	3 to 5 years	More than 5 years
Repayments on loans from public corporations	900	126	128	401	245
Repayments on finance leases					
Reha-Zentrum Gernsbach real estate	6,836	158	167	637	5,874
Medical-technical infrastructure	480	78	114	199	89
	8,216	362	409	1,237	6,208
In thousands of € 2013	Total	1 year or less ¹	1 to 2 years	3 to 5 years	More than 5 years
Repayments on loans from public corporations	1,023	123	126	393	381
Repayments on acquisition of remaining Crivitz shares	30	30	0	0	0
Repayments on finance leases					
Reha-Zentrum Gernsbach real estate	6,995	150	160	544	6,141
Medical-technical infrastructure	347	69	75	203	0
	8,395	372	361	1,140	6,522

¹ For information only

Provisions

(22) Provisions for pensions and similar commitments

In thousands of €	2014	2013
Mitarbeiterunterstützungskasse der vereinigten Klinikbetriebe (MAUK)	37,800	30,127
Kraichgau-Klinik Group	10,366	9,508
	48,166	39,635

The Group promised part of its employees the payment of regular pension benefits for the time after their retirement in the scope of the Company's retirement benefit plan; these are defined benefit and defined contributions-based commitments for old age, invalidity and surviving dependants' pensions. The fund assets of Mitarbeiterunter-stützungskasse der Vereinigten Klinikbetriebe e.V. (MAUK) and two reinsurance policies that are pledged to the insurance beneficiaries are considered in the computation of the pension obligations.

Defined benefit obligations

The defined benefit obligations concern two pension plans which are meanwhile closed, MAUK and the pension schemes of the Kraichgau-Klinik Group pension plan. As a result of converting to the regulations of IAS 19 (2011), the pension plans are disclosed in summarised form. Both pension plans are closed, which means that in principle no new benefit obligations will be added. The number of persons covered by the plans who are entitled to or in receipt of benefits developed as follows:

	31.12.2014	31.12.2013
Active employees	1,646	1,727
Departed employees with vested rights	704	675
Pensioners	614	560
	2,964	2,962

The share of persons entitled to pensions amounts to 79.3 % (previous year: 81.1 %) and the share of recipients of pensions to 20.7 % (previous year: 18.9 %).

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 conditions and to a limited extent, 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 relevant beneficiaries and the premium reserve for the current benefits pursuant to Annex 1 Income Tax Act. The assets permissible under tax regulations thus amount to approximately two annual pensions per beneficiary. The assets permissible under tax regulations of MAUK as of 31 December 2014 amounted to EUR 10,087 thou. (31.12.2013: EUR 9,687 thou.). No minimum endowment obligation exists.

As of 31 December 2001 the 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 timelimited benefits are paid out in the form of a retirement pension, a premature retirement pension or a disability pension. The pension amounts to between EUR 5.00 and EUR 10.00 per month per eligible service year depending on the average working time per week. In the case of premature use (i.e. before completion of the 65th year), the vested entitlement is reduced by 0.5 % for each month of premature use of the retirement pension. The current pension payments, with the exception of two of the individual obligations, are made from the assets of MAUK. MAUK receives sufficient funds from MediClin AG for this purpose. The assets of MAUK are made up of voluntary contributions from MediClin as well as income from investing the assets. Pursuant to Section 12 of the constitution of 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. The granting of loans may be permitted 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 no new beneficiaries have been added 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 entitlement. 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 revalued for the purpose of preparing the IFRS balance sheet. The Group's obligations encompass both current pensions as well as future pension entitlements. 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 cost 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 periods of service, the same method must be used as for determining the current service cost. Pursuant to IAS 19 (2011), remeasurements carried out in the financial year resulting from actuarial gains and losses are recognised in other comprehensive income.

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

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

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

In %	MAUK 2014	MAUK 2013	Kraichgau- Klinik Group 2014	Kraichgau- Klinik Group 2013
Discount rate	2.50	3.50	2.50	3.50
Salary trend	-	-	2.50	2.50
Pension trend	1.00	1.00	2.00	2.00

No salary trend has been determined for MAUK, as the pension amount is fixed, based on the eligible service years and average working week, and not based on salary-related criteria. Pursuant to Section 16 (3) Sentence 1 of the German Law on Retirement Pensions (Gesetz zur Verbesserung der betrieblichen Altersversorgung – BetrAVG), the employer committed in 2013 to upwardly adjust MAUK pensions by 1 % p.a. starting from 2002. The resulting back payments amounted to about EUR 23 thou. and were paid with the January 2014 benefits. In previous years as well as in the case of the Kraichgau-Klinik Group, the calculation of pension obligations was based on the inflation rate in accordance with Section 16 (2) Item 1 of the German Law on Retirement Pensions (BetrAVG).

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

A discount rate of 2.50 % (previous year: 3.50 %) was applied to the pension obligations. In accordance with IAS19.83, the discount rate is to be determined by reference to market yields at the end of the reporting period on high quality corporate bonds with fixed interest rates. The reference yields used to determine the discount rate were based on at least AA-rated corporate bonds.

A change in the parameters used leads to the following changes to the present value of the DBO:

In thousands of €	-0.50 %	-0.25 %	+0.25%	+0.50%
Discount rate (2.50 %)	+4,849	+2,342	-2,191	-4,242
Salary trend ¹ (2.50 %)	-42	-21	+22	+43
Pension trend ¹ (2.00 %)	-577	-295	+308	+629

¹ only Kraichgau-Klinik Group

As noted above, the MAUK pension is not based on salary and takes into account a fixed pension trend of 1%, which is why these factors have no impact on MAUK.

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 pension obligations.

The expense is broken down into the components service cost, net interest and remeasurement. In the profit and loss account, the service cost is recognised under staff costs and the net interest in the financial result. Remeasurement is directly recognised in equity and in other comprehensive income. Valuation changes to be accounted for in other comprehensive income 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 from 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 48,166 thou. (previous year: EUR 39,635 thou.) with plan assets of EUR 1,449 thou. (previous year: EUR 1,797 thou.).

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

In thousands of €	31.12.2014	31.12.2013
Development of recognition in the balance sheet		
Present value of the DBO	49,615	41,432
Fair value of plan assets	-1,449	-1,797
Net defined benefit liability at the end of the financial year	48,166	39,635
Reconciliation of the carrying amount		
Net defined benefit liability at the end		
of the preceding financial year	39,635	36,724
Service cost	63	54
Net interest expense on the reported net obligation	1,374	1,544
Remeasurements recognised in other comprehensive income	7,846	2,483
Employer contributions	-325	-745
Benefits paid directly by the employer	-427	-425
Carrying amount: net defined benefit liability at the end		
of the financial year	48,166	39,635

The present value of the DBO showed the following development:

In thousands of €	31.12.2014	31.12.2013
DBO at the end of the preceding financial year	41,432	38,804
Current service cost	63	54
Interest expense on the DBO	1,378	1,555
Actuarial profit (–)/loss (+)		
due to experience-based adjustment to the obligation	-198	143
Actuarial profit(–)/loss(+)		
due to changes in financial assumptions	7,966	1,834
Benefits paid from plan assets	-599	-532
Benefits paid directly by the employer	-427	-426
DBO at the end of the financial year	49,615	41,432

Here the fair value of the plan assets developed as follows:

In thousands of €	31.12.2014	31.12.2013
Fair value of plan assets at the end of the preceding financial year	1,797	2,080
Income from plan assets calculated with the discount rate	10	93
Amount by which the actual income of the plan assets in the current financial year falls short of the income calculated		
with the discount rate	-84	-588
Employer contributions	325	744
Benefits	-599	-532
Fair value of plan assets at the end of the financial year	1,449	1,797

The plan assets comprise the following:

In %	31.12.2014	31.12.2013
Bond funds		
With generally mixed maturities	8.5	7.0
With generally short-term maturities	6.8	5.5
Fixed interest securities	10.4	8.3
Cash and cash equivalents	50.8	61.7
Reinsurance policies	23.5	17.5
	100.0	100.0

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

Total periodic pension costs of the defined benefit obligations during the reporting year amount to EUR 9,283 thou. (previous year: EUR 4,080 thou.), of which EUR 1,437 thou. (previous year: EUR 1,597 thou.) are recognised in profit and loss and EUR 7,846 thou. (previous year: EUR 2,483 thou.) are recognised in other comprehensive income.

The development of the pension cost is illustrated in the chart below:

In thousands of €	2014	2013
Consolidated profit and loss account		
Current service cost	63	54
Net interest expense(/income) on the reported net defined benefit liabilities(/assets)	1,374	1,543
Pension costs, recognised in consolidated profit and loss account	1,437	1,597
Other comprehensive income		
Actuarial profit (–)/loss (+) due to experience-based adjustment to the obligation	-198	143
Actuarial profit (–)/loss (+) due to changes in financial assumptions (on the obligation side)	7,967	1,834
Actuarial profit (–)/loss (+) accrued in the course of the financial year	7,769	1,977
Amount by which the actual income of the plan assets in the current financial year falls short of the income		
calculated with the discount rate	77	506
Remeasurements recognised in		
other comprehensive income	7,846	2,483
Total pension costs	9,283	4,080

The expected pension costs recognised in net profit or loss for the coming year are forecast at EUR 1,261 thou., with current service cost accounting for EUR 72 thou. of this amount and net interest expense for EUR 1,189 thou.

For the year 2015 employer contributions to the plan assets are expected at EUR 325 thou., benefits paid directly by the employer at EUR 531 thou. and benefits to be paid from the plan assets at EUR 733 thou.

The following benefit payments are expected for the coming years:

In thousands of €	
Expected benefit payments for the year 2015	1,264
Expected benefit payments for the year 2016	1,321
Expected benefit payments for the year 2017	1,449
Expected benefit payments for the year 2018	1,534
Expected benefit payments for the year 2019	1,630
Expected benefit payments for the years 2020 to 2024	9,667

The average duration is calculated at 28.7 years (previous year: 31.0 years).

Pension obligations and plan assets will presumably develop as follows in 2015:

In thousands of €	
Pension obligations as of 31.12.2014	49,615
Current service cost	72
Interest expense on the DBO	1,197
Expected benefits	-1,264
Estimated pension obligations as of 31.12.2015	49,620
Estimates of plan assets	
Fair value of plan assets as of 31.12.2014	1,449
Income expected from the plan assets	8
Expected employer contributions	325
Expected benefits	-733
Estimated fair value of plan assets as of 31.12.2015	1,049
Estimated net pension obligation	
Estimated pension obligations as of 31.12.2015	49,620
Estimated fair value of plan assets as of 31.12.2015	-1,049
	48,571

Defined contribution plans

As a defined contribution plan, MediClin pays an annual contribution into MediClinRent as a pension insurance scheme (basic care) for its active employees up to the age of 65 who have served the Company for at least five years (cut-off date: 31.12 of the respective year) and who have completed their 28th year of age. The amount is adjusted to meet 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 by allocating a portion 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.

Based on the works agreements from 12 December 2012 and 2 February 2013, pension commitments were made towards the employees of MediClin Reha-Zentrum Gernsbach, MediClin Kraichgau Klinik and MediClin Herzzentrum Lahr/Baden with regard to a company pension plan, on the basis of which employees can obtain pension entitlements from MUK e.V. The legal basis for these entitlements is formed by the constitution of MUK e.V. Employees first obtain vested entitlements to benefits financed by the employer after five years of service, counted from the moment the pension commitment was made.

These defined contribution plans do not involve the formation of a provision. The respective expenses in the reporting year totalled EUR 1,010 thou. (previous year: EUR 657 thou.). This includes subsequent charges for the years 2012 and 2013.

Due to collective bargaining agreements, employer-financed relief fund benefit plans exist at a further three hospitals for part 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). EUR 769 thou. (previous year: EUR 797 thou.) was spent on this in the reporting year. Current contribution payments are recognised as pension provision expenses in the operating result for the respective years. With the payment of current contributions for continuous membership in the relief funds, no further benefit commitments arise.

(23) Other provisions

In thousands of €	As of 01.01.2014	Additions	Interest	Consumption	Reversal	As of 31.12.2014
Provisions						
for renewal of lease agreements	144	8	0	0	0	152
Provisions for partial retirement	350	19	1	115	0	255
Provisions						
for anniversary obligations	2,002	231	43	184	2	2,090
Provisions for archival storage	490	427	25	0	0	942
Provisions for insurance	2,543	104	0	67	0	2,580
	5,529	789	69	366	2	6,019

The provisions for renewal of lease agreements relate to future reinstatement costs in connection with the leasing of the medical care centre in Leipzig. The additions here totalled EUR 8 thou. in 2014 (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 top-up amounts relating to provisions for partial retirement are allocated at the time of the agreement in the amount of their utilisation. The amounts claimed within the scope of the block model are accrued during the employment phase and carried as a liability in the amount of the discounted amount not yet paid out. On the balance sheet date a total of six partial retirement agreements existed (three block and three part-time models), of which three agreements will expire in 2015. An anticipated total of EUR 76 thou. will be drawn upon in 2015, and EUR 106 thou. in 2016 to 2018. The corresponding interest component totalled EUR 1 thou. in the 2014 reporting year.

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 2.25 %. An increase or decrease in the interest rate by 0.5 % would result in a reduction of the provisions by EUR 69 thou. or a rise of EUR 73 thou., respectively. Of the provisions for anniversary obligations, an estimated EUR 174 thou. will be used in the 2015 financial year, and EUR 1,916 thou. in the subsequent years. The corresponding interest component totalled EUR 43 thou. in the 2014 reporting year. The provisions for archival storage relate to accrued costs for external archiving pursuant to 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 for archival storage and insurances recognised as of 31 December 2014 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 2014 and the previous year's cut-off date, the deferred tax liabilities are as follows:

In thousands of €	Difference			Tax
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Intangible assets	17,946	17,264	2,840	2,732
Property, plant and equipment	6,937	6,265	1,098	991
Others	646	663	102	105
			4,040	3,828

Current liabilities

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

(25) Liabilities to banks

In thousands of €	31.12.2014	31.12.2013
Reclassifications from long-term loans	6,242	6,183
Accrued interest	403	509
	6,645	6,692

Liabilities to banks totalling EUR 6,242 thou. (previous year: EUR 6,183 thou.) relate to the reclassification, in the reporting year, of redemption payments expected in the coming twelve months, from non-current to current. EUR 384 thou. of the accrued interest item relates to interest in the period August to December 2014 for the syndicated loan with the original amount of EUR 50.0 mill. (previous year: EUR 496 thou.).

(26) Other financial liabilities

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

In thousands of €	31.12.2014	31.12.2013
Finance leasing	236	231
Other loans	168	196
Outstanding interest	3	3
	407	430

(27) Liabilities pursuant to hospital financing law

Liabilities pursuant to hospital financing law relate to lump-sum not yet adequately used subsidies, pursuant to federal state law provisions on hospital financing, as well as compensation obligations pursuant to the National Ordinance on Hospital Rates or the Hospital Compensation Act.

(28) Other liabilities

These mainly relate to the following:

In thousands of €	31.12.2014	31.12.2013
Staff costs	13,316	10,366
Wage and value added taxes payable	3,839	3,525
Energy/Water	365	436
Payments received	333	92
Charges and fees	195	253
Other liabilities	2,786	2,440
	20,834	17,112

Other liabilities from staff costs mainly refer to vacations not yet taken and flexitime amounting to EUR 5.1 mill. (31.12.2013: EUR 4.0 mill.), profit-sharing bonus payments in the amount of EUR 3.7 mill. (31.12.2013: EUR 2.8 mill.), severance payments of EUR 1.7 mill. (31.12.2013: EUR 0.9 mill.) and wage supplements in the amount of EUR 1.4 mill. (31.12.2013: EUR 1.4 mill.).

(29) Current provisions

In thousands of €	As of 01.01.2014	Addition	Consumption	Reversal	As of 31.12.2014
Provisions for costs of annual financial statement	1,184	799	742	134	1,107
Provisions for billing risks and litigations	3,003	1,189	44	150	3,998
Other provisions	11	815	0	0	826
	4,198	2,803	786	284	5,931

In the previous year, provisions for billing risks and litigations included provisions for litigations in the amount of EUR 150 thou. These were released in the year under review. There were no significant legal disputes as of 31 December 2014, so no provisions were made in the balance sheet.

(30) Current tax liabilities

The current tax liabilities amounting to EUR 0.4 mill. primarily concerned corporation tax, the solidarity surcharge and other taxes payable to the fiscal authorities. They cover liabilities from the reporting year and previous years.

From the Group's perspective, there was a tax claim for the 2013 reporting year, which was recognised on the assets side.

Notes to the consolidated profit and loss account

(31) Sales

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

In millions of €	2014	2013
Post-acute	264.5	251.4
Acute	222.8	211.0
Nursing care	13.1	13.3
Others	37.6	39.2
Sales	538.0	514.9
Thereof pertaining to related parties and persons	2.0	2.1

Far more than 95 % of sales refer to the rendering of services. The development of sales 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 17.7 mill.). Furthermore, in addition to service revenues, other sales include revenues from the sale of pharmacy merchandise totalling EUR 2.8 mill. (previous year: EUR 3.2 mill.), from private accommodation totalling EUR 3.4 mill. (previous year: EUR 3.4 mill.) and from cafeterias, kiosks and meals totalling EUR 6.0 mill. (previous year: EUR 5.9 mill.).

Sales pertaining to related parties refer 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 €	2014	2013
Subsidies	1.0	1.0
Rental income	0.8	0.8
Services to staff	0.4	0.5
Other sales	4.7	4.6
Other operating income	6.9	6.9

As from the 2013 financial year, income from the release of provisions and liabilities is offset against the expenses for which the provisions were set aside. In 2014 this amounts to EUR 1.4 mill. (previous year: EUR 2.4 mill.).

(33) Raw materials and consumables used

Raw materials and consumables used fell considerably to EUR 106.9 mill. (previous year: EUR 111.0 mill.). Costs of raw materials and supplies of EUR 62.1 mill. were EUR 0.8 mill. below the previous year's level (previous year: EUR 62.9 mill.), which was due in particular to a decrease in expenses for medical materials (EUR -1.0 mill.). Expenses related to cost of purchased services even dropped by EUR 3.2 mill. to EUR 44.8 mill. (previous year: EUR 48.0 mill.). Here the decreases referred primarily to purchased services for maintenance cleaning (EUR -1.7 mill.), energy costs (EUR -0.7 mill.) and expenses for water and sewage (EUR -0.2 mill.). The cost of materials ratio improved again to 19.9 % (previous year: 21.5 %).

(34) Staff costs

In thousands of €	2014	2013
Wages and salaries	263,762	253,226
Social security, pension and retirement	46,340	44,711
Thereof pension costs	1,960	1,533
	310,102	297,937

Staff costs of EUR 310.1 mill. were 4.1 % higher than in the previous year (previous year: EUR 297.9 mill.). The staff costs ratio for the 2014 financial year was 57.6 %, following 57.9 % in the previous year. Pension expenses incurred in addition to those for statutory pension insurance, including contribution payments to external provider facilities, totalled EUR 2.0 mill. (previous year: EUR 1.5 mill.). They concern the following:

In thousands of €	2014	2013
Contributions to		
Defined benefit plans	121	-64
Defined contribution plans	1,779	1,445
Other pension-related expenses	60	152
	1,960	1,533

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 profit and loss account and shown in the financial result; contributions to the defined benefit plans are correspondingly low. Of the contribution to defined contribution plans, EUR 1.0 mill. (previous year: EUR 0.7 mill.) refers to MediClinRent and EUR 0.8 mill. (previous year: EUR 0.8 mill.) to contributions to three supplementary pension or relief funds.

(35) Other operating expenses

Other operating expenses of EUR 93.9 mill. are EUR 0.5 mill. higher than the previous year's value (previous year: EUR 93.4 mill.). The cost ratio improved from 18.1% to 17.4%.

The largest item in other operating expenses is, with EUR 50.7 mill., rental and lease expenses for real estate and medical equipment (previous year: EUR 50.3 mill.). EUR 44.1 mill. (previous year: EUR 43.5 mill.) thereof concerns payments to related parties pursuant to IAS 24, of which EUR 43.2 mill. (previous year: EUR 42.6 mill.) relates to rental payments for 21 clinics transferred to a real estate fund between 1999 and 2002 and leased back. Real estate management services for the properties account for EUR 0.9 mill. (previous year: EUR 0.9 mill.). An overview of future rental payments is presented under other financial obligations.

In addition to rental costs, other operating expenses primarily include maintenance and repair costs totalling EUR 16.1 mill. (previous year: EUR 17.5 mill.), insurance expenses totalling EUR 3.2 mill. (previous year: EUR 2.6 mill.), legal and consultancy costs totalling EUR 3.9 mill. (previous year: EUR 3.8 mill.), contributions, public charges and fees totalling EUR 1.2 mill. (previous year: EUR 1.2 mill.) and other expenses totalling EUR 18.7 mill. (previous year: EUR 17.9 mill.), which include numerous expenses with values which are only of immaterial importance in each individual case. Of the insurance expenses, EUR 0.7 mill. (previous year: EUR 0.7 mill.) concerns related companies.

(36) Depreciation and amortisation

In the 2014 financial year depreciation and amortisation totalled EUR 18.5 mill. (previous year: EUR 17.5 mill.), with EUR 1,241 thou. (previous year: EUR 1,316 thou.) attributable to intangible assets and EUR 17,275 thou. (previous year: EUR 16,144 thou.) to property, plant and equipment. The depreciation and amortisation ratio is unchanged at 3.4%.

(37) Financial result

The financial result is structured as follows:

In thousands of €	2014	2013
Interest and similar income	38	114
Interest and similar expenses	-3,915	-4,832
	-3,877	-4,718

The underlying financial instruments for interest income and interest expenses are evaluated at amortised costs and assigned to the category "Loans and Receivables" (LaR) or "Financial Liabilities Measured at Amortised Cost" (FLAC) pursuant to IAS 39.

The interest income and interest expenses refer to the following:

In thousands of €	2014	2013
Income from participations	25	48
Interest and similar income	13	66
Thereof from		
Receivables	4	7
Interest income from deposits at banks	2	5
Other interest-related income	7	39
Income from derivatives	0	14
Interest and similar income	38	114
Thereof pertaining to related parties and persons	25	48

In thousands of €	2014	2013
Interest on current accounts	2	7
Interest on loans	1,691	1,893
Interest on pension provision	1,375	1,543
Interest on finance leases	414	426
Expenses for derivatives	52	0
Other interest-related expenses	381	963
Interest and similar expenses	3,915	4,832

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 €	2014	2013
Actual taxes on income	2,239	550
Deferred taxes on income	1,084	-379
	3,323	171

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

In thousands of €	2014	2013
Consolidated result before tax	11,686	-2,570
Resultant calculational tax charge (15.825 %)	1,849	-407
Tax effect from		
Additional income tax payments for previous years	0	204
Non-capitalisable losses in the financial year	992	0
Trade tax expenses in the financial year	109	101
Corporation tax credit SEStEG	-2	-2
Non-deductible expenses	37	21
Non-deductible depreciation and amortisation	480	288
Others	-142	-34
Actual tax expenses	3,323	171

(39) Result after tax attributable to shareholders of MediClin AG per share

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

	2014	2013
Result after tax attributable to shareholders of MediClin AG in thousands of €	8,503	-2,638
Average number of shares issued in thousands	47,500	47,500
Undiluted earnings per share in €	0.18	-0.06

(40) Consolidated statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income are remeasurements pursuant to IAS 19 (2011) resulting from a change in parameters used for the valuation of pension provisions at the end of the reporting period, such as discount rate and salary or pension trends, compared to the parameters assumed at the beginning of the reporting period. The resulting amount is then offset directly against equity or the revenue reserve in consideration of the respective deferred taxes. It is not possible to reclassify these to the profit and loss account at a later date.

Other disclosures

Number of employees

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

Shown in full-time employees	2014	2013	Change
Medical	822	800	+22
Nursing care	1,984	1,977	+7
Medical-technical	1,453	1,464	-11
Functional	395	384	+11
Medical services	4,654	4,625	+ 29
Support functions	982	969	+13
Technical	126	124	+2
Administration	538	529	+9
Other	50	46	+4
Non-medical services	1,696	1,668	+28
	6,350	6,293	+57

Contingencies and other financial obligations

The Group's total obligations arising from rental and lease contracts, as well as fixed incidental expenses, totalled EUR 49.5 mill. in the reporting year (previous year: EUR 49.2 mill.). Of this amount, a total of EUR 43.2 mill. (previous year: EUR 42.6 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 have a term until 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.). The obligation under the real estate management agreement concluded together with the rental contracts totalled EUR 0.9 mill. in the financial year (2015: EUR 0.9 mill.; 2016 to 2019: EUR 3.5 mill.; 2020 to 2026: EUR 7.0 mill.). The expenses for other rentals and leases totalled EUR 2,415 thou. (previous year: EUR 2,769 thou.) in the reporting year.

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

In millions of €	Nominal value 31.12.2014	Nominal value 31.12.2013
Remaining term up to 1 year	45.3	45.0
Remaining term 1–5 years	180.0	177.8
Remaining term more than 5 years	352.4	393.2
	577.6	616.0

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 operating results 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.

Leasing expenses relating to movable property, such as vehicles, office equipment and medical technology, totalled EUR 2,762 thou. (previous year: EUR 2,971 thou.) in the financial year. The terms of these lease agreements are between one and a maximum of five years. As the agreements are renewed on a revolving basis, MediClin assumes that the Group will incur total obligations from these rental and lease 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 31.12.2014	Nominal value 31.12.2013
Remaining term up to 1 year	1.5	1.7
Remaining term 1–5 years	2.3	2.4
Remaining term more than 5 years	0.0	0.0
	3.8	4.1

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

In millions of €	Nominal value 31.12.2014	Nominal value 31.12.2013
Remaining term up to 1 year	0.7	0.6
Remaining term 1–5 years	2.5	2.5
Remaining term more than 5 years	8.6	9.0
	11.8	12.1

The finance lease agreements totalling EUR 11.3 mill. (previous year: EUR 11.9 mill.) primarily concern the lease agreement for the real estate of Rehabilitationszentrum Gernsbach. In the leasing instalments for the property leasing contract, a tenant loan will be accumulated over the last ten years, which will have to be repaid towards the end of the contract. The repayment of the loan totalling approximately EUR 2.0 mill. as well as the annual contribution to administrative expenses totalling about EUR 36 thou. are taken into account in the presentation of the payment structure. 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. The remaining minimum lease payments (EUR 0.5 mill.; previous year: EUR 0.4 mill.) pertain to medical and technical equipment in two clinics.

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 energy, heating and air-conditioning, and other maintenance agreements.

Contractual obligations totalling approximately EUR 3.6 mill. existed in connection with the acquisition of property, plant and equipment as of 31 December 2014 (previous year: approximately EUR 2.2 mill.). There were no other significant contingencies or financial obligations as of the cut-off date.

Declarations of surety

MediClin AG issued a payment guarantee vis-à-vis the acquirer and lessor concerning the rental payments plus operating costs relating to 21 real estate properties that are leased until 31 December 2027.

In association with the lease 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 lease 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 surety was entered into by MediClin AG in the amount of EUR 7.6 mill.

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 resources of liquid assets 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 organic 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 supply through central cash pool management. Available cash and cash equivalents 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 the arrangement of appropriate terms and a rate cap agree-

The maximum exposure to default risk is represented by the carrying amount of each financial asset as reported in the balance sheet. Because the counterparties to the receivables are prime financial institutions, the Group expects 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 balance sheet date.

In 2012 a syndicated loan of EUR 50.0 mill. was taken out with 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 (31.01./31.07.) of EUR 2.5 mill. each and a final instalment of EUR 30.0 mill. In the 2014 reporting year

EUR 5.0 mill. was repaid and on 31 January 2015 another EUR 2.5 mill. as scheduled. Interest is paid on the loan at a variable rate based on the 6-month Euribor of the respective interest period plus a margin. The risk concerning changes in interest rate is 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

The rate cap agreement is carried at fair value (31.12.2014: EUR 557.89; 31.12.2013: EUR 52,251). The 6-month Euribor ranged between 0.69800 % p.a. and 0.30600 % p.a. in 2013 and 2014. This performance is illustrated in the following table:

31.07.2012 until 31.01.2013	0.69800 %
31.01.2013 until 31.07.2013	0.37300 %
31.07.2013 until 31.01.2014	0.34200 %
31.01.2014 until 31.07.2014	0.40200 %
31.07.2014 until 31.01.2015	0.30600 %
31.01.2015 until 31.07.2015	0.13500 %

A 25-basis-point-higher or lower 6-month Euribor would have resulted in a deterioration or improvement in the financial result by EUR 106 thou.

Supervisory Board in the 2014 financial year

Dr. Ulrich Wandschneider (Chairman), Hamburg

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 of

- Asklepios Kliniken Hamburg GmbH, Hamburg
- Vanguard AG, Berlin

Hans Hilpert¹ (Vice Chairman), Kirkel

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

Michael Bock, Leverkusen

Managing Director of REALKAPITAL Vermögensmanagement GmbH, Leverkusen Supervisory Board mandates:

Vice Chairman of the Supervisory Board of

 KDV Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG, Düsseldorf

Member of the Supervisory Board of

- DIC Asset AG, Frankfurt am Main
- DICP Capital SE, München

Dr. Daniel von Borries, Meerbusch (until 4 September 2014)

Member of the Management Board of ERGO Versicherungsgruppe AG, Düsseldorf Supervisory Board mandates:

Chairman of the Supervisory Board of

- ERGO Direktversicherung AG, Nürnberg (until March 2014)
- ERGO Direkt Lebensversicherung AG, Nürnberg (until March 2014)
- ERGO Direkt Krankenversicherung AG, Nürnberg (until March 2014)
- ERGO Pensionsfonds AG, Düsseldorf (until April 2014)
- Hamburg-Mannheimer Pensionskasse AG, Hamburg (until April 2014)

Member of the Supervisory Board of

- MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, München
- ERGO Beratung und Vertrieb AG, Düsseldorf (since October 2014)

Walburga Erichsmeier¹, Blomberg

Trade Union Secretary at ver.di Herford-Minden-Lippe district

¹ Employee representative on the Supervisory Board

Dr. Tom Giesler¹, Dessau-Roßlau, OT Waldersee

Director of Klinik für Kardiologie und Angiologie, MediClin GmbH & Co. KG, Coswig branch

Member of the Supervisory Committee of Ärzteversorgung Sachsen-Anhalt

Irmtraut Gürkan, Heidelberg (since 23 October 2014)

Business Director and Vice Chairwoman of Universitätsklinikum Heidelberg, Heidelberg Member of the Board of Governors of

Rheinisch-Westfälische Technische Hochschule Aachen (RWTH Aachen), Aachen Member of the Administrative Board of Universitätsspital Basel, Basel Member of the Supervisory Board of DRK-Blutspendedienst Baden-Württemberg – Hessen gemeinnützige Gesellschaft mit beschränkter Haftung, Frankfurt am Main Member of the Board of Deutsche Stiftung Organtransplantation, Frankfurt am Main

Carsten Heise, Hofheim am Taunus and Düsseldorf

Lawyer/Partner

Attorneys v. Woedtke & Partner, Düsseldorf

Supervisory Board mandates:

Member of the Creditor's Committee of

- WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main
- WCM Beteiligungs- und Verwaltungs GmbH, Frankfurt am Main
- DEIKON GmbH i.L., Köln

Rainer Laufs, Kronberg im Taunus (since 23 October 2014)

Independent Business Consultant

Supervisory Board mandates:

Chairman of the Supervisory Board of

- Petrotec AG, Düsseldorf
- WCM Beteiligungs- und Grundbesitz-Aktiengesellschaft, Frankfurt am Main

Member of the Supervisory Board of

- LANXESS AG, Köln
- LANXESS Deutschland GmbH, Köln
- Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg
- Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein im Taunus

Member of the Advisory Board of

- Bilfinger Industrial Services GmbH, München
- Bilfinger Industrial Technologies GmbH, München

¹ Employee representative on the Supervisory Board

Stephan Leonhard, Oberursel

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 (until 4 September 2014)

Member of the Management Board of ERGO Versicherungsgruppe AG, Düsseldorf Chairman of the Management Board of ERGO International AG, Düsseldorf

Klaus Müller¹, Oberthal (until 31 July 2014)

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

Thomas Müller¹, Neunkirchen

ver.di Union Representative for the Saar-Trier district

Eleonore Seigel¹, Offenburg

Medical-Technical Assistant, MediClin GmbH & Co. KG, Durbach branch

Matthias H. Werner¹, Biberach (Baden) (since 1 August 2014)

Social Pedagogue (BA)/Adventure Pedagogue, MediClin Klinik an der Lindenhöhe, Offenburg

Supervisory Board Committees

In the 2014 financial year, the committees consisted of the following members:

General and Personnel Committee

Dr. Ulrich Wandschneider (Chairman) Michael Bock Dr. Tom Giesler Hans Hilpert Stephan Leonhard (since 20 Nov. 2014) Dr. Jochen Messemer (until 4 Sept. 2014)

Nomination Committee

Thomas Müller

Dr. Ulrich Wandschneider (Chairman) Carsten Heise Stephan Leonhard

Audit Committee

Stephan Leonhard (Chairman)
Michael Bock (since 20 Nov. 2014)
Dr. Daniel von Borries (until 4 Sept. 2014)
Walburga Erichsmeier
Dr. Tom Giesler
Carsten Heise
Eleonore Seigel

Mediation Committee

pursuant to Section 27 MitbestG

Dr. Ulrich Wandschneider (Chairman) Hans Hilpert Dr. Jochen Messemer (until 4 Sept. 2014) Klaus Müller (until 31 July 2014)

Matthias H. Werner (since 1 August 2014)

¹ Employee representative on the Supervisory Board

Management Board

Volker Feldkamp, Chairman of the Management Board, Aachen

Jens Breuer, Chief Financial Officer, Hamminkeln

Management remuneration

In the reporting year, remuneration totalled EUR 1,345 thou. (previous year: EUR 973 thou.) for the Management Board and EUR 172 thou. (previous year: EUR 183 thou.) for the Supervisory Board. The disclosure of the remuneration of the Supervisory Board and Advisory Board does not include VAT. In the 2014 financial year, as in 2013, 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 in the section "Remuneration report".

Report concerning related parties pursuant to IAS 24

Related parties are defined as individuals or 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. This also includes remuneration.

OIK-Immobilienfonds

In the 2014 financial year the Management Board of MediClin AG was presented a legal opinion that had been commissioned by a shareholder and illustrated that shareholder's legal view. The paper states that the rents paid by MediClin to the OIK-Fonds for the clinics that were pooled in the real estate fund between 1999 and 2002 and rented back is considered too high. Furthermore, the legal opinion points out that claims might arise and illustrates the special situation in that the shareholders of the fund simultaneously are or were direct or indirect shareholders of MediClin AG (including, among others, ERGO Versicherungsgruppe AG (ERGO) and, until 2011, Provinzial Rheinland Lebensversicherung AG (Provinzial)).

Since the Management Board is responsible for ensuring that the Company conducts its business in compliance with the laws, it is obliged to investigate the suspicions that were expressed in the opinion commissioned by one of its shareholders and to examine any potential legal consequences resulting therefrom.

The analysis of the appropriateness of rents commissioned by MediClin is still pending. The findings regarding the appropriateness of the rents do not yet allow for a final assessment of their compliance with standard market rates now and in the past. These circumstances have no effects on the balance sheet.

Related party transactions

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

In millions of €	2014	2013
Income		
Sales from post-acute, acute and nursing care services	1.6	1.6
Real estate management income	0.4	0.4
Pension payments of MAUK	0.6	0.6
Expenses		
Lease expenses ¹	43.9	43.3
Real estate management costs	0.9	0.9
Insurance premiums	1.7	1.3
Service contracts	7.7	6.8
Remuneration for key management personnel	2.0	1.7
Payments to MAUK	0.3	0.3

In millions of €	31.12.2014	31.12.2013
Receivables		
Repayment claims from preliminary financing of		
clinic expansion and building measures	0.1	0.3
Receivables from post-acute, acute and nursing care services	0.1	0.1
Receivables from advance rent payments	0.0	3.6
Liabilities		
Service contracts	0.5	0.8
Provisions for insurance payments	0.1	0.6
Provisions for remuneration for key management personnel	0.8	0.5

¹ Leasing expenses include EUR 43.2 mill. (previous year: EUR 42.6 mill.) in rental payments to OIK-Immobilienfonds; for more details see page 151 "Report concerning related parties pursuant to IAS 24", OIK-Immobilienfonds.

Related parties (individuals)

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. They resigned from the Supervisory Board of MediClin AG with effect from 4 September 2014.

Dr. Ulrich Wandschneider, Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and Chairman of the Corporate Management of the Asklepios Group, Hamburg, and Stephan Leonhard, Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, and Vice Chairman of the Corporate Management of the Asklepios Group, Hamburg, are members of the Supervisory Board.

As sole shareholder of Asklepios Kliniken GmbH, Dr. Bernard große Broermann also belongs to the related parties.

With effect from 23 October 2014, Rainer Laufs and Irmtraut Gürkan were officially appointed to the Supervisory Board of MediClin by the court. Rainer Laufs is a member of the Supervisory Board of Asklepios Kliniken Verwaltungsgesellschaft mbH, Hamburg. Mrs. Gürkan is the Business Director and Vice Chairwoman of Universitätsklinikum Heidelberg, Heidelberg.

Since the previous year the payments made to the Management Board and the Supervisory Board have been stated here as "Remuneration for key management personnel". This was previously only stated in the remuneration report of the Group management report. The payments include the remuneration for activities in the Management Board and the Supervisory Board as well as a summary of the salary payments for the employee representatives on the Supervisory Board. The provisions for remuneration for key management personnel are due within the time frame of one year, with the exception of EUR 50 thou. (previous year: EUR 40 thou.).

Related parties (companies)

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 company pension scheme of MediClin, MediClinRent. The contribution for this totalled EUR 1,010 thou. in 2014 (previous year: EUR 657 thou.). The increase in this figure is due to subsequent charges for the years 2012 and 2013. Furthermore, several insurance agreements continue to exist with subsidiaries of ERGO Versicherungsgruppe. In addition, very marginal sales in post-acute, acute and nursing care services were generated with three health insurance companies which are also part of ERGO Versicherungsgruppe. These sales 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. Sales resulting therefrom totalled EUR 1.3 mill. in 2014 (previous year: EUR 0.5 mill.). Liabilities amounted to EUR 0.1 mill. on 31 December 2014 (31.12.2013: EUR 0.1 mill.). These sales referred primarily to laboratory management agreements and hospital-supply contracts regarding the supply of medicines by Asklepios' hospital pharmacies.

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. MediClin and IVG concluded comprehensive lease transactions and two associated contracts concerning real estate administration. In addition to lease payments, MediClin also has repayment claims vis-à-vis IVG from the advance financing of clinic expansions and other construction measures in the scope of these contracts. The corresponding expenses or income are disclosed in the consolidated profit and loss account in other operating expenses or sales; liability items still open are disclosed in the consolidated balance sheet in trade payables or trade receivables/prepaid expenses and other assets. A detailed presentation of the lease transactions is disclosed in 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 administration tasks, as well as medical services. The services purchased from these enterprises totalled EUR 5.7 mill. (previous year: EUR 5.6 mill.).

A finance lease contract with VR-LEASING ABYDOS GmbH & Co. Immobilien KG has been in place since December 2008; it was concluded in the scope of a sale-and-lease-back agreement concerning land and buildings of Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG. Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG holds a capital share of 47 % in VR-LEASING ABYDOS GmbH & Co. Immobilien KG. Finance lease expenses including incidental costs total EUR 0.6 mill. (previous year: EUR 0.6 mill.).

Within the scope of its normal business activities, MediClin AG has had business relationships with Vanguard AG, Berlin, for several years. At the Annual General Meeting of Vanguard AG on 15 December 2009, Dr. Ulrich Wandschneider was elected member of the Supervisory Board, including Vanguard AG in the group of related parties from this point in time. Sales in the reporting year amounted to EUR 0.4 mill. (previous year: EUR 0.7 mill.).

Pursuant to IAS 24.9 (b) (v), a related party is an entity that is related to the reporting entity if the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. This definition applies to Mitarbeiterunterstützungskasse der Vereinigten Klinikbetriebe (MAUK). MAUK is an incorporated pension fund providing pension benefits to entitled former employees. These benefits are financed through the contributions of MediClin to MAUK. Please find a detailed description of MAUK in the notes on item (22) "Provisions for pensions and similar commitments".

The pension benefits paid by MAUK for MediClin are recognised as revenue, while the funds provided by MediClin to MAUK for this purpose are carried under expenses.

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

The conformity declaration of MEDICLIN Aktiengesellschaft, pursuant to Section 161 German Stock Corporation Act (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 is also included in the corporate governance declaration, pursuant to Section 289a German Commercial Code (HGB), which is also accessible on the Company's website.

Auditor's fees

The total fee invoiced by the Group auditor for the financial year consists of the following amounts:

In thousands of € excluding VAT	2014	2013
Annual audit	411	375
Other attestation services	11	11
Other services	8	0
	430	386

Proposed appropriation of earnings

It is proposed that the net profit of MEDICLIN Aktiengesellschaft as of 31 December 2014 totalling EUR 21,966,765.74 be carried forward to new account.

Offenburg, 27 February 2015

Volker Feldkamp

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, 27 February 2015

Volker Feldkamp

Jens Breuer

Auditor's report

We have audited the consolidated financial statements prepared by MEDICLIN Aktiengesellschaft, Offenburg, comprising the statement of financial position (balance sheet), the statement of comprehensive income, the statement of profit and loss account, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the summarised management report and the Group management report for the financial year from 1 January 2014 to 31 December 2014. The preparation of the consolidated financial statements and the summarised management report 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 315a (1) of the German Commercial Code (HGB) is 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 summarised management report and 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 summarised management report and 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 summarised management report 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 the companies 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 summarised management report 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 and the additional requirements of German commercial law pursuant to Section 315a (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 summarised management report and 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., 27 February 2015

BDO AG Wirtschaftsprüfungsgesellschaft

(Weichert) (Baldus) Wirtschaftsprüfer Wirtschaftsprüfer

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DR. ULRICH WANDSCHNEIDERCHAIRMAN OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Dear Shareholders,

In the 2014 financial year the Supervisory Board of MEDICLIN Aktiengesellschaft (MediClin) took great care in fulfilling its duties completely and as mandated by law, the Articles of Incorporation and the Rules of Procedure.

The Supervisory Board 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 the efficiency and profitability of the organisation.

The Management Board submitted prompt, regular and comprehensive oral and written reports on the economic situation, the current development of the Company and important transactions to the Supervisory Board and informed us of all the relevant issues regarding corporate strategy, the risk situation, risk management and compliance. On the basis of the reporting by the Management Board, the Supervisory Board discussed the current business development of the Group, the segments and individual selected facilities in detail and intensively in the Supervisory Board meetings. This also included a detailed discussion on the development of the expenses and cash flow of the Group. The current status of upcoming or currently implemented investment projects was also talked through. Any deviations in business development from the budgets and goals were discussed between the Management Board and the Supervisory Board.

Following careful review and consultations, the Supervisory Board approved the Management Board's proposals for resolutions. The Supervisory Board did not exercise the option of using its inspection right according to Section 111 (2) of the German Stock Corporation Act (AktG), as the reporting of the Management Board gave no reason to do so.

Outside of the meetings, the Management Board kept us informed in writing and verbally about important events. Moreover, important topics and upcoming decisions were dealt with in regular discussions between the Chairman of the Management Board and the Chairman of the Supervisory Board. The Chairman of the Management Board regularly informed the Chairman of the Supervisory Board about significant events outside of the meetings.

Corporate Governance

Together with the Management Board, the Supervisory Board reports on corporate governance in the corporate governance report. This report is published on the MediClin website together with the corporate governance declaration. 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 56 ff of the 2014 Annual Report.

Efficiency audit

The members of the Supervisory Board examined the efficiency of their work in the 2014 financial year on the basis of a questionnaire. The current examination encompasses the work during the period from the 2013 Annual General Meeting to the 2014 Annual General Meeting. The results were presented and discussed at the meeting on 20 November 2014.

Meetings and resolutions of the Supervisory Board

Four rotational Supervisory Board meetings and one additional Supervisory Board meeting were held in the reporting year. In 2014 all the members of the Supervisory Board apart from three members participated in all Supervisory Board meetings. No member of the Supervisory Board participated in less than half of the meetings in the reporting year. In the Supervisory Board meetings, the chairpersons of the committees or their deputies provided the Supervisory Board with detailed information on the work in their respective committees.

In the 2014 financial year the Management Board of MediClin AG was presented a legal opinion that had been commissioned by a shareholder and illustrated that shareholder's legal view. The paper states that the rents paid by MediClin to the OIK-Fonds for the clinics that were pooled in the real estate fund between 1999 and 2002 and rented back are considered too high. Furthermore, the legal opinion points out that claims might arise and illustrates the special situation in that the shareholders of the fund simultaneously are or were direct or indirect shareholders of MediClin AG.

The status of the review conducted in connection with the aforementioned issues was discussed during every Supervisory Board meeting in the reporting year. The Supervisory Board was directly involved in all the decision-making regarding the course of action to be taken in this respect. It received a comprehensive report on the current status of the reviews commissioned by MediClin in every meeting and conferred about the measures to be taken to solve the issue and the legal analysis of the matter. In order to avoid suffering disadvantages in connection with the limitation periods of the aforementioned claims, the Management Board, after having discussed this with the Supervisory Board, asked the parties concerned to submit declarations waiving the assertion of claims on the grounds of the statute of limitation. Waivers up to 30 June 2015 have been submitted. Moreover, the Management Board has, also with the Supervisory Board's consent and as a matter of precaution, been making the rent payments with the proviso that they may be reclaimed at a later date.

The analysis of the appropriateness of rents commissioned by MediClin is still pending. The findings that are available to date do not yet allow for a final assessment of their compliance with standard market rates now and in the past.

At the first meeting in the 2014 financial year on 18 March 2014, the Supervisory Board discussed the annual financial statements and the consolidated financial statements for 2013, which had already been audited by the Audit Committee, in detail with the Management Board and the auditors, and subsequently approved them. In so doing, it followed the recommendation of the Audit Committee. The annual financial statements were thereby approved. The annual financial statements and the consolidated financial statements were approved for publication. Following careful review of the Management Board's proposal for the appropriation of net profit, the Supervisory Board approved the proposal, which had previously already been approved by the Audit Committee. Given the fact that the defined internal key figures for a dividend payout were only partially met and to strengthen the internal financing power, the Supervisory Board decided to propose to the Annual General Meeting on 28 May 2014 to carry the net profit of MEDICLIN Aktiengesellschaft forward to new account. The Supervisory Board further followed the Audit Committee's recommendation to propose to the Annual General Meeting that BDO AG Wirtschaftsprüfungsgesellschaft be appointed as auditor and Group auditor for the 2014 financial year; the statement of independence from the intended auditor had been received. The agenda for the Annual General Meeting on 28 May 2014 was thus released

for publication. Additionally, the 2014 conformity declaration was discussed and adopted. The Supervisory Board further passed an amendment to the Management Board's responsibility schedule. According to the new Rules of Procedure, the Chief Financial Officer instead of the Chairman of the Management Board is responsible for IT.

At the Supervisory Board meeting following the Annual General Meeting on 28 May 2014, the Supervisory Board dealt with the current business development of the Group in the first quarter of 2014 using the Management Board's reporting as a basis. The Management Board presented a comprehensive analysis of key data illustrating the Group's business performance in the first quarter of 2014. The Management Board also proposed to the Supervisory Board to review the portfolio of the medical care centres. The Supervisory Board decided after careful review that either medical care centres with unprofitable operations shall be sold entirely or individual doctor's practices within such medical care centres shall be sold considering the strategic focus and the structure of coverage providers.

In the additional meeting on 11 August 2014, the Supervisory Board was informed by the Management Board on the status of the legal review and the approach on how to analyse the appropriateness of the real estate rents. The Supervisory Board decided to conduct an efficiency audit to examine the efficiency of its work as in previous years.

In the meeting on 3 September 2014, the Management Board informed the Supervisory Board about the business development in the first half-year of 2014. The 2015 financial calendar was approved.

The new members of the Supervisory Board, Rainer Laufs and Irmtraut Gürkan, were introduced in the meeting on 20 November 2014 (without them being present). The Supervisory Board resolved on new appointments to the committees, whereby appointments to the Mediation Committee are still pending. The Supervisory Board further consulted on the business performance in the first nine months of the 2014 financial year, taking the reporting by the Management Board as a basis. The Management Board presented its planning for 2015 to 2016 as well as the associated general conditions and measures. Following careful deliberation, the Supervisory Board noted with approval the target figures presented and the accompanying explanations. The 2015 financial calendar was again discussed and approved.

The Supervisory Board continuously examines questions 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.

In order to allow for Supervisory Board deliberations that are free from a potential conflict of interest in connection with the aforementioned review of real estate rents, the Supervisory Board members Dr. Daniel von Borries and Dr. Jochen Messemer resigned from office with effect as of 4 September 2014, because they were both management board members of ERGO Versicherungsgruppe AG, which, in turn, holds direct and indirect shares in the OIK-Fonds as well as being a shareholder of MediClin. Both of them no longer participated in the Supervisory Board meetings that took place on 11 August 2014 and 3 September 2014.

Work in the committees of the Supervisory Board

In order to perform its tasks, the Supervisory Board has 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 Audit Committee convened for one meeting with personal attendance and four conference calls during the reporting year. In a conference call on 20 February 2014, the Audit Committee discussed the preliminary financial statements for 2013 and the final consolidated financial statements for 2013 with the Management Board and the auditors and approved the publication of the preliminary figures for the 2013 financial year. In the personal-attendance meeting on 18 March 2014, the Audit Committee received a detailed report from the auditors regarding their audit of the annual financial statements including the audit of the internal control system and the system for early risk identification. The Audit Committee intensively conferred with the Management Board and the auditors about the final annual financial statements for 2013 and the consolidated financial statements for 2013 and resolved to recommend approving the annual financial statements to the Supervisory Board. It examined the auditors' independence certification and resolved to recommend that the Supervisory Board again propose BDO AG Wirtschaftsprüfungsgesellschaft to the Annual General Meeting as auditor for MediClin in 2014. After its own internal discussions, the Audit Committee followed the Management Board's proposal for the allocation of unappropriated profit. In the second conference call on 30 April 2014, the Audit Committee discussed the first-quarter figures with the Management Board and approved the financial report for publication. In its conference call on 31 July 2014, it discussed the business development in the first half-year 2014 intensively with the Management Board and approved the half-year report for publication. Moreover, key points for the 2014 audit were discussed with the attending auditors and approved in this telephone conference. Audit planning for 2014 as well as the draft report

on risk inventory were discussed in detail. In the conference call on 31 October 2014, the Audit Committee discussed the business development in the first nine months of 2014 with the Management Board in detail; further, the financial report as of 30 September 2014 was approved for publication. Further topics of in-depth discussion were the risk management report on the annual risk inventory and the final report of the internal audit.

The General and Personnel Committee convened three times in the reporting year. In the meetings, the committee discussed the contracts with the members of the Management Board as well as determining profit-sharing bonus payments and variable remuneration.

Taking into account the objectives and requirements adopted by the Supervisory Board, the Nomination Committee evaluated several Supervisory Board candidates after Dr. Daniel von Borries and Dr. Jochen Messemer resigned. In the conference call held on 25 September 2014, it approved the official court appointment of Irmtraut Gürkan and Rainer Laufs as Supervisory Board members of MediClin, which is to be performed before the end of the Annual General Meeting 2015. Although Rainer Laufs exceeds the age limit as prescribed in the Supervisory Board's Rules of Procedure, his appointment serves the interests of MediClin due to his experience on the boards of listed companies (according to the Rules of Procedure for the Supervisory Board, justified exceptions from the age limit are admissible). As regards new appointments to committees, the Nomination Committee proposed Michael Bock for the Audit Committee and Stephan Leonhard for the General and Personnel Committee.

The Mediation Committee did not convene in the 2014 reporting year.

Changes in the Supervisory Board and the Management Board

The changes in the Supervisory Board were as follows: the employee representative Klaus Müller left the Board with effect on 31 July 2014 and was replaced by the substitute member Matthias H. Werner as from 1 August 2014. The shareholder representatives Dr. Daniel von Borries and Dr. Jochen Messemer resigned with effect on 4 September 2014. Rainer Laufs and Irmtraut Gürkan were appointed by the court with effect on 23 October 2014.

There were no changes to the Management Board in the year under review.

Annual financial statements and consolidated financial statements

The annual financial statements of MediClin AG and the consolidated financial statements for the 2014 financial year, including the accounting records and the summarised management report and the Group management report of the Company as prepared by the Management Board, were audited by BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg. The audit firm was elected as auditor of the annual financial statements and consolidated financial statements for the 2014 financial year at the Annual General Meeting on 28 May 2014, 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 2014 annual financial statements of MediClin AG and the 2014 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 (IFRSs), as valid in the EU, as well as the commercial law provisions that are additionally applicable pursuant to Section 315a (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 net profit, were presented to all the members of the Supervisory Board for inspection in a timely manner.

In its meeting on 18 March 2015, the Supervisory Board intensively discussed and examined the annual financial statements of MediClin AG, the consolidated financial statements and the summarised management report and Group management report issued by the Management Board, under consideration of the results of the Audit Committee. The auditors attesting to the report as signatories attended the Supervisory Board meeting and 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 AG and the consolidated statements. They did not raise any objections on the basis of the final result of their own examination. The Supervisory Board endorsed the individual and consolidated financial statements, the summarised management report and the 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 of MediClin AG for the 2014 financial year totalling EUR 21,966,765.74 to new account to strengthen the internal financing power and for investments in organic growth. Following its own review, the Supervisory Board agreed with the proposal of the Management Board.

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 18 March 2015. It did not raise any objections against 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 2014 financial year.

Hamburg, 18 March 2015

On behalf of the Supervisory Board

Dr. Ulrich Wandschneider

Chairman of the Supervisory Board

Corporate decisionmaking bodies

Management Board

Volker Feldkamp

Chairman of the Management Board

Jens Breuer

Chief Financial Officer

Supervisory Board

Dr. Ulrich Wandschneider

Chairman
Chairman of the Management Board
of Asklepios Kliniken Gesellschaft mit
beschränkter Haftung

Hans Hilpert¹

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

Michael Bock

Managing Director of REALKAPITAL Vermögensmanagement GmbH

Walburga Erichsmeier¹

Trade Union Secretary at ver.di Herford-Minden-Lippe district

Dr. Tom Giesler¹

Director of Klinik für Kardiologie und Angiologie, MediClin GmbH & Co. KG, Coswig branch

Irmtraut Gürkan

Business Director and Vice Chairwoman of Universitätsklinikum Heidelberg

Carsten Heise

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

Rainer Laufs

Independent Business Consultant

¹ Employee representative on the Supervisory Board

Supervisory Board Committees

Stephan Leonhard

Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung

Thomas Müller¹

Trade Union Secretary at ver.di Saar state district

Eleonore Seigel¹

Medical-Technical Assistant, MediClin GmbH & Co. KG, Durbach branch

Matthias H. Werner¹

Social Pedagogue (BA)/ Adventure Pedagogue, MediClin Klinik an der Lindenhöhe, Offenburg

General and Personnel Committee

Dr. Ulrich Wandschneider (Chairman) Michael Bock Dr. Tom Giesler Hans Hilpert

Stephan Leonhard Thomas Müller

Audit Committee

Stephan Leonhard (Chairman) Michael Bock Walburga Erichsmeier Dr. Tom Giesler Carsten Heise Eleonore Seigel

Nomination Committee

Dr. Ulrich Wandschneider (Chairman) Carsten Heise Stephan Leonhard

Mediation Committee pursuant to Section 27 MitbestG

Dr. Ulrich Wandschneider (Chairman) Hans Hilpert Matthias H. Werner

¹ Employee representative on the Supervisory Board

Members of Management Boards of consolidated subsidiaries of MediClin AG

Volker Feldkamp

- Kraichgau-Klinik Aktiengesellschaft
- MC Kliniken Geschäftsführungs-GmbH
- MediClin Geschäftsführungs-GmbH
- MediClin Medizinisches Versorgungszentrum GmbH
- MediClin MVZ Südbaden GmbH
- MediClin Pflege GmbH
- MVZ MediClin Bonn GmbH

Jens Breuer

- Cortex Software GmbH
- Kraichgau-Klinik Aktiengesellschaft
- MC Kliniken Geschäftsführungs-GmbH
- MC Service GmbH
- MediClin à la Carte GmbH
- MediClin Energie GmbH
- MediClin Geschäftsführungs-GmbH
- MediClin Immobilien Verwaltung GmbH

Franz Ebert

■ MediClin Energie GmbH

Sven-Uwe Gau

MediClin Pflege GmbH

Roland Grabiak

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

Uwe Hektor

■ MediClin à la Carte GmbH

Sabine Mylek

Cortex Software GmbH

Ralf Ruchlak

■ MC Service GmbH

Dirk Schmitz

- Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH
- KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH
- MC Kliniken Geschäftsführungs-GmbH
- MediClin Geschäftsführungs-GmbH
- MediClin Therapie GmbH
- MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig

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

CIRS

Critical incident reporting system.

ICS

Internal control system.

MAAS-BGW

Vocational safety requirements of the institution for statutory accident insurance and prevention for the health care and welfare sector (Berufsgenossenschaft Gesundheitsdienst und Wohlfahrtspflege, BGW)

QMS

Quality management system.

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.

Stroke unit

A medical facility specialising in the treatment of stroke patients, usually affiliated with the intensive care unit in a hospital.

Terms of accounting and finance

Deferred tax

Deferred taxes follow from the difference between the 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 IASs/IFRSs, 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

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

IAS

International Accounting Standard; these standards have been replaced successively by the International Financial Reporting Standards (IFRSs) since 2003.

IASB

International Accounting Standards Board.

IFRIC

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

IFRS

International Financial Reporting Standard.

Operating leasing

According to IASs/IFRSs, 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

The 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, a computerassisted trading system by Deutsche Börse AG.



20 February 2015

Press release for the preliminary figures for the 2014 financial year

19 March 2015

Financial statements press and analysts' conference for the 2014 financial year

30 April 2015

Press release for the 1st quarter 2015

8 May 2015

Publication of the interim report for the 1st quarter 2015

28 May 2015

Annual General Meeting

31 July 2015

Press release for the 1st half-year 2015

7 August 2015

Publication of the interim report for the 1st half-year 2015

4 November 2015

Press release for the 1st-3rd quarter 2015

6 November 2015

Publication of the interim report for the 1st-3rd quarter 2015

Addresses and imprint

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© 2015 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

Present nationwide

