MediClin integrates.

MEDICLIN

Health in view

ANNUAL REPORT 2015

MEDICLIN Aktiengesellschaft

MediClin – A company of the Asklepios Group

MediClin: key data on business development

In thousands of €	2015	2014	Change in %
Number of shares in millions	47.5	47.5	0.0
Number of cases (inpatient)	120,016	120,971	−0.8
Number of beds as of 31.12.	8,031	7,985	+0.6
Occupancy rates in %	87.3	87.3	
Number of full-time employees (annual average)	6,524	6,432	+1.4
Cash flow from operating activities	28,923	32,127	−10.0
Cash flow from operating activities per share in €	0.61	0.68	
Sales	555,348	538,035	+3.2
EBITDAR	87,853	79,694	+10.2
EBITDAR margin in %	15.8	14.8	
EBITDA	42,026	34,079	+23.3
EBITDA margin in %	7.6	6.3	
EBIT (operating result)	23,609	15,563	+51.7
EBIT margin in %	4.3	2.9	
Financial result	−3,602	−3,877	−7.1
Result attributable to shareholders of MediClin AG	16,536	8,503	+94.5
Earnings per share in €	0.35	0.18	+94.5
Dividend per share in €	–	–	
Gross capital expenditure	26,957	21,010	+28.3
Thereof subsidies	2,674	4,449	−39.9
Share of own funds in %	90.1	78.8	
Interest coverage factor (EBITDA/interest income)	11.5x	8.7x	

In thousands of €	31.12.2015	31.12.2014	Change in %
Balance sheet total	329,426	315,575	+4.4
Equity	169,139	153,947	+9.9
Equity ratio in %	51.3	48.8	
Return on equity in %[1]	9.8	5.4	
Financial liabilities (to banks)	46,546	52,912	−12.0
Cash and cash equivalents	29,532	26,347	+12.1
Net debt	17,014	26,565	−36.0
Net debt/EBITDA[2]	0.4x	0.8x	

[1] Group result in the last 12 months/equity
[2] EBITDA in the last 12 months

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

MEDICLIN

Health in view

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

FEEDBACK REGARDING THE ANNUAL REPORT

If you have feedback or want to make comments regarding our Annual Report, please send an email to: feedback.gb@mediclin.de.

We are looking forward to your input.

FURTHER INFORMATION

www.mediclin.de/en

Quarterly development of the Group in 2015

In millions of €	Q1	Q2	Q3	Q4
Sales	136.6	137.6	140.2	140.9
EBITDAR	17.5	21.0	27.0	22.4
EBITDAR margin in %	12.8	15.2	19.3	15.9
EBITDA	6.0	9.5	15.6	10.9
EBITDA margin in %	4.4	6.9	11.1	7.8
EBIT (operating result)	1.6	5.0	10.8	6.2
EBIT margin in %	1.2	3.6	7.8	4.4
Financial result	– 0.8	– 0.8	– 0.7	– 1.3
Result attributable to shareholders of MediClin AG	0.8	3.5	8.2	4.0
Earnings per share in €	0.02	0.07	0.17	0.09
Cash flow from operating activities	3.4	0.5	20.3	– 4.7
Cash flow from operating activities per share in €	0.07	0.01	0.43	0.10
Equity ratio in %	45.3	48.7	49.7	51.3
Gross capital expenditure	6.8	5.8	7.4	7.0
Net financial debt	27.7	31.8	16.5	17.0
Number of cases (inpatient)	29,448	29,949	30,566	30,053
Number of beds (end of quarter)	8,005	8,006	8,031	8,031
Occupancy rates in %	86.6	88.2	88.4	86.3
Number of full-time employees (quarterly average)	6,463	6,521	6,516	6,595

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 9,000 employees at year-end.

VOLKER FELDKAMP
CHAIRMAN OF THE MANAGEMENT BOARD

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

The 2014 financial year was a good year and 2015 proved to be even better. We see this as confirmation of our measures for securing business at our facilities. The aim of the measures is to enhance the position of our facilities at their respective locations by making them future-proof and by generating growth through good performance. But also the cost side is of significance: money must be spent prudently, meaning that higher expenses are admissible if, at the same time, the medical, therapeutic and nursing care processes are improved.

Securing the locations of our facilities is a key element of our corporate strategy, i.e. to grow by at least 3 % per year.

Guidance for the Group operating result was lifted after the first nine months of 2015

The beginning of the 2015 financial year already saw stable demand for our medical, therapeutic and nursing care services, which then even increased over the year. The newly created capacities also posted good occupancy rates. The good business performance in the first nine months prompted the Management Board to confirm the 3.0 % sales growth target for the Group when presenting the interim report as at 30 September 2015 and, based on the good performance in the post-acute segment, to lift the guidance for the Group operating result.

In the 2015 financial year MediClin generated Group sales of EUR 555.3 mill., exceeding the previous year by EUR 17.3 mill. or 3.2 %, respectively. As in the previous year, the post-acute segment accounted for the largest share in sales growth. The Group operating result improved by EUR 8.0 mill. compared to the previous year, up from EUR 15.6 mill. to EUR 23.6 mill. The increase in earnings is primarily attributable to the fact that raw materials and consumables used decreased despite the increase in sales. This was able to more than compensate for the rise in other operating expenses. The 3.1 % increase in staff costs was in line with our expectations.

With regard to segments, sales of EUR 330.9 mill. in the post-acute segment were EUR 16.5 mill. or 5.2 % higher than in the previous year. The higher sales led to a segment result of EUR 19.5 mill. and a segment EBIT margin of 5.9 %.

Sales in the acute segment of EUR 206.7 mill. were EUR 0.6 mill. below the previous year. Revenue from outpatient healthcare in acute sales decreased by EUR 0.9 mill. to EUR 16.1 mill. because, other than in the previous year, only eight medical care centres instead of ten contributed to sales in this segment. The segment result rose by EUR 0.5 mill. from EUR 11.3 mill. to EUR 11.8 mill. with a segment EBIT margin of 5.7 %.

In the nursing care business area an improvement in occupancy rates from 92.7 % to 95.8 % led to sales of EUR 14.1 mill., corresponding to an increase by EUR 1.0 mill. compared to the previous year.

What are MediClin's plans for the 2016 financial year?

MediClin will further pursue the path it has embarked on. As in the previous years, capacity expansions in indications with strong demand and regional shortages are to contribute to sales growth in 2016. In addition, MediClin is establishing Centres of Excellence at certain locations that offer special medical services or render the care for patients and MediClin locations especially efficient by implementing the integrated medical care concept.

In the post-acute segment, for instance, a realignment of MediClin's Hedon Klinik in Lingen is planned so that it can offer all phases of treatment in neurology (phases A to D), while linking acute care and rehabilitation. Neurological emergency treatment and the establishment of a supra-regional stroke unit will help to alleviate the supply deficits within the region and strengthen the market position of the facility. The same is to be achieved for MediClin's Staufenburg Klinik in Durbach, where a centre of competence is being established for diabetes & kidney as well as diabetes & adiposity in the fields of diabetes mellitus and nephrology.

In the acute segment, the Group is setting up a Centre of Excellence at MediClin Herzzentrum Coswig that will have a stand-alone position in Sachsen-Anhalt and Sachsen in its range of cardiac surgery services. The special range of integrated care services in neurosurgery will be further expanded at the MediClin Krankenhaus Plau am See.

MediClin also intends to invest in the nursing care business area. It is planning a new nursing care facility near MediClin Klinik am Brunnenberg that is already combined with a retirement home. The planned expansion of bed capacity combined with innovative care management is to secure business at this location.

The Group plans capital expenditure of about EUR 27 mill. in the 2016 financial year, which will be financed primarily from the cash flow.

Outlook

The Management Board assumes that Group sales will be about 3.0 % above the previous year in 2016.

With regard to expenses, the Management Board will adhere to its strict cost management in 2016 as in the previous year and utilise process improvements to reduce costs. This also includes setting up cogeneration units to have better control over energy costs and using opportunities to cooperate with the Asklepios Group in the field of procurement. The Management Board expects that raw materials and consumables used will again show a disproportionately low increase in comparison to Group sales. With regard to staff costs, the Management Board anticipates a rise by at least 3.0 %; here, MediClin is facing challenges regarding the quality requirements of coverage providers and patients as well as the difficult market for specialised staff.

We thus anticipate that the Group operating result will range between EUR 24 mill. and EUR 26 mill. in the 2016 financial year. Regarding performance in the different segments, the Management Board assumes that the post-acute segment will generate sales growth between 5.0 % and 6.0 %, whereas the acute segment is expected to post 4.0 % to 5.0 % growth. Both segments are projected to generate an EBIT margin between 5.5 % and 6.0 %.

The first two months of the 2016 financial year indicate that the positive trend of MediClin’s business performance will continue.

Motivated staff contributes to our success

Everything we achieved in 2015, we achieved thanks to our motivated and highly committed staff. Our employees exercised a high degree of competence and responsibility in performing their work and also addressed new tasks with motivation so that they were able to complete them successfully. Therefore, my colleague Jens Breuer and I would like to thank all our employees for the work done.

Dear Shareholders, MediClin will continue to grow. The demand for medical, therapeutic and nursing care services is on the rise. The skill is to adjust the range of services in such a way that it continues to meet changing demand. We have succeeded in doing so in the past and will continue to succeed in the future. The MediClin integrated medical care model with cross-sector and patient-oriented care and high medical standards is, in our view, the most promising concept for the future. The Management Board believes that this is the only way to sustainably master the needs of an ageing society and the rising cost of the healthcare system in the long run. Therefore, we will continue to adjust the MediClin range of services to meet demand and will further optimise structures and processes. This is a continuous process with constant adjustments to address the requirements of the demographic development and long-term trends in the healthcare sector. MediClin is ready to face these processes of change and will thus be successful in securing its future business.

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

JENS BREUER
CHIEF FINANCIAL OFFICER

The MediClin share

The MediClin share

The experts at banks, investment and insurance companies had forecast for 2015 that the upwards trend shown by share prices would persist as cheap money from central banks continues to flow freely. Taking account of the political and economic prospects, they assumed that the German stock exchange index DAX would fluctuate between 9,200 and 11,000 points and close just under 10,800 points at year-end 2015 – corresponding to a total increase of about 10 %. This time the expert forecast was very close to the actual value at year-end: the DAX closed on 30 December 2015 at 10,743 points. The fluctuations of the index were not quite within the forecast corridor; in April 2015 the index reached a record high of 12,390 points and dropped to 9,325 points in September.

The announcement by the European Central Bank that it would ease the monetary policy drove the bull market on the German stock exchange in the first few months of 2015. In summer the crash of the Chinese exchanges and the resulting concerns regarding the global economic performance unsettled capital markets around the world. In mid-September the DAX started to recover, but there was no rally at the end of 2015. The DAX rise ended rather suddenly at the beginning of December. On the one hand, the ECB had not quite met the expectations regarding the further easing of its monetary policy and, one the other, the VW scandal, the crises in the Middle East and – for the first time – the non-ending refugee inflow negatively impacted the sentiment on the German stock exchange. Since the negative factors showed no indications of change in January 2016, the prices on the German stock exchange dropped significantly. Until the middle of the month, the DAX had lost about 1,200 points compared to the closing quotation 2015.

The experts at banks, investment and insurance companies are now expecting rising stock exchange prices during the year. Most of them assume that the DAX will close at just under 12,000 points or even slightly higher at year-end 2016, but that the volatility will be high over the course of the year. Economic revival programmes and low raw material prices are promoting economic growth in the eurozone and Germany. The good labour market, stable private spending and the weak euro are supporting the earnings prospects of German companies.

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 2015 at a price of EUR 4.15, above the share price at the beginning of the year (EUR 3.44). The yearly low in January 2015 was EUR 3.41; the yearly high was EUR 4.43 in November 2015.

DZ Bank AG, Frankfurt, continually follows and evaluates the business development of MediClin. Its recommendation, provided in the context of commentary on the 2015 nine-month figures published in November 2015, was "buy (previously buy)". The current fair value given by DZ Bank AG for the share is EUR 5.50 (previously EUR 5.00).

Shareholder structure

The major shareholders of MediClin AG are the Asklepios 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	**2015**	2014
Result undiluted/diluted	0.35	0.18
Cash flow from operating activities	0.61	0.68
Book value[1] as of 31.12.	3.57	3.24
Year-end price	4.150	3.540
Annual high (23.11.2015)	4.430	–
Annual low (27.01.2015)	3.405	–
Market capitalisation (year-end price) in millions of €	197.1	168.2
Number of shares in millions	47.5	47.5

[1] Equity less non-controlling interests

Sources: Deutsche Börse AG; Xetra

Summarised management report and Group management report of MEDICLIN Aktiengesellschaft

for the 2015 financial year

Contents

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 49 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 healthcare 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 12 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
  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 2015 MediClin included 34 clinics, seven nursing care facilities and eight medical care centres nationwide. As in the previous year, eight of the 34 clinics are dedicated acute-care hospitals and 26 of the medical facilities are post-acute (rehabilitation) clinics. Eleven post-acute clinics (previous year: nine) provide specific acute services in addition to medical rehabilitation measures.

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 the latter's infrastructure.

Services offered by the medical care centres mainly pertain to the outpatient acute market.

MediClin has a total capacity of 7,601 beds and 430 nursing places as of the balance sheet date.

In the 2015 financial year the number of employees was approximately 9,000; calculated on the basis of full-time staff, this corresponds to an average number of 6,524 full-time employees in the 2015 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. 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 about 7,600 on average, plus an average of nearly 440 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.	2015	2014	2013	2012	2011
Post-acute	6,032	6,033	6,123	6,181	6,203
Acute	1,569	1,522	1,482	1,461	1,436
Nursing care (places)	430	430	441	441	443
Group	**8,031**	**7,985**	**8,046**	**8,083**	**8,082**

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 2015, 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 37.0 % (previous year: 36.3 %) of the entire available bed capacity (without the nursing care sector).

Number of beds/places

As of 31.12.	2015	2014
Post-acute		
Neurology and psychosomatics	2,337	2,284
Orthopaedics	1,790	1,829
Internal medicine	1,460	1,475
Thereof cardiology	396	410
Thereof oncology	357	357
Other	445	445
Total	**6,032**	**6,033**
Acute		
Psychiatry	478	458
Surgery	231	231
Orthopaedics	200	200
Internal medicine	177	177
Other	483	456
Total	**1,569**	**1,522**
Nursing care	430	430
Group	**8,031**	**7,985**

Development of staff figures

MediClin has continuously increased its headcount in the past five years. During this time the number of full-time employees increased by 304 in medical services and by 105 in non-medical services. MediClin thus ensures high-quality treatment by well-trained staff and has more than the personnel capacities that are required by the coverage providers based on indication and number of beds.

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	2015	2014	2013	2012	2011
Post-acute	3,398	3,303	3,258	3,189	3,251
Acute	1,964	1,994	2,005	2,005	1,979
Other activities	1,162	1,135	1,109	1,062	869
Thereof nursing care	183	175	176	169	158
Thereof service (including administration)	979	960	933	893	711
Group	**6,524**	**6,432**	**6,372**	**6,256**	**6,099**

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	2015	2014	2013	2012	2011
Medical	814	822	800	786	749
Nursing care	2,018	1,984	1,977	1,941	1,892
Medical-technical	1,476	1,453	1,464	1,436	1,398
Functional	407	395	384	380	372
Medical services	**4,715**	**4,654**	**4,625**	**4,543**	**4,411**
Support functions	995	982	969	938	927
Technical	128	126	124	121	122
Administration	545	538	529	525	509
Other	48	50	46	50	53
Non-medical services	**1,716**	**1,696**	**1,668**	**1,634**	**1,611**

External factors that could influence the business performance

(New) legal regulations can have a major impact on MediClin's business performance. Legal regulations in the healthcare sector mainly affect expenditure and thus the compensation for medical and healthcare 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, as is the adjustment of any deficiencies in proceeds if the budget is not met. Usually, however, the health insurance funds will only reimburse additional services and no deficiencies in proceeds until the new capacities are ready or the additionally agreed budgets are met.

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 secures the future of the facilities and generates organic growth. This is supported by an investment policy that creates additional capacities at locations with high growth 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 that are recorded on a weekly basis as well as the monthly DRG reports. 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.

Quality assurance

Quality management at the MediClin facilities is based on the requirements set forth in DIN EN ISO 9001. MediClin additionally follows the quality criteria 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. These audits are conducted by an auditor from another MediClin facility together with the clinic's quality manager. About 10 to 15 of 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 healthcare 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. Offers range from subject-specific topics to seminars imparting core personal qualifications.

Energy and environment

Efficient and sustainable energy consumption is an integral part of MediClin's corporate strategy. In order to economically operate hospitals it is important to have control over energy costs and to consume resources in an environmentally friendly way.

Therefore MediClin has defined the following strategic targets for its energy policy:

- sustainable reduction in specific energy consumption under economic aspects;
- increase in the in-house production of electricity; and
- reduction in CO_2 emissions by improving energy efficiency.

In order to reach these targets, MediClin consistently and continuously strives to

- make energy flows and the dependencies of the material processes, equipment and accompanying procedures on such energy flows transparent,
- consider energy-related aspects when planning and procuring equipment and devices,
- implement energy supply management that is customised to meet the needs of the respective facility,
- optimise technical equipment through constant improvement processes,
- raise the awareness of employees regarding the efficient use of energy, and
- inform patients of MediClin's energy-efficient consumption of resources.

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 2015, meaning that 26 cogeneration units at 22 locations are now generating about 40 % of MediClin's entire power consumption, corresponding to some 16 million kilowatt hours. The highly efficient combined generation of heat and power also reduces CO_2 emissions. MediClin has managed in the last six years to reduce CO_2 emissions by 5,000 tons per year.

At present MediClin is introducing an energy management system in accordance with DIN EN ISO 50001. This energy management is aimed at establishing systems and processes that will further improve the energy-related performance by exploiting previously unused energy efficiency potential, reducing energy costs and lowering the emission of greenhouse gases and other environmental damage due to energy consumption. Certification is scheduled for 2016.

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

In the 2015 financial year MediClin generated Group sales of EUR 555.3 mill., exceeding the previous year by EUR 17.3 mill. or 3.2 %, respectively. The sales increase was generated nearly entirely by the post-acute segment, while the nursing care business area contributed EUR 1.0 mill. Sales in the acute segment declined slightly. The Group operating result showed a significant improvement of EUR 8.0 mill. from EUR 15.6 mill. to 23.6 mill. This is due to the sales increase by 3.2 % and the fact that expenses climbed by merely 1.7 %.

Positive earnings performance in the segments

Sales and the segment result in the post-acute segment were better than anticipated. Segment sales increased by EUR 16.5 mill. to EUR 330.9 mill., while the segment result rose by EUR 4.0 mill. to EUR 19.5 mill., corresponding to an EBIT margin of 5.9 % for the segment. Clinics that, in addition to their rehabilitation services, offer medical services in acute neurology and acute psychosomatics in the scope of their integrated care concept contributed considerably to this performance. Given the strong demand, the newly created capacities in these indications and in geriatrics were occupied faster than expected.

In the acute segment sales declined on the previous year by EUR 0.6 mill. to EUR 206.7 mill. Sales from outpatient healthcare decreased by EUR 0.9 mill. to EUR 16.1 mill. because, other than in the previous year, only eight medical care centres instead of ten contributed to sales. The medical care centre generated sales in the amount of EUR 8.9 mill. (previous year: ten medical care centres; EUR 10.3 mill.). In the acute segment the segment result rose by EUR 0.5 mill. from EUR 11.3 mill. to EUR 11.8 mill. with a segment EBIT margin of 5.7 %.

When presenting the figures as at 30 September 2015, the Management Board had lifted its guidance for the Group operating result, pointing out that it expects a sales decline in the acute segment, but assumes that the earnings target for the segment will be achieved thanks to process and cost optimisation measures.

Sound financial structure and stable results of operation

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 29.5 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 51.3 % and net financial debt amounts to EUR 17.0 mill. The 2015 debt ratio was 0.4x (previous year: 0.8x), which is still clearly below the maximum target level of 3.5x. The decline on the previous year is due to the agreed repayment for the syndicated loan.

Based on the general positive economic conditions, the Management Board assumes that demand for MediClin's offering of medical treatment, therapy and nursing care will remain at least at the level of 2015 in the 2016 financial year. 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 healthcare market is a growth market

The healthcare 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 healthcare sector. In 2013 the share of healthcare expenditures in the gross domestic product (GDP) was 11.2 % (2012: 11.0 %), while healthcare expenditures per capita amounted to EUR 3,910 in 2013 (2012: EUR 3,770).

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

In billions of €	2013	2012
Public health insurance funds	181.5	172.4
Private health insurance funds	28.9	28.0
Social nursing care insurance	24.4	23.0
Statutory accident insurance/statutory pension insurance	9.2	9.2
Private households/organisations/employers	56.3	55.9
Public budgets	14.6	14.3
Total	**314.9**	**302.8**

Source: Federal Statistical Office

According to first calculations made by the Federal Statistical Office, GDP growth amounted to 1.7 % on a price-adjusted basis (previous year: +1.6 %). The labour market remained highly stable in 2015 with an unemployment ratio[1] of 6.4 % (previous year: 6.7 %). The number of people in employment rose by 0.8 % or 324,000 persons to more than 43 million people in employment in 2015. Events of the day, such as the wars in Ukraine and in Syria and the high number of refugees coming into Germany have so far had no destabilising effect on the general economy or the sector.

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 18.2 % (as per 2014). In the rehabilitation sector, MediClin is one of the larger providers.

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

Compared to previous years, the market did not see any material changes in 2015.

Selected sector figures for all of Germany

	2014	2013	2012
Preventive care and rehabilitation facilities			
Facilities	1,158	1,187	1,212
Beds	165,657	166,889	168,968
Cases	1,972,853	1,953,636	1,964,711
Length of stay in days	25.3	25.3	25.5
Occupancy rates in %	82.4	81.2	81.0
Hospitals			
Facilities	1,980	1,996	2,017
Beds	500,680	500,671	501,475
Cases	19,148,626	18,787,168	18,620,442
Length of stay in days	7.4	7.5	7.6
Occupancy rates in %	77.4	77.3	77.4

Source: Federal Statistical Office

MediClin share in 2014

	Facilities	Beds	Cases
Preventive care and rehabilitation facilities			
Total	1,158	165,657	1,972,853
MediClin share in %	2.2	3.6	3.9
Owned by private operators	628	109,198	1,277,358
MediClin share in %	4.1	5.5	6.1
Hospitals			
Total	1,980	500,680	19,148,626
MediClin share in %	0.4	0.3	0.2
Owned by private operators	695	91,008	3,217,798
MediClin share in %	1.2	1.7	1.3

Source: Federal Statistical Office and our own calculations

Development of occupancy rates

In %	2014	2013	2012
Preventive care and rehabilitation facilities			
Total	82.4	81.2	81.0
Owned by private operators	79.6	77.9	78.0
MediClin	88.4	84.7	86.4
Hospitals			
Total	77.4	77.3	77.4
Owned by private operators	75.6	75.6	76.1
MediClin	81.4	80.9	82.5

Source: Federal Statistical Office and our own calculations

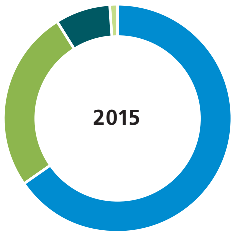
Business development

Development of the coverage provider structure

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.

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

	2015	2014
Public health insurance funds	**65.8**	66.0
Social security pension funds	**26.2**	26.0
Private health insurance companies	**7.7**	7.6
Other coverage providers	**0.3**	0.4



Results of operation, financial position and net assets

Results of operation

Sales development and performance of the Group operating result
Group sales of EUR 555.3 mill. in the 2015 financial year were EUR 17.3 mill. or 3.2 % higher than in the previous year. As in the previous year, the post-acute segment accounted for the largest share in sales growth. Sales include price effects; in the post-acute segment due to higher hospital rates based on the changed and expanded range of services, and in the acute segment due to the annual adjustment of the base rates at state level.

Group sales and Group operating result

In millions of €	2015		2014	
	Group sales	Group EBIT	Group sales	Group EBIT
1st quarter	136.6	1.6	132.4	– 1.0
2nd quarter	137.6	5.0	134.3	4.1
3rd quarter	140.2	10.8	136.1	9.1
4th quarter	140.9	6.2	135.2	3.4
Year total	**555.3**	**23.6**	**538.0**	**15.6**

Sales from outpatient healthcare services amounted to EUR 16.1 mill. (previous year: EUR 17.0 mill.); of this amount, EUR 8.9 mill. (previous year: EUR 10.3 mill.) was generated by the medical care centres.

Higher Group sales, and expenses that only increased by EUR 9.1 mill. over the previous year, raised the **Group operating result** (Group EBIT) by EUR 8.0 mill. from EUR 15.6 mill. to EUR 23.6 mill.

Expenses

Raw materials and consumables used declined by EUR 3.9 mill. or 3.6 % compared to the same period of the previous year, now amounting to EUR 103.1 mill. (previous year: EUR 106.9 mill.). The cost of raw materials and supplies declined by EUR 2.3 mill., while the cost of purchased services dropped by EUR 1.6 mill. Expenses for medicines, laboratory supplies and medical supplies, which are included in the raw materials and supplies item, dropped by EUR 1.7 mill. In the cost of purchased services item, primarily the energy and fuel costs showed a decline (EUR – 0.6 mill.) as did, due to the re-insourcing of laundry services and maintenance cleaning, the corresponding expenses for these services (EUR – 1.6 mill.). Expenses for laboratory tests and external medical services rose by EUR 1.0 mill.

As is typical of the sector, **staff costs** are the largest expense item for the Group. Compared to the same period of the previous year, they increased by EUR 9.7 mill. or 3.1 % to EUR 319.8 mill. (previous year: EUR 310.1 mill.). The main reasons for the increase in staff costs are wage increases, a higher number of employees (+ 92 full-time employees), which is, among other reasons, also owed to the re-insourcing of laundry services and maintenance cleaning. 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.

Depreciation and amortisation totalled EUR 18.4 mill. (previous year: EUR 18.5 mill.), with EUR 1.2 mill. (previous year: EUR 1.2 mill.) attributable to intangible assets and EUR 17.2 mill. (previous year: EUR 17.3 mill.) to property, plant and equipment. The depreciation and amortisation ratio is 3.3 % (previous year: 3.4 %).

Compared to the previous year's period, **other operating expenses** climbed EUR 3.3 mill. to a total of EUR 97.2 mill. (previous year: EUR 93.9 mill.). The largest item in other operating expenses is, with EUR 50.7 mill. (previous year: EUR 50.7 mill.), rental and leasing expenses for real estate, medical equipment, vehicles and office equipment. Of this amount, a total of EUR 43.3 mill. (previous year: EUR 43.2 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. The main items to increase in 2015 were legal and consultancy costs by EUR 1.1 mill., other administrative expenses by EUR 0.7 mill., maintenance and repairs by EUR 0.6 mill., bad debt expenses by EUR 0.4 mill. and contributions, duties, charges and insurance premiums by EUR 0.3 mill.

	2015	2014	Change in %
Raw materials and consumables used in millions of €	103.1	106.9	−3.6
Cost of materials ratio in %	18.6	19.9	
Staff costs in millions of €	319.8	310.1	+3.1
Staff costs ratio in %	57.6	57.6	
Depreciation and amortisation in millions of €	18.4	18.5	−0.5
Other operating expenses in millions of €	97.2	93.9	+3.6

The **financial result** amounted to EUR −3.6 mill. (previous year: EUR −3.9 mill.). Interest and similar expenses decreased by EUR 0.2 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 2015 financial year, the **result after tax attributable to shareholders of MediClin AG** was EUR 16.5 mill. (previous year: EUR 8.5 mill.). Undiluted and diluted earnings per average share outstanding as well as per participating share were EUR 0.35 (previous year: EUR 0.18).

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: 47.9 %) of segment sales were attributable to the statutory social security pension funds in 2015 and 43.4 % (previous year: 43.4 %) 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: 92.7 %).

The share of the post-acute segment in Group sales was 59.6 % (previous year: 58.4 %), the share of the acute segment was 37.2 % (previous year: 38.5 %) and the nursing care business area contributed 2.5 % (previous year: 2.4 %).

Sales

In millions of €	2015	2014	Change in %
Post-acute	330.9	314.4	+ 5.2
Acute	206.7	207.3	− 0.3
Other activities and reconciliation	17.7	16.3	+ 9.4
Thereof nursing care business area	14.1	13.1	+ 7.8
Group	**555.3**	**538.0**	**+ 3.2**

With a sales increase of EUR 16.5 mill., the post-acute segment contributed the largest share to Group sales growth of EUR 17.3 mill. Especially the post-acute facilities that additionally offer acute medical services in the scope of their integrated care concept have continuously good occupancy rates. This means that the capacity expansions in the neurology and psychosomatics indications and in acute psychiatry contributed significantly to the sales growth. All in all, the number of beds was increased by 146 beds in the last two years, 73 thereof were added in the course of 2014 and another 73 in 2015.

Sales in the acute segment of EUR 206.7 mill. were EUR 0.6 mill. below the previous year's value. This includes sales generated by the medical care centres, which amounted to EUR 8.9 mill. in the reporting period (previous year: EUR 10.3 mill.). Without the sales decline posted by the medical care centres, segment sales would have increased by EUR 0.7 mill.

The other activities and reconciliation segment recorded revenues of EUR 17.7 mill. (previous year: EUR 16.3 mill.) in 2015. The nursing care business area generated sales of EUR 14.1 mill. (previous year: EUR 13.1 mill.).

In the post-acute segment, the higher staff costs were more than compensated for by the clear increase in sales and lower material costs than in the previous year. In the acute segment lower material and staff costs meant that earnings increased despite the slight decline in sales.

Segment results

In millions of €	2015	2014
Post-acute	19.5	15.5
Acute	11.8	11.3
Other activities and reconciliation	–7.7	–11.2
Group	**23.6**	**15.6**

Expense items

In the post-acute segment, raw materials and consumables used showed a EUR 1.1 mill. or 1.5 % decline on the previous year; savings pertain primarily to energy and fuel costs (EUR –0.4 mill.), expenses for laundry and maintenance cleaning (EUR –0.8 mill.), catering (EUR –0.7 mill.) and expenses for patient transport (EUR –0.4 mill.). External medical services, in turn, showed the largest increase by EUR 1.0 mill.

Raw materials and consumables used in the acute segment were EUR 2.3 mill. below the previous year's value. In addition to savings in the fields of energy and fuel costs as well as water and sewage (EUR –0.3 mill.) and laundry and maintenance cleaning (EUR –0.4 mill.), expenses for medicines, laboratory supplies and medical supplies (EUR –1.6 mill.) also declined.

Raw materials and consumables used

	2015	2014	Change in %
Post-acute			
Raw materials and consumables used in millions of €	68.4	69.4	–1.5
Cost of materials ratio in %	20.7	22.1	
Acute			
Raw materials and consumables used in millions of €	53.4	55.7	–4.1
Cost of materials ratio in %	25.8	26.9	

Staff costs in the post-acute segment rose by EUR 9.8 mill., while the number of full-time employees increased by 95. In the acute segment, staff costs dropped by EUR 1.5 mill. The number of employees dropped by 30 full-time employees.

Staff costs

	2015	2014	Change in %
Post-acute			
Staff costs in millions of €	164.2	154.4	+ 6.4
Staff costs ratio in %	49.6	49.1	
Acute			
Staff costs in millions of €	109.1	110.6	– 1.4
Staff costs ratio in %	52.8	53.4	

Capital expenditure

In 2015 a total of EUR 27.0 mill. (gross amount) was invested in non-current assets. Capital expenditure was distributed among the segments as follows:

In millions of €	2015	2014
Post-acute	18.7	10.1
Acute	6.8	9.6
Other activities and reconciliation	1.5	1.3
Group	**27.0**	**21.0**

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 35.0 mill. (previous year: EUR 40.0 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 by the Group's house bank of EUR 15.0 mill. for MediClin AG.

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 31.12.2015**	Nominal value 31.12.2014
Remaining term up to 1 year	43.4	43.3
Remaining term 1–5 years	173.8	173.3
Remaining term more than 5 years	304.1	346.6
	521.3	**563.2**

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

In millions of €	**Nominal value 31.12.2015**	Nominal value 31.12.2014
Remaining term up to 1 year	0.6	0.6
Remaining term 1–5 years	2.2	2.2
Remaining term more than 5 years	7.9	8.5
	10.7	**11.3**

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

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 2015 investments were made in non-current asset items totalling a gross amount of EUR 27.0 mill. (previous year: EUR 21.0 mill.).

Gross additions to non-current assets

In thousands of €	2015	2014
Licences, concessions	1,188	1,072
Goodwill	0	69
Land, buildings	2,793	2,944
Technical equipment, EDP	1,654	2,135
Operating and office equipment	12,425	13,390
Payments on account and assets under construction	8,866	1,399
Financial assets	31	0
Total	**26,957**	**21,009**

Gross additions to property, plant and equipment totalled EUR 25.7 mill. in the 2015 financial year (previous year: EUR 19.9 mill.). Some EUR 12.1 mill. was used for the reconstruction and expansion of clinics. EUR 6.9 mill. thereof is attributable to expansions in the field of neurology and geriatrics, while EUR 0.7 mill. was used to build an emergency unit and EUR 0.3 mill. to set up an outpatient rehabilitation centre. As in the previous year, EUR 1.3 mill. was invested in cogeneration units. Capital expenditure for IT infrastructure amounted to EUR 3.2 mill., EUR 4.4 mill. was invested in medical equipment including accessories, and EUR 3.4 mill. was spent on furnishing patient and treatment rooms and offices.

The investment ratio was 13.0 % (previous year: 9.9 %). EUR 16.7 mill. (previous year: EUR 16.1 mill.) was spent on maintenance and repairs.

Liquidity

Consolidated cash flow statement (abridged)

In millions of €	January–December 2015	January–December 2014
Cash flow from operating activities	28.9	32.1
Payments received from the disposal of fixed assets	0.5	2.3
Payments received from investment subsidies	6.4	5.2
Cash used for investments in fixed assets	–25.9	–20.0
Cash flow from investing activities	–19.0	–12.5
Repayment of financial liabilities	–6.7	–6.5
Cash flow from financing activities	–6.7	–6.5
Cash flow for the period	3.2	13.1
Cash and cash equivalents at the beginning of the period	26.3	13.2
Cash and cash equivalents at the end of the period	29.5	26.3

The **cash flow from operating activities** fell by EUR 3.2 mill., from EUR 32.1 mill. to EUR 28.9 mill. This includes interest paid in the amount of EUR 1.2 mill. (previous year: EUR 1.5 mill.). Tax payments amounted to EUR 0.6 mill. net of tax refunds (previous year: EUR 1.8 mill.). The change in non-current provisions totalling EUR 2.1 mill. (previous year: EUR 9.0 mill.) results primarily from the allocation of 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 2013 for January 2014. Moreover, trade receivables increased by EUR 5.4 mill.

The **cash flow from investing activities** totalled EUR –19.0 mill. (previous year: EUR –12.5 mill.). A gross amount of EUR 1.1 mill. (previous year: EUR 1.1 mill.) was spent on intangible assets. Gross investments in property, plant and equipment totalled EUR 24.8 mill. (previous year: EUR 18.9 mill.). The gross investments were offset against the investment subsidies received, which totalled EUR 6.4 mill. (previous year: EUR 5.2 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 –6.7 mill. (previous year: EUR –6.5 mill.). It also includes the repayment of existing loan liabilities in the amount of EUR 6.7 mill. (previous year: EUR 6.5 mill.).

Cash and cash equivalents at the end of the period thus increased by EUR 3.2 mill. to EUR 29.5 mill. (previous year: EUR 26.3 mill.).

Net assets

Balance sheet structure

In millions of €	31.12.2015	In % of balance sheet total	31.12.2014	In % of balance sheet total
Assets				
Non-current assets	217.4	66.0	212.8	67.4
Current assets	112.0	34.0	102.8	32.6
	329.4	**100.0**	**315.6**	**100.0**
Equity and liabilities				
Equity	169.1	51.3	153.9	48.8
Non-current liabilities	103.8	31.5	108.3	34.3
Current liabilities	56.5	17.2	53.4	16.9
	329.4	**100.0**	**315.6**	**100.0**

The **balance sheet total** increased by EUR 13.8 mill. On the assets side of the balance sheet, property, plant and equipment increased by EUR 5.6 mill., while trade receivables rose by EUR 5.4 mill. and cash and cash equivalents by EUR 3.2 mill. On the liabilities side of the balance sheet, the Group's net profit raised equity by EUR 15.2 mill. Non-current liabilities dropped by EUR 4.4 mill., due especially to the repayment of loans to banks in the amount of EUR 6.3 mill. The EUR 3.1 mill. increase in current liabilities is attributable nearly entirely to the rise in current income tax liabilities.

In the year under review, the formal presentation of the balance sheet was changed compared to the previous years and the previous year's figures were adjusted accordingly. For further explanations, also regarding the individual balance sheet items, please refer to the corresponding items in the notes to the annual financial statements.

Employees

The average number of employees in 2015, calculated on the basis of full-time employees, was 6,524 (previous year: 6,432 full-time employees). The number of full-time employees has increased by 92 or 1.4 % compared to the previous year. The average number of trainees was 252 in 2015 (previous year: 222 trainees).

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

Shown in full-time employees	2015	2014	Change
Post-acute	3,398	3,303	+ 95
Acute	1,964	1,994	– 30
Other activities	1,162	1,135	+ 27
Thereof nursing care business area	183	175	+ 8
Thereof service business area (including administration)	979	960	+ 19
Group	**6,524**	**6,432**	**+ 92**

Sales per full-time employee rose by EUR 1,469 or 1.8 % year-on-year in the reporting year, while the average staff costs per full-time employee increased by EUR 802 or 1.7 %.

Key data per full-time employee in the Group

In €	2015	2014
Sales per full-time employee	85,124	83,655
Staff costs per full-time employee	49,017	48,215

Subsequent events

The Chairman of the Management Board of MEDICLIN Aktiengesellschaft, Volker Feldkamp, will leave the Company effective as of 31 March 2016 in mutual agreement with the Supervisory Board. The Supervisory Board resolved at its meeting on 26 February 2016 with regard to a new appointment to the Management Board to expand the number of its members from two to three. On 1 April 2016 Volker Hippler (46) will succeed Mr Feldkamp and on 1 July 2016 Ulf Ludwig (45) will join the Management Board of MediClin AG. Both these gentlemen have many years of experience in the healthcare sector.

Since 1 January 2016 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

Actual results and target figures for control parameters

Sales and the segment result in the post-acute segment were better than anticipated. Clinics that, in addition to their rehabilitation services, offer medical services in acute neurology and acute psychosomatics in the scope of their integrated care concept contributed considerably to this performance. Occupancy in the newly created capacities in these indications grew faster than expected. In the acute segment sales declined on the previous year. This segment encompasses outpatient healthcare services. Sales from outpatient healthcare decreased because, other than in the previous year, only eight medical care centres contributed to sales. Despite the sales decline, the earnings target for the segment was achieved thanks to process and cost optimisation measures. This means that the Group operating result was better than previously forecast. When presenting the figures as at 30 September 2015, the Management Board had lifted its guidance for the Group operating result and also commented on the other control parameters.

	Actual results 2014	Forecast 2015	Updated as at 30.09.2015	Actual results 2015	Forecast 2016
Sales growth					
Group in %	+4.5	+3.0	confirmed	+3.2	+3.0
Post-acute segment in %	+6.4	+4.0 to +4.5	better	+5.2	+5.0 to +6.0
Acute segment in %	+2.2	+2.0 to +2.5	worse	−0.3	+4.0 to +5.0
EBIT					
Group in millions of €	15.6	15 to 17	19 to 21	23.6	24 to 26
EBIT-margin					
Post-acute segment in %	4.9	4.5 to 5.0	better	5.9	5.5 to 6.0
Acute segment in %	5.4	4.5 to 5.0	confirmed	5.7	5.5 to 6.0

Sound economic growth anticipated in 2016

In its annual report for 2016 the German government forecasts that the German economy will continue to post stable growth despite the wars and crises in 2015 and the resulting difficult overall environment. As in the previous years, growth will be driven in particular by private consumption. In addition to public investment, a further improvement in the number of people in employment and likewise rising wages and salaries are expected to lead to a stable economic situation in Germany. According to the report, the German gross domestic product (GDP) is to rise by 1.7 % on a price-adjusted basis in 2016.

On 27 November 2015, the German Federal Parliament (Bundestag) adopted the federal budget for 2016, which provides for expenditure in the amount of EUR 316.9 bill. and no new borrowing. This also includes extra expenditure in connection with receiving, accommodating and supporting refugees.

The positive economic trend and the stable labour market give rise to the expectation that demand for medical services will not change in 2016 compared to the previous year.

New laws and regulations in the healthcare sector

A number of laws that will be first applied in 2016 were adopted at the end of 2015 and the beginning of 2016. At the moment it is not foreseeable whether and in what way these new regulations will affect MediClin's business performance.

In January 2016 the German Federal Cabinet (Bundeskabinett) adopted the draft for an act reforming the nursing care professions. The German Federal Council (Bundesrat) has yet to grant its approval to the act. The new nursing care training is supposed to prepare the trainees for work in all the fields of the nursing care sector. The financial burden of the new training scheme is to be divided fairly between participating and non-participating medical facilities in order to prevent facilities that provide training from suffering competitive disadvantages. The new nursing care training is scheduled to commence as from 2018.

The "Act for safe digital communication and applications in the healthcare sector (E-Health Act)" adopted by the Federal Parliament (Bundestag) at the end of December 2015 prescribes how a digital infrastructure with the highest safety standards and useful applications in connection with the electronic health insurance card are to be implemented. The new digital infrastructure is supposed to be available to doctors' practices and hospitals by mid-2018. The German government assumes that a safe digital infrastructure will improve healthcare services for all the parties involved.

In November 2015 the German Federal Parliament (Bundestag) approved the draft for an act reforming the structure of hospital care (Krankenhausstrukturgesetz). It encompasses the key points that were determined by the federal and state working group for the hospital reform 2015. The working group had been appointed by the Federal Ministry of Health (Bundesgesundheitsministerium – BMG). According to the act, the quality of treatment will play a more prominent role in the remuneration system. The act also prescribes that better nursing care must be provided to patients in the scope of the quality enhancement measures. This is to be achieved by means of a promotional program for hiring additional nursing staff, the conversion of the provision surcharge into a nursing surcharge, an improvement in the refinancing of collectively agreed wages and by setting up an expert committee. The committee started working on 1 October 2015. It is supposed to review by no later than the end of 2017 whether the general need for nursing care and the patient-related higher nursing care demand in hospitals is expediently reflected in the DRG system or via differentiated additional remuneration. In addition to determining the need for nursing care, the committee will also identify the corresponding staff requirements. The findings of the committee are needed before suitable measures can be taken.

In September 2015 the Federal Ministry of Health (Bundesgesundheitsministerium – BMG) announced the increase of the basic wage rate for 2016 to be 2.95 % (2015: 2.53 %). The clear increase is due to the good economic situation and means that especially rises in staff costs can be more easily compensated for.

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. In 2014 the rise amounted to EUR 100 mill. and it is supposed to increase up to EUR 233 mill. in 2017. After 2017 the additional premium on the rehabilitation budget will be gradually reduced again as the babyboomers 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 facilities 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.

MediClin will continue to grow in 2016

Since no material changes to the general economic environment and the situation of the healthcare sector are visible at the moment, the Management Board of MediClin assumes that the Group's positive business performance will continue in 2016.

As in 2015, sales growth is to be generated by expanding capacities in indications with strong demand. Strong focus is placed on promoting locations with growth potential and the expansion of certain medical, therapeutic and nursing care services. This also includes the establishment of specific centers of excellence in both the post-acute and acute segment and the nursing care business area. The clinic network within the regions is supported by innovative care concepts, i.e. cooperation with acute-care hospitals, in order to strengthen the occupancy rates and to promote integrated care concepts between acute medicine and rehabilitation.

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 2016. Staff costs are anticipated to rise by at least 3.0 % in 2016.

In total, a (gross) sum of EUR 27.0 mill. was invested in 2015. 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 refer primarily to neurology and geriatrics as well as an emergency unit. In 2016 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 2016 from today's point of view. The demand for medical, therapeutic and nursing care services will continue to rise. Given the positive economic situation, the Management Board assumes that the demand for the range of services offered by the clinics in the post-acute segment and the nursing care business area will remain at least at the previous year's level, provided that the coverage providers do not drastically change their spending behaviour. Due to the larger share of specific acute services in post-acute clinics, the Management Board expects sales and earnings in the post-acute segment to stabilise at the high previous year's level. In the acute segment, the Management Board anticipates a moderate sales increase and another improvement in earnings. The good occupancy rates and the development of case numbers in January 2016 are indications of a good start into the 2016 financial year.

For 2016 the Management Board forecasts sales growth of 3.0 % and a Group operating result (Group EBIT) in the range of EUR 24.0 mill. to EUR 26.0 mill. Here the post-acute segment is supposed to generate sales growth between 5.0 % and 6.0 %, whereas the acute segment is expected to post 4.0 % to 5.0 % growth. Both segments are projected to generate an EBIT margin between 5.5 % and 6.0 %.

Risk and opportunity report

MediClin operates its own medical facilities, where it offers medical and therapeutic services. The health and well-being of patients are obligations that set high standards for handling risks and ensuring their minimisation. 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 healthcare 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.

Risk and opportunity 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 approach for handling potential risks and opportunities, as well as the regulations governing the risk analysis workflow management, are obligatory for the employees in all MediClin facilities and segments. The responsibilities and communication channels are clearly defined.

The risk management report that illustrates the findings of the annual risk and opportunity inventory serves to document and communicate potential risks, to identify them at an early stage and to control them. The risk inventory summary report contains the risks identified and risk evaluations from a Group perspective and the economic opportunities in aggregate form. As it 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 risk inventory is supplemented by a number of additional instruments for risk identification and risk prevention. In the operational area these include:

- 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, and
  - 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 facilities,
  - a critical incident reporting system (CIRS), and
  - systematic employee surveys.
- in relation to IT system risk management:
  - observation of the basic IT safety requirements set forth in the IT-Grundschutz Catalogues of the Federal Office for Information Security (BSI),
  - definition and implementation of binding Group-wide IT standards,
  - concentration of services in a central computer centre that provides a high-quality, safe and largely standardised IT infrastructure,
  - centrally managed and controlled security updates of IT systems (patch management), central processes and policies for user management (directory service), and
  - central access protection for the entire traffic into the MediClin network (firewall protection).

- 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 healthcare service and in the industry,
  - a uniform and process-oriented quality management system (QMS),
  - internal controls of central core processes (ICS), and
  - reporting and benchmark systems in the operational area.

The Management Board of MediClin AG carries the overall responsibility for the risk management system. It delegates the individual duties within the framework of the risk management of the Group to the central risk manager (quality, organisation and auditing department) and to the persons in charge of risk policies in the MediClin facilities as well as the heads of the central specialist areas and departments. The responsibilities are thus linked to the respective fields of specialisation.

Risks

The following section lists the risks resulting directly from the annually conducted risk and opportunity inventory as well as general risks.

The risk and opportunity inventory for the 2015 financial year did not reveal any risks to survival of the Group or individual medical facilities as a going concern; this also refers to the forecast period. Risks pertaining to the Company's survival are defined as risks with a probability of occurance that is classified as "very probable"(≥ 50 %) and the impact of which is classified as "high" at Group level (≥ 10 % of Group sales).

Corporate risks exist in the following areas:

- Sector risks:
  - legal requirements and changes in legal or tax provisions,
  - changes in the competitive situation.

- Risks associated with the operating business:
    - operating and process risks,
    - personnel risks.
- Financial risks:
    - default, changes in interest rates and liquidity risks,
    - real estate risk.

Sector risk

Since the healthcare 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.

The competition environment of individual medical facilities may be influenced by changes in the range of services offered by competitors. It may also be influenced by changes in the cooperation or partnerships with registered physicians. Although some competitors are planning to expand their range of services at individual locations, MediClin does not expect any major effects that would adversely impact its respective sales. The regional concept enables MediClin to react to regional changes and to successfully support its locations.

Risks associated with the operating business

Operating risks and process risks result from the provision of services and the corresponding working procedures in the clinics. 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 break-even point 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.

Personnel risks relate to the current shortage of qualified staff in the market for healthcare professions. 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.

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 35 mill. on the reporting date (previous year: EUR 40 mill.), which is conditional on the compliance with financial key ratios (covenants) that have comfortably been met in the past.

MediClin financed most of the real estate in the post-acute segment in a sale-and-lease-back transaction. The Group's total expenditure arising from these lease contracts totalled EUR 43.3 mill. in the reporting year (previous year: EUR 43.2 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 services in the nursing care sector, sales from self-payment programmes and the restructuring of the range of medical and therapeutic services.

Macroeconomic risk

From today's point of view, the current German economic performance, and in particular the stable labour market, lead 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.

Opportunities

The following section lists the opportunities resulting directly from the annually conducted risk and opportunity inventory as well as general opportunities.

Opportunities were identified in the following areas:

- Opportunities for sales and earnings growth:
  - 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, and
  - opportunities arising from building up and expanding bed capacities.
- Opportunities from the optimisation of operational procedures.

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 business area.

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 the Group's focus on certain services could yield savings potential.

Opportunities from the optimisation of operational procedures

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.

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.

General market opportunities

MediClin assumes that growth in the healthcare 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.

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 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 (including, among others, ERGO Versicherungsgruppe AG (ERGO) and, until 2011, Provinzial Rheinland Lebensversicherung AG (Provinzial)). The current findings do not yet allow for a final assessment of the compliance of those rents with standard market rates now and in the past. Therefore, no changes have been made to the balance sheet in this respect.

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 monitoring and control systems identify them at an early stage.

There were no material changes overall to risks and opportunities in the 2015 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.

Risks that might arise in the 2016 financial year (forecast period) and that might lead to deviations in the sales and earnings performance include:

	Impact/Probability
Sector risks	
Legal requirements and changes in legal or tax provisions	low/improbable
Changes in the competitive situation	low/probable
Risks arising from the operating business	
Operating and process risks	low/improbable
Personnel risks	low/probable
Financial risks	
Default, interest rate and liquidity risks	low/improbable
Real estate risk	low/improbable

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 has to ensure that appropriate actions are taken, particularly the set-up 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, 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.

An important element of the internal control system is the centralisation of 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. Functions are separated for tasks where this is relevant. Controls, including IT-based controls, were installed for all the processes that are relevant to financial reporting. The four eyes principle is adhered to. The consolidated financial statements and the separate financial statements are prepared by the Group accounting department.

Invoicing is carried out promptly in a decentralised manner. The claims management, dunning process and liquidity monitoring are carried out centrally.

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 71 b 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 2015 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 Aktiengesellschaft. It wants to do so at a place that is easily accessible and therefore posts the declaration on the Company's website at 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) AktG

“We declare that the Company received appropriate compensation for all legal transactions in the 2015 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 €	31.12.2015	In % of balance sheet total	31.12.2014	In % of balance sheet total
Assets				
Non-current assets	233.4	91.1	234.0	92.9
Current assets	22.7	8.9	17.7	7.1
	256.1	**100.0**	**251.7**	**100.0**
Equity and liabilities				
Equity	207.7	81.1	200.4	79.6
Non-current liabilities	36.8	14.4	43.1	17.1
Current liabilities	11.6	4.5	8.2	3.3
	256.1	**100.0**	**251.7**	**100.0**

The balance sheet total as shown in the balance sheet structured according to maturity is EUR 4.4 mill. higher than in the previous year. Current assets pertain primarily to receivables from affiliated companies, which increased by EUR 4.4 mill., and cash and cash equivalents. These increased by EUR 0.7 mill.

Due primarily to the repayment of loans, non-current liabilities decreased by EUR 6.3 mill. Current liabilities increased by EUR 3.4 mill., which is primarily attributable to a rise in tax provisions and liabilities to affiliated companies.

Development of results of operation

MediClin AG does not record sales revenues. 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 €	2015	2014
Income from management services	146	146
Income from the release of provisions	80	72
Other income	26	30
	252	**248**

Other operating expenses

In thousands of €	2015	2014
Auditing and consultancy costs	1,328	1,240
Other administrative expenses	356	346
Thereof remuneration of the Management Board	203	206
Thereof costs of the Annual General Meeting	87	87
Thereof incidental costs of monetary transactions	64	51
Advertising and public relations	132	134
Insurance costs	101	100
Other expenses	166	144
	2,083	**1,964**

The financial result of MediClin AG includes advance payouts on 2015 net profit or 2015 net profit of subsidiaries in the total amount of EUR 12.3 mill. (previous year: EUR 10.4 mill. in advance payouts and EUR 1.9 mill. was taken from the capital reserve). Interest and similar income amounted to EUR 1.1 mill. (previous year: EUR 1.2 mill.), while interest and similar expenses totalled EUR 1.0 mill. (previous year: EUR 1.4 mill.). MediClin AG generated net profit of EUR 7.4 mill. in the 2015 financial year (previous year: EUR 3.5 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 2016 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. The Management Board remuneration is not presented as recommended by the German Corporate Governance Code. The reasons are laid down in the conformity declaration as per Section 161 German Stock Corporation Act (AktG) and in the corporate governance declaration pursuant to Section 289 a HGB. Both documents are published on the English version of the website and can be downloaded from www.mediclin.de/investor-relations.

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 incentive (LTI), the amount of which is based on the improvement in the operating result and the achievement of agreed qualitative targets.

The fixed remuneration is paid out as a monthly salary and amounted to EUR 350 thou. p.a. for Volker Feldkamp and EUR 255 thou. for Jens Breuer.

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. Volker Feldkamp's STI for the 2014 financial year amounted to a total of EUR 396 thou. (corresponding to 88 % of the maximum amount). 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 actual amount is determined by the Supervisory Board at the end of the third year (31.12.2016).

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 was fixed at a maximum of EUR 180 thou. p.a. and the LTI at a maximum of EUR 120 thou. for a total of three years. Jens Breuer's STI for the 2014 financial year amounted to a total of EUR 156 thou. (corresponding to 86.7 % of the maximum amount). The three-year LTI period for Jens Breuer ended on 31 May 2015. As the maximum targets were reached, the LTI was paid out in full.

The Management Board remuneration amounted to a total of EUR 1.2 mill. in the 2015 financial year (previous year: EUR 1.3 mill.) and is composed as follows:

In € 2015	Volker Feldkamp	Jens Breuer	Management Board (total)
Fixed remuneration	350,000	255,000	605,000
Other remuneration components	7,800	8,736	16,536
Total current remuneration	**357,800**	**263,736**	**621,536**
Variable remuneration for one year	396,000	156,000	552,000
Variable remuneration for several years	50,000	16,667	66,667
Total variable remuneration	**446,000**	**172,667**	**618,667**
Total	**803,800**	**436,403**	**1,240,203**

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

At present there are no pension commitments to members of the Management Board. The other remuneration components 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 2015 and 2014 no performance-based (variable) remuneration was paid out.

In € excluding VAT	2015	2014
Dr. Ulrich Wandschneider (Chairman)	23,250	24,000
Hans Hilpert (Vice Chairman)	17,250	18,000
Dipl.-Kfm. Michael Bock	14,250	13,000
Dr. Bernard große Broermann (since 28.05.2015)	7,070	–
Dr. Daniel von Borries (until 04.09.2014)	–	9,209
Walburga Erichsmeier	12,264	13,500
Dr. Tom Giessler	12,514	14,750
Irmtraud Gürkan (since 23.10.2014)	11,000	1,918
Carsten Heise (until 28.05.2015)	5,568	14,000
Rainer Laufs (since 23.10.2014)	10,750	2,168
Stephan Leonhard	16,750	15,750
Dr. Jochen Messemer (until 04.09.2014)	–	8,194
Klaus Müller (until 31.07.2014)	–	6,308
Thomas Müller	12,000	12,750
Eleonore Seigel	14,000	14,000
Matthias H. Werner (since 01.08.2014)	12,743	4,941
Total	**169,409**	**172,488**

In the 2015 financial year, as in 2014, there were no loans to members of the Supervisory Board.

MEDICLIN Aktiengesellschaft

Offenburg, 4 March 2016

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 2015 financial year

Contents

Consolidated balance sheet as of 31 December 2015

ASSETS[1]

	Appendix	31.12.2015 in €	Previous year in thou. of €
NON-CURRENT ASSETS			
Goodwill and other intangible assets	(1)		
Concessions, licences		1,677,124	1,765
Goodwill		48,483,841	48,589
Payments on account		235,305	192
		50,396,270	**50,546**
Property, plant and equipment	(2)		
Land, land rights and buildings including buildings on third-party land		102,297,106	105,115
Technical equipment and machines		11,080,700	11,058
Operating and office equipment		37,856,924	36,970
Payments on account and assets under construction		9,929,128	2,393
		161,163,858	**155,536**
Financial assets	(3)		
Investment in stock of subsidiaries		65,600	66
Reinsurance cover		1,334,067	1,458
Other financial investments		2,074	2
		1,401,741	**1,526**
Other financial assets	(4)	**700,000**	**1,700**
Non-current income tax claims	(5)	**70,831**	**141**
Deferred tax assets	(6)	**3,711,058**	**3,299**
		217,443,758	**212,748**
CURRENT ASSETS			
Inventories	(7)	**6,154,078**	**6,359**
Trade receivables	(8)	**67,326,001**	**61,974**
Current income tax claims	(9)	**79,809**	**86**
Other financial assets			
Receivables pursuant to hospital financing law	(10)	4,769,778	3,339
Other current financial assets	(11)	3,191,202	3,014
		7,960,980	**6,353**
Other assets	(12)	**929,317**	**776**
Cash and cash equivalents	(13)	**29,531,984**	**26,347**
Non-current assets held for sale	(14)	**0**	**932**
		111,982,169	**102,827**
		329,425,927	**315,575**

[1] Given changes in balance sheet presentation, some of the amounts shown deviate from figures reported in previous years. More detailed information on this is available in the notes to the consolidated financial statements in the “Changes in balance sheet recognition” section.

EQUITY AND LIABILITIES[1]

	Appendix	31.12.2015 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)	–18,028,936	–16,645
Consolidated balance sheet result	(18)	10,625,613	–5,910
		169,488,506	**154,337**
Non-controlling interests	(19)	**–349,124**	**–390**
		169,139,382	**153,947**
NON-CURRENT LIABILITIES			
Financial liabilities			
Liabilities to banks	(20)	39,961,711	46,267
		39,961,711	**46,267**
Liabilities from finance leases	(21)	**6,783,381**	**7,064**
Pensions and similar commitments	(22)	**50,271,001**	**48,166**
Other provisions	(23)	**3,712,675**	**3,674**
Other financial liabilities	(24)	**645,999**	**775**
Other payables	(25)	**2,471,213**	**2,345**
		103,845,980	**108,291**
CURRENT LIABILITIES			
Trade payables		**12,018,389**	**13,040**
Financial liabilities			
Liabilities to banks	(26)	6,583,865	6,645
		6,583,865	**6,645**
Liabilities from finance leases	(27)	**264,509**	**236**
Other provisions	(28)	**5,220,611**	**5,183**
Current income tax liabilities	(29)	**3,308,917**	**412**
Other financial liabilities			
Liabilities pursuant to hospital financing law	(30)	7,412,884	6,068
Other liabilities	(31)	4,268,460	4,033
		11,681,344	**10,101**
Other payables	(32)	**17,362,930**	**17,720**
		56,440,565	**53,337**
		329,425,927	**315,575**

[1] Given changes in balance sheet presentation, some of the amounts shown deviate from figures reported in previous years. More detailed information on this is available in the notes to the consolidated financial statements in the “Changes in balance sheet recognition” section.

Consolidated profit and loss account

for the financial year from 1 January to 31 December 2015

	Appendix	Jan. – Dec. 2015 in €	Previous year in thou. of €
Sales	(33)	555,348,156	538,035
Other operating income	(34)	6,734,356	6,939
Total operating performance		**562,082,512**	**544,974**
Raw materials and consumables used	(35)		
a) Cost of raw materials and supplies		–59,870,481	–62,108
b) Cost of purchased services		–43,196,358	–44,832
		–103,066,839	**–106,940**
Staff costs	(36)		
a) Wages and salaries		–270,984,274	–263,762
b) Social security, pension and retirement		–48,804,005	–46,340
		–319,788,279	**–310,102**
Other operating expenses	(37)	–97,201,415	–93,853
Result before interest, taxes, depreciation and amortisation / EBITDA		**42,025,979**	**34,079**
Depreciation and amortisation	(38)	–18,416,509	–18,516
Operating result		**23,609,470**	**15,563**
Financial result	(39)		
a) Income from participations		60,104	25
b) Interest and similar income		30,651	13
c) Interest and similar expenses		–3,692,569	–3,915
		–3,601,814	**–3,877**
Result before tax		**20,007,656**	**11,686**
Taxes on income	(40)	–3,410,209	–3,323
Result after tax		**16,597,447**	**8,363**
Thereof attributable to shareholders of MediClin AG		16,535,858	8,503
Thereof attributable to the non-controlling interests		61,589	–140
Result after tax attributable to shareholders of MediClin AG per share	(41)		
Undiluted (in €)		0.35	0.18
Diluted (in €)		0.35	0.18

Consolidated statement of comprehensive income

for the financial year from 1 January to 31 December 2015

	Appendix	Jan.–Dec. 2015 in €	Previous year in thou. of €
Total consolidated result		**16,597,447**	**8,363**
Other comprehensive income	(42)		
Revaluation from defined benefit plans and similar obligations		–1,669,457	–7,846
Taxes on income		264,192	1,242
Additions to value adjustments that are not reconciled to the Group result		**–1,405,265**	**–6,604**
Thereof attributable to shareholders of MediClin AG		–1,384,616	–6,562
Thereof attributable to non-controlling interests		–20,649	–42
Additions to value adjustments that are reconciled to the Group result		**0**	**0**
Group comprehensive income		**15,192,182**	**1,759**
Thereof attributable to shareholders of MediClin AG		15,151,242	1,941
Thereof attributable to the non-controlling interests		40,940	–182

Consolidated cash flow statement

	Jan.–Dec. 2015 in €	Jan.–Dec. 2014 in thou. of €
Operating result (EBIT)	**23,609,470**	**15,563**
Result of finance activities	–3,601,814	–3,877
Result of income taxes	–3,410,209	–3,323
Total consolidated result	**16,597,447**	**8,363**
Depreciation on fixed asset items	18,416,509	18,516
Change in deferred taxes	–411,938	–158
Change in non-current provisions	2,143,463	9,029
Change in current provisions	37,540	1,776
Result from the disposal of fixed asset items	–26,388	–83
Result from other non-cash items	–1,405,265	–6,604
Changes in non-current income tax claims	70,241	67
Changes in current income tax claims	6,283	763
Changes in other non-current financial assets	1,000,000	500
Changes in other current assets	–9,726,717	529
Changes in other non-current liabilities	126,430	–7
Changes in other current liabilities	2,095,403	–564
Cash flow from operating activities	**28,923,008**	**32,127**
Payments received from the disposal of fixed assets	**544,481**	**2,271**
From the disposal of property, plant and equipment	544,481	2,271
Payments received from investment subsidies	**6,417,930**	**5,196**
Cash used for investments in fixed assets	**–25,955,527**	**–19,976**
In intangible assets	–1,107,060	–1,108
In property, plant and equipment	–24,817,421	–18,868
In financial assets	–31,046	0
Cash flow from investing activities	**–18,993,116**	**–12,509**
Repayment of financial liabilities	–6,745,145	–6,490
Cash flow from financing activities	**–6,745,145**	**–6,490**
Cash flow for the period	**3,184,747**	**13,129**
Cash and cash equivalents at the beginning of the period	26,347,237	13,219
Cash and cash equivalents at the end of the period	**29,531,984**	**26,347**

The cash and cash equivalents at the end of the period correspond to the balance sheet item “cash and cash equivalents” and encompass 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 01.01.2014	47,500,000	129,391,829	−10,081,881	−14,413,491	152,396,457	−208,040	152,188,417
Total consolidated result	–	–	–	8,503,246	8,503,246	−140,211	8,363,035
Other comprehensive income	–	–	−6,562,439	–	−6,562,439	−41,813	−6,604,252
Group comprehensive income	–	–	−6,562,439	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**

In €	Subscribed capital	Capital reserve	Revenue reserve	Consolidated balance sheet result	**Shares MediClin Group**	Non-controlling interests	**Total equity**
As of 01.01.2015	47,500,000	129,391,829	−16,644,320	−5,910,245	154,337,264	−390,064	153,947,200
Total consolidated result	–	–	–	16,535,858	16,535,858	61,589	16,597,447
Other comprehensive income	–	–	−1,384,616	–	−1,384,616	−20,649	−1,405,265
Group comprehensive income	–	–	−1,384,616	16,535,858	15,151,242	40,940	15,192,182
As of 31.12.2015	**47,500,000**	**129,391,829**	**−18,028,936**	**10,625,613**	**169,488,506**	**−349,124**	**169,139,382**

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 2015 financial year. On 4 March 2016 the Management Board approved the underlying consolidated financial statements for presentation to the Supervisory Board. The annual financial statements of MediClin AG, 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 2015 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) of the International Accounting Standards Board (IASB), London, and the interpretations of the IFRS Interpretation Committee (IFRS IC), 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. The consolidated profit and loss account was prepared on the basis of the total cost method.

The consolidated financial statements are prepared in euros. 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:

IFRIC 21 "Levies"

The new interpretation deals with the recognition of liabilities to pay official levies other than taxes on income. It provides guidance on when to recognise such liabilities in the balance sheet. This is due to the fact that there are presently differences in accounting practices, especially in cases where the obligation to pay accrues in one financial year, the amount of the payment, however, is determined on the basis of historical financial data (e.g. previous year's sales). The interpretation now provides that liabilities or provisions for public levies are only recognised when the event that triggers the payment and is prescribed by the relevant laws (the so-called obligating event) has taken place.

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

Standards and interpretations published by the EU Commission in 2015, adopted into EU law and applicable in the future

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 IFRSs 2010–2012 Cycle" published by the IASB in December 2013 and adopted them into EU law.

The amendments were as follows:

- The amendment to **IFRS 2 "Share-based Payment"** clarifies the definition of "vesting condition" by introducing separate definitions for "performance condition" and "service condition". In addition, the amendment also clarifies the definition of "market conditions".
- The amendment to **IFRS 3 "Business Combinations"** clarifies that an obligation to pay contingent considerations that meets the definition of a financial instrument shall be classified as a financial liability or equity on the basis of the definitions pursuant to IAS 32 "Financial Instruments: Presentation". The amendment further clarifies that financial and non-financial consideration not classified as equity shall be measured at fair value on every reporting date. Any changes to the fair value shall be recognised in profit or loss. **IFRS 9 "Financial Instruments", IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** and **IAS 39 "Financial Instruments: Recognition and Measurement"** were adjusted accordingly.
- The amendments to **IFRS 8 "Operating Segments"** require that the underlying judgements made by the management are stated if operating segments are aggregated. The amendments further require reconciliations from segment assets to group assets.
- The amendment to **IAS 24 "Related Party Transactions"** clarifies that an entity which provides management services to the reporting entity or to the parent of the reporting unit classifies as a related entity of the reporting entity.
- The amendments to **IAS 16 "Property, Plant and Equipment"** and **IAS 38 "Intangible Assets"** clarify that, if the revaluation model is applied, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.

The amendments become effective in the EU for financial years beginning on or after 1 February 2015. Premature adoption is permitted. These amendments will have no material effect on the consolidated financial statements of MediClin.

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 EU 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.

The amendments become effective in the EU for financial years beginning on or after 1 February 2015. Premature adoption is permitted. These amendments will have no material effects on the consolidated financial statements of MediClin.

Commission Regulation (EU) No. 2015/2113 of 23 November 2015

In the Official Journal of 24 November 2015 (Commission Regulation (EU) No. 2015/2113 of 23 November 2015), the European Union published the amendments to **IAS 16 "Property, Plant and Equipment"** and **IAS 41 "Agriculture"** published by the IASB in June 2014 and adopted them into EU law. 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. Following the amendments to IAS 16 and IAS 41, the standards **IAS 1 "Presentation of Financial Statements", IAS 17 "Leases", IAS 23 "Borrowing Costs", IAS 36 "Impairment of Assets"** and **IAS 40 "Investment Property"** are amended accordingly. The amendments must be applied retrospectively for financial years beginning on or after 1 January 2016. The amendment is of no relevance to MediClin.

Commission Regulation (EU) No. 2015/2173 of 24 November 2015

In the Official Journal of 25 November 2015 (Commission Regulation (EU) No. 2015/2173 of 24 November 2015), the European Union published the amendments to **IFRS 11 "Joint Arrangements"** published by the IASB in May 2014 under the title "Accounting for Acquisition of Interests in Joint Operations" and adopted them into EU law. 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 in IFRS 3, and other IFRSs, and disclose the information required by those IFRSs in relation to business combinations. The amendments must be applied prospectively for financial years beginning on or after 1 January 2016. These amendments will have no effect on the consolidated financial statements of MediClin.

Commission Regulation (EU) No. 2015/2231 of 2 December 2015

In the Official Journal of 3 December 2015 (Commission Regulation (EU) No. 2015/2231 of 2 December 2015), the European Union published the amendments to **IAS 16 "Property, Plant and Equipment"** and **IAS 38 "Intangible Assets"** published by the IASB in May 2014 and adopted them into EU law. The amendments clarify 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. These amendments will have no effect on the consolidated financial statements of MediClin.

Commission Regulation (EU) No. 2015/2343 of 15 December 2015

In the Official Journal of 16 December 2015 (Commission Regulation (EU) No. 2015/2343 of 15 December 2015), the European Union published the "Annual Improvements to the IFRSs 2012–2014 Cycle" published by the IASB in September 2014 and adopted them into EU law. 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.

Amendments to IFRS 7 entail amendments to IFRS 1 in order to ensure consistency between international accounting standards. These amendments will have no material effect on the consolidated financial statements of MediClin.

Commission Regulation (EU) No. 2015/2406 of 18 December 2015

In the Official Journal of 19 December 2015 (Commission Regulation (EU) No. 2015/2406 of 18 December 2015), the European Union published the amendments to IAS 1 "Presentation of Financial Statements" published by the IASB in December 2014 in the scope of a 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; and
- Remove potentially unhelpful provisions and examples for identifying significant accounting and valuation principles.

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

Commission Regulation (EU) No. 2015/2441 of 18 December 2015

In the Official Journal of 23 December 2015 (Commission Regulation (EU) No. 2015/2441 of 18 December 2015), the European Union published the amendments to IAS 27 "Separate Financial Statements" published by the IASB in August 2014 and adopted them into EU law. 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.

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

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 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 to be 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 11 September 2015 the International Accounting Standards Board (IASB) issued a formal amendment to IFRS 15 deferring the effective date of **IFRS 15 "Revenue from Contracts with Customers"** by one year to 1 January 2018. Premature adoption of IFRS 15 continues to be 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", and
- 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. 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 21 May 2015 the IASB published limited amendments to its **"International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs)".** The proposals are the result of the first comprehensive review of the standard published in 2009, which was initiated in 2012. Most of the amendments clarify existing provisions or provide additional guidance. The main changes refer to allowing an option to use the revaluation model for property, plant and equipment, aligning the main recognition and measurement requirements for deferred income tax with **IAS 12 "Income Taxes"**, and aligning the main recognition and measurement requirements for exploration and evaluation assets with **IFRS 6 "Exploration for and Evaluation of Mineral Resources"**. The amendments become effective for reporting periods beginning on or after 1 January 2017. Premature adoption is permitted. These amendments are of no relevance to MediClin.

On 13 January 2016 the International Accounting Standards Board (IASB) published the accounting standard **IFRS 16 "Leases".** The main idea of the standard is to generally recognise all leases and associated contractual rights and obligations on the lessee's balance sheet. Thus, the distinction between finance and operating leases as required under **IAS 17 "Leases"** is no longer required for the lessee. The new standard replaces

IAS 17 and the accompanying interpretations **IFRIC 4 "Determining whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives"** and **SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease"**. According to IFRS 16, leases are in future defined as contracts that convey the right to use an asset for a period of time in exchange for consideration. The standard shall apply to all leases for all types of assets, except for:

- contracts for the exploration of minerals, oil, natural gas and similar non-regenerative resources,
- rights held under licensing agreements within the scope of IAS 38 "Intangible Assets" for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights,
- lessees, leases of biological assets within the scope of IAS 41 "Agriculture",
- contracts within the scope of IFRIC 12 "Service Concession Arrangements", and
- licences of intellectual property within the scope of IFRS 15 "Revenue from Contracts with Customers".

The lessee is most affected by the changes compared to the previous lease accounting provisions. Whereas the differentiation between finance leases and operating leases continues to exist with regard to the lessor, this classification is no longer performed with regard to the lessee. This means that lessees will in future recognise leases – more or less in line with the previous provisions on finance leases – on their balance sheets as lease liabilities with corresponding right-of-use assets. This does not apply to leases for low-value assets and short-term leases (up to one year) if the lessee opts for this exemption. The standard provides for another simplification for lessees, i.e. the so-called portfolio approach. This means that under certain conditions two or more contracts that were concluded with the same contracting partner at the same time may be treated as one lease.

This will have far-reaching effects on the consolidated financial statements of MediClin as a lessee, three of which can be classified as material from the outset. The rental expenses of MediClin amount to about EUR 50.7 mill. per year, nearly EUR 43.3 mill. of which pertain to 21 clinics rented on a long-term basis. The underlying contracts have terms until the end of 2027. From today's point of view, the consolidated balance sheet total will nearly double due to the present value or the right-of-use asset to be recognised and this will have a corresponding effect on the financial position and net assets and thus the related key figures.

In the short to medium term, this will also impact the Group result due to the actuarial adjustments to the lease liabilities. Since the lease liability has the highest value at the beginning of its term, higher interest expenses are incurred at the beginning of the lease term and, together with the linear depreciation of the rights of use for the leased items, this will lead to a so-called “front-loading effect”. This means that higher expenses will be incurred at the beginning of the term and lower expenses towards the end as compared to the previously applied straight-line accounting of rental expenses. After about half of the term, the effect is reversed, meaning that the lower interest component will lead to an improvement in the Group result. This will also entail changes to deferred taxes. Another effect on the presentation of results of operation is that the operating result will improve at the cost of the financial result, because the rental expenses that were previously recognised in other operating expenses will now be divided into a depreciation and an interest component and will be shown in the income statement accordingly.

Additionally, the changes will affect the presentation of cash flows and lead to intensified requirements for disclosures in the notes.

IFRS 16 must first be adopted for financial years beginning on or after 1 January 2019. Premature adoption is, in principle, admissible but subject to the condition that **IFRS 15 “Revenue from Contracts with Customers”** is also fully applied.

On 19 January 2016 the IASB published amendments to **IAS 12 “Income Taxes”**. The amendments refer to the recognition of deferred tax assets for unrealised losses. The amendments serve to clarify several issues regarding the recognition of deferred tax assets for unrealised losses resulting from fair value adjustments to debt instruments and recognised in other income.

The amendments to IAS 12 must be applied for reporting periods beginning on or after 1 January 2017. Premature adoption is permitted. These amendments will have no material effect on the consolidated financial statements of MediClin.

On 29 January 2016 the IASB published amendments to IAS 7 “Statement of Cash Flows” in the scope of its disclosure initiative. The amendments aim at improving the presentation of changes in company debts. The amendments provide that entities must disclose information on changes to financial liabilities, the cash flows of which are shown in cash flow from financing activities in the cash flow statement. The corresponding financial assets must also be included in the information (e.g. assets from hedge transactions).

The following information must be disclosed:

- changes in cash flows,
- changes arising from the acquisition or disposal of entities,
- the effect of changes in foreign exchange rates, and
- changes in fair values.

The IASB proposes to present the information as reconciliation between the amounts in the opening and the amounts in the closing balance sheet, but also allows other forms of presentation.

The amendments must be applied for financial years beginning on or after 1 January 2017. Premature adoption is admissible. There is no need to state comparison figures for the previous year in the year of first-time adoption. These amendments will have no material effect on the consolidated financial statements of MediClin.

Standards published by the IASB that will not be adopted into EU law

On 3 November 2015 the European Financial Reporting Advisory Group (EFRAG) announced that the European Commission will not propose that the interim standard **IFRS 14 "Regulatory Deferral Accounts"** for accounting of rate-regulated activities be adopted into EU law. The objective of the standard is to allow entities that are IFRSs first-time adopters and recognise regulatory deferral accounts in accordance with their previous accounting principles to continue doing so after converting to IFRSs accounting. The standard is meant to be a temporary interim solution until the IASB completes its long-term comprehensive project on rate-regulated activities. Given the highly limited number of affected entities, the European Commission will not propose to adopt this standard.

Standards published by the IASB, the first-time adoption of which is deferred for an unlimited period of time

The International Accounting Standards Board (IASB) decided on 17 December 2015 to defer the amendments to **IAS 28 "Investments in Associates and Joint Ventures"** and **IFRS 10 "Consolidated Financial Statements"** published by the IASB in September 2014 for an unlimited period of time.

On 10 August 2015 the IASB published an Exposure Draft ED/2015/7 regarding the amendments to IFRS 10 and IAS 28. 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. Originally the clarifications were to apply for the first time to financial years commencing after 31 December 2015. The reason for the unlimited deferral of the mandatory first-time adoption is that the IASB intends to deal comprehensively with this type of transaction in the scope of a research project on equity method accounting. Despite the decision of the IASB to defer the mandatory first-time adoption for an unlimited period of time, premature adoption is still possible. Currently, the amendment is of no relevance to 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. 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.

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

The listed company MEDICLIN Aktiengesellschaft is the parent company of the MediClin Group. The consolidated financial statements and the summarised management report and the Group management report for the smallest group of companies are published in the German Federal Gazette (Bundesanzeiger). The Group under the umbrella of MEDICLIN Aktiengesellschaft is included in the consolidated financial statements of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg (Asklepios), which represents the largest group of companies. The consolidated financial statements and the Group management report are disclosed in the German Federal Gazette (Bundesanzeiger).

All companies under the control of MEDICLIN Aktiengesellschaft as parent company qualify as subsidiaries of MediClin, 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 53 thou. in 2014 (2013: EUR 75 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 profits of this company that were attributable to MediClin in 2014 amounted to EUR 1 thou., while the losses attributable to MediClin in 2013 totalled EUR 3 thou. The prorated equity of MediClin that was carried forward amounted to EUR –62 thou. as of 31 December 2014 (31.12.2013: EUR –63 thou.). This is explained in more detail 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.

Pursuant to Section 264 b HGB, the present consolidated financial statements have an exempting effect 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.

MediClin GmbH & Co. KG and MediClin Medizinisches Versorgungszentrum GmbH, Offenburg, concluded a control and profit transfer agreement. Notwithstanding a right of termination for cause, the contract has a term until 31 December 2018. Unless terminated in writing half a year before the expiry date, the contract is renewed automatically by another year each time the expiry date is reached. MediClin Medizinisches Versorgungszentrum GmbH, Offenburg, makes use of the option pursuant to Section 264 (3) HGB to refrain from disclosing its annual financial statements.

Changes in consolidation scopes

The consolidation scopes remained unchanged compared to the previous year.

Affiliated companies

With the exception of VR-LEASING ABYDOS GmbH & Co. Immobilien KG, the group of companies affiliated with MediClin also includes the aforementioned companies that are not included in the consolidation scopes. 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	
	31.12.2015	31.12.2014
MEDICLIN Aktiengesellschaft, Offenburg		
Cortex Software GmbH, Offenburg	100.000[1]	100.000[1]
Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.000	100.000
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen	100.000[2]	100.000[2]
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen	100.000[2]	100.000[2]
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.485[3]	94.485[3]
KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Essen	100.000	100.000
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.000	100.000
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	94.485	94.485
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	94.485[3]	94.485[3]
MC Service GmbH, Offenburg	100.000[2]	100.000[2]
MC Kliniken Geschäftsführungs-GmbH, Offenburg	94.485[3]	94.485[3]
MediClin à la Carte GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Energie GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Geschäftsführungs-GmbH, Offenburg	100.000	100.000
MediClin GmbH & Co. KG, Offenburg	100.000	100.000
MediClin Immobilien Verwaltung GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	100.000	100.000
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.000[2]	100.000[2]
MediClin MVZ Südbaden GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Pflege GmbH, Offenburg	100.000[2]	100.000[2]
MediClin Therapie GmbH, Offenburg	100.000[2]	100.000[2]
MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen	100.000[2]	100.000[2]
MVZ MediClin Bonn GmbH, Bonn	100.000[2]	100.000[2]
MVZ-Müritz GmbH, Waren	100.000[2]	100.000[2]
Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, Bad Rappenau	94.485[3]	94.485[3]

[1] Of which indirect participation 62.353 %
[2] Indirect participation
[3] Indirect participation, wholly owned by Kraichgau-Klinik AG

Companies not included in the consolidated financial statements in €	Results		Total equity		Percentage of shares held	
	2014	2013	2014	2013	2014	2013
KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz[1]	13,813.86	5,268.05	69,081.91	55,268.05	69.231[3]	67.846[3]
MediServ GmbH, Essen[1]	23,890.32	86,861.81	183,856.69	159,966.37	51.000[3]	51.000[3]
Medusplus GmbH, Essen[1]	25,573.78	–11,372.45	77,458.73	51,884.95	51.000[3]	51.000[3]
Müritz-Klinikum Service GmbH, Waren[1]	49,678.61	74,917.97	133,898.02	134,219.41	51.000[3]	51.000[3]
VR-LEASING ABYDOS GmbH & Co. Immobilien KG, Eschborn[1]	37,898.34	22,239.10	–96,485.10[4]	–105,201.43[4]	44.408[2,3]	44.408[2,3]

[1] 2015 annual financial statements not yet available
[2] Including atypical silent participation
[3] Indirect participation
[4] Taxable equity

Accounting and valuation principles

The companies included in the consolidated financial statements applied the same consistent accounting and valuation principles in accordance with the provisions of IFRS as in the previous year.

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.

Changes in balance sheet recognition

In the 2015 financial year MediClin netted deferred tax assets and liabilities as per IAS 12.74; this resulted in a deferred tax asset surplus in the year under review.

EUR 4.0 mill. in deferred tax liabilities was netted with deferred tax assets as at 31 December 2014 and EUR 3.8 mill. as at 1 January 2014. This also resulted in a deferred tax asset surplus.

In the year under review, the formal presentation of the balance sheet was also changed compared to the previous years. The Company believes that the financial statements now provide more reliable and relevant information for assessing the Company's net assets. The changes strive to adjust balance sheet recognition to usual accounting practices. Overall, the changes do not materially affect the Company's net assets. In addition to regrouping some balance sheet items, the names of individual balance sheet items were also changed. The methods for making valuations, estimates and assessments remained unchanged.

The changes on the assets side of the balance sheet are of a mainly formal nature. Here, the names of some of the items were adjusted to correspond with the names used in IAS 1.54. Individual balance sheet items were regrouped within their corresponding classification as current or non-current items. This led to the following changes:

- "other financial assets" are now called "financial assets",
- "other loans and other financial assets" are now called "other financial investments",
- non-current "receivables pursuant to the hospital financing law" are now included in the "other financial assets" items,

- “non-current tax refund claims” are now called “non-current income tax assets”,
- “current tax refund claims” are now called “current income tax assets”,
- “receivables pursuant to the hospital financing law” and “other assets” that were previously recognised in “other current assets” are now recognised in “other financial assets”, and
- “prepaid expenses” are subsumed in “other assets”.

The changes on the liabilities side were more extensive. In addition to formal changes, individual circumstances were allocated to other balance sheet items. The changes were as follows:

In the non-current liabilities item:

- “Liabilities to banks” are now recognised in the “financial liabilities” item.

In the current liabilities item:

- Here, too, “liabilities to banks” are shown in the “financial liabilities” item, and
- “current provisions” are now called “other provisions”.

The following table gives an overview of the reclassifications on the liabilities side and refers to the corresponding items in the notes:

In thousands of €	Appendix	31.12.2014		01.01.2014	
		Before reclassification	After reclassification	Before reclassification	After reclassification
NON-CURRENT LIABILITIES					
Other financial liabilities		7,839		8,014	
are divided into					
Finance lease liabilities	(21)		7,064		7,114
Other financial liabilities	(24)		775		900
		7,839	**7,839**	**8,014**	**8,014**
Remaining provisions		6,019		5,529	
are divided into					
Other provisions	(23)		3,674		3,176
Other liabilities	(25)		2,345		2,353
		6,019	**6,019**	**5,529**	**5,529**

In thousands of €	Appendix	31.12.2014		01.01.2014	
		Before reclassification	After reclassification	Before reclassification	After reclassification
CURRENT LIABILITIES					
Other financial liabilities		408		430	
are divided into					
Finance lease liabilities	(27)		236		231
Miscellaneous liabilities (a)	(31)		172		199
		408	**408**	**430**	**430**
Other liabilities		20,833		17,112	
are divided into					
Other provisions (b)	(28)		359		393
Miscellaneous liabilities (c)	(31)		2,754		2,552
Other liabilities	(32)		17,720		14,167
		20,833	**20,833**	**17,112**	**17,112**
Current provisions		5,931		4,198	
are divided into					
Other provisions (d)	(28)		4,824		3,014
Miscellaneous liabilities (e)	(31)		1,107		1,184
		5,931	**5,931**	**4,198**	**4,198**
		27,172	**27,172**	**21,740**	**21,740**
Finance lease liabilities	(27)		236		231
Other provisions (b + d)	(28)		5,183		3,407
Miscellaneous liabilities (a + c + e)	(31)		4,033		3,935
Other liabilities	(32)		17,720		14,167
			27,172		**21,740**

The denominations in the cash flow statement and in the additional information on financial instruments change accordingly.

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 of goodwill may not be reversed and are therefore not reversed 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 as current liabilities in other financial 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 healthcare 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 generally recognised as of the settlement date and are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Receivables which mature in more than 12 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 2015 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. Profits and losses are recognised in the period result when the liabilities are derecognised. As far as the discharge of a debt or repayments will occur within 12 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 non-current or current liabilities from finance leases.

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, less any deferred taxes attributable thereto. 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, the **remaining 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). Deferred taxes are netted in accordance with IAS 12.74. This resulted in a deferred tax asset surplus.

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 off-period expenses are recognised in **other operating expenses.**

Exercise of judgement in applying accounting and valuation principles

The recognition and measurement of assets and liabilities are partly based on the exercise of judgement by the management as shown in the following. All the assumptions are made in good faith in order to give a true and fair view of the net assets, liabilities, financial position and profit or loss. Any differences between the actual circumstances and the assumptions will have an effect on the recognition and measurement of assets and liabilities. Depending on the situation, such differences might also have an effect on the result. This is particularly the case in the following circumstances:

- Financial assets are to be classified under the categories “held-to-maturity investments”, “loans and receivables”, “available-for-sale financial assets” and “financial assets at fair value through profit or loss”.
- 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 IAS 17.
- 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. The management also exercises judgement in defining the scope of cash-generating units.

Estimates and assessments made by management

The application of accounting policies and valuation methods prescribed by IFRSs and the IFRS IC 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 re-examined on a regular basis and are based on historical experiences and/or on expectations regarding the occurrence of future events, which appear reasonable from a commercial viewpoint under the given circumstances.

These assumptions and estimates relate to, among other things, the accounting and valuation of provisions 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.

The discount rate represents a significant estimation factor for provisions for pensions and similar commitments. 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 percentage points from 2.3 % to 2.8 % lowers the present value of the defined benefit obligation (DBO) by EUR 3.2 mill., or 6.6 %. A reduction in the discount rate by 0.5 percentage points from 2.3 % to 1.8 %, in turn, increases the DBO by EUR 6.1 mill., or 11.8 %. 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 that is allocated to such goodwill 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.

Assets held for sale and disposal groups are valued at the lower of carrying amount or fair value less costs of disposal. In determining the fair value less costs of disposal the management also exercises judgement regarding recoverability.

Some subsidiaries of the MediClin Group are involved in legal disputes. The management regularly analyses the current findings in these legal disputes and sets aside provisions for obligations that are likely to arise and the estimated legal costs. Lawyers advise the management in forming its judgement. When deciding whether it is necessary to set aside provisions, the management considers the likelihood of an adverse outcome of the dispute and its ability to estimate the amount of the obligation to a reasonably reliable degree. The fact that an action is brought forward against a MediClin company or that claims are formally asserted does not necessarily mean that provisions must be set aside for the corresponding risk.

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. If the assessment of probability of occurrence for the aforementioned performance criteria changes in the future, a financial liability will be recognised.

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 healthcare 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 2016 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 fell by EUR 3.2 mill., from EUR 32.1 mill. to EUR 28.9 mill. This includes interest received totalling EUR 25 thou. (previous year: EUR 7 thou.) and interest paid totalling EUR 1.2 mill. (previous year: EUR 1.5 mill.). Tax payments amounted to EUR 0.6 mill. net of tax refunds (previous year: EUR 1.8 mill.).

The change in non-current provisions totalling EUR 2.1 mill. (previous year: EUR 9.0 mill.) results primarily from the allocation of provisions for pensions and similar commitments. Other non-current provisions, adjusted for non-cash items, remain largely 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 2013 for January 2014. In addition, trade receivables also climbed by EUR 5.4 mill. due to the 3.2 % increase in sales.

A gross amount of EUR 1.1 mill. (previous year: EUR 1.1 mill.) was spent on intangible assets. Gross investments in property, plant and equipment totalled EUR 24.8 mill. (previous year: EUR 18.9 mill.). The gross investments were offset against the investment subsidies received, which totalled EUR 6.4 mill. (previous year: EUR 5.2 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 – 19.0 mill. (previous year: EUR – 12.5 mill.).

The cash flow from financing activities totalled EUR – 6.7 mill.(previous year: EUR – 6.5 mill.). It also includes the repayment of existing loan liabilities in the amount of EUR 6.7 mill. (previous year: EUR 6.5 mill.).

Cash and cash equivalents at the end of the period thus increased by EUR 3.2 mill. to EUR 29.5 mill. (previous year: EUR 26.3 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 2015 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 are deemed 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. Some of the post-acute hospitals also offer services in acute neurology and acute psychosomatics.

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.

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. Sales are monitored and controlled on a monthly basis. The public health insurance funds make up 43.4 % (previous year: 43.4 %) of the demand for services in the post-acute segment, while the social security pension funds make up 47.9 % (previous year: 47.9 %) of the demand for services in this segment. In the acute segment, 92.7 % (previous year: 92.6 %) of the services demanded are attributable to the public health insurance funds.

Sectoral segmenting

In millions of €	January – December 2015					
	Post-acute	Acute	Other activities	Subtotal	Reconcili-ation	Total
Sales	330.9	206.7	66.9	**604.5**	– 49.2	**555.3**
Total sales	334.5	208.6	71.5	**614.6**	0.0	**614.6**
Internal sales	3.6	1.9	4.6	**10.1**	49.2	**59.3**
Raw materials and consumables used	– 68.4	– 53.4	– 27.6	**– 149.4**	46.3	**– 103.1**
Staff costs	– 164.2	– 109.1	– 44.7	**– 318.0**	– 1.9	**– 319.9**
Other operating expenses	– 74.0	– 26.3	– 10.4	**– 110.7**	13.5	**– 97.2**
Segment result	**19.5**	**11.8**	**– 4.2**	**27.1**	**– 3.5**	**23.6**
Thereof non-cash items:						
Scheduled depreciations/ write-ups	– 9.8	– 15.2	– 1.4	**– 26.4**	0.0	**– 26.4**
Unscheduled depreciations/ write-ups	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Release of special item	0.6	7.4	0.0	**8.0**	0.0	**8.0**
Allowances	– 0.3	– 0.4	0.0	**– 0.7**	0.0	**– 0.7**
Allocation of provisions/ liabilities	– 8.9	– 7.3	– 3.5	**– 19.7**	– 1.0	**– 20.7**
Release of provisions/ liabilities	0.7	1.0	0.3	**2.0**	0.1	**2.1**
Financial revenues	0.2	0.1	0.3	**0.6**	– 0.5	**0.1**
Financial costs	– 1.1	– 1.6	– 2.1	**– 4.8**	1.1	**– 3.7**
Financial result	**– 0.9**	**– 1.5**	**– 1.8**	**– 4.2**	**0.6**	**– 3.6**
Taxes on income	**– 0.1**	**– 0.1**	**– 0.3**	**– 0.5**	**– 2.9**	**– 3.4**
Assets	**131.8**	**157.9**	**7.9**	**297.6**	**31.8**	**329.4**
Liabilities	**20.6**	**21.0**	**69.6**	**111.2**	**49.1**	**160.3**
Gross capital expenditure	18.7	6.8	1.5	**27.0**	0.0	**27.0**

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**
Total sales	317.7	209.2	69.3	**596.2**	0.0	**596.2**
Internal sales	3.3	1.9	4.9	**10.1**	48.1	**58.2**
Raw materials and consumables used	–69.4	–55.7	–28.7	**–153.8**	46.9	**–106.9**
Staff costs	–154.4	–110.6	–42.5	**–307.5**	–2.6	**–310.1**
Other operating expenses	–71.4	–26.1	–9.4	**–106.9**	13.0	**–93.9**
Segment result	**15.5**	**11.3**	**–5.0**	**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**
Release of provisions/ liabilities	0.4	0.4	0.5	**1.3**	0.1	**1.4**
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**	**28.5**	**315.6**
Liabilities	**18.6**	**22.3**	**68.0**	**108.9**	**52.7**	**161.6**
Gross capital expenditure	10.1	9.6	–2.6	**17.1**	3.9	**21.0**

Notes to the consolidated balance sheet

Non-current assets

(1) Goodwill and other intangible assets

In thousands of €	Concessions, licences	Goodwill	Payments on account	Total
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**
Acquisition costs as at 01.01.2015	18,785	74,868	192	**93,845**
Additions	1,023	0	158	**1,181**
Reclassifications	115	0	– 115	**0**
Disposals	– 168	– 105	0	**– 273**
Disposals of assets held for sale	0	0	0	**0**
Acquisition costs as at 31.12.2015	**19,755**	**74,763**	**235**	**94,753**
Cumulated depreciation as at 01.01.2015	17,020	26,279	0	**43,299**
Scheduled depreciation	1,225	0	0	**1,225**
Unscheduled depreciation	0	0	0	**0**
Reclassifications	0	0	0	**0**
Disposals	– 167	0	0	**– 167**
Disposals of assets held for sale	0	0	0	**0**
Cumulated depreciation as at 31.12.2015	**18,078**	**26,279**	**0**	**44,357**
Balance sheet value 31.12.2015	**1,677**	**48,484**	**235**	**50,396**

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 disposals of EUR 105 thou. in the 2015 financial year concern a doctor's practice at the MediClin medical care centre Lahr/Baden.

As in the previous year, goodwill encompasses six cash-generating units (CGUs) 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 48.5 mill. on 31 December 2015 (31.12.2014: EUR 48.6 mill.). The carrying amounts of the CGUs totalled EUR 99.0 mill. (31.12.2014: EUR 98.2 mill.). Nearly 50 % of goodwill and 40 % of the carrying amount referred to one CGU (as in the previous year).

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 healthcare 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 0.25 % is factored in. A discount rate of 4.24 % before tax was determined for short- and medium-term planning in the reporting period (previous year: 5.70 %). 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 %	**31.12.2015**	31.12.2014
Risk-free interest rate	1.50	2.00
Market risk premium	6.50	6.00
Beta coefficient (on the basis of a peer-group analysis)	0.49	0.74
Growth discount to the perpetuity	0.25	0.50
Borrowing costs (before taxes)	2.02	3.24
Tax shield	0.32	0.51
Capital structure (equity/borrowed capital) (on the basis of a peer-group analysis)	64.50/35.50	56.70/43.30

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

In millions of €		Change in discount rate				
		0.0 %	0.5 %	1.0 %	– 0.5 %	– 1.0 %
Change in EBIT	0.0 %	0.00	0.00	0.20	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	0.40	0.00	0.00
Change in EBIT	– 10.0 %	0.00	0.10	0.60	0.00	0.00

The analysis revealed a need for write-downs totalling a maximum of EUR 0.6 mill. within the context of the parameter changes, which corresponds to 0.6 % of the carrying amount.

(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 01.01.2014	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**
Balance sheet value 31.12.2014	**105,115**	**11,058**	**36,970**	**2,392**	**155,535**
Acquisition and manufacturing costs as at 01.01.2015	224,867	34,799	161,557	2,392	**423,615**
Additions	2,700	1,586	10,080	8,705	**23,071**
Reclassifications	513	373	120	–1,006	**0**
Disposals	0	–189	–2,603	–162	**–2,954**
Disposals of assets held for sale	0	0	0	0	**0**
Acquisition and manufacturing costs as at 31.12.2015	**228,080**	**36,569**	**169,154**	**9,929**	**443,732**
Cumulated depreciation as at 01.01.2015	119,752	23,741	124,587	0	**268,080**
Scheduled depreciation	6,031	1,934	9,226	0	**17,191**
Unscheduled depreciation	0	0	0	0	**0**
Reclassifications	0	0	0	0	**0**
Disposals	0	–187	–2,516	0	**–2,703**
Disposals of assets held for sale	0	0	0	0	**0**
Cumulated depreciation as at 31.12.2015	**125,783**	**25,488**	**131,297**	**0**	**282,568**
Balance sheet value 31.12.2015	**102,297**	**11,081**	**37,857**	**9,929**	**161,164**

Gross additions to property, plant and equipment before deduction of special items totalled EUR 25.7 mill. in the 2015 financial year (previous year: EUR 19.9 mill.).

Some EUR 12.1 mill. was used for the reconstruction and expansion of clinics. EUR 6.9 mill. thereof is attributable to expansions in the field of neurology and geriatrics, while EUR 0.7 mill. was used to build an emergency unit and EUR 0.3 mill. to set up an outpatient rehabilitation centre. As in the previous year, EUR 1.3 mill. was invested in cogeneration units.

Capital expenditure for IT infrastructure amounted to EUR 3.2 mill., EUR 4.4 mill. was invested in medical equipment including accessories and EUR 3.4 mill. was spent on furnishing patient and treatment rooms and offices.

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 72.8 mill. (previous year: EUR 78.1 mill.). The additions of subsidised assets amount to EUR 2.7 mill. (previous year: EUR 4.4 mill.). Depreciation and amortisation was reduced by the deduction of subsidies totalling EUR 8.0 mill. (previous year: EUR 8.2 mill.) from the acquisition or manufacturing costs. There were no circumstances that would give rise to a repayment of subsidies.

Assets for which the MediClin Group has signed finance leasing contracts are disclosed in the property, plant and equipment item. This refers in particular to a sale-and-lease-back agreement for the properties and buildings of Rehabilitationszentrum Gernsbach/Schwarzwald. 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 6.6 mill. (previous year: EUR 6.7 mill.). In addition, there are two more (previous year: two) finance lease contracts pertaining to the medical and technical equipment of two clinics. The contracts have terms until 2016 and 2022. The net carrying amounts of the assets at the balance sheet date totals EUR 0.5 mill. (previous year: EUR 0.4 mill.). More detailed explanations are provided in item (21).

(3) Financial assets

Financial assets refer primarily to reinsurance policies for pension obligations totalling EUR 1,334 thou. (previous year: EUR 1,458 thou.). Two further reinsurance policies with a coverage volume of EUR 370 thou. (previous year: EUR 341 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. The cap is recognised at fair value through profit or loss at the end of each quarter. The current market value of the cap as of 31 December 2015 amounts to EUR 0 thou. (31.12.2014: EUR 0.6 thou.; 01.01.2014: 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) Other financial assets

This item relates exclusively to outstanding subsidies pursuant to the hospital financing law of Mecklenburg-Vorpommern for the measure “Expansion of Psychiatry at the Röbel location”.

(5) Non-current income tax assets

This item 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 statements 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 2017.

(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	
	31.12.2015	31.12.2014	**31.12.2015**	31.12.2014
Deferred tax assets				
Pension obligations	44,797	42,733	7,089	6,762
Tax loss carried forward	2,854	1,183	452	187
Interim profits of non-current assets	3	16	1	2
Anniversary obligations/provisions for partial retirement	990	852	157	135
Others	891	1,486	141	253
			7,840	**7,339**
Deferred tax liabilities				
Intangible assets	17,821	17,946	2,820	2,840
Property, plant and equipment	7,557	6,937	1,196	1,098
Others	714	646	113	102
			4,129	**4,040**
Balance sheet recognition			**3,711**	**3,299**

MediClin recognised deferred taxes for tax losses carried forward, if the Group assumes that sufficient positive taxable income will be available in the next five years for realising the deferred tax assets due to the restructuring measures already performed or to be performed in the future. For loss carryforwards amounting to EUR 7.8 mill. (previous year: EUR 8.6 mill.), no deferred tax assets were recognised.

Current assets

(7) Inventories

Inventories are only of minor importance for MediClin as a service corporation, and are largely composed as follows:

In thousands of €	31.12.2015	31.12.2014
Medical supplies	4,280	4,639
Operating supplies	1,524	1,368
Administrative supplies	351	352
	6,154	**6,359**

(8) Trade receivables

In thousands of €	31.12.2015	31.12.2014
Receivables stock	72,749	66,701
Allowance	−5,423	−4,727
Disclosure	**67,326**	**61,974**
Receivables not yet invoiced	19,937	19,508
Invoiced trade receivables	47,389	42,466
Thereof from related parties	194	83

The residual term of the receivables is less than one year.

Trade receivables are non-interest-bearing and are measured 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 €	2015	2014
Allowance as of 01.01.	4,727	4,397
Additions to general bad debt allowances	1,050	675
Consumption	–14	0
Release	–340	–345
Allowance as of 31.12.	**5,423**	**4,727**

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 0.7 mill. during the 2015 financial year (previous year: expenses totalling EUR 0.3 mill.).

In thousands of €	2015	2014
Expenses for full write-off of receivables	–1,030	–645
Recoveries of written-off receivables	350	326
	–680	**–319**

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

Invoiced trade receivables

In thousands of €	Book value	Thereof neither value adjusted nor delinquent to the cut-off date	Thereof not value adjusted but delinquent for the following time frames to the cut-off date					
			less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
As of 31.12.2015	47,389	32,388	6,494	1,327	597	1,381	2,507	2,695
As of 31.12.2014	42,466	31,245	6,065	1,194	585	1,061	1,119	1,197

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) Current income tax assets

The current income tax claims item includes the portion of the receivables disclosed in item (5) which will accrue to the Group in 2016.

(10) Receivables pursuant to hospital financing law

In thousands of €	31.12.2015	31.12.2014
Receivables stock	4,770	3,339

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 pursuant to the hospital financing law:

Receivables pursuant to hospital financing law

In thousands of €	Book value	Thereof neither value adjusted nor delinquent to the cut-off date	Thereof not value adjusted but delinquent for the following time frames to the cut-off date					
			less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	between 181 and 360 days	more than 360 days
As of 31.12.2015	4,770	4,770	0	0	0	0	0	0
As of 31.12.2014	3,339	3,339	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 current financial assets

In thousands of €	31.12.2015	31.12.2014
Receivables stock	3,191	3,014
Thereof from related parties	145	90

This item discloses financial assets which are recognised at amortised cost. Value adjustments to account for recognisable risks were not to be carried out. 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 TRIUVA Kapitalverwaltungsgesellschaft mbH (formerly IVG Institutional Funds GmbH) 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) Other assets

This item refers to prepaid expenses including insurance accruals. In the previous year this item included EUR 3.6 mill. in rents for January 2014 that were paid in advance to related companies.

(13) Cash and cash equivalents

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

(14) Non-current assets held for sale

Assets held for sale referred to four doctor's practices at the medical care centre Achern that were sold at the beginning of 2015. The buyers took 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 subsequent measurement		From disposal	Net result	
	at fair value	value adjustments		2015	2014
Loans and receivables	0	–1,030	350	–680	–319
Interest rate hedge measured at fair value	–1	0	0	–1	–51
	–1	**–1,030**	**350**	**–681**	**–370**

Fair value measurement

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 assets 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 7.29a).

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 12 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 year-end 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 31.12.2015	Balance sheet recognition in accordance with IAS 39	Fair value 31.12.2015
			Amortised costs	
ASSETS				
Non-current assets				
Investment in stock of subsidiaries	AfS	66	66	–
Reinsurance policies	LaR	1,334	1,334	1,334
Other financial assets	HtM	2	2	2
Interest rate hedge	FAHfT	0	–	0
Other financial assets	LaR	700	700	700
Current assets				
Trade receivables	LaR	67,326	67,326	67,326
Receivables pursuant to hospital financing law	LaR	4,770	4,770	4,770
Other current financial assets	LaR	3,191	3,191	3,191
Prepaid expenses	LaR	929	929	929
Cash and cash equivalents	LaR	29,532	29,532	29,532
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	FLAC	39,962	39,962	39,962
Liabilities from finance leases	FLAC	6,783	6,783	6,783
Other financial liabilities	FLAC	646	646	646
Current liabilities				
Trade payables	FLAC	12,018	12,018	12,018
Liabilities to banks	FLAC	6,584	6,584	6,584
Liabilities from finance leases	FLAC	265	265	265
Other provisions (partial amount)	FLAC	400	400	400
Liabilities pursuant to hospital financing law	FLAC	7,413	7,413	7,413
Other liabilities (partial amount)	FLAC	3,142	3,142	3,142
Other payables	FLAC	17,363	17,363	17,363
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39				
Loans and Receivables (LaR)	**Total LaR**	**107,782**	**107,782**	**107,782**
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**	**0**	**–**	**0**
Financial Liabilities Measured at Amortised Cost (FLAC)	**Total FLAC**	**94,576**	**94,576**	**94,576**

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	–
Reinsurance policies	LaR	1,458	1,458	1,458
Other financial assets	HtM	2	2	2
Interest rate hedge	FAHfT	1	–	1
Other financial assets	LaR	1,700	1,700	1,700
Current assets				
Trade receivables	LaR	61,974	61,974	61,974
Receivables pursuant to hospital financing law	LaR	3,339	3,339	3,339
Other current financial assets	LaR	3,014	3,014	3,014
Prepaid expenses	LaR	776	776	776
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
Liabilities from finance leases	FLAC	7,064	7,064	7,064
Other financial liabilities	FLAC	775	775	775
Current liabilities				
Trade payables	FLAC	13,040	13,040	13,040
Liabilities to banks	FLAC	6,645	6,645	6,645
Liabilities from finance leases	FLAC	236	236	236
Other provisions (partial amount)	FLAC	359	359	359
Liabilities pursuant to hospital financing law	FLAC	6,068	6,068	6,068
Other liabilities (partial amount)	FLAC	2,926	2,926	2,926
Other payables	FLAC	17,720	17,720	17,720
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**	**101,100**	**101,100**	**101,100**

In thousands of €	Category in accordance with IAS 39	Book value 01.01.2014	Balance sheet recognition in accordance with IAS 39	Fair value 01.01.2014
			Amortised costs	
ASSETS				
Non-current assets				
Investment in stock of subsidiaries	AfS	66	66	–
Reinsurance policies	LaR	1,519	1,519	1,519
Other financial assets	HtM	2	2	2
Interest rate hedge	FAHfT	52	–	52
Other financial assets	LaR	2,200	2,200	2,200
Current assets				
Trade receivables	LaR	61,406	61,406	61,406
Receivables pursuant to hospital financing law	LaR	1,762	1,762	1,762
Other current financial assets	LaR	3,810	3,810	3,810
Prepaid expenses	LaR	4,217	4,217	4,217
Cash and cash equivalents	LaR	13,219	13,219	13,219
EQUITY AND LIABILITIES				
Non-current liabilities				
Liabilities to banks	FLAC	52,512	52,512	52,512
Liabilities from finance leases	FLAC	7,114	7,114	7,114
Other financial liabilities	FLAC	900	900	900
Current liabilities				
Trade payables	FLAC	18,179	18,179	18,179
Liabilities to banks	FLAC	6,692	6,692	6,692
Liabilities from finance leases	FLAC	231	231	231
Other provisions (partial amount)	FLAC	392	392	392
Liabilities pursuant to hospital financing law	FLAC	4,549	4,549	4,549
Other liabilities (partial amount)	FLAC	2,751	2,751	2,751
Other payables	FLAC	14,168	14,168	14,168
AGGREGATED BY CATEGORY IN ACCORDANCE WITH IAS 39				
Loans and Receivables (LaR)	**Total LaR**	**88,133**	**88,133**	**88,133**
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**	**52**	**–**	**52**
Financial Liabilities Measured at Amortised Cost (FLAC)	**Total FLAC**	**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 €	**31.12.2015**	31.12.2014
Equity	169,139	153,947
Non-current liabilities	103,846	108,291
Current liabilities incl. tax liabilities	56,441	53,337
Balance sheet total	329,426	315,575
Net financial debt	17,014	26,565
Equity ratio (in %)	51.3	48.8
Debt ratio (in %)	48.7	51.2

Due to the remeasurements from the calculation of pension obligations pursuant to IAS 19 "Employee Benefits" in the amount of EUR –1.4 mill. that are recognised directly in equity and the result after tax in the amount of EUR 16.6 mill., equity increased by EUR 15.2 mill. The EUR 13.9 mill. increase in the balance sheet total still led to an increase in the equity ratio of 2.5 percentage points to 51.3 %. The return on equity after tax is 9.8 % (previous year: 5.4 %). The decline in non-current liabilities totalling EUR 4.4 mill. is due primarily to a decrease in liabilities to banks in the amount of EUR 6.3 mill. and a simultaneous rise in pension provisions of EUR 2.1 mill.

(15) Subscribed capital

In thousands of €	31.12.2015	31.12.2014
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 €	31.12.2015	31.12.2014
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 €	31.12.2015	31.12.2014
Legal reserve pursuant to Sec. 150 AktG	2,045	2,045
Result of the first IFRS consolidation	–1,742	–1,742
Negative non-controlling interests Kraichgau-Klinik AG	–695	–695
Adjustment of the negative non-controlling interests Kraichgau-Klinik AG	409	409
Reserve pursuant to IAS 19	–18,046	–16,661
	–18,029	**–16,644**

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 IAS 19, shown in other comprehensive income, are reported in the revenue reserve.

(18) Consolidated balance sheet profit/loss

The consolidated balance sheet profit/loss is composed as follows:

In thousands of €	**31.12.2015**	31.12.2014
Loss carryforward	–5,910	–14,413
Result attributable to shareholders of MediClin AG	16,536	8,503
	10,626	**–5,910**

Appropriation of the annual result of MEDICLIN Aktiengesellschaft

In the 2015 financial year no dividends for the 2014 financial year were distributed. At the Annual General Meeting on 28 May 2015, the resolution was passed to carry forward the net profit as of 31 December 2014 amounting to EUR 21,966,765.74 to new account.

For the 2015 financial year, the Group intends to also carry net profit in the amount of EUR 29,325,811.12 as recognised in the separate financial statements of MEDICLIN Aktiengesellschaft prepared in accordance with the German Commercial Code (HGB) forward 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 2015 (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 €	31.12.2015	31.12.2014
Liabilities to banks	46,265	52,509
Less current repayment share	6,304	6,242
	39,961	**46,267**

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 2016. 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. Owing to the current development of the Euribor, the company does not expect the rate cap to be reached. The interest hedge transaction is measured at market value (31.12.2015: EUR 0.0 thou.; 31.12.2014: EUR 0.6 thou.). Interest totalling about EUR 0.7 mill. was paid for the loan in the reporting year (previous year: EUR 1.1 mill.). This corresponds to an average interest rate of 1.97 % p.a. (previous year: 2.47 %).

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 2015 amounting to EUR 45 thou. (previous year: EUR 63 thou.). For two of the loans, the ownership title of the financed equipment has been assigned as security (carrying amounts of EUR 1.1 mill.; previous year: EUR 1.3 mill.). These loans have terms until 2017.

Of the other liabilities to banks, EUR 10.5 mill. (previous year: EUR 11.4 mill.) is secured through real property liens (carrying amount: EUR 20.7 mill.; previous year: EUR 22.3 mill.).

All in all, the average interest rate for liabilities to banks is 2.6 % p.a. (previous year: 3.0 % p.a.).

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

In thousands of € 2015	Total	1 year or less	1 to 2 years	3 to 5 years	More than 5 years
Interest on bank loans	3,146	1,076	485	993	592
Bank loan repayments	46,265	6,304[1]	31,271	3,392	5,298

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	4,467	1,377	1,202	1,129	759
Bank loan repayments	52,509	6,242[1]	6,304	33,528	6,435

[1] For information only

(21) Finance lease liabilities

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Leases for real estate	6,511	6,678	6,836
Leases for movable property	272	386	278
	6,783	**7,064**	**7,114**

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 6.6 mill. (previous year: EUR 6.7 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 € **31.12.2015**	**Total**	**1 year or less**	**1 to 5 years**	**More than 5 years**
Minimum lease payment	10,703	554	2,216	7,933
Interest component	–4,025	–387	–1,441	–2,197
Present value	**6,678**	**167**	**775**	**5,736**

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 addition, there are two more (previous year: two) 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 0.4 mill. (previous year: EUR 0.5 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 € 31.12.2015	Total	1 year or less	1 to 5 years	More than 5 years
Minimum lease payment	392	106	237	49
Interest component	–23	–9	–13	–1
Present value	**369**	**97**	**224**	**48**

In thousands of € 31.12.2014	Total	1 year or less	1 to 5 years	More than 5 years
Minimum lease payment	498	89	317	92
Interest component	–34	–11	–20	–3
Present value	**464**	**78**	**297**	**89**

The minimum lease payments up to one year are disclosed in item (27) Liabilities from finance leases.

(22) Pensions and similar commitments

In thousands of €	2015	2014
Mitarbeiterunterstützungskasse der vereinigten Klinikbetriebe (MAUK)	39,648	37,800
Kraichgau-Klinik Group	10,623	10,366
	50,271	**48,166**

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 Mitarbeiterunterstützungskasse 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. Both pension plans are closed, which means that in principle no new benefit obligations will be added. The number of persons covered by these plans who are entitled to or in receipt of benefits developed as follows:

	31.12.2015	31.12.2014
Active employees	1,526	1,646
Departed employees with vested rights	742	704
Pensioners	687	614
	2,955	**2,964**

The share of persons entitled to pensions amounts to 76.8 % (previous year: 79.3 %) and the share of recipients of pensions to 23.2 % (previous year: 20.7 %).

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 2015 amounted to EUR 10.5 mill. (31.12.2014: EUR 10.1 mill.). 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 time-limited 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 12 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 2015**	MAUK 2014	**Kraichgau-Klinik Group 2015**	Kraichgau-Klinik Group 2014
Discount rate	2.30	2.50	2.30	2.50
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. 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 2.30 % (previous year: 2.50 %) was applied to the pension obligations. In accordance with IAS 19.83, 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 (2.30 %)	+6,101	+3,526	−1,134	−3,244
Salary trend[1] (2.50 %)	−41	−21	+21	+43
Pension trend[1] (2.00 %)	−593	−303	+316	+646

[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. If the probability of death were to decrease by 10 % in all age classes, the DBO for MAUK would only increase by EUR 1.1 mill. or 2.8 %.

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 50.3 mill. (previous year: EUR 48.2 mill.) with plan assets of EUR 1.4 mill. (previous year: EUR 1.4 mill.).

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

In thousands of €	31.12.2015	31.12.2014
Development of recognition in the balance sheet		
Present value of the DBO	51,709	49,615
Fair value of plan assets	–1,438	–1,449
Net defined benefit liability at the end of the financial year	**50,271**	**48,166**
Reconciliation of the carrying amount		
Net defined benefit liability at the end of the preceding financial year	48,166	39,635
Service cost	72	70
Net interest expense on the reported net obligation	1,189	1,367
Remeasurements recognised in other comprehensive income	1,669	7,846
Employer contributions	–333	–325
Benefits paid directly by the employer	–492	–427
Carrying amount: net defined benefit liability at the end of the financial year	**50,271**	**48,166**

The present value of the DBO showed the following development:

In thousands of €	31.12.2015	31.12.2014
DBO at the end of the preceding financial year	49,615	41,432
Current service cost	72	70
Interest expense on the DBO	1,197	1,370
Actuarial profit (–)/loss (+) due to experience-based adjustment to the obligation	170	–198
Actuarial profit (–)/loss (+) due to changes in financial assumptions	1,814	7,967
Benefits paid from plan assets	–666	–599
Benefits paid directly by the employer	–493	–427
DBO at the end of the financial year	**51,709**	**49,615**

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

In thousands of €	31.12.2015	31.12.2014
Fair value of plan assets at the end of the preceding financial year	1,449	1,798
Income from plan assets calculated with the discount rate	8	2
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	315	–77
Employer contributions	332	325
Benefits	–666	–599
Fair value of plan assets at the end of the financial year	**1,438**	**1,449**

The plan assets comprise the following:

In %	31.12.2015	31.12.2014
Bond funds		
With generally mixed maturities	9.5	8.5
With generally short-term maturities	6.9	6.8
Fixed interest securities	10.5	10.4
Cash and cash equivalents	47.4	50.8
Reinsurance policies	25.7	23.5
	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 2.9 mill. (previous year: EUR 9.3 mill.), of which EUR 1.3 mill. (previous year: EUR 1.4 mill.) are recognised in profit and loss and EUR 1.7 mill. (previous year: EUR 7.8 mill.) are recognised in other comprehensive income.

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

In thousands of €	2015	2014
Consolidated profit and loss account		
Current service cost	72	70
Net interest expense(/income) on the reported net defined benefit liabilities(/assets)	1,189	1,368
Pension costs, recognised in consolidated profit and loss account	**1,261**	**1,438**
Other comprehensive income		
Actuarial profit (–)/loss (+) due to experience-based adjustment to the obligation	170	–198
Actuarial profit (–)/loss (+) due to changes in financial assumptions (on the obligation side)	1,814	7,967
Actuarial profit (–)/loss (+) accrued in the course of the financial year	**1,984**	**7,769**
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	–315	77
Remeasurements recognised in other comprehensive income	**1,669**	**7,846**
Total pension costs	**2,930**	**9,284**

The expected benefits for the coming year are forecast at EUR 1.4 mill., with current service cost accounting for EUR 0.1 mill. of this amount and net interest expense for EUR 1.1 mill.

For the year 2016 employer contributions to the plan assets are expected at EUR 0.7 mill., benefits paid directly by the employer at EUR 0.5 mill. and benefits to be paid from the plan assets at EUR 0.8 mill.

The following benefit payments are expected for the coming years:

In thousands of €	
Expected benefit payments for the year 2016	1,357
Expected benefit payments for the year 2017	1,459
Expected benefit payments for the year 2018	1,543
Expected benefit payments for the year 2019	1,635
Expected benefit payments for the year 2020	1,719
Expected benefit payments for the years 2021 to 2025	10,194

The following figures represent the Macaulay duration of the entire pension portfolio and describe the weighted (in terms of payment and interest) average term to maturity of the pension obligations:

In years	2015	2014
MAUK	19.85	20.23
Kraichgau-Klinik Group	13.23	13.34

Pension obligations and plan assets will presumably develop as follows in 2016:

In thousands of €	
Pension obligations as of 31.12.2015	51,709
Current service cost	76
Interest expense on the DBO	1,149
Expected benefits	–1,357
Estimated pension obligations as of 31.12.2016	**51,577**
Estimates of plan assets	
Fair value of plan assets as of 31.12.2015	1,438
Income expected from the plan assets	7
Expected employer contributions	724
Expected benefits	–816
Estimated fair value of plan assets as of 31.12.2016	**1,353**
Estimated net pension obligation	
Estimated pension obligations as of 31.12.2016	51,577
Estimated fair value of plan assets as of 31.12.2016	–1,353
	50,224

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.). MUK e.V. is a welfare organisation of the MediClin AG hospital operating carriers and administrative units that use this relief fund to fully or partly execute their company retirement benefit measures. The exclusive and unalterable purpose of this association is to operate this relief fund. The association must observe the provisions in Sections 1 to 3 Corporation Tax Implementing Regulations (KStDV) as amended. To this end, the association concludes reinsurance policies as per the benefit plan on the lives of the beneficiaries in order to guarantee financing of the agreed benefits.

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 0.9 mill. (previous year: EUR 1.0 mill.). 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 0.8 mill. (previous year: EUR 0.8 mill.) 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 €	31.12.2015	31.12.2014	01.01.2014
Provisions for renewal of lease agreements	160	152	144
Provisions for archival storage	1,293	942	490
Provisions for insurance	2,260	2,580	2,542
	3,713	**3,674**	**3,176**

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 2015 (previous year: EUR 8 thou.). The future reinstatement costs were discounted with an interest rate of 5.5 % and capitalised as incidental acquisition costs.

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 insurances recognised as of 31 December 2015 will be consumed in the coming year.

The following overview shows the development of provisions in the reporting year:

In thousands of €	As of 01.01.2015	Additions	Interest	Consumption	Reversal	As of 31.12.2015
Provisions for renewal of lease agreements	152	0	8	0	0	160
Provisions for archival storage	942	287	137	63	10	1,293
Provisions for insurance	2,580	0	323	0	643	2,260
	3,674	**287**	**468**	**63**	**653**	**3,713**

(24) Other financial liabilities

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Loans from public corporations	774	900	1,023
less current repayment share	128	126	123
	646	**774**	**900**

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

Future loan repayments and interest payments are as follows:

In thousands of € 2015	Total	1 year or less	1 to 2 years	3 to 5 years	More than 5 years
Interest on loans from public corporations	49	15	12	21	1
Repayments on loans from public corporations	769	128[1]	131	404	106

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
Repayments on loans from public corporations	900	126[1]	128	401	245

[1] For information only

(25) Other liabilities

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Anniversary obligations	2,313	2,090	2,003
Partial retirement obligations	158	255	350
	2,471	**2,345**	**2,353**

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 2.00 % (previous year: 2.25 %). If the interest rate increases or decreases by 0.50 % or 0.25 %, provisions change as follows:

In thousands of €	−0.50 %	−0.25 %	+0.25 %	+0.50 %
Discount rate (2.0 %)	+84	+41	−40	−79

Of the provisions for anniversary obligations, an estimated EUR 144 thou. will be used in the 2016 financial year, and EUR 2,169 thou. in the subsequent years. The interest component totalled EUR 40 thou. in the 2015 reporting year.

The top-up amounts relating to provisions for partial retirement are recognised in liabilities 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 three (previous year: six) partial retirement agreements existed (one block and two part-time models), of which one agreement will expire in 2016 and the other two in 2019. An anticipated total of EUR 42 thou. will be drawn upon in 2016, and the rest in 2017 to 2019. The interest component totalled EUR 6 thou. in the 2015 reporting year.

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.

(26) Liabilities to banks

In thousands of €	31.12.2015	31.12.2014
Reclassifications from long-term loans	6,304	6,242
Accrued interest	280	403
	6,584	**6,645**

Current liabilities to banks totalling EUR 6,304 thou. (previous year: EUR 6,242 thou.) relate to the reclassification, in the reporting year, of redemption payments expected in the coming 12 months, from non-current to current. EUR 267 thou. of the accrued interest item relates to interest in the period August to December 2015 for the syndicated loan with the original amount of EUR 50.0 mill. (previous year: EUR 384 thou.).

(27) Finance lease liabilities

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Leases for real estate	167	158	149
Leases for movable property	97	78	69
	264	**236**	**218**

Please refer also to (21) Finance lease liabilities

(28) Other provisions

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Provisions for billing risks and litigations	4,169	3,998	3,003
Provisions for reimbursements to coverage providers	362	320	298
Provisions for Supervisory Board	37	39	87
Remaining provisions	652	826	19
	5,220	**5,183**	**3,407**

Provisions for invoicing risks and legal disputes refer to legal disputes in the amount of EUR 251 thou. The provision for invoicing risks refers to the German Health Insurance Medical Service's (MDK) review of hospital services rendered pursuant to Section 275 of the German Social Security Code V (SGB). If the MDK determines during this review that services rendered were not invoiced correctly, the invoice is adjusted. When the financial statements are prepared, the risk of potential MDK adjustments is assessed and accounted for by means of provisions.

The following overview shows the development of provisions in the reporting year:

In thousands of €	As of 01.01.2015	Addition	Consumption	Reversal	As of 31.12.2015
Provisions for billing risks and litigations	3,998	711	540	0	4,169
Provisions for reimbursements to coverage providers	320	142	85	14	363
Provisions for Supervisory Board	39	37	39	0	37
Remaining provisions	826	58	30	202	652
	5,183	**948**	**694**	**216**	**5,221**

(29) Current income tax liabilities

The current income tax liabilities amounting to EUR 3.3 mill. primarily concern corporation tax, the solidarity surcharge and other taxes payable to the fiscal authorities. They cover liabilities from the reporting year and previous years.

(30) Liabilities pursuant to hospital financing law

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Liabilities pursuant to hospital financing law	5,254	3,181	2,048
Liabilities pursuant to national ordinance on hospital rates	2,159	2,886	2,501
	7,413	**6,067**	**4,549**

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

(31) Miscellaneous liabilities

Miscellaneous liabilities pertain to the following circumstances:

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Costs of annual financial statement	1,127	1,107	1,184
Other procurement of materials	728	258	88
Legal and consultancy costs	405	262	321
Liabilities from third-party funds	379	316	302
Liabilities to health insurance funds and other public coverage providers	282	435	421
Charges and fees	269	193	162
Liabilities from doctors' invoices	236	249	261
Administration costs	202	160	30
Energy and water supply	179	365	436
Other loans	128	126	123
Miscellaneous	333	562	608
	4,268	**4,033**	**3,936**

(32) Other liabilities

Including payroll tax yet to be paid, other liabilities refer primarily to staff costs.

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Staff costs	13,043	13,249	10,497
Payroll tax to be paid	3,431	3,552	3,347
Value added tax to be paid	289	287	179
Payments received	282	333	92
Deferred income	318	299	53
	17,363	**17,720**	**14,168**

Other liabilities from staff costs mainly consist of the following:

In thousands of €	31.12.2015	31.12.2014	01.01.2014
Vacation and flexitime entitlements	4,542	5,054	3,966
Profit-sharing bonus payments	4,630	3,667	2,813
Wage supplements	1,510	1,399	1,395
Bonus payments	612	538	590
Severance payments	238	1,721	950
Contributions to statutory accident insurance and prevention	718	590	589
Other staff costs	794	279	194
	13,044	**13,248**	**10,497**

Notes to the consolidated profit and loss account

(33) Sales

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

In millions of €	2015	2014
Post-acute	272.7	264.5
Acute	231.5	222.8
Nursing care	14.1	13.1
Other sales	37.0	37.6
Sales	**555.3**	**538.0**
Thereof pertaining to related parties and persons	2.3	2.0

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 16.1 mill. (previous year: EUR 17.0 mill.). Furthermore, in addition to service revenues, other sales include revenues from the sale of pharmacy merchandise totalling EUR 2.7 mill. (previous year: EUR 2.8 mill.), from private accommodation totalling EUR 3.4 mill. (previous year: EUR 3.4 mill.) and from cafeterias, kiosks and meals totalling EUR 6.1 mill. (previous year: EUR 6.0 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.

(34) Other operating income

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

In millions of €	2015	2014
Subsidies	1.1	1.0
Rental income	0.9	0.8
Services to staff	0.4	0.4
Other income	4.3	4.7
Other operating income	**6.7**	**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 2015 this amounts to EUR 2.0 mill. (previous year: EUR 1.4 mill.).

(35) Raw materials and consumables used

Raw materials and consumables used were reduced by EUR 3.8 mill. to EUR 103.1 mill. (previous year: EUR 106.9 mill.). Raw materials and supplies thus declined by EUR 2.2 mill., while purchased services dropped by EUR 1.6 mill. The cost of materials ratio improved to 18.6 % (previous year: 19.9 %).

In millions of €	2015	2014
Operating supplies	18.7	18.7
Medical supplies	41.5	43.0
Other raw materials and supplies incl. price deductions/bonuses/cash discounts	–0.3	0.4
Raw materials and supplies	**59.9**	**62.1**
Energy/water/sewage	12.7	13.3
Third-party services	12.6	14.0
External medical services	14.8	13.9
Other third-party services	3.1	3.6
Purchased services	**43.2**	**44.8**
Raw materials and consumables used	**103.1**	**106.9**

(36) Staff costs

Staff costs of EUR 319.8 mill. were 3.1 % higher than in the previous year (previous year: EUR 310.1 mill.). The staff costs ratio for the 2015 financial year was 57.6 %, unchanged compared to the previous year.

In thousands of €	2015	2014
Wages and salaries	270,984	263,762
Social security, pensions and retirement	48,804	46,340
Thereof pension costs	2,345	1,960
Staff costs	**319,788**	**310,102**

Pension expenses incurred in addition to those for statutory pension insurance, including contribution payments to external provider facilities, totalled EUR 2.3 mill. (previous year: EUR 2.0 mill.). They concern the following:

In thousands of €	2015	2014
Contributions to		
Defined benefit plans	608	121
Defined contribution plans	1,646	1,779
Other pension-related expenses	91	60
	2,345	**1,960**

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 contributions to defined contribution plans, EUR 0.9 mill. (previous year: EUR 1.0 mill.) refers to MediClinRent and EUR 0.8 mill. (previous year: EUR 0.8 mill.) to contributions to three supplementary pension or relief funds.

(37) Other operating expenses

Other operating expenses of EUR 97.2 mill. are EUR 3.3 mill. higher than the previous year's value (previous year: EUR 93.9 mill.).

The largest items in other operating expenses are, as in the previous year, rental and lease expenses for real estate and medical equipment in the amount of EUR 50.7 mill. EUR 44.2 mill. (previous year: EUR 44.1 mill.) thereof concerns payments to related parties pursuant to IAS 24, of which EUR 43.3 mill. (previous year: EUR 43.2 mill.) relates to rental payments for 21 clinics transferred to a real estate fund in the years 1999 until 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 millions of €	2015	2014
Rents and leases	50.7	50.7
Maintenance and repairs	16.7	16.1
Insurance costs	3.3	3.3
Legal and consultancy costs	5.0	3.9
Contributions, fees, levies	1.4	1.2
Other miscellaneous expenses	20.1	18.7
Other operating expenses	**97.2**	**93.9**
Thereof pertaining to related parties and persons	55.2	54.2

(38) Depreciation and amortisation

In the 2015 financial year depreciation and amortisation totalled EUR 18.4 mill. (previous year: EUR 18.5 mill.), with EUR 1,225 thou. (previous year: EUR 1,241 thou.) attributable to intangible assets and EUR 17,191 thou. (previous year: EUR 17,275 thou.) to property, plant and equipment.

(39) Financial result

The financial result is structured as follows:

In thousands of €	2015	2014
Income from participations	60	25
Interest and similar income	31	13
Interest and similar expenses	–3,693	–3,915
Financial result	**–3,602**	**–3,877**

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.

Interest and similar income

In thousands of €	2015	2014
Interest income from receivables	14	4
Interest income from deposits at banks	1	2
Income from derivatives	0	0
Other interest-related income	16	7
Interest and similar income	**31**	**13**
Thereof pertaining to related parties and persons	0	0

Interest and similar expenses

In thousands of €	2015	2014
Interest on current accounts	1	3
Interest on loans	1,317	1,691
Interest on pension provision	1,197	1,379
Interest on finance leases	408	414
Expenses for derivatives	1	52
Other interest-related expenses	769	376
Interest and similar expenses	**3,693**	**3,915**

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

(40) Taxes on income

The taxes on income are structured as follows:

In thousands of €	2015	2014
Actual taxes on income	3,558	2,239
Deferred taxes on income	–148	1,084
	3,410	**3,323**

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

In thousands of €	2015	2014
Consolidated result before tax	20,008	11,686
Resultant calculational tax charge (15.825 %)	3,166	1,849
Tax effect from		
Non-capitalisable losses in the financial year	109	992
Trade tax expenses in the financial year	63	109
Corporation tax credit SEStEG	–1	–2
Non-deductible expenses	28	37
Non-deductible depreciation and amortisation	0	480
Others	45	–142
Actual tax expenses	**3,410**	**3,323**

(41) Result per share attributable to shareholders of MediClin AG

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.

	2015	2014
Result after tax attributable to shareholders of MediClin AG in thousands of €	16,536	8,503
Average number of shares issued in thousands	47,500	47,500
Undiluted earnings per share in €	0.35	0.18

(42) 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 by area of activity

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	2015	2014	Change
Medical	814	822	−8
Nursing care	2,018	1,984	+34
Medical-technical	1,476	1,453	+23
Functional	407	395	+12
Medical services	**4,715**	**4,654**	**+61**
Support functions	995	982	+13
Technical	128	126	+2
Administration	545	538	+7
Other	48	50	−2
Non-medical services	**1,716**	**1,696**	**+20**
	6,431	**6,350**	**+81**

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 49.5 mill.). Of this amount, a total of EUR 43.3 mill. (previous year: EUR 43.2 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 agreements concluded together with the rental contracts totalled EUR 0.9 mill. in the financial year (2016: EUR 0.9 mill.; 2017 to 2020: EUR 3.4 mill.; 2021 to 2027: EUR 6.1 mill.). The expenses for other rents and leases totalled EUR 2,676 thou. (previous year: EUR 2,659 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 31.12.2015**	Nominal value 31.12.2014
Remaining term up to 1 year	45.6	45.3
Remaining term 1–5 years	180.0	180.0
Remaining term more than 5 years	311.8	352.3
	537.4	**577.6**

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 2,660 thou. (previous year: EUR 2,762 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 31.12.2015**	Nominal value 31.12.2014
Remaining term up to 1 year	1.6	1.5
Remaining term 1–5 years	1.8	2.3
Remaining term more than 5 years	0.0	0.0
	3.4	**3.8**

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

In millions of €	**Nominal value 31.12.2015**	Nominal value 31.12.2014
Remaining term up to 1 year	0.6	0.7
Remaining term 1–5 years	2.5	2.5
Remaining term more than 5 years	8.0	8.6
	11.1	**11.8**

The finance lease agreements totalling EUR 10.7 mill. (previous year: EUR 11.3 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 0.4 mill.; previous year: EUR 0.5 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 6.5 mill. existed in connection with the acquisition of property, plant and equipment as of 31 December 2015 (previous year: approximately EUR 3.6 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 agreement.

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 2015 reporting year EUR 5.0 mill. was repaid and on 31 January 2016 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. In the 2015 financial year interest for the loan totalled EUR 738 thou. (previous year: EUR 1,051 thou.).

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 (31.12.2015: EUR 18.30; 31.12.2014: EUR 557.89).

The 6-month Euribor ranged between 0.69800 % p.a. and – 0.08900 % p.a. in 2012 and 2016. 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 %
31.07.2015 until 31.01.2016	0.04800 %
31.01.2016 until 31.07.2016	– 0.08900 %

A change in the 6-month Euribor in the range between +/– 100 basis points, would have led to the following deteriorations or improvements in the financial result.

In thousands of €	Basis points	Financial result
Change in Euribor	+ 100	– 372
Change in Euribor	+ 50	– 186
Change in Euribor	+ 25	– 93
Change in Euribor	+ 10	– 37
Change in Euribor	– 10	+ 29
Change in Euribor	– 25	+ 41
Change in Euribor	– 50	+ 43
Change in Euribor	– 100	+ 43

Supervisory Board in the 2015 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 Hilpert[1] (Vice Chairman), Kirkel
Sports Therapist, MediClin GmbH & Co. KG, Blieskastel branch

Michael Bock, Leverkusen
Managing Director of REALKAPITAL Vermögensmanagement GmbH, Leverkusen
Supervisory Board mandates:
Member of the Supervisory Board of
- DIC Asset AG, Frankfurt am Main
- DICP Capital SE, Munich

Dr. Bernard große Broermann, Königstein-Falkenstein (since 28 May 2015)
Entrepreneur

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

Dr. Tom Giesler[1], 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
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

[1] Employee representative on the Supervisory Board

Carsten Heise, Hofheim am Taunus and Düsseldorf (until 28 May 2015)
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
- MS "Deutschland" Beteiligungs GmbH, Neustadt in Holstein

Rainer Laufs, Kronberg im Taunus
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
- Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg
- Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein im Taunus

Stephan Leonhard, Oberursel
Managing Director of Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg
Vice Chairman of the Corporate Management of the Asklepios Group, Hamburg
Supervisory Board mandates:
Member of the Supervisory Board of
- Asklepios Kliniken Hamburg GmbH, Hamburg

Thomas Müller[1], Neunkirchen
ver.di Union Representative for the Saar-Trier district

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

Matthias H. Werner[1], Biberach (Baden)
Social Pedagogue (BA)/Adventure Pedagogue, MediClin Klinik an der Lindenhöhe,
Offenburg

[1] Employee representative on the Supervisory Board

Supervisory Board Committees

In the 2015 financial year, the committees consisted of the following members:

General and Personnel Committee
Dr. Ulrich Wandschneider (Chairman)
Hans Hilpert (Vice Chairman)
Michael Bock (until 28 May 2015)
Dr. Bernard große Broermann (since 28 May 2015)
Dr. Tom Giesler
Stephan Leonhard
Thomas Müller

Audit Committee
Stephan Leonhard (Chairman)
Michael Bock
Walburga Erichsmeier (until 28 May 2015)
Dr. Tom Giesler (until 28 May 2015)
Carsten Heise (until 28 May 2015)
Eleonore Seigel
Matthias H. Werner (since 28 May 2015)

Nomination Committee
Dr. Ulrich Wandschneider (Chairman)
Michael Bock (since 28 May 2015)
Carsten Heise (until 28 May 2015)
Stephan Leonhard

Mediation Committee pursuant to Section 27 MitbestG
Dr. Ulrich Wandschneider (Chairman)
Hans Hilpert (Vice Chairman)
Walburga Erichsmeier (since 28 May 2015)
Stephan Leonhard (since 28 May 2015)
Matthias H. Werner (until 28 May 2015)

Management Board

Volker Feldkamp, Chairman of the Management Board, Aachen

Jens Breuer, Chief Financial Officer, Hamminkeln

Management remuneration

In the reporting year, remuneration for the Management Board amounted to EUR 1,240 thou. (previous year: EUR 1,345 thou.). It is comprised of fixed remuneration amounting to EUR 605 thou. (previous year: EUR 570 thou.), a variable remuneration component of EUR 552 thou. (previous year: EUR 646 thou.) for one year and a variable remuneration component of EUR 67 thou. (previous year: EUR 113 thou.) for several years. Ancillary benefits amounting to EUR 17 thou. previous year: EUR 17 thou.) refer to payments in kind for the provision of company cars. At present there are no pension commitments to members of the Management Board.

The remuneration for the Supervisory Board in the reporting year totalled EUR 169 thou. (previous year: EUR 172 thou.). The disclosure of the remuneration of the Supervisory Board does not include VAT.

In the 2015 financial year, as in 2014, 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 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 (including, among others, ERGO Versicherungsgruppe AG (ERGO) and, until 2011, Provinzial Rheinland Lebensversicherung AG (Provinzial)).

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 affected parties to submit declarations waiving the assertion of claims on the grounds of the statute of limitation. Waivers up to 31 May 2016 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.

In its meeting on 9 September 2015 the Supervisory Board decided to establish a project group that is to closely accompany the process and potential future negotiations on claims in connection with the rental contracts and to report to the Supervisory Board on these issues. The project group consists of a member of the Management Board, external lawyers and Supervisory Board members.

The current findings do not yet allow for a final assessment of the compliance of those rents with standard market rates now and in the past. Therefore, no changes have been made to the balance sheet in this respect.

Related party transactions

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

In millions of €	2015	2014
Income		
Sales from post-acute, acute and nursing care services	1.8	1.6
Real estate management income	0.4	0.4
Pension payments of MAUK	0.7	0.6
Service contracts	0.2	0.1
Expenses		
Lease expenses[1]	44.0	43.9
Real estate management costs	0.9	0.9
Insurance premiums	1.7	1.7
Service contracts	8.4	7.7
Remuneration for key management personnel	2.0	2.0
Payments to MAUK	0.7	0.3
Other purchased goods and services	0.4	0.1

In millions of €	31.12.2015	31.12.2014
Receivables		
Repayment claims from preliminary financing of clinic expansion and building measures	0.1	0.1
Receivables from post-acute, acute and nursing care services	0.2	0.1
Liabilities		
Service contracts	0.3	0.6
Provisions for insurance payments	0.2	0.1
Provisions for remuneration for key management personnel	0.9	0.8

[1] Lease expenses include EUR 43.3 mill. (previous year: EUR 43.2 mill.) in rental payments to OIK-Immobilienfonds; for more details see page 163 "Report concerning related parties pursuant to IAS 24", OIK-Immobilienfonds.

Related parties (individuals)

Individuals and legal entities, which either control or can exert a substantial influence over the MediClin Group or are controlled or substantially influenced by the Group are deemed related parties of the MediClin Group as defined in IAS 24. This includes active members of the management and supervisory boards of MediClin AG and its majority shareholder, Asklepios Kliniken GmbH, Hamburg, as well as the latter's sole shareholder Dr. Bernard große Broermann.

The Management Board consists of the Chairman of the Management Board Volker Feldkamp and the Chief Financial Officer Jens Breuer.

Several members of the Supervisory Board have executive functions within the Asklepios Group. The Chairman of the Supervisory Board, Dr. Ulrich Wandschneider, is a Managing Director of Asklepios Kliniken GmbH and Chairman of the Corporate Management of the Asklepios Group. Stephan Leonhard is a Managing Director of Asklepios Kliniken GmbH and Deputy Chairman of the Corporate Management of the Asklepios Group. Rainer Laufs is a member of the Supervisory Board of Asklepios Kliniken Verwaltungsgesellschaft mbH and Asklepios Kliniken GmbH. Dr. Bernard große Broermann is the sole shareholder of Asklepios Kliniken GmbH.

Payments made to the Management Board and the Supervisory Board are shown as "Remuneration for key management personnel" in the above table. 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 recognised provisions for remuneration for key management personnel are due within the time frame of one year, with the exception of EUR 29 thou. (previous year: EUR 50 thou.).

Related parties (companies)

Asklepios Kliniken GmbH, Hamburg, holds 50.73 % of MediClin AG's share capital. Since the MediClin Group is included as a subgroup in the consolidated financial statements of the Asklepios Group, the subsidiaries of Asklepios Kliniken GmbH and the other entities in which Dr. Bernard große Broermann holds a controlling interest also classify as related parties in addition to MediClin's own subsidiaries.

The procurement of goods and services from these business relationships amounted to a total of EUR 1.6 mill. in the year under review (previous year: EUR 1.3 million), resulting primarily from laboratory management agreements and hospital supply contracts regarding the supply of medicines by Asklepios' hospital pharmacies. Liabilities amounted to EUR 0.04 mill. on 31 December 2015 (31.12.2014: EUR 0.1 mill.). Services in the amount of EUR 0.2 mill. were rendered to the Asklepios Group (previous year: EUR 0.1 mill.).

The companies of ERGO Versicherungsgruppe, the second-largest shareholder of MediClin AG with a share of 35.0 %, are also defined as related parties. ERGO-Versicherungsgruppe is a subgroup of Münchener Rückversicherungs-Gesellschaft AG.

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 0.9 mill. in 2015 (previous year: EUR 1.0 mill.). Furthermore, several insurance agreements continue to exist with subsidiaries of ERGO Versicherungsgruppe. The corresponding premiums amounted to EUR 0.8 mill. (previous year: EUR 0.7 mill.). 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.

Moreover, TRIUVA Kapitalverwaltungsgesellschaft mbH (TRIUVA) (formerly IVG Institutional Funds GmbH), Frankfurt am Main, is considered part of the group of related companies. The inclusion of TRIUVA results from the management of the real estate asset OIK-Fonds MediClin by TRIUVA. 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 TRIUVA. MediClin and TRIUVA 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 TRIUVA 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 5.7 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. Dr. Ulrich Wandschneider is a member of the supervisory board of Vanguard AG, meaning this company also classifies as related party. Sales in the reporting year amounted to EUR 0.7 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	2015	2014
Annual audit	345	411
Other attestation services	10	11
Other services	–	8
	355	**430**

Offenburg, 4 March 2016

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, 4 March 2016

Volker Feldkamp

Jens Breuer

Auditor’s report

We have audited the consolidated financial statements prepared by MEDICLIN Aktiengesellschaft, Offenburg, comprising the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and the notes to the consolidated financial statements, together with the combined management and group management report for the fiscal year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report and group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined management report and group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the entities to be included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the combined management report and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Stuttgart, 4 March 2016

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(Koch)	(Fleck)
Wirtschaftsprüfer	Wirtschaftsprüfer

Further information

Contents

DR. ULRICH WANDSCHNEIDER
CHAIRMAN OF THE SUPERVISORY BOARD

Report of the Supervisory Board

Dear Shareholders,

In the 2015 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 reported regularly, promptly and comprehensively to the Supervisory Board, both verbally and in writing, on company planning, the economic situation and the development of the Group as well as on key business transactions. It also informed us on all relevant issues in connection with the corporate strategy, the risk situation, risk management and compliance. In the scope 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 all Supervisory Board meetings. Upcoming or currently implemented investment projects were also considered against the backdrop of the Group's cash flow performance. Any deviations in business development from the budgets and goals were discussed between the Management Board and the Supervisory Board. Overall, the Supervisory Board was directly involved in all decisions of material importance.

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

The Management Board and the Supervisory Board issued a conformity declaration in the year under review that is permanently available to shareholders on MediClin's website.

Together with the Management Board, the Supervisory Board reports on corporate governance in the corporate governance report. This report is published on the website together with MediClin's 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 62 ff of the 2015 Annual Report.

Meetings and resolutions of the Supervisory Board

The Supervisory Board held four rotational meetings with personal attendance and an additional meeting in the form of a conference call in the year under review. In 2015 all the members of the Supervisory Board apart from three members, who had excused themselves for one meeting each, participated in all Supervisory Board meetings. In the Supervisory Board meetings, the chairpersons of the committees regularly provided the Supervisory Board with detailed information on the work in their respective committees.

The review of the appropriateness of rents for clinics that were pooled in a real estate fund between 1999 and 2002 and rented back was a regular topic at the meetings. This review was initiated after the Management Board of MediClin was presented with a legal opinion that had been commissioned by a shareholder in the 2014 financial year. According to this paper the rents paid by MediClin to the real estate fund (OIK-Fonds) 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. 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 affected parties to submit declarations waiving the assertion of claims on the grounds of the statute of limitation. Waivers up to 31 May 2016 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 Supervisory Board received comprehensive reports 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 as well as the resulting options. In its meeting on 9 September 2015 the Supervisory Board decided to establish a project group that is to closely accompany the process and potential future negotiations on claims in connection with the rental contracts and to report to the Supervisory Board on these issues. The project group consists of a member of the Management Board, external lawyers and Supervisory Board members. The current findings do not yet allow for a final assessment of the compliance of those rents with standard market rates now and in the past.

In the conference call on 15 January 2015 the Supervisory Board resolved to renew the appointment of the Chief Financial Officer Jens Breuer as recommended by the General and Personnel Committee and to amend his contract of employment accordingly.

At the first meeting in the 2015 financial year on 18 March 2015, the Supervisory Board discussed the annual financial statements and the consolidated financial statements for 2014, 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, the consolidated financial statements and the summarised management report and the Group management report 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 2015 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 Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, be appointed as auditor and Group auditor for the 2015 financial year; the statement of independence from the intended auditor had been received. The Supervisory Board thus complied with an EU Regulation that requires rotation of the statutory auditors. The agenda for the Annual General Meeting on 28 May 2015 was discussed.

As the periodic new election of all the shareholder representatives in the Supervisory Board had taken place in the Annual General Meeting on 28 May 2015, the Supervisory Board meeting following the Annual General Meeting held new elections for the Chairman and the Vice Chairman of the Supervisory Board and the committee members as prescribed by law, Articles of Incorporation and Rules of Procedure for the Supervisory Board. The Supervisory Board further dealt with the current business development of the Group in the first quarter of 2015 using the Management Board's and the Audit Committee's reporting as a basis. The Management Board presented a comprehensive analysis of key data illustrating the Group's business performance.

In the meeting on 9 September 2015, the Management Board informed the Supervisory Board about the business development in the first half-year of 2015. In addition, the Supervisory Board received the comments of the Audit Committee. The Supervisory Board also dealt with the gender quota that now applies to future members of the Supervisory Board and with the legal requirement to define the first binding targets for increasing the share of women that have to be submitted by 30 September 2015. The Supervisory Board resolved that the Supervisory Board quota has to be met separately by both the employer and the employee representatives. The aim is to fulfil the required quota when positions are refilled or after a Supervisory Board member leaves. The employee representatives already meet the quota. With regard to the share of women at Management Board level, the Supervisory Board decided not to introduce a gender quota, because the Management Board only has two members. Therefore the gender quota for the Management Board is presently 0%. The Board also dealt with the targets and deadlines for implementing the gender quota at management levels below the Management Board (MediClin has only one management level below the Management Board). The Supervisory Board approved the takeover of a business area of the Cortex Software GmbH subsidiary by MEIERHOFER AG, Munich.

In the meeting on 19 November 2015 the Management Board explained the business performance of MediClin in the first nine months of the 2015 financial year; here, too, the Audit Committee rendered additional comments. The Management Board presented its planning for 2016 to 2018 as well as the associated general conditions and measures. Following careful deliberation, the Supervisory Board finally acknowledged the target figures presented and the accompanying explanations and gave its consent to various capital expenditure measures.

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.

Work in the committees of the Supervisory Board

In order to perform its tasks, the Supervisory Board set up a total of four committees, i.e. the Audit Committee, General and Personnel Committee, Nomination Committee and Mediation Committee, 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.

In the year under review, the Audit Committee held three conference calls and two meetings with personal attendance at which all members participated except for one member who excused themself for one meeting. In a conference call on 20 February 2015, the Audit Committee discussed the preliminary financial statements for 2014, the preliminary consolidated financial statements for 2014 and the preliminary figures for 2014 with the Management Board and the auditors. In the meeting with personal attendance on 18 March 2015 the auditors reported to the Audit Committee on 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 2014, the consolidated financial statements for 2014, the summarised management report and the Group management report, and resolved to recommend approving the annual financial statements to the Supervisory Board. Following its own review of the matter, the Audit Committee also resolved to approve the Management Board's proposal for the allocation of unappropriated profit and to recommend to the Supervisory Board to follow the proposal of the Management Board and to carry forward the profit for the 2014 financial year to new account. The Audit Committee further decided in this meeting to recommend that the Supervisory Board propose Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart to the Annual General Meeting 2015 as auditor. The independence certification was examined and the independence confirmed.

In the conference calls on 30 April 2015 and 31 July 2015 and the meeting on 4 November 2015, the Audit Committee and the Management Board discussed the figures for the first quarter 2015, the first half-year 2015 and the first nine months of the 2015 financial year in detail and approved the corresponding financial report and the pertinent press releases for publication. In the meeting on 4 November 2015 the Audit Committee also talked about the key points for the 2015 audit with the attending auditors and approved them. The auditors were engaged to audit the annual financial statements. Further topics of discussion were the risk management report including the annual risk inventory and the report on the internal audit 2015. Audit planning for 2016 was talked through.

The General and Personnel Committee convened twice in the 2015 financial year. All members attended the meetings except for one member who excused themself for one meeting. The General and Personnel Committee decided in a conference call on 15 January 2015 to recommend that the Supervisory Board renew the appointment of the Chief Financial Officer Jens Breuer by another three years up to and including 31 May 2018 and resolve to amend his contract of employment accordingly. The meeting on 18 March 2015 dealt with the determination of the profit-sharing bonus payments to the Management Board in the 2014 financial year as well as the target criteria for the profit-sharing bonus payments to the Management Board in the 2015 financial year.

The Nomination Committee resolved by circulation on 18 March 2015 to recommend Dr. Bernard große Broermann to the Supervisory Board as proposed candidate for the Annual General Meeting 2015 in order to replace Carsten Heise who did not stand for re-election.

The Mediation Committee did not convene in the 2015 reporting year.

Changes in the Supervisory Board and the Management Board

Carsten Heise no longer stood for re-election at the new election of all the shareholder representatives on the Supervisory Board that was to be conducted at the Annual General Meeting 2015. Instead, Dr. Bernard große Broermann was elected as Supervisory Board member. All the other Supervisory Board members were re-elected by the Annual General Meeting.

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 2015 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 Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart. The Group auditor was elected as auditor of the annual financial statements and the consolidated financial statements for the 2015 financial year at the Annual General Meeting on 28 May 2015, 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 2015 annual financial statements of MediClin AG and the 2015 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 22 March 2016, 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 2015 financial year totalling EUR 29,325,811.12 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.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft 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, on the basis of the circumstances that were known when the legal transactions were concluded, the Company received appropriate consideration for all of the legal transactions listed in the report regarding related party transactions for the period 1 January until 31 December 2015.

No measures were taken or omitted that placed the Company at a disadvantage and that would have to be reported here."

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 22 March 2016. It did not raise any objections against the concluding declaration of the Management Board contained in the dependency report or against the result of the audit conducted by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.

The Supervisory Board would like to thank the Management Board and all MediClin employees for the work they performed and their great personal commitment. Without this commitment and motivation the 2015 financial year would not have been as successful.

Hamburg, 22 March 2016

On behalf of the Supervisory Board

Dr. Ulrich Wandschneider
Chairman of the Supervisory Board

Glossary

Terms of the health care sector

CIRS
Critical Incident Reporting System.

ICS
Internal control system.

MAAS-BGW
Management requirements on work safety issued by the statutory accident insurance and prevention for the healthcare 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 computer-assisted trading system by Deutsche Börse AG.

Financial calendar

19 February 2016
Press release for the preliminary figures for the 2015 financial year

23 March 2016
Financial statements press and analysts' conference for the 2015 financial year

12 May 2016
Publication of the interim report for the 1st quarter 2016

25 May 2016
Annual General Meeting

5 August 2016
Publication of the interim report for the 1st half-year 2016

10 November 2016
Publication of the interim report for the 1st–3rd quarter 2016

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Concept, design and media design
Designerwerk/Janine Weise,
Frankfurt am Main

Present nationwide

- Asklepios: acute-care somatic hospital
- Asklepios: psychiatric clinic
- Asklepios: post-acute/rehabilitation hospital
- Asklepios: other healthcare facility
  (including day hospital, healthcare centre, nursing care facility)
- * Facility under management

- MediClin: acute-care somatic hospital
- MediClin: psychiatric clinic
- MediClin: post-acute/rehabilitation hospital
- MediClin: other healthcare facility
  (including day hospital, healthcare centre, nursing care facility)

As of May 2015