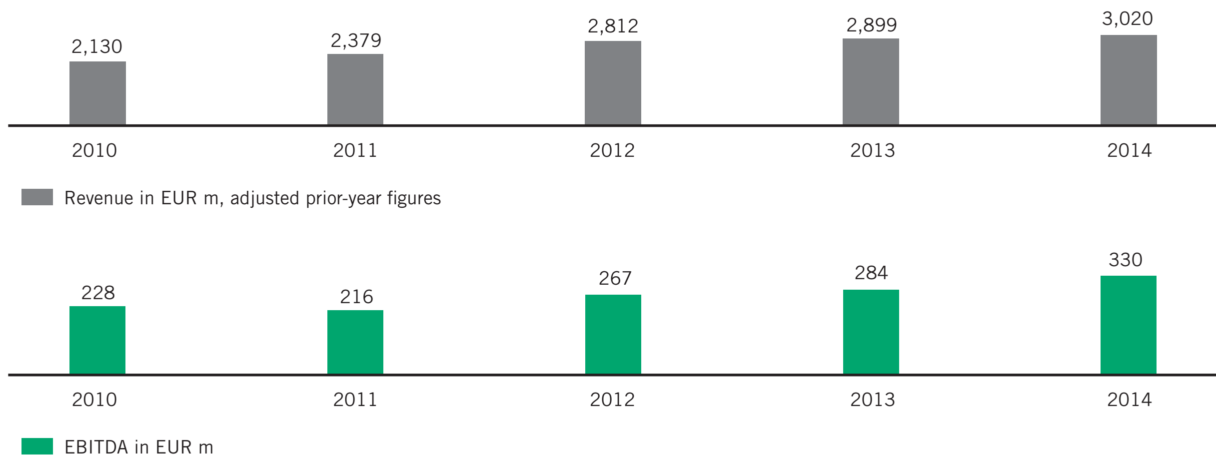
ASKLEPIOS
United for Health

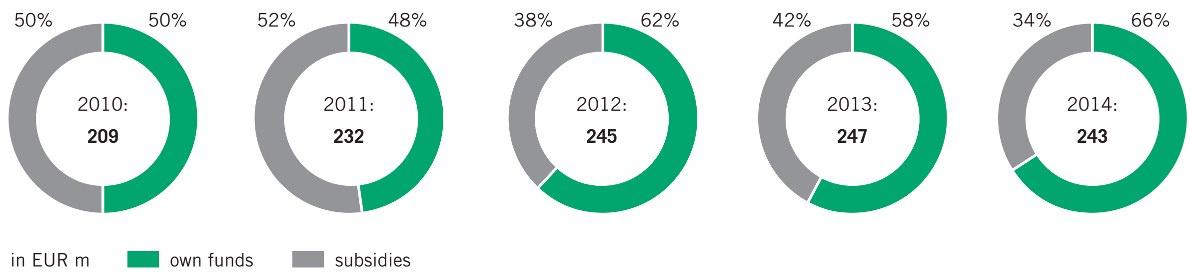
Annual Report **2014**

KEY FIGURES

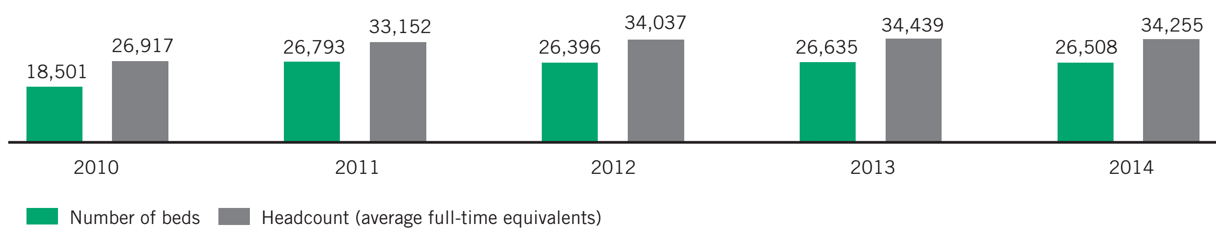
SUSTAINABLE GROWTH



HIGH INVESTMENTS



INTENSIVE CARE



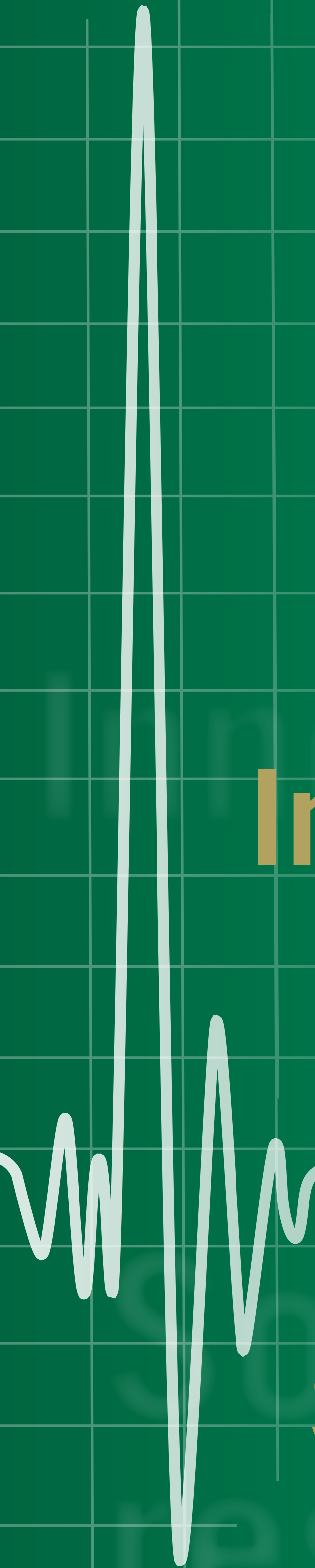
GROUP KEY FIGURES ACCORDING TO IFRS OVER SEVERAL YEARS

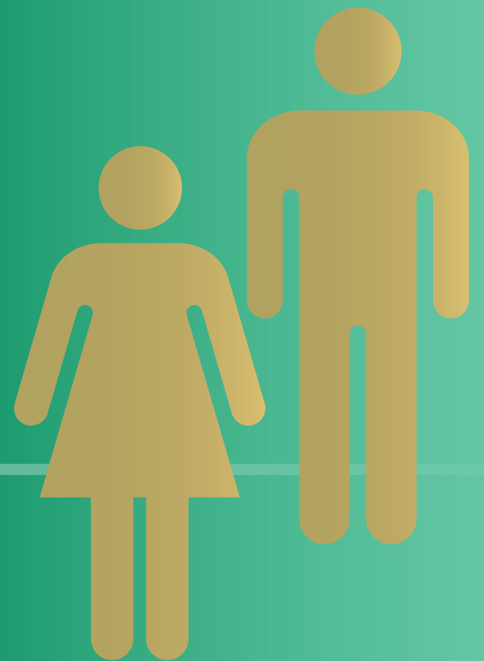
		2014	2013	2012	2011	2010
Number of patients		2,186,876	2,161,627	2,066,353	1,742,353	1,624,409
Number of beds		26,508	26,635	26,396	26,793	18,501
Headcount (average full-time equivalents)		34,255	34,439	34,037	33,152	26,917
Net cash flow (operating cash flow)	EUR m	310.9	229.8	225.5	205.9	225.2
Sales	EUR m	3,020.2	2,899.1	2,811.8	2,379.4	2,129.7
EBITDA	EUR m	330.4	284.4	267.2	215.9	228.0
EBITDA margin in %		*10.9*	*9.8*	*9.5*	*9.1*	*10.7*
EBIT	EUR m	211.8	175.8	163.8	134.2	159.9
EBIT margin in %		*7.0*	*6.1*	*5.8*	*5.6*	*7.0*
Consilidated net income for the year	EUR m	151.8	121.1	112.9	35.7	88.4
Return on sales in %		*5.0*	*4.2*	*4.0*	*1.5*	*4.1*
Total assets	EUR m	2,863.4	2,755.0	2,641.5	2,459.2	2,025.3
Equity	EUR m	1,001.7	926.3	851.5	767.6	652.5
Equity ratio in %		*35.0*	*33.6*	*32.2*	*31.2*	*32.2*
Financial liabilities	EUR m	742.7	802.8	771.3	681.6	710.3
Cash and cash equivalents	EUR m	161.2	204.1	145.9	182.6	262.6
Net debt	EUR m	581.5	598.7	625.4	499.0	447.7
Net debt/EBITDA		1.8 x	2.1 x	2.3 x	2.3 x	2.0 x
Interest coverage factor (EBITDA / interest result)		10.2 x	9.5 x	8.9 x	7.3 x	7.6 x
Investments in intangible assets and property, plant and equipment	EUR m	242.7	247.0	245.0	231.6	208.8
of which own funds	EUR m	160.7	144.0	151.0	120.6	104.0

ASKLEPIOS
United for Health

Medical quality

Innovation





Social responsibility

ASKLEPIOS
Asklepios
Krankentransport

30 years after it was founded, Asklepios is now composed of around 150 healthcare facilities in 14 German states. **Asklepios Schlossberg Klinik Bad König** is one of the Group's first clinics. This makes the acute clinic for neurological early rehabilitation, located in the middle of the resort town of Odenwald, one of Asklepios' oldest locations to date. With the recent extension works in 2011, the Asklepios Schlossberg Klinik is now the largest facility for neurological early rehabilitation in the state of Hesse and one of the largest of its kind in Germany.

"Competition **promotes** quality"

In June 1985, Dr Bernard gr. Broermann founded Asklepios Kliniken GmbH, thereby laying the foundation stone for the Group as it stands today. The sole shareholder talks in an interview about medical quality as the core guiding principle and economic success as the precondition required for it.

Dr Broermann, nearly 30 years after the company was founded, what distinguishes Asklepios today?

Still the same core values as when it began 30 years ago: quality, innovation and social responsibility. The world of health has changed dramatically since then. However, we have learned to respond flexibly and rapidly to both medical advancements and changed political conditions.

Your guidelines are increasingly in demand today. The grand coalition government in Germany is now even planning to use quality as a criterion for remuneration. Does that confirm what you have done?

It provides confirmation not only for me, but everyone dealing with this issue at Asklepios believes that this is a correct and necessary step! The promotion of medical quality is now on the political agenda. All those who are responsible are aware that within what is already a complicated healthcare system, medical quality and hospital remuneration are among the most complex issues. We are pleased that in the future better quality will be rewarded and no longer disadvantaged.

In what way do you consider quality has been disadvantaged up to now?

Our group-wide quality reporting targets the continuous improvement of quality and the disclosure of all potential weak points. This is part of our corporate image and is therefore our standard. However, measures to improve the quality of medical facilities are usually also associated with substantial capital expenditure. Outstanding specialists, who make innovative, high-quality medicine possible in the first place, also expect a first-class, modern working environment – and rightly so. Quality, and hence the performance, of a hospital must therefore be reflected in the remuneration. Otherwise, we will see little progress being made across the industry.

Another possibility would be for politicians to produce more rigorous, more detailed guidelines on this issue.

There are already guidelines in place concerning many important aspects. But they solve neither the issue of costs nor the question of benefits. I believe it to be a problem that politicians severely underestimate the pace of innovation in our industry. Strict guidelines can only ever guarantee a minimum standard, but they cannot be used to inspire progress. We recently made significant investments in new wards and departments. Hamburg Harburg is mentioned as an example here where the burden on employees is being considerably relieved by technology for a large number of standard tasks. It is impossible to reproduce this dynamism in nationwide laws.

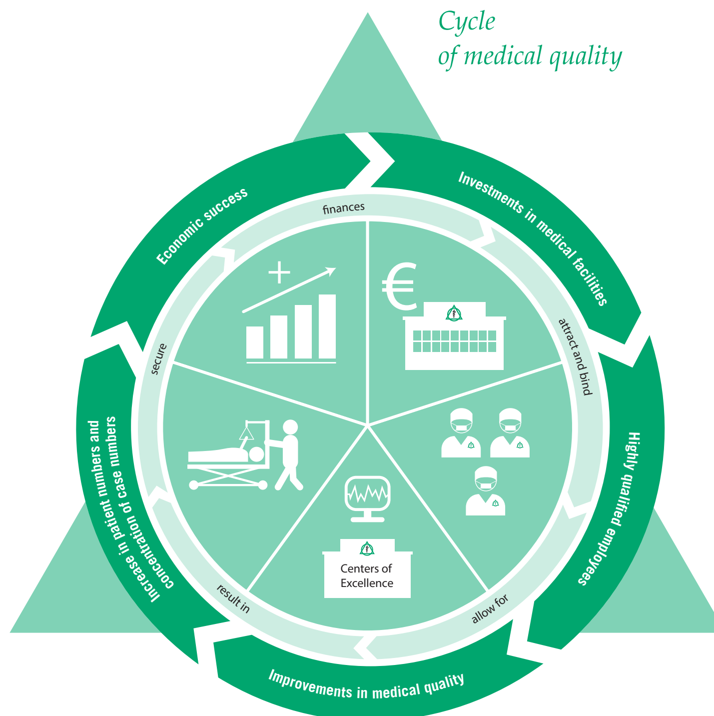
What would be your preferred solution in matters of quality and competition?

Quality in hospitals is measurable. This has been proven for some time by us and by many of our competitors, too – in some cases quality reporting is now also mandatory. We need to build on this approach and also integrate the issue of remuneration. I am convinced that we will see considerable improvements in the industry within a short space of time with a self-regulated, competitive solution like this. However, it should be done without increasing the bureaucratic work in the hospitals or at government level.

Do you think that this approach will prevail?

I hope so. It is important that quality and innovation are not held back at another level. If quantitative restrictions in individual hospitals were also to result in leading facilities in diagnosis and therapy not being able to fully utilise their capacities even with a sufficient level of demand, this would impede optimum patient care. We are investing in our Centres of Excellence, i.e. in the targeted expansion of medical specialisms at individual locations. Our objective is the best possible quality of outcomes for patients. This is secured by a highly qualified, ambitious team of specialists. If these experts were to be impeded, a mockery would be made of the concentration of case numbers called for by politicians in a bid to improve quality.

Cycle of medical quality



On the subject of investments, it is well known that there is a pronounced weak level of investment in German hospitals. How does Asklepios deal with this problem?

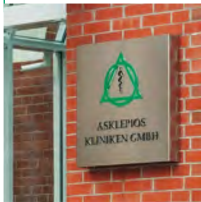
As a private hospital operator, our clinics are not experiencing any investment backlog. We are economically successful and leave the profits in our clinics so that we can carry out much-needed investments in our medical facilities and expand our Centres of Excellence. Our economic success is therefore the basis for medical quality. As such, we must constantly seek out new approaches and respond flexibly to all developments on the healthcare market – just as we have been doing over the past three decades.

»Asklepios is still distinguished by the same core values it was 30 years ago: quality, innovation and social responsibility.«

Milestones
30 years of Asklepios

1985

Founded by the lawyer and auditor Dr Bernard gr. Broermann



80s/90s

Takeover and successful restructuring of numerous formerly public clinics

90s

After the fall of the Berlin Wall, East Germany was a focus of regional expansion

2005

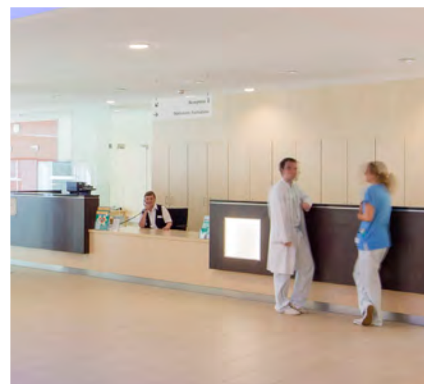
Largest hospital privatisation in Germany: Acquisition of what is today Asklepios Kliniken Hamburg

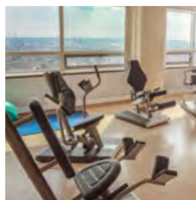
2007

Substantial expansion of psychiatry with the acquisition of several psychiatric and forensic facilities

2011

MediClin becomes part of the Asklepios Group: acquisition of 52.7% of the Offenburg hospital group





2010

Asklepios goes to the public capital market with a company bond (EUR 150 m)

2013

Successful financing measures: syndicated loan (EUR 325 m) and debut on the promissory note market (EUR 300 m)

The best medicine – for every patient

Back when Asklepios Kliniken was founded 30 years ago, it was clear that medical quality was of special significance to the fledgling hospital operator. This basic principle still applies today.

Our claim is to provide the highest standard of medical treatment quality. We are constantly devoting our efforts to improving quality and this enables us to reach a level that far exceeds the legally required standard. We continuously assess processes and treatment approaches in our clinics, look for areas of improvement and evaluate quality assurance – not least in respect of the satisfaction of our patients and employees. After all, quality management is a continuous learning and improvement process that involves all stakeholders. It is what enables us to secure above-average treatment outcomes. And our patients benefit from this – across all Asklepios facilities.

Medical quality

» We would choose the Asklepios children's clinic time and again; all of the specialist departments work together hand in hand all under one roof. Matteo receives the best possible care and treatment here, and that gives us a good feeling. «

Leonie Z.

The circumstances were not easy when Matteo – now seven years old – came into the world. Even before he was born, he was diagnosed with Trisomy 21 and a hole in his cardiac septum. He had to have his first heart operation when he was three months old, and aged fourteen months he underwent an operation for valvular aortic stenosis. Six years later, this operation was performed again successfully at the **Asklepios children's clinic in St. Augustin**. Matteo and his parents Leonie and Francesco receive the best care at the hands of the staff at the children's clinic.

A milestone for South Hamburg

After two and a half years of intensive construction work, the new Haus 1 building of the Asklepios Klinikum Harburg was completed in the autumn of 2014. This was a giant step forward for healthcare in the southern Hamburg district and the surrounding area.

With the backing of the City of Hamburg, Asklepios invested over EUR 50 million in a new building with a surface area of 23,000 square metres to bring cutting edge medical care to the maximum-care hospital. As at many other locations, Asklepios decided on the big-picture approach rather than on a series of small-scale measures that never generate the same progress in terms of quality of care. Today, Klinikum Harburg is one of the most state-of-the-art hospitals in North Germany and provides a much broader range of services, which means that heart patients, for example, do not need to go to remote specialist clinics.

36,000 patients a year come to the Central Casualty Department of the Asklepios Klinikum Harburg, which is now optimally equipped to deal with all casualties in its new premises with state-of-the-art technology, improved processes and additional specialist ambulances.

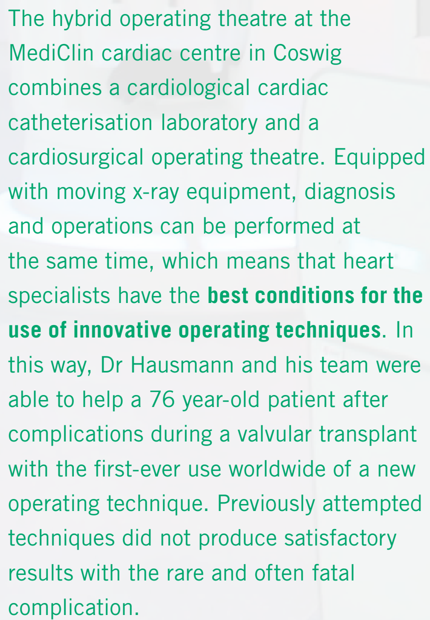
PROF. RUDOLF TÖPPER *Medical Director at the Asklepios Klinikum Harburg*

Prof. Töpper, why is the new clinic a milestone?

Harburg is now able to provide top-class care worthy of the South Hamburg region! A new, one-of-a-kind range of cardiosurgical healthcare services, a perfectly equipped Central Casualty Department and an ultra-modern neurosurgical unit – these are just three of the countless improvements. We are proud of the new building.

What are your plans for the future?

We see the new hospital as an obligation and want to keep on making improvements. Our motto is: close to people, ahead in terms of medical care. The excellent working environment and our highly motivated, diverse staff in addition to the new clinic provide the best conditions for this.



The hybrid operating theatre at the MediClin cardiac centre in Coswig combines a cardiological cardiac catheterisation laboratory and a cardiosurgical operating theatre. Equipped with moving x-ray equipment, diagnosis and operations can be performed at the same time, which means that heart specialists have the **best conditions for the use of innovative operating techniques**. In this way, Dr Hausmann and his team were able to help a 76 year-old patient after complications during a valvular transplant with the first-ever use worldwide of a new operating technique. Previously attempted techniques did not produce satisfactory results with the rare and often fatal complication.

Investing in the medicine of tomorrow

Using new findings and technologies from the fields of science, research and technology effectively to improve treatment quality calls for openness to ideas, innovative concepts and methods. We advocate this openness.

For Asklepios, modern medicine means much more than using the latest technical devices as a matter of course to provide our patients with professional treatment. We actively promote new forms of cooperation between our doctors, strengthen the integration of patients in the organisational and treatment process, and support medical research. We thereby ensure a constant exchange of knowledge among doctors and nurses. Our treatment processes also contribute to the improvement of our services. With state-of-the-art diagnosis and therapy procedures, we ensure shorter waiting times, avoid redundant examinations and avoid loss of information. Innovations such as the Green Hospital – an Asklepios initiative for the environmentally sustainable construction and operation of clinics – are also testament to the fact that we are using our size to drive the advancement of inpatient care.

Innovation

» A tear in the ventricle after a mitral valve replacement is a severe complication. Our new operating technique is making a considerable improvement – especially in acute cases. «

Dr Harald Hausmann,
Clinical Director for heart and vascular surgery at the MediClin cardiac centre in Coswig

Prof. Karl J. Oldhafer was supported in his **research in the area of medical imaging** for colorectal liver metastases by Asklepios' in-house research funding.

Asklepios supports research

Innovations in medicine and care are the basis for better treatment of diseases, new therapies and alternative treatments. However, they do not happen by themselves but rather by means of medical research.

Asklepios invests in scientific projects. As part of an annual call for proposals, employees can submit suggestions for clinical studies or research projects. Experienced medical practitioners assess the proposals and award points based on fixed criteria. On the basis of this assessment, since it started its in-house research funding back in 2007, Asklepios has supported roughly 100 different research projects. In the area of clinical research and development, Asklepios proresearch is the largest clinical research organisation in Germany – boasting more than 100 sponsors worldwide, participating in over 180 multinational studies and working with a number of international university partners. Our online Asklepios central library gives Asklepios medical practitioners access to medical journals, reference books and databases around the clock.

» Those who submit ideas are applying for start-up funding from the clinic's in-house research pot. This means that there are significantly fewer obstacles to trying something new. «

Prof. Karl J. Oldhafer,
senior consultant for general and abdominal surgery at the Asklepios clinic in Barmbek

After a serious injury, Joana from Angola, pictured here with Dr Niels Liebehenschel, could open her mouth by only one millimetre. The six year-old girl was agonised by lockjaw for months on end and was practically starving to death. An aid transport brought her to the Asklepios Klinik Nord – Heidberg in July 2014, where experts constructed a new temporomandibular joint in a complicated three-hour operation. **Today, Joana can eat – and laugh – again.** The clinic maintains a long-term partnership with the aid organisation Friedensdorf International and provides free treatment for one to two complicated cases from war-torn and crisis-hit regions every year.

United for health

Asklepios is committed to its role as a company with special social significance. As such, its purview extends well beyond the responsible fulfilment of public-sector healthcare contracts.

Social responsibility at Asklepios has many facets. We want to offer our employees the best working conditions and training opportunities. As one of the biggest German healthcare training providers, we operate eleven in-house training centres and vocational colleges throughout Germany. Employees are given support with childcare at an increasing number of locations by means of in-house day-care centres. Training rooms and sports groups enable employees to balance out their demanding and often stressful working day. The Dr Broermann foundation initiated by our founder and shareholder is committed to the cause of preventing disease in children and adolescents, throughout Germany. Many initiatives also originate in the individual local hospitals – the Group welcomes this sense of social responsibility and supports it wherever required.

Social responsibility

» It is a great pleasure to give children who cannot get medical help in their homeland a new lease of life. «

Prof. Thomas Kreusch,
senior consultant at the clinic for mouth, jaw and facial plastic surgery at the Asklepios Klinik Nord – Heidberg

For Constanze Schneider and her daughter Joseline, the day-care centre at the Ochsenzoll location has become **part of the family**.

Offering something for children and adults

They are given names such as Lohmühlen Tots, Rissen Rascals, Northern Lights or even Elbe Tunnel Kids – every one of the seven Asklepios clinics in Hamburg now has its own day-care centre. Throughout Germany, too, employees are being given the option at an increasing number of locations to arrange for childcare in the direct vicinity of their clinic.

Day-care centres within the clinics themselves, fitness rooms and a programme of courses, diverse training opportunities and a number of different concessions, such as for public transport, the theatre and furniture shops, are a standard feature of our employees' working lives at Asklepios. Buzzwords such as "work-life balance" should not remain empty phrases. We would like to create conditions that satisfy family and work requirements and resolve challenges in equal measure. The Asklepios locations have a number of different offerings for parents and families, including flexible working time models and part-time models, to help support employees with caring for children or dependents. The first clinics have already successfully taken part in the "Work and Family" audit, in which measures to develop a family-friendly HR policy were recognised by berufundfamilie gGmbH, an initiative of the non-profit Hertie Foundation.

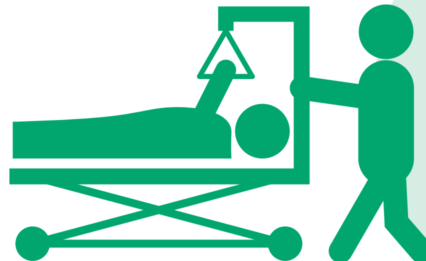
» The day-care centre has always been there to support me. Shift work, overtime, sick child, you name it – nothing has ever been a problem. «

Constanze Schneider,
nurse at the Asklepios Klinik Nord in Ochsenzoll

Asklepios in figures

480 runners

runners from Asklepios took part in the B2RUN Hamburg in 2014, making Asklepios Kliniken Hamburg officially the "fittest company".



650 hospital beds

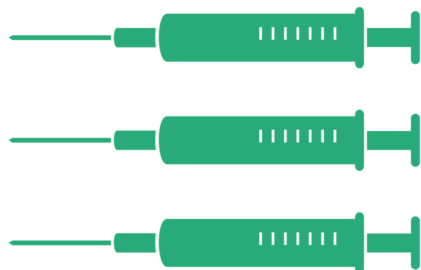
and other medical equipment were donated by Asklepios clinics in Hamburg to facilities in Africa and Eastern Europe.

35 specialists

including architects, engineers and interior designers with the construction department plan and look after the Group's structural investments group-wide.

12 million analyses

a year are prepared by the Group's own large-scale laboratory MEDILYS, including in the areas of haematology, serology and molecular genetics.



11,964,000 disposable syringes

were purchased centrally by the Group Purchasing department in 2014.

18,551 babies

came into the world at Asklepios clinics in 2014. Almost every second new-born in Hamburg is born at an Asklepios clinic.

MediClin AG, headquartered in Offenburg, has been the Group's third sub-group since 2011 in addition to Asklepios Kliniken Hamburg GmbH and the nationwide clinics of Asklepios Kliniken Verwaltungsgesellschaft mbH. MediClin not only complements the other Asklepios locations with additional state-of-the-art hospitals specialising in areas such as neurology and orthopaedics, but, above all, also contributes considerable knowledge and significant market shares to the Group in the area of rehabilitation.

MEDICLIN
MEDICLIN

UNITED FOR SAFETY

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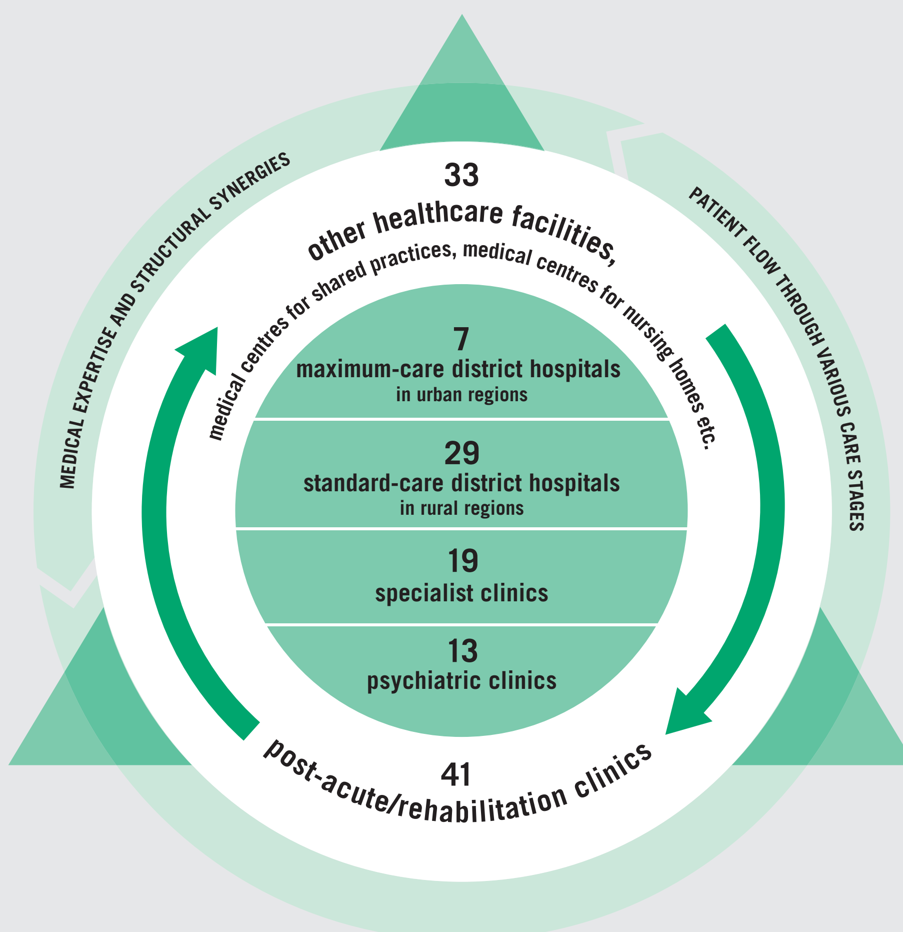
ASKLEPIOS
United for Health

A leading clinic operator

Around 150 medical facilities in 14 German states and over two million patients treated each year make the Asklepios Group one of Germany's leading hospital operators.

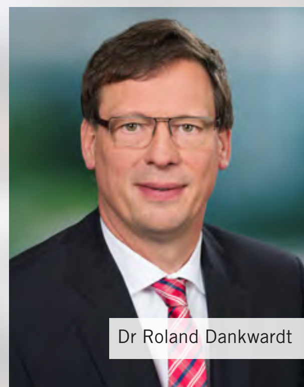
We operate acute hospitals providing all levels of care, specialist and rehabilitation clinics, medical centres and nursing homes as well as psychiatric and forensic facilities. Our locations form medical clusters and have market-leading specialisms. As the largest family-owned business in the industry in Europe, we have a responsible attitude to public-sector healthcare contracts and are committed to humane, highly professional care of our patients.



Management

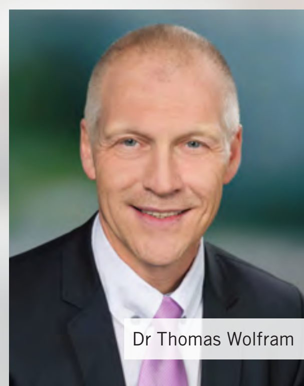
Dr Ulrich Wandschneider

Stephan Leonhard


Dr Roland Dankwardt

Kai Hankeln

Dr Andreas Hartung


Dr Thomas Wolfram

Hamburg, April 2015

Ladies and gentlemen,

In the 2014 financial year, we continued writing the success story that is Asklepios. Across all our facilities – the maximum-care hospitals in Hamburg, the Asklepios clinics in other German regions and the MediClin hospitals – we can look back on a year of pleasing development. Around 2.2 million patients – more than ever before – received outpatient or inpatient care at one of our facilities. That makes us proud. On the one hand, because our growth exceeds the long-term industry average, and, on the other hand, because this development shows that our medical care based on safety and high treatment quality is well received by our patients. Our complication and review quotas for treatments, which are below the German average, are the key quality criteria for us. Asklepios is playing an instrumental role in German healthcare provision, and we take this responsibility very seriously. We are constantly investing large amounts of our own resources in our clinics, in medical equipment and in training our some 46,000 employees.

Our strategy to be recognised as an integrated healthcare group with a medical network in 14 German states is paying off increasingly every year. In many regions, our facilities are now already working in medical clusters and are establishing integrated treatment chains from acute and standard care right up to rehabilitation measures and care facilities. Our sub-groups work together in a close and coordinated manner. We also involve our cooperation partners in a trusting partnership to give our patients the best possible medical care. Together, we offer patients optimised treatment approaches that avoid unnecessary multiple examinations, for example, and optimally coordinate the individual steps following a rehabilitation right up to complete recovery. Regional clusters thus make a major contribution to the treatment outcome and to patient satisfaction.

30-YEAR SUCCESS STORY

Thanks to efficient processes and lean group structures, Asklepios is starting the 30th year of its existence in a strong position in what is normally an under-funded hospital sector. Asklepios Kliniken GmbH was entered in the commercial register in June 1985. It was the nucleus that would go on to become Europa's largest family-owned business in the hospital operator sector three decades later. Dr Bernard gr. Broermann, the founder and sole shareholder of Asklepios Kliniken, is known not only for his extraordinary pioneering spirit and outstanding specialist knowledge about the hospital industry, but also for continuity and sustainability in developing our company.

For 30 years, Asklepios has been guided by the principles of quality, innovation and social responsibility. Family-owned business in many sectors are known for their business activities that have a particularly long-term focus and are socially responsible – and the same is true of Asklepios. As a German-wide hospital operator, we are an exception with our stable company background. Asklepios' activities are profitable, the profits it generates have remained in the company since the day it was founded and are used for the benefit of the facilities. Our group structures permit efficient hospital operation and ensure local healthcare provision on a long-term basis. The centralised organisation, of purchasing or employee recruitment for example, allows for efficient operation even of clinics in rural regions, which is not often the case for individual hospitals. At the same time – and this is what distinguishes Asklepios from competitors of a similar size – we rely on strong local management. And, last but not least, the principle of utmost integrity is used as a benchmark for all our actions – both internally and externally. This is the only way we can live up to the special social significance that our company acquires by taking on public-sector healthcare contracts. We have been measuring our performance against these benchmarks for the past 30 years and are committed to this responsibility until long into the future.

ENVIRONMENT REMAINS BOTH CHALLENGING AND PROMISING

When the media reports on the hospital sector, the headlines commonly read “Patient Clinic” or “Clinic on a Drip Feed”. Observers are in agreement that inpatient and outpatient healthcare provision in Germany is in urgent need of treatment itself. Faced in particular with structural challenges are the numerous unprofitable hospitals that cannot make the investments that are so vitally required either with their own resources or with the aid of their mostly municipal operators. We are convinced that, as a solution provider, Asklepios May be just the right partner that many municipal authorities need. As far as Asklepios itself is concerned, we are optimistic about the developments that the future has in store – not least owing to our financial strength and the long-lasting results of the countless measures taken to increase efficiency. As such, we welcome the German federal government’s plans to reward better quality treatment. Our focus on achieving the highest quality standards, often initiated or further developed by Asklepios – a policy we have pursued ever since the company was founded – puts us in a good starting position. Of course now it is a matter of translating this idea into tangible laws and directives. With its experience drawn from what will soon be 30 years of quality management, Asklepios relishes being involved in this debate as part of the “Quality Clinics Initiative”!

Our some 46,000 employees – from the North Sea island of Sylt to Lake Constance – work conscientiously and effectively for the health of our patients! I would like to thank them for this hard work on behalf of the entire group management team. Your personal dedication to the patient is and will remain instrumental for the successful treatment and well-being of our patients during their hospital stay – even in the field of advanced medicine. There is high workload compression in German hospitals compared with the situation in other countries,

» As a German-wide hospital operator, we are an exception with our stable company background. For 30 years, Asklepios has been guided by the principles of quality, innovation and social responsibility. «

and this has not been helped across all facilities by the continuing cost containment policy. Compared with the rest of Europe, Germany has by far the poorest nurse to patient ratio. The whole industry has already cited this grievance repeatedly to politicians. But, at the same time, we have to cope with this situation for the time being. This is why our innovations in hospital management and our investments in our locations are also continuously aiming to improve working conditions for our employees with sustainable and tangible results.

My thanks likewise go to all our patients for the trust they have placed in us. Patients today are more responsible and have more focused needs than ever before. They rightly expect from us the highest standards of medical quality and safety, well-functioning processes within the clinic for this purpose and well-organised discharge management. We are responding to these demands, and we ensure the transparency and comparability of our medical services by means of quality reports and via the online portal www.qualitaetskliniken.de. Without a doubt, Asklepios is continuing to grow, and our Group is healthy and full of life. Our objective is clear: we want to mark our contribution to help improve healthcare provision in Germany – also in years to come – and in so doing will continue to adhere to our core values of quality, innovation and social responsibility.

Dr Ulrich Wandschneider
CEO of the Asklepios Group

REPORT OF THE SUPERVISORY BOARD

Dr Stephan Witteler

The Supervisory Board of Asklepios Kliniken GmbH thoroughly performed the tasks required of it in accordance with the law, articles of association and rules of procedure in financial year 2014. Based on regular written and verbal reports provided by group management, the Supervisory Board fully addressed the business performance, position and planned operating policy of Asklepios Kliniken GmbH. It was promptly and comprehensively informed of all events of significance to the company. This helped the Supervisory Board to support and monitor the activities of the management on an ongoing basis.

During the 2014 financial year, the Supervisory Board held four ordinary meetings. At these meetings, the management reported the performance of the business along with all events of significant importance to the Supervisory Board. The Supervisory Board carefully examined and – where necessary – approved matters of significant importance, namely transactions requiring its approval in accordance with the law, articles of association and rules of procedure. Some matters such as contractual matters of the managers were handled by the General Committee of the Supervisory Board, which took the relevant decisions or expressed recommendations to the Supervisory Board. The Supervisory Board was informed in particular about corporate governance and risk management issues and discussed these with the management.

The consolidated financial statements, the annual financial statements as of 31 December 2014 as well as the group management report and the management report were examined by the auditors, Pricewaterhouse-Coopers AG Wirtschaftsprüfungsgesellschaft, and approved without reservation. The auditor's reports were supplied to all members of the Supervisory Board and were dealt with in detail by the Audit Committee on 21 April 2015 and at the balance sheet meeting of the Supervisory Board on 22 April 2015.

In these two meetings, the auditors reported to the Supervisory Board members on the main findings of their audits. The Supervisory Board acknowledged the findings of the audits of financial statements. According to the final outcome of the Supervisory Board's own review, no objections were raised regarding the consolidated financial statements, the annual financial statements and the management reports. The Supervisory Board took note of the annual financial statements and consolidated financial statements presented by the management.

The Supervisory Board recommends that the shareholder meeting adopts the 2014 annual financial statements of Asklepios Kliniken GmbH and approves the consolidated financial statements for 2014. The Supervisory Board endorses the proposal by the management to carry forward the annual result of Asklepios Kliniken GmbH.

On behalf of the Supervisory Board, I would like to sincerely thank the group management and all employees of the Asklepios Group for their successful work and their huge personal dedication in financial year 2014.

Falkenstein, 22 April 2015

Dr Stephan Witteler
Chairman of the Supervisory Board

»Economic success secures **medical quality**«

Stephan Leonhard, Vice-Chairman of the Asklepios group management team (CFO), on the challenges confronting the Group's finances in past years and the benefit of transparent reporting

In 30 years, Asklepios has grown into a group that has around 150 healthcare facilities. What were the highlights over this period in your view as CFO, Mr Leonhard?

The major steps that Asklepios took in the top league medically speaking were also the most exciting for us financiers. These included entry into the maximum-care sector in Hamburg, our nationwide consolidation in the rehabilitation and acute sector with the purchase of the majority stake in MediClin AG and also the acquisition of forensic facilities in East Germany and Lower Saxony. The gradual expansion of the Group by acquiring individual hospitals laid the foundation. But these rapid growth steps and the associated integration was especially interesting.

What did the biggest challenges entail?

We opened the company to the capital market coming from pure bank financing and thus placed our debt financing on a much broader footing. The bond issue in 2010 was a first for Asklepios, at any rate. The placement saw Asklepios present at a roadshow for the first time. This was, in any case, a new experience for a company that until that point had only communicated with banks bilaterally. In the context of the bond placement, we then established and developed our financial reporting in a progressive and very systematic manner. We now not only publish quarterly reports and our annual report of course, but are also in direct contact with around 200 domestic and foreign investors today. And we have also made a considerable number of enhancements internally.

Where have you made the most progress in this regard?

Starting from a decentralised positioning, Asklepios has since evolved into a centrally managed group in the areas of accounting, controlling and corporate finance. This makes performance management a lot easier. Despite the considerable in-roads made, we have still not reached our goal in this respect and are continuing to work on making further improvements across all our facilities. A crucial step in this regard was the introduction of IFRS reporting six years ago. This is what is expected by our international investors and also fits in with our high transparency standard.

Is this detailed reporting worthwhile for Asklepios, then?

Absolutely! Although we are not obliged to provide this level of transparency, we believe it to be only natural that a company reports in an open and clear manner on its business performance. This is a core element in establishing trust among business partners and the public. There is no doubt that the huge success of our EUR 300 million

»We place particular emphasis on the ongoing investment capacity in our existing medical facilities. But we are also well equipped financially for external growth and are able to respond quickly.«

promissory note in 2013 would not have been possible without the reliable transparency we had displayed in previous years. We have considerably lower financing costs today than we did a few years ago. I'm thinking of our comparatively expensive subordinated loans, which are due to be paid back in full in the current financial year with the payment of the last instalment. Today, Asklepios has to pay considerably lower interest on its borrowings. Take our bond as an indication. The yield has been well under 2 % for some time now.

Is general interest rate development playing into your hands here?

Of course, to a certain extent. But, first and foremost, this reflects the significant confidence that our capital providers have in Asklepios. The credit ratings of our financing partners confirm this as well. And, last but not least, the positive business performance in 2014 naturally speaks for itself. Asklepios has an extremely predictable and cyclically robust business model. Economic safety is always the number one priority in the Group's further development and forms the basis for our medical quality. Although as a family-owned business Asklepios does not have the direct access to fresh equity capital that our listed competitors have, this independence is one of our greatest strengths!

What areas of emphasis are you placing on the financing of the Asklepios Group?

I have mentioned the safety aspect, which is also reflected in a balanced financing structure. Another main area of emphasis is obviously the ongoing investment capacity in our medical facilities. As far as our existing hospitals are concerned, we are in the fortunate position of being able to finance investments from operating cash flow. For external growth, we are able to respond very quickly. In particular, our flexibly accessible syndicated loan of EUR 325 million gives us room to manoeuvre. One focal point also remains to further cut capital costs. In recent years, we have made considerable progress in optimising working capital. Our cash management is much more effective today, and in a group with large structures this requires some coordination.

Mr Leonhard, in which direction is Asklepios developing financially speaking?

Asklepios will continue to grow, and this growth must be underpinned by solid financing. This means that we will need to adapt our structures on an ongoing basis. We benefit tangibly from bringing together all major financing measures at Group level. The current Asklepios bond expires in 2017, and as things stand we wish to refinance it by taking out a new bond on the public capital market. From our investors, I often hear that a larger volume than the existing EUR 150 million would also be desirable. I think this is a very nice confirmation of the lasting success of our strategy over the past years.

ASKLEPIOS ON THE CAPITAL MARKET

Investor relations

Asklepios informs investors, business partners and the public about the performance of the business and the economic situation of the company in a comprehensive and transparent manner. As well as the annual report, the Group publishes detailed quarterly reports including the consolidated interim financial statements in line with IFRS. Important economic news is reported promptly in corporate statements. Furthermore, personal dialogue with investors in particular is right at the core of investor relations activities. A fixed date on the financial calendar is the German Banking Congress held every May in Königstein. At this event, the group management gives lending banks in particular information on the past financial year and the current situation. Economic trends across the whole hospital sector are also discussed intensively here. Since 2013, Asklepios has also been presenting to the financial community at the Debt Capital Forum in the context of the German Equity Forum in Frankfurt.

Debt investors – including lenders, promissory note investors and bondholders – from Germany and abroad are impressed in particular by Asklepios' uncyclical business model as a leading operator of acute-care hospitals as well as by the sound balance-sheet ratios and the constant long-term focus of the company's business activity.

The bond

September 2010 marked Asklepios' debut on the public capital market with the issue of a EUR 150 million corporate bond. At the same time, the seven-year bond with a fixed coupon of 4.00 % p.a. constituted the first major financing measure at Group level of Asklepios Kliniken GmbH. Previously, financing was provided separately by the sub-groups Asklepios Kliniken Verwaltungsgesellschaft mbH and Asklepios Kliniken Hamburg GmbH.

The listing of the Asklepios bond continued to develop positively in 2014 and achieved a new high. Placed at a price of 99.754 %, the bond was traded at 108.0 % at its peak in 2014. At its annual high in 2014, the bond was priced at 107.5 % in Stuttgart, and the average daily trading volume was around EUR 45,000 in 2014. The Stuttgart and Frankfurt exchanges guarantee tradability on a daily basis. When the annual report went to press on 17. April 2015, the bond price stood at 107.2 %, equivalent to an annual yield of 1.75 % to the maturity date of 28 September 2017.

Asklepios investor relations website: www.asklepios.com / ir

The Asklepios bond

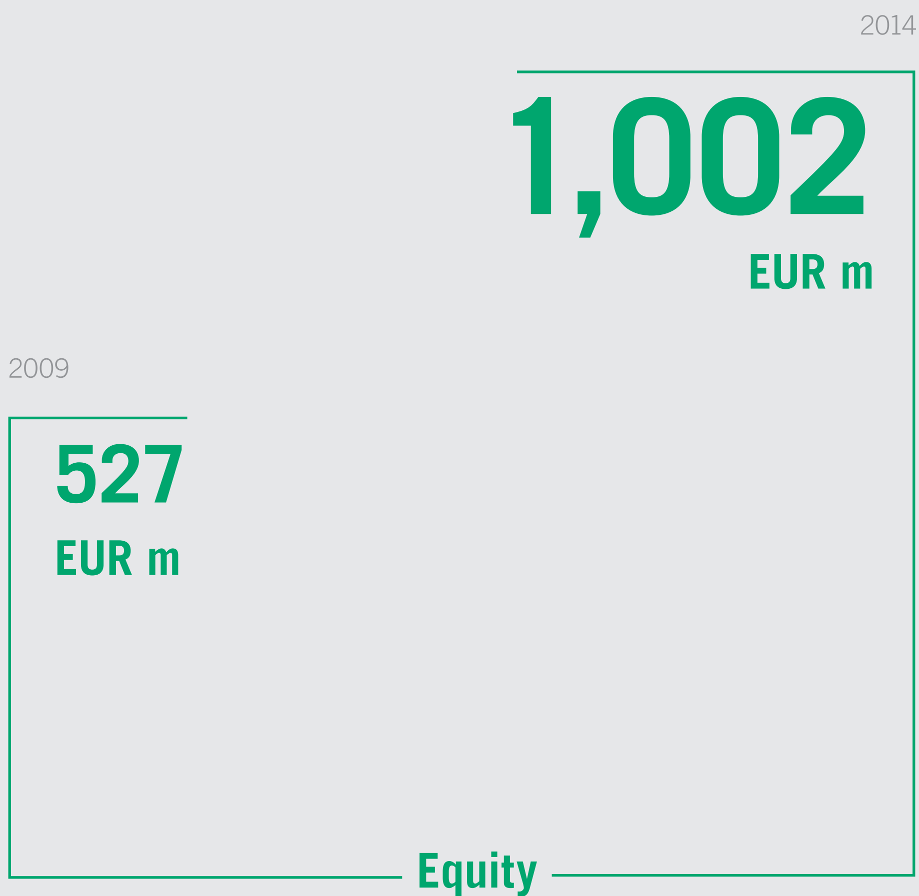
Issuer	Asklepios Kliniken GmbH
Guarantor	Asklepios Kliniken Verwaltungsgesellschaft mbh
ISIN	XS0542428833
WKN	A1EWQ8
Issue date	28.9.2010
Maturity date	28.9.2017
Nominal interest rate	4.00 % p.a. fixed
Issue price*	99.754 %
Volume	EUR 150 m
Face value	EUR 1,000.00
Interest payment	annually at 28.09.
Price on 31.12.2014* / **	107.5 %
Price on 17.4.2015* / **	107.2 %

* As a percentage of nominal value ** in Stuttgart

Strong finances

Asklepios is growing – and has almost quadrupled its consolidated revenue in the past ten years. However, this growth is always based on the premise of prudent financial conduct.

In financial year 2014, equity moved past the EUR 1 billion mark for the first time. The equity ratio rose further to 35.0 %. For us, this is an important financial ratio used as a performance indicator. The equity ratio represents the share of equity in total assets and is an indicator of our financial and economic stability.



GROUP MANAGEMENT REPORT

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CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2014

A. Group key figures

		2014	2013	Change in %
Number of patients		2,186,876	2,131,837	+2.6
Valuation ratio		577,773	568,232	+1.7
Number of beds		26,508	26,635	-0.5
Employees (full-time equivalents)		34,255	34,439	-0.5
Net cash flow (operating cash flow)	EUR million	310.9	229.8	+35.3
Sales	EUR million	3,020.2	2,899.1	+4.2
EBITDAR (earnings before interest, taxes, depreciation, amortisation and rent)	EUR million	383.2	338.3	+13.3
EBITDAR margin in %		*12.7*	*11.7*	
EBITDA	*EUR million*	330.4	284.4	+16.2
EBITDA margin in %		*10.9*	*9.8*	
EBIT	EUR million	211.8	175.8	+20.5
EBIT margin in %		*7.0*	*6.1*	
Consolidated net income for the year	EUR million	151.8	121.1	+25.4
Return on sales in %		*5.0*	*4.2*	
Total assets	EUR million	2,863.4	2,755.0	+3.9
Equity	EUR million	1,001.7	926.3	+8.1
Equity ratio in %		*35.0*	*33.6*	
Financial liabilities (excluding subordinated capital)	EUR million	695.7	734.9	-5.3
Cash and cash equivalents	EUR million	161.2	204.1	-21.0
Net debt	EUR million	534.5	530.8	+0.7
Net debt/EBITDA		1.6 x	1.9 x	
Financial liabilities (including subordinated capital)	EUR million	742.7	802.8	-7.5
Cash and cash equivalents	EUR million	161.2	204.1	-21.0
Net debt	EUR million	581.5	598.7	-2.9
Net debt/EBITDA		1.8 x	2.1 x	
Interest coverage factor (EBITDA/interest result)		10.2 x	9.5 x	
Investments in property, plant and equipment and intangible assets	EUR million	242.7	247.0	-1.7
of which subsidies	EUR million	82.0	103.0	-20.4

B. Growth of 4.2 % in financial year 2014 in the Asklepios Group

Asklepios is looking back at a successful financial year 2014. We met our forecasts in every respect. The Asklepios Group achieved sales of more than EUR 3.0 billion and EBITDA of EUR 330.4 million. The increase in income was the result of the sustained substantial organic growth achieved in patient numbers. The trend that saw some major cost items increasing at a lower rate than revenue continued in the year as a whole, leading to an increase in operating cash flow of 35.3 % thanks to the improvement in earnings. Equity as of 31 December 2014 exceeded EUR 1.0 billion for the first time and the equity ratio improved to 35.0 %. Performance growth (valuation ratio) of 1.7 % (9.541 valuation ratio) was achieved due to capex and structural measures.

C. Basis of the Group

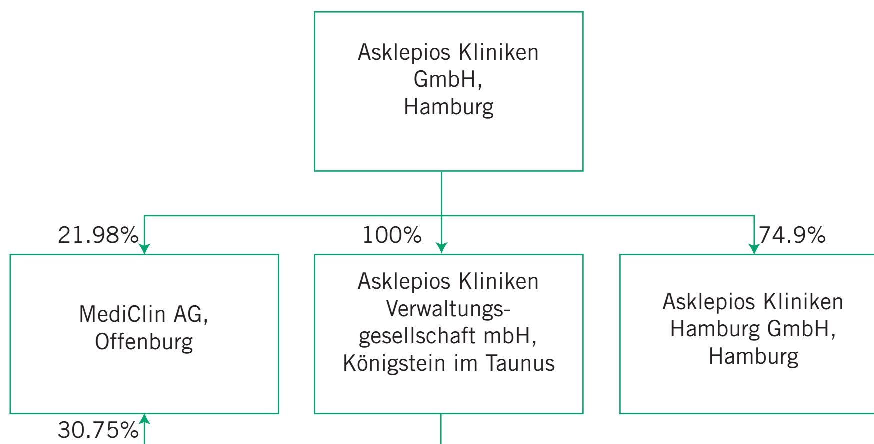
1) GROUP BUSINESS MODEL

Asklepios is an integrated healthcare group with a clear commitment to quality, innovation and social responsibility. Its 150 healthcare facilities in 14 German states make the Asklepios Group one of the leading hospital operators in Germany. Acute hospitals providing all levels of care, specialist clinics, psychiatric and forensic facilities, rehabilitation clinics, nursing homes and medical centres allow for integrated treatment chains and the establishment of medical clusters, which explain the Group's substantial regional market shares. The development and expansion of medical specialisms also ensure that Asklepios is represented throughout Germany.

It focuses on the non-cyclical acute market. 84.5 % of the business volume related to acute care hospitals and around 14.5 % to the rehabilitation sector. The remaining revenue was generated by the additional medical facilities. In total, the 150 healthcare facilities treated 2,186,876 patients in the financial year. The Asklepios Group employed 34,255 full-time equivalents in the past financial year (previous year: 34,439).

Asklepios Kliniken GmbH is composed of three subgroups:

Group structure



The operating entities are mainly consolidated subsidiaries. Asklepios Kliniken GmbH, the parent company of the Group, is responsible for the areas of strategy and financing, as well as for carrying out monitoring, management and controlling functions. Asklepios is realising functional synergies, for example in the areas of finance and financing, insurance, quality management, medicine and science, procurement and IT. Asklepios Kliniken GmbH (AKG) forms a consolidated tax group for VAT purposes with the majority of the group companies. Standard intercompany agreements on exchanging services and cooperation agreements have been concluded between the group entities.

2) OBJECTIVES AND STRATEGIES

Our aim is to further consolidate and expand Asklepios' position as a leading healthcare group in Germany. The long-term strategy is based on our social responsibility, high quality and innovation guidelines. With this clear focus, Asklepios will also continue to concentrate on organic growth. Acute hospitals remain the core business of Asklepios. Acquisition opportunities, which suit the existing portfolio, are subjected to targeted analysis and pursued if applicable. The Group's existing business policy and the successful Group financing will also secure the Asklepios Group's solid financial structure in financial year 2015.

3) MANAGEMENT SYSTEM

The Group is managed and controlled by the management. The supervisory board and the shareholder meeting serve as further corporate bodies. The supervisory board appoints the members of the management. It also advises and monitors the management in their managerial activities. The bylaws and the Asklepios approval catalogue stipulate that the management must obtain the approval of the supervisory board and the shareholder meeting to carry out certain transactions.

Asklepios' operating units are accompanied by central functions, including architecture and construction, purchasing, finance and financing, hospital financing and revenue management, marketing, personnel, quality management, corporate communications and insurance.

In order to manage the Group's performance with regard to Asklepios' corporate targets, EBITDA is used as a key performance indicator in the area of finance. This provides information on Asklepios' profitability. EBITDA describes the operating performance before capital expenditure expense and represents a significant control-related financial performance indicator.

Asklepios uses the equity ratio, which expresses the ratio of equity to total assets as a percentage, as another significant, control-related financial performance indicator. The equity ratio represents the share of equity in overall capital and is an indicator of financial and economic stability.

The valuation ratio is a significant control-related non-financial performance indicator for Asklepios. The valuation ratio is a key figure used to bill medical services in hospitals. The valuation ratio is given for each diagnosis-related group (DRG) in combination with the case-mix index (index of the average severity of cases). The valuation ratio is therefore a measure of the severity of a medical case. Multiplying the valuation ratio by the base case value gives you the amount which a health insurance fund has to pay to a hospital for a case such as this. This performance indicator provides Asklepios with important information on both case numbers and the assessment of quality.

Asklepios also uses year-on-year organic percentage growth to manage its own performance.

As part of the reporting system, these KPIs are aggregated at the level of the Group, prepared for individual facilities and monitored by management. Asklepios uses planning and control processes to calculate these KPIs.

The internal audit as a management tool supports management in its control function by providing targeted, independent reviews. It includes regular monitoring of the proper functioning of the internal control system and of compliance management.

Group management bears overall responsibility for the internal control and risk management system with regard to the financial reporting processes of the companies included and the group financial reporting process. All consolidated entities are included using defined management and reporting structures.

4) QUALITY MANAGEMENT AND INNOVATION

Hospitals have been legally obliged to publish structured quality reports on a regular basis since 2005. These reports should help to provide patients and insured parties with information. They also assist referring doctors and doctors providing ongoing care following hospital treatment. They allow hospitals to demonstrate their services and quality. The quality report therefore helps to provide information and create transparency in the area of hospital treatment.

Asklepios is committed to publishing this information in an easily understandable form. Patient orientation, patient safety and treatment quality are the pillars of its quality management. In the financial year, the Asklepios clinics presented the results of their clinical treatment in a transparent manner for the ninth time and published them in the 2014 report on the quality of medical outcomes. The Qualitätskliniken.de online portal also provides an information platform that offers interested patients and doctors a comparison of inpatient rehabilitation clinics that is easy to understand. Facilities in the Asklepios Group are involved in this online portal together with many others.

In financial year 2014, research and development was appropriately prioritised at our hospitals. Patient safety and care research were defined as focal points for the internally financed research projects of Asklepios Kliniken Hamburg GmbH. The Group was also able to apply for start-up funding for self-initiated clinical studies to examine the effectiveness of conventional treatment compared with innovative ones.

The clinics in the Hamburg subgroup (AKHH) conduct some 450 studies and research projects each year. Around 75 % of these studies deal with new drugs. Medical products such as cardiological or orthopaedic implants are also tested for the medical industry. At the same time, Asklepios supports research of scientific interest to senior consultants, from diagnosis techniques using medical products or devices to health economics or empirical studies. Biologists and clinical researchers specialised in cardiology, haematology, diabetology, and oncology continue to conduct basic research on new therapeutic methods in AKHH's research laboratories.

D. Economic report

1) GENERAL ECONOMIC AND SECTOR-SPECIFIC CONDITIONS

General economic conditions

The German economy posted solid growth in 2014 despite the economy slowing in the second half. In its autumn forecast in November 2014, the European Commission assumed growth in German gross domestic product (GDP) of 1.3 % year on year in 2014. Consequently, German growth again exceeds the average growth of the euro zone, for which growth of 0.8 % was forecast. Overall, the economy in the countries of the euro zone consequently expanded once more following the recession of 2013 with a fall in GDP of 0.5 %. According to the assessment by the European Commission, growth in the German economy is based primarily on a strong employment market, private consumption and demand for exports. However, capital investment remains weak; here the autumn forecast referred to political tensions and the poor performance of key trading partners as the cause for caution among private companies.

As in previous years, the German employment market developed positively. According to the EU Commission's autumn forecast, the unemployment rate in 2014 was 5.1 % compared with 5.3 % in the previous year. There were signs of slight improvements in virtually all euro countries. However, the average unemployment rate in the euro zone, at 11.6 %, is more than twice as high as in Germany. The increase in consumer prices fell sharply in 2014. Inflation in Germany was 0.9 % compared with price growth of 1.6 % in 2013. The very moderate increase in prices is due to sharp falls in the price of many commodities and in crude oil.

General sector conditions

German hospitals expanded their services continually, as is also clear from the latest data available from the German Federal Statistical Office (Destatis) for 2013. In 2013, just under 18.8 million patients were treated as inpatients, which is 0.9 % more than in the previous year. The average length of time spent in hospital declined again from 7.6 days to 7.5 days in 2013. At just under 52 million, Destatis has established an increase of 2.0 % in the number of operations and medical treatments. Destatis calculates the costs of in-patient hospital care at EUR 78.0 billion for 2013 compared with EUR 75.6 billion in 2012, which equates to an increase of 3.2 %.

In the past financial year 2014, Asklepios registered increasing demand overall for hospital services; this was true both for inpatient and outpatient care, in particular. There were differences in demand for medical services – both regionally and at the level of individual hospitals. In the majority of cases, growth in performance of up to 10 % was recorded. However, a few hospitals reported a downward trend. In the eastern German states as in some western German states, growth is very limited because of demographic factors. There are also signs of slower growth compared with previous years in the psychiatric departments.

Overall, cost increases were somewhat better funded in 2014 than in previous years. The measures adopted by the federal government in 2013 helped here: The proportional compensation of wage increases in 2013 and the care surcharge to offset the discounts for additional services also had a positive impact in 2014. Moreover, the orientation value, the significant value for the increase in base rates at state level in 2014, was well above the values of previous years at 2.81 %. The positive development of statutory health insurers' premium income was therefore passed on directly to the hospitals in part. At almost 3 %, the average increase in base rates at state level was significantly higher than in previous years. However, the situation differed considerably in the individual German states: The increase ranged from just over 2 % to 3.5 %, although a further convergence in the base rates between the German states was apparent.

According to the basic data on hospital statistics in 2013, the 1,996 hospitals in Germany had a total of 500,671 beds in 2013. Of this figure, 89,953 beds, or 18.0 % of total capacity, were attributable to private operators. The market share of privately operated hospitals was similar in terms of patient numbers. With 3,127,311 cases, 16.6 % of all 18,787,168 hospital cases were attributable to private hospitals. The four large German hospital chains Fresenius SE & Co. KGaA (Helios), Asklepios Kliniken GmbH, Rhön-Klinikum AG and Sana Kliniken AG are private hospital operators and Asklepios is the second largest provider on the market by number of beds and patients.

2) OUTLOOK

Persistently high investments in buildings, technical equipment and the training and education of specialist and service staff in the Asklepios Group contribute to the increase of the attractiveness of our facilities and thus to continuous organic growth. At the same time, they improve the efficiency of the hospitals, which becomes apparent in sinking consequential costs. For this reason, Asklepios will also continue to use its financial strength to increase its proprietary investments in the hospitals.

This concept is supported by stronger cooperation and targeted network building within the Group, with a focus on establishing care structures that are as comprehensive as possible. With these measures and the right targeted offerings in high-demand medical fields, it remains possible for Asklepios to prevail in the present environment and to generate above-average growth. In contrast to the solid growth achieved by Asklepios as a result of this strategy, the hospital market is seeing growth in case numbers of approximately 2 %, as it did in the previous year.

Our business goals for 2015 include organic revenue growth in a range of around 2 % to 4 % and a slight but sustainable increase in EBIT/EBITDA compared to the previous year. In financial year 2014, Asklepios reached the upper end of the targets set with revenue growth of 4.2 % and EBITDA of EUR 330.4 million.

E. Net assets, financial position and results of operations

1) BUSINESS PERFORMANCE AND RESULTS OF OPERATIONS

	2014		2013	
	EUR million	%	EUR million	%
Revenue	3,020.2	100.0	2,899.1	100.0
Other operating income	226.7	7.5	216.6	7.5
Cost of materials	-683.1	-22.6	-670.0	-23.1
Personnel expenses	-1,922.2	-63.6	-1,860.4	-64.2
Other operating expenses (excluding rental expenditure)	-258.4	-8.6	-247.0	-8.5
EBITDAR	**383.2**	**12.7**	**338.3**	**11.7**
Rental expenditure	-52.8	-1.7	-54.0	-1.9
EBITDA	**330.4**	**10.9**	**284.4**	**9.8**
Depreciation, amortisation and impairment	-118.6	-3.9	-108.6	-3.7
EBIT	**211.8**	**7.0**	**175.8**	**6.1**
Net investment income	1.7	0.1	1.7	0.1
Interest result	-32.4	-1.1	-29.9	-1.0
Income taxes	-29.3	-1.0	-26.5	-0.9
Consolidated net profit	**151.8**	**5.0**	**121.1**	**4.2**

Patient numbers for medical services, which are in line with demand, increased from 2,131,837 in the same period in the previous year to their current level of 2,186,876 (+2.6 %). At the same time, the Group registered consistent utilisation of its own facilities throughout the year. Growth in performance was attributable to both acute services and post-acute and psychiatric care. The trend to outpatient care that is apparent in the healthcare sector as a whole also continued in our hospitals although the increase, at 2.7 %, was less than in the previous year (6.6 %). Performance growth (valuation ratio) of +1.7 % (9.541 valuation ratio) was achieved due to capex and structural measures. While performance grew, case complexity remained virtually unchanged at a high level.

Development of case numbers	2014	2013	Absolute Change	Relative Change
No. of inpatient cases	693,420	677,151	+16,269	+2.4 %
No. of outpatient cases	1,493,456	1,454,686	+38,770	+2.7 %
Total patients	2,186,876	2,131,837	+55,039	+2.6 %
Development of valuation ratios				
Number	577,773	568,232	+9,541	+1.7 %
Number of beds	**26,508**	**26,635**	**-127**	**-0.5 %**

Asklepios concluded remuneration negotiations for approximately 80 % of its clinics in the past financial year 2014, which has secured income flow in good time beyond that resulting from the increase in the caseload. At clinics for which no agreement has been reached with providers of social services, a relatively high discount was again taken into account for additional services requested. At clinics that had already found themselves facing higher discounts for additional services in the previous year, these larger discounts were maintained as a precaution where no results had yet been achieved in negotiations with payers. This negative price effect affected growth in our performance.

The rise in patient numbers resulted in slight revenue growth. This increased by 4.2 % from EUR 2,899.1 million to EUR 3,020.2 million largely as a result of organic growth. Consequently we are slightly up on the anticipated revenue growth of 2 to 4 %. Average case income developed positively (up +2.1 %) in inpatient care in particular in light of the change in product mix, rising from EUR 3,836.19 to EUR 3,917.35. Because of a slight reduction in the length of stay combined with a slight reduction in our beds, our utilisation increased from 82.8 % to 83.8 % year on year.

84.5 % of revenue was generated in acute care hospitals, as in the previous year, 14.5 % in rehabilitation clinics and 1.0 % in social welfare facilities and other facilities.

Other operating income of EUR 226.7 million (previous year: EUR 216.6 million) includes income from additional services, rental and leasing, insurance claims, income from granting rights of use and income from clinical studies and research projects.

The individual ratios of cost and earnings to revenue developed as follows:

in %	2014	2013
Cost of materials ratio	-22.6	-23.1
Staff costs ratio	-63.6	-64.2
Other expenses ratio (not including rental expenditure)	-8.6	-8.5
Rental expense ratio	-1.7	-1.9
EBITDA	**10.9**	**9.8**
Depreciation and amortisation expense ratio	-3.9	-3.7
EBIT	**7.0**	**6.1**
Net finance costs ratio	-1.0	-1.0
Tax expense ratio	**-1.0**	**-0.9**

The Asklepios Group succeeded in reducing the ratio of cost of materials and of personnel expenses in financial year 2014. This achievement was based predominantly on staff numbers remaining stable and active management of the cost of materials. At the same time, certain increases from quantitative and price effects were apparent in personnel figures due to collective pay agreements, in particular, and in the cost of materials.

In absolute terms, the cost of materials increased less aggressively than revenue by EUR 13.1 million from EUR 670.0 million to EUR 683.1 million. The cost of materials ratio fell year on year (23.1 %) by 0.5 percentage points to 22.6 %. This was thanks to sustained cost management and growth in revenue of 4.2 %. The measures to reduce the cost of materials proved effective. Management measures in the field of high-priced implants had a particular impact here. Happily, energy expenses have fallen year on year. Here, optimising arrangements, like internal energy procurement within the Group, proved particularly effective in reducing costs. On the other hand, consumption was low because of the mild winter. The measures taken in relation to the purchase of energy will also have a positive effect on earnings over the next few years. The higher production costs for cytostatics impacted the cost of materials, although these were offset by increased income from dispensing cytostatics.

In absolute terms, staff costs rose less aggressively than revenue growth by around 3.3 % from EUR 1,860.4 million to EUR 1,922.2 million and resulted in a staff costs ratio that fell from 64.2 % to 63.6 %. Overall, the absolute increase in staff costs is due to wage increases. At -0.5 %, the number of employees fell slightly.

Asklepios reported a change in other operating expenses (not including rental expenditure) of EUR 11.4 million to EUR 258.4 million (previous year: EUR 247.0 million) or 4.6 %. At 8.6 %, the ratio virtually matched the previous year's level (8.5 %). The slight increase was largely the result of insurance and possible damage claims and also includes expenses for maintenance and servicing.

EBITDA improved year on year in the year under review, rising to EUR 330.4 million from EUR 284.4 million in the previous year. This corresponds to a margin of 10.9 % in financial year 2014 (previous year: 9.8 %), meaning that the EBITDA margin improved by 1.1 percentage points. As a significant financial indicator,

EBITDA therefore lies at the upper end of the forecast set out in the annual financial statements as at 31 December 2013.

In the past financial year, the depreciation and amortisation expense ratio was 3.9 % and was consequently slightly up on the previous year's level (3.7 %).

The EBIT of EUR 211.8 million generated in 2014 meant a margin of 7.0 % (previous year: EUR 175.8 million and 6.1 %).

The interest result decreased to EUR 32.4 million and 8.4 %. With the promissory note loan issued in 2013, Asklepios exploited the good market environment and secured long-term Group financing in good time. Around one third of the more short-term tranches are subject to favourable floating interest rates. The majority of the longer term maturities carry a fixed rate of interest, which means that we are well hedged against the risk of possible changes in interest rates in the longer term. Interest expenses therefore increased by EUR 4.1 million. The improved liquidity meant that interest income rose by EUR 1.6 million.

Income tax expense rose in proportion with the EBT increase from EUR 26.5 million to EUR 29.3 million. Expenses were reduced in particular by centrally managed optimisation measures. The actual tax rate was standard for the industry at 16.0 % (previous year: 18.0 %).

Overall, consolidated net income increased year on year in the period under review from EUR 121.1 million to EUR 151.8 million. In financial year 2014, the return on sales was 5.0 % (previous year: 5.0 %).

2) OVERALL MANAGEMENT STATEMENT

The positive trend continued over the individual quarters of the financial year. Increasing patient and revenue figures are two of the reasons for the more positive earnings performance. However, this trend was restricted by the ongoing and challenging development of costs. The discrepancy between hospitals' and utilities' additional services and their rising costs due to continuously high energy prices and material and staff costs at the same time as capped remuneration for our services is widening further. This requires active cost management and concepts in terms of services in order to increase efficiency. Asklepios bundled the major efforts to meet this challenge successfully. Asklepios recorded a stabilisation in staff costs; the staff costs ratio has improved slightly year on year in the period under review. While the number of full-time equivalents had decreased slightly as at the reporting date, pay increases acted as a major cost driver. As for the cost of materials, optimised energy procurement arrangements and purchase management increasingly controlled at a regional and Group level resulted in a decrease in the cost of materials ratio. Overall, the operating margin at EBITDA level in 2014 at 10.9 % was above the level of the previous year (9.8 %). According to our expectations for financial year 2014 as at 31 December 2013, we are slightly up on our forecast of 2 % - 4 % with year-on-year revenue growth of 4.2 %. EBITDA increased sharply compared with the previous year.

3) FINANCIAL POSITION AND NET ASSETS

As a conservative company in terms of finance, the Group's financing structure is generally long-term in nature. Accordingly, most underlying credit volumes are hedged against interest fluctuation risks in the long term. The operating management of cash and cash equivalents and the financing of Group entities are performed via the Group holding company on the basis of careful investment and with a view to creditworthiness, involving broad diversification across banks within the three major deposit protection systems in Germany.

In addition to cash and cash equivalents of EUR 161.2 million, the Group has unutilised credit facilities of around EUR 521.5 million (previous year: EUR 491.5 million) at its disposal. The high internal financing power and the relatively moderate level of net debt protect the Group from further financial market risks.

One of the central elements of the Group's financing strategy consists of sustainably optimising capital costs. The starting point for this approach is the long-term limitation of financial risks in the organisation of the operating business. Accordingly, sound financial structures are considered to form an important basis for all significant stages of growth.

In 2013, Asklepios successfully developed its Group financing and secured it in the long term. A syndicated loan in the form of a revolving credit facility with a total volume of EUR 325.0 million and an attractive duration was provided by a banking syndicate for this purpose. The financing project implemented in the form of a club deal which replaced existing credit facilities met with very high demand on the part of banks. This meant that favourable lending conditions could be realised, even against the backdrop of low interest rates. In addition, Asklepios placed a promissory note loan of EUR 300.0 million with an average term of more than 7.5 years, whereby approximately EUR 100.0 million has a term of ten years, in November 2013. This long duration is tailored to the assets committed long-term, particularly in the form of property assets. The originally planned total loan of EUR 100.0 million was tripled due to very high demand, which also reflects the high level of international interest in solid investment opportunities in Germany on the part of a broad group of investors. The promissory note loan, a capital-market-related instrument, fits very well in Asklepios' strategy of a broad financing mix and complements the public bond and syndicated loan. The latter is reduced by the higher volume of the promissory note, but continues to secure Asklepios free liquidity. A good 75 % of the promissory note volume relates to the fixed-interest tranches, whereby Asklepios lowers the interest rate risk.

In light of this situation and the relatively moderate level of net debt, the Group is well protected from further financial market risks. Asklepios is in a position to leverage further growth potential through acquisitions as well as being able to meet all of its repayment obligations in the coming years from financial reserves.

Financial liabilities including subordinated capital amount to EUR 742.7 million (previous year: EUR 802.8 million). In financial year 2014, subordinated capital of EUR 20.9 million was repaid. Non-current financial liabilities include a fixed-rate capital market bond with a volume of EUR 150.0 million. The coupon stands at 4.0 %. The interest is paid in arrears on an annual basis as at 28 September each year. The promissory note loan of EUR 300 million is also reported under financial liabilities.

Through the conclusion of interest rate hedges, the Group is hedged against rising interest rates and therefore for the most part is not exposed to any interest rate risk.

The debt ratio – measured as net debt / EBITDA – decreased. According to internal guidelines, this ratio must not exceed 3.5 x. The following table illustrates how this performance indicator was calculated in the period under review:

EUR million	2014	2013
Excluding subordinated capital		
Financial liabilities (excluding subordinated capital)	695.7	734.9
Cash and cash equivalents	161.2	204.1
Net liabilities (excluding subordinated capital)	534.5	530.8
EBITDA	330.4	284.4
Net debt/EBITDA	**1.6x**	**1.9x**

The performance indicator was within the specified guidelines in the financial year at 1.6 x (previous year: 1.9 x).

Even taking into account subordinated capital, the indicator amounted to 1.8 x (previous year: 2.1 x).

EUR million	2014	2013
Including subordinated capital		
Financial liabilities (including subordinated capital)	742.7	802.8
Cash and cash equivalents	161.2	204.1
Net liabilities (including subordinated capital)	581.5	598.7
EBITDA	330.4	284.4
Net debt/EBITDA	**1.8x**	**2.1x**

Compared with German industry as a whole and the relevant competitors within the industry, this leverage can be considered positively low. The interest coverage factor (EBITDA / interest result) stands at 10.2 x (previous year: 9.5 x).

Summarised statement of financial position	2014		2013	
	EUR million	%	EUR million	%
Non-current assets	2,160.0	75.4	2,001.1	72.6
Current assets	703.4	24.6	753.9	27.4
ASSETS	**2,863.4**	**100.0**	**2,755.0**	**100.0**
Equity	1,001.7	35.0	926.3	33.6
Participation capital/subordinated capital	47.0	1.6	67.9	2.5
Non-current liabilities and provisions	1,232.4	43.0	1,237.4	44.9
Current liabilities and provisions	582.3	20.3	523.4	19.0
EQUITY AND LIABILITIES	**2,863.4**	**100.0**	**2,755.0**	**100.0**

The Group's balance sheet and financing structures are sound. In the same way as the previous year, non-current assets are financed at a rate of over 100.0 % with matching maturities via equity or long-term borrowings. Equity exceeded EUR 1.0 billion for the first time in the year under review. Total assets increased from EUR 2,755.0 million in the previous year to EUR 2,863.4 million.

Non-current assets rose year on year by EUR 158.9 million to EUR 2,160.0 million. The equity investment in Rhön-Klinikum AG is reported under this item.

Equity increased by EUR 75.4 million to EUR 1,001.7 million. The equity ratio increased in comparison with 31 December 2013 and now amounts to 35.0 % (previous year: 33.6 %) of total assets. Consequently, Asklepios again achieved a sustained increase in this important financial performance indicator. Asklepios has permanent interest-free and redemption-free access to subsidies of approximately EUR 1,263.1 million (previous year: EUR 1,287.1 million). As these subsidies will only fall due for repayment in the hypothetical event of no longer being included in the hospital plan, these funds are in effect similar to equity.

Days sales outstanding (receivables turnover rate – trade receivables/revenue x 365) fell slightly to 44.1 days (previous year: 47.1 days).

In the financial year, subordinated capital of EUR 20.9 million was repaid as planned.

Non-current liabilities total EUR 1,232.4 million (previous year: EUR 1,237.4 million). These comprise pension provisions, other non-current provisions, financial liabilities and liabilities due in more than one year and deferred taxes. Non-current financial liabilities also include the promissory note loan of EUR 300.0 million and a fixed-rate capital market bond with a volume of EUR 150.0 million. The bond expires on 28 September 2017 and has a coupon of 4.0 %. The interest is paid in arrears on an annual basis as at 28 September each year.

The non-current capital, comprising equity, participation capital and subordinated financing, non-current liabilities and provisions covers the non-current assets by over 100 % as in the previous year.

In addition to cash and cash equivalents of EUR 161.2 million, the Group has unutilised credit facilities of EUR 521.5 million. The Group therefore has financial reserves of EUR 682.7 million available at short notice.

Internal financing power is still at a good level. The successive optimisation of cash management is also leading to the repayment of financial liabilities and favourable refinancing of financial liabilities. The strong net cash flow from operating activities, particularly from a long-term perspective, is attributable to the increase in EBITDA from EUR 284.4 million in the previous year to EUR 330.4 million. Capital expenditure was financed from the net cash from operating activities.

The following table shows the change in cash and cash equivalents over the course of the year:

EUR million	2014	2012
EBITDA	330.4	284.4
Net cash from operating activities	310.9	229.8
Net cash used in investing activities	-267.2	-138.1
Net cash from/used in financing activities	-86.6	-33.5
Change in cash and cash equivalents	**-42.9**	**58.2**
Cash and cash equivalents on 1 January	204.1	145.9
Cash and cash equivalents on 31 December	**161.2**	**204.1**

Cash and cash equivalents have decreased by EUR 42.9 million to EUR 161.2 million in 2014. Net cash from operating activities amounted to EUR 310.9 million, an increase compared with the previous year largely due to the sharp rise in EBITDA in 2014. Net cash from operating activities is offset by cash flow from investing activities including investment in financial assets of EUR 267.2 million (previous year: EUR 138.1 million).

Net cash used in investing activities of EUR 267.2 million primarily includes investments in non-current assets and financial assets. Net cash from financing activities involved a cash outflow of EUR 86.6 million (previous year: cash outflow EUR 33.5 million). Including only the investments in non-current assets in net cash flow from investing activities results in the reporting year in a significant positive increase in cash and cash equivalents compared to the previous year.

4) CAPITAL EXPENDITURE

Regular capital expenditure is vital in order to increase optimum patient care and maintain the physical fabric of the hospital.

The further increase in the Company's earnings power in financial year 2014 enables Asklepios to finance itself internally in addition to facilitating access to financial markets. Alongside subsidies, Asklepios intends to use own funds averaging between 7 % and 9 % of revenue for maintenance and capital expenditure in order not only to maintain its competitive position, but also to continue expanding it. In line with the trend of recent years, we continue to anticipate a rise in the self-financing ratio, as subsidies are declining due

to the strained budgetary situation of the federal states and municipal authorities. As a growth-oriented group, Asklepios is dependent on capital expenditure and is able, thanks to its internal financing power, to compensate for the loss of subsidies.

Capital expenditure in financial year 2014 was as follows:

	Capital expenditure 2014		
	Total in EUR million	Thereof subsidised	Self-financing ratio
Intangible assets	12.9	2.3	82.2 %
Land and buildings	37.4	7.9	78.9 %
Technical equipment	22.0	7.3	66.8 %
Operating and office equipment	100.4	35.3	64.8 %
Assets under construction	70.0	29.2	58.3 %
Total	**242.7**	**82.0**	**66.2 %**

The majority of capital expenditure in the financial year related to the following locations:

Location	Capital expenditure in EUR million
Klinik Harburg (Hamburg)	15.7
Klinik Wandsbek (Hamburg)	9.1
Klinik St. Georg (Hamburg)	6.8
Klinik Altona (Hamburg)	5.3
Fachkliniken Brandenburg GmbH	5.3
Fachklinikum Teupitz GmbH	5.1
Schwalm-Eder-Kliniken GmbH	4.2
Stadtklinik Bad Tölz GmbH	3.7
Asklepios Klinik Lindau GmbH	3.1
Klinik St. Augustin GmbH	3.0

After deducting subsidised capital expenditure, net capital expenditure totalled EUR 161 million (previous year: EUR 143 million), or 5.3 % of revenue (previous year: 4.9 %). Capital expenditure is fully financed by cash flow from operating activities. Without deducting subsidies, capital expenditure amounted to EUR 242.7 million (previous year: EUR 247.0 million). At EUR 87.9 million, expenses for maintenance and servicing decreased slightly compared with the previous year (EUR 89.8 million). Expressed as a percentage of revenue, 2.9 % (previous year: 3.1 %) was invested in ongoing maintenance. This means that Asklepios used 8.2 % (previous year: 8.0 %) of revenue for internally funded capital expenditures and maintenance work.

F. Subsequent events

In January 2015, the Group indirectly acquired the developed land on which Hotel Atlantic Kempinski is located in Hamburg. The location and the special tradition of the hotel made the acquisition especially attractive.

The review of the appropriateness of the rents commissioned by MediClin AG in 2014 is still ongoing. The results available as at the end of the year regarding the appropriateness of the rents do not permit a conclusive assessment as to whether and to what extent they are or were off-market.

No other events took place after the reporting date that had a significant effect on the net assets, financial position and results of operations.

G. Forecast and risk and opportunity management

1) FORECAST

Contrary to earlier forecasts, it looks as though economic growth will weaken in Germany in 2015. In its autumn projection of October 2014, the German federal government significantly reduced its forecast for economic growth in Germany in 2015. An increase in gross domestic product of 1.3 % is now expected. Previously, several economic research institutes had already lowered their growth forecasts. In its autumn forecast from the end of September, the Cologne Institute for Economic Research (IW) predicts growth of just 1.5 % in 2015. The German economy is suffering from the sustained weakness of numerous neighbouring European countries and is also feeling the negative effects of the Ukraine conflict. IW argues that investing activity in Germany is also suffering from an economic policy that is inhibiting growth.

However, IW is anticipating continuing positive but weakened development in the German employment market, stating that the unemployment rate is set to fall modestly in 2015. According to the IW autumn forecast, consumer prices will rise by 1.5 % in 2015. In connection with this, IW sees a range of indications that the very moderate price development in the entire euro zone in 2014 is only a temporary phase.

The Hospital Rating Report 2014[1] depicts a difficult situation for the hospital sector in Germany by and large, which could become more difficult over the next few years. The authors assume that, following an alleviation in the situation in 2013 and 2014, cost increases are likely to exceed income growth once more from the current year. In particular, the lack of investment capacity in a large number of hospitals is cited as a major issue. Accordingly, only 48 % of all hospitals had full investment capacity in 2012, while 44 % had no investment capacity. A substantial proportion of property, plant and equipment has already been substantially depreciated and the hospital sector as a whole is under-capitalised. The report also draws attention to the fact that investment ensures the attractiveness and income of clinics and also helps to optimise operating procedures and reduce operating costs.

Asklepios is not affected by the investment backlog in the industry and uses its financial strength to make continuously high investments in its locations from own funds. Asklepios regularly invests in buildings and technical equipment in all locations. The expected equity investments will also continue to increase in 2015. In connection with substantial expenditure for the training and education of personnel, the Asklepios Group sees this as a significant precondition for the ongoing organic growth of patient numbers in the current financial year and beyond.

In principle, the competition for diversification in the hospital sector is expected to accelerate further in the medium term. Asklepios is trying to counter this trend through the targeted positioning of individual hospitals within the framework of the focus concept. The organic growth is likewise supported by stronger cooperation and targeted network building within the Asklepios Group, with a focus on establishing care structures that are as comprehensive as possible. Asklepios estimates that corresponding measures and targeted offerings in high-demand medical fields will make it possible to prevail in the present environment and also to generate above-average growth. With these concepts, Asklepios is making use of its positioning as a strong group and is focusing on other factors for success mentioned in the Hospital Rating Report 2014 with "specialisation" and "patient guidance". In addition to the investment already mentioned, professional management and appropriate supervisory bodies, effective human resources management, which simultaneously makes jobs more appealing, quality and service as well as electronic networking are also cited as critical factors there. Asklepios considers that it is already well-positioned throughout the country as far as these issues are concerned. At the same time, the authors of the study confirm explicitly that good financial ratios go hand in hand with high quality and substantial levels of patient satisfaction.

With regard to remuneration for hospital services, there are no fundamental changes foreseeable in the current financial year; the legislative changes for 2015 mainly envisage a continuation of existing control parameters. For the inpatient sector, the reform of the hospital sector announced by the Grand Coalition will be of overriding importance in future. The Federal Ministry of Health has largely assigned this task to a Commission consisting of the federal government and German states. However, the current mechanisms of the care surcharge and the discount for additional services will be continued in 2015. At present, the date on which a "grand solution" can be expected is not foreseeable. The introduction of quality-related surcharges and discounts, of procurement models or a nationwide definition of service guarantee incentives are under discussion for instance. Asklepios is basically confident that it will benefit from these measures, for instance with a view to quality criteria, in future.

[1] Hospital Rating Report 2014; medhochzwei Verlag GmbH, Heidelberg; p. 192ff.

The additional services discount for agreed additional services compared with the previous year will still amount to 25 % from 2015, however, these discounts for additional services must be taken into account over three years. In 2015, this will also apply retrospectively to additional services discounts from 2013 and 2014. In return, the care surcharge will be continued and will still amount to 0.8 % nationwide. The law does not envisage any time limit for these measures. Altogether, these measures will affect hospitals' income situation. Hospitals that agreed additional services in 2013 and 2014 and continue to target growth will be considerably disadvantaged.

The new compensation system in psychiatric care is expected to be implemented cautiously – certain risks exist here based on the performance of valuation ratios, for which the Group is preparing itself.

For the rehabilitation segment, Asklepios continues to expect increasing demand on the basis of medium and long-term trends. Demographic development is creating a rising number of workers aged 55 plus and consequently increased demand for rehabilitative services. Currently, however, the corresponding caseload is met only to a limited extent with funds from payers due to the capped rehabilitation budgets. The policy adopted by key payers of managing occupancy through agreeing or refusing to meet the costs also constitutes an increasing problem in the rehabilitation sector for some hospitals and providers. Happily some progress has been achieved here for Asklepios Group hospitals recently.

In addition to growth in the volume of hospital services provided and remuneration of the services, personnel expenses and the cost of materials are critical to the economic performance of the Asklepios Group. In the past financial year, collective agreements were concluded with the trade union ver.di and the Marburger Bund, which are definitive for over 10,000 employees in the Asklepios Group. Given the terms of the "major" collective agreements (which run until 31 December 2015 and 31 March 2016 respectively), the Group has planning certainty in relation to these collective agreements for 2015. Locally, there will be a number of wage negotiations involving AKV, where an increase in personnel expenses must be assumed once more. The subject of recruitment is becoming a particular challenge, especially in locations where additional personnel are required because of structural investment and expansion in the range of services.

The foreseeable increase in personnel expenses is offset by an expected downward trend in the cost of materials ratio. In principle, a continuation of the achievements from financial year 2014, such as spending for medical needs, is expected here, especially as numerous measures for systematic savings will only take account in the current financial year and more efficient use of energy is currently not reversed by higher energy prices. Asklepios therefore expects to continue to achieve savings in this area through consistent perseverance with cost of materials management and corresponding strategy implementation in individual hospitals and a reduction in administration and economic requirements and consequently to reduce the cost of materials ratio slightly especially if the revenue trend is positive.

Against this backdrop, similarly to the previous year, the Asklepios Group's business goals for 2015 as a whole include organic revenue growth in a range of around 2 % to 4 % and a slight but sustainable increase in EBIT and EBITDA.

2) OVERALL MANAGEMENT STATEMENT

The business goals for 2015 include organic revenue growth in a range of around 2 % to 4 % and a slight but sustainable increase in EBIT / EBITDA compared to the previous year – as such, we will see margin growth before growth in terms of size. Market-leading clusters and integrated courses of treatment will secure us an advantage over the competition when implementing these goals. We will also continue to focus on the non-cyclical acute market. On the basis of these targets, we want to increase the equity ratio slightly in the 2015 financial year compared to the previous year.

Our goal remains sustainable business success – particularly in the interests of our patients. We intend to increase the number of patients we treat on a continual basis over the coming year by means of our quality management activities (2014 report on quality of medical outcomes, 9th edition). We will achieve slight patient growth on an ongoing basis, especially in outpatient care. We will also focus on increasing patient numbers in inpatient care.

As well as financial figures, we will concentrate on a non-financial performance indicator when managing our company. Here, we will focus on achieving a slight year-on-year increase in the valuation ratio. We expect the new compensation system in psychiatric care to be implemented cautiously - certain risks exist here based on the performance of valuation ratios, for which the Group is preparing itself.

3) RISK REPORT

a) Risk management report

Due to the growth dynamics, the complexity of business interrelations, demanding regulatory requirements, constant scientific, medical and technological progress and the demand for greater efficiency and effectiveness and the increasing demands of our patients, Asklepios is exposed to a number of challenges and risks, especially locally. A systematic and comprehensive approach to identifying risks and opportunities alike puts the Group in a position to secure long-term economic success, to meet the demands of our patients and generally to offer secure jobs to employees. Rapid changes in healthcare policy as well as structural, social and economic conditions need to be recorded and managed. Controlling the associated risks and opportunities is an ongoing challenge and major component of the management of hospitals and the Group.

At Asklepios, a risk management system has been implemented that comprises various stages. In addition to regular reporting (e.g. liquidity, financial reporting, reports on the quality of medical care), management discussions in individual regions identify risks and opportunities, check them for plausibility and define necessary measures. Furthermore, the implemented quality management programme for patient safety includes methods for detecting, analysing and preventing risks at an early stage. In-house experts systematically inspect all safety-related processes on site, e.g. with regard to surgery, obstetrics, drug therapy safety and patient information. The risk audits are aimed at increasing patient safety, identifying potential risks by analysing structures and processes and recommending specific preventive measures. In order to identify errors and adverse events at an early stage, a CIRS concept developed at Asklepios is also

implemented in all hospitals. The anonymous error reporting system is based on the recommendations of the "German Coalition for Patient Safety" (APS) und makes it possible to learn from mistakes and prevent them in future. Important information is communicated throughout the Group via the "Asklepios CIRS Network".

Asklepios is revising the risk management system in a multi-year project. The goal of the project is to further professionalise and institutionalise the risk management system throughout the Group (system, responsibilities, structure, formal processes, integration and automation). The structures relating to risk assessment are to be homogenised and structured, automated procedures introduced uniformly throughout the Group. Another aim is to practise risk management not just operationally but also to use it as an instrument for strategic management. By the end of 2014, the project plan was specified and scheduled into phases, the risk management processes and uniform risk catalogue were defined and the first risk inventory was performed for the pilot hospitals. In addition, risk-related processes (CIRS [Critical Incident Reporting System], quality management, auditing and compliance) will in future be taken into closer consideration when defining risk and early detection indicators, which results in a more precise assessment of risks and opportunities.

Asklepios is one of the major clinic operators in Germany and has developed since the mid-eighties to become Europe's largest family-owned business in the hospital sector. In this context, the Group uses its size as a means to an end. The structure makes it possible to realise benefits for patients in all Asklepios facilities. The structure can also make a contribution to the long-term security and expansion of nationwide healthcare delivery in Germany. The nationwide presence spreads economic risks over a large number of units and regions.

Our risk and opportunity management system is closely linked to corporate strategy. The key components of ISO standard 31000 and the COSO ERM (enterprise risk management) framework were included in the design of the Group-wide risk and opportunity management system. Appropriate findings are directly incorporated into the risk assessment thanks to close integration with internal audit. Risks identified as part of the risk inventory are also communicated to internal audit promptly. This ensures that all key risks are subject to ongoing monitoring. The combination of our internal control system and risk controlling allows us to recognise developments which could jeopardise the continuing existence of the Group or its entities at an early stage and to take appropriate countermeasures. At the same time, this situation gives rise to development opportunities, because risk and opportunities often directly correlate.

The risk management process is broken down into the stages of risk identification and assessment, risk management and risk controlling.

Risk identification: The risk officers, usually the managers in the hospitals, identify individual risks and report them in the regular reporting system (e.g. liquidity, financial reporting, and reports on the quality of medical care).

Risk assessment: The risk officers assess risks on a gross basis with regard to the probability of their occurrence and their impact (potential influence on achieving the budgeted EBITDA and on liquidity, e.g. with regard to financing and subsidy issues).

Risk management: The risk officers can use the information gathered as a basis to develop a risk management strategy in order to control potential risks in a targeted and suitable way.

Risk controlling: The risk officers review the risks with regard to the probability of their occurrence and risk management measures with regard to their impact.

b) Internal control system based on the accounting process

With regard to the financial reporting processes of the companies included and the group financial reporting process, we consider those aspects of the internal control and risk management system that have a material influence on group accounting and the overall picture conveyed by the consolidated financial statements and group management report to be significant.

These are the following aspects in particular:

- Identification of major areas of risk and aspects to be monitored that are relevant to the group financial reporting process;

- Monitoring of the group financial reporting processes and examining the results at the level of management and at the level of the entities included in the consolidated financial statements;

- Control measures in the finance and accounting of the Group and the individual consolidated companies, as well as in operating business processes, which generate the key figures for the preparation of the consolidated financial statements and group management report, including separation of functions in predefined approval processes in the relevant areas;

- Measures to ensure the proper computerised processing of content and data relating to group financial reporting.

4) OPPORTUNITIES & RISKS

Risks are entered into a risk matrix according to their assessed probability of occurrence and potential financial impact. If risks are assessed as “relevant” or “jeopardising the continued existence” of a company, measures to manage risk must be defined and the introduction and effectiveness of measures must be monitored by the managers responsible. Risks classed as “jeopardising the continued existence” of a company are also observed by management. Regardless of the assessment of how relevant risks are from the perspective of the Group, the respective risk officers are responsible for dealing with the individual risks pertaining to specific departments.

There were no relevant risks or risks jeopardising the continued existence of the Company in the period under review.

Risk areas with a medium risk assessment are explained in more detail below. The risks presented are assessed for internal control purposes. Values and disclosures are reported as part of internal reporting.

Liability and legal risks: Risks arising from legal disputes are continually identified, evaluated and communicated within the Group and its companies. In addition, the Group is involved in various legal disputes resulting from its operating activity. It is impossible to predict the outcome of these disputes, nevertheless Asklepios expects no material impact on the net assets, financial position and results of operations from the proceedings currently pending. In liability cases, impairment of results of operations, financial position and net assets cannot be ruled out despite all existing precautions. In addition, there is a potential liability risk if subsidies are used for something other than their intended purpose. It cannot therefore be ruled out that certain procedures May in future prove to require adjustments despite having been reviewed by the relevant group departments.

We have insured against **claims from our patients**, which are not completely avoidable, by using our own insurance model with an appropriate externally arranged deductible. This allows us to partially respond to the steadily rising insurance premiums of external insurers throughout the market, increase the Group's liquidity and process claim notifications in the interest of patients and the Group itself while also taking account of the increasing claims from overwhelmingly isolated cases in risk management. In the liability cases, we are increasingly registering so-called large loss events and an increasingly unfavourable development of loss ratios. In addition to patients' willingness to take legal action, there is a risk of frequent recourse claims by payers.

Steadily rising premiums are being observed throughout the market for **property insurance**, particularly due to unfavourable loss ratios in the construction sector. This correlates with the significant rise in our property insurance expenses. Our internal insurance unit actively observes the markets, develops measures aimed at minimising the number and amount of claims where possible, and uses targeted insurance management to control insurability by way of deductibles and premiums.

We have taken account of liability and legal risks requiring recognition that we are aware of by setting aside provisions. To cover the potential risk, Asklepios makes use of liability insurance policies, for the most part with deductibles. Appropriate provisions are formed or adjusted for the deductibles. We are currently not involved in any litigation or defending any claims which May result in major changes to the results of operations.

Structural risk: In rapidly growing groups of Asklepios' size, there is the risk that **structures for Group management** and the establishment of control systems (e.g. dual control) are not effective or first need to be established.

Performance risks: With regard to performance, the statutory regulation of the compensation system is proving to be a challenge. Performance increases are remunerated with price reductions of up to 65%. The **examination procedure agreement** for examinations by the MDK was concluded in July 2014. At present, the German Hospital Federation (DKG) and the GKV have yet to issue joint guidance on the interpretation of the examination procedure agreement, meaning that uncertainties concerning the agreed procedure will remain. Although it is generally assumed that the examination procedure will be accelerated, our view is that retrospective coding and, in particular, recoding within the examination procedure will be significantly impaired, while the previous flat-rate expenses of the health insurance funds for unsuccessful MDK examinations at hospitals will become less important. The transition to a **flat-rate fee system for psychiatric and psychosomatic facilities** (PEPP) in stationary acute care will also have an impact on our results of operations. The transition to PEPP is intended to be mandatory in 2015 but is designed to be budget-neutral until 2017. We are currently adjusting our internal processes to reflect these new requirements. The precise impact on our results of operations is generally expected to be low, although the corresponding empirical data will become more stable over the coming months and years. Other risks include delays in the completion of patient records and the implementation of case coding. This hinders the release of tied-up capital and thus the increase of financing flexibility. There are also process risks in new business models like the billing of medical service centres.

Quality risks: **Treatment quality** is a major factor for our operating activities. Here, Asklepios uses a self-developed quality indicator programme to monitor results. Known as the Asklepios quality monitor, it highlights compliance with all quality indicators throughout the Group. The system has settings that enable immediate detection of even the smallest changes and implementation of quality management programmes. We therefore minimise operating risks firstly by maximising the possible quality of treatment that we ensure with our well educated and continually trained staff as part of our pre-defined courses of treatment. Secondly, our modern hospitals guarantee high-level care in terms of quality and technology, which also offer opportunities for future performance growth. Furthermore, our clinical risk management (e.g. CIRS) and structured quality management ensure that we possess adequate preventive systems that we can use to identify potential error sources as well as increasing quality standards and the safety and efficiency of our processes.

Asklepios counters this efficiency competition with target planning for the individual clinics in order to provide proof that the medical services on offer are in line with demand. The developments on the market are seen as an opportunity to capture a greater share of the market. Competition on quality is countered by the high quality of treatment. This is the basis for gaining patients' trust in the work of our clinics, while at the same ensuring that operating and litigation risks are minimised.

Potential **hygiene and infection risks** (e.g. Ebola) are countered by way of appropriate hygiene management concepts, structured workflows and process and continuous employee training. Our activities take adequate account of hygiene needs and requirements, while the process evaluations and improvements forming part of the quality management processes contribute to the further improvement of our workflow quality and efficiency.

Asklepios is concentrating on the sector-related changes in the hospital market and the opportunities associated therewith. Due to our favourable cost structures and above average competence in the area of DRG revenue management, we are in a good position to transform the change process in the hospital market into additional competitive advantages.

Our goal is to offer modern medical services that are geared towards proximity to the patient. This is supported by cooperation within the Group and targeted network building, with a focus on establishing care structures that are as comprehensive as possible. The Asklepios strategy, which includes targeted offerings in high-demand medical fields, will also contribute to generating above-average growth in future. Sales risks in the healthcare market can nevertheless arise in the areas where location changes have to be made or the quality assessment by patients and referring doctors is lower than for other hospitals in the market. At the same time, we are aware that risks can arise from our patients' treatment processes due to unexpected disruptions.

Income, documentation and budget risks: The high level of state regulation means that Asklepios is exposed to risks in the day-to-day documentation and billing of cases as well as in the medium-term developments in income budgets. This currently applies not only to the fact that the health insurance funds are slower to pay but primarily to details of budgetary law, such as differing opinions on case specifications and remuneration; pending arbitration proceedings, where in some cases the outcome is impossible to predict; delayed budget negotiations; and potential changes to budgetary law and the supplementary billing regulations. The risks named May cause the results of operations, financial position and net assets to deteriorate.

On the other hand, the size of the Group, its available knowledge and its available data sets mean that it has the opportunity to define standards and to provide effective support to the clinics locally in the implementation of the above issues.

In the area of handling sensitive services, which also generally represent public authority tasks, there is generally an inherent risk that the private sector May be pushed back. We currently consider this inherent risk to be low. A decline in processed contracts would entail a loss of revenue, whereas the effect on EBITDA depends on the product area concerned.

The forecast demographic development in some areas will lead, ceteris paribus, to decreasing case numbers and revenue. However, in light of the measures initiated in some cases with regard to remuneration for medical services, it is not possible to make a definitive estimate of revenue and EBITDA.

Personnel risks: There are always risks in the area of personnel and these May cause a deterioration in the results of operations, financial position and net assets. The most significant individual risks include the lack of qualified staff, the migration of key personnel and the development of personnel costs.

Asklepios proactively counters the risk of **not having sufficient qualified personnel** both centrally and locally by means of extensive recruiting campaigns and personnel development programmes. The Group provides Asklepios employees with the kind of opportunities that would not be possible in smaller structures. Training and education of specialist and service staff are also a high priority for us. By ensuring optimum qualification of our employees, we guarantee high innovation potential and forward-looking processes, not just in the field of advanced medicine. We are also convinced that we will be able to prevent the lack of qualified staff systematically. Using this approach, we fulfil both our economic and our social responsibility and take advantage of the opportunity to strengthen our brand.

The trend in personnel expenses is heavily dependent on changes to the collective agreements governing staff wages. To reduce external dependency and for the option of actively shaping future developments, the Group has significantly reduced the risks by using more flexible company agreements adopted to fit local circumstances and other alternative compensation models. These models are reviewed by the relevant group departments before the agreements are concluded. The Group's goal is to agree the longest possible terms in collective bargaining in order to achieve sufficient planning certainty. In view of the negotiated staff cost increases that are still to be expected, Asklepios is paying particular attention to the required staffing levels of hospitals.

As the second-largest provider of healthcare services, our offering is subject to a great deal of **public scrutiny**. Our aim is maintain the trust in Asklepios and the Group's reputation and to be permanently open to coverage in all media. At the same time, we cannot rule out the possibility that negative press reports, e.g. on public television, or incriminatory accounts by our employees at some locations that we do not consider to fully reflect the true nature of conditions in our hospitals will damage our public perception and hence represent a risk to our reputation. We will to counter these risks by providing comprehensive information to the public and involving it in our strategies, conducting image campaigns and offering ample dialogue.

Investment risks: Asklepios understands **investment risks** as the risk that unimplemented or unprofitable investments result in an ageing infrastructure or one that is not fit for purpose and prevent the utilisation of new market potential. Income targets May therefore not be achieved (because, for example, use permits expire), market shares could be lost to competitors and penalty payments could threaten if purchase contract obligations are not fulfilled. Asklepios considers the current probability of this risk, particularly for the non-implementation of investment, as high, primarily because of developments in subsidy financing. Here, the management observes constantly decreasing subsidy ratios, with corresponding consequences for investing activities. Asklepios is not dependent on the development of subsidies to the same extent as the majority of the competition thanks to its relatively high internal financing power.

Construction risks, operating costs for buildings and technical risks: On account of the extensive construction work, the Group is exposed to risks from business interruptions and delays in construction work with revenue losses and cost overruns in the budgeted construction work. The effects of these risks inherent in all major construction projects can be considered small on account of the measures we have taken. These measures include the provision of a high level of expertise within the Group with regard to construction planning and implementation, working if at all possible with standardised instructions and equipment, as well as own staff to monitor the construction work making it possible to react immediately to any problems that May arise. For the construction and extension of buildings and the furnishing and equipment of our hospitals, we utilise third-party services alongside internal ones. These services can cause delivery problems in the supply chains as well as quality deficits. Therefore, we base purchasing decisions and procurement on careful and continuous monitoring of all our suppliers and the entire market in order to limit these risks efficiently. For some of the properties used by Asklepios, rent reductions were granted and performance-based refunds agreed prior to their recognition by the Group. The resultant risk is currently considered to be low.

The development of internal standards together with many years of experience in this area provides the opportunity for high-quality construction at acceptable prices. This generates a major long-term economic competitive advantage.

Risks from acquisition and integration: Risks can arise from the integration of acquired hospitals and facilities. Our task is to integrate the processes and the infrastructure of the acquired company in our Group as rapidly as possible. To do so, we harmonise processes and logistical procedures. The loss of important managers as part of the integration and careless and inadequate due diligence processes could be critical. We try to minimise risks of acquisition by using the transaction expertise that has built up in the Group over the years and the associated people and methods.

Financing and liquidity risks: The Group is subject to capital market risks. The management of short-term liquidity risks and longer-term financing risks is the central task of the Financing & Investor Relations group department, which employs a treasury system for this purpose – with a focus on efficient management of current cash and cash equivalents. As a conservative company in terms of finance, and on the basis of the investment terms of the real assets, Asklepios' financing strategy is generally long-term in nature and contains manageable short-term refinancing risks.

The high level of cash and cash equivalents, the steady cash flow, the favourable capital structure (low debt), broad spread of financing partners and the extensive freely available credit facilities underline a high degree of independence from general capital market developments. The profitability and credit structure was partially negatively affected by the acquisition of MediClin AG and the accompanying rental and financing structure. The majority of financial liabilities is hedged by fixed interest rate agreements. Accordingly, Asklepios assesses the probability of financing and liquidity risks that could result in increasing interest costs as moderate.

Credit and counterparty risks result if a customer or another counterparty to a financial instrument fails to meet its contractual obligations in terms of due dates and del credere. Asklepios is exposed to only a low level of risk from an unexpected loss of cash or income. There is a low level of risk of default on account of a large portion of debtors consisting of German statutory health insurance funds, complemented by a smaller portion of public social security authorities and private patients. In contrast to this, the risk of late payment in the case of trade receivables, and thus the risk of an increase in capital being tied up in current assets, can be considered medium. The investment policy on the assets side is conservative and involves broad diversification. The investment counterparties are banks belonging to deposit protection systems. Investments are also monitored continuously via investment controlling.

The Company reacts with measures to correct any differences compared to its expected targets. In addition, we have concluded hedges against changes in fair value fluctuations (fair value hedges).

Asklepios is fundamentally dependent on a functioning **IT structure**. The successful course of treatment of a patient (from admission through diagnosis and treatment to documentation) depends to a large extent on an integrated IT system. Basic IT procedures and the configuration of the data centre are significant in this connection. There is high potential for standardisation and room for improvement in relation to the controls for monitoring IT processes. In this context, risk management in the IT department is being developed. Disruptions in IT integration and infrastructure or in related processes May have a significant impact on the net assets, financial position and results of operations. At the same time, we see an opportunity here to enhance efficiency by means of intelligent use of IT possibilities.

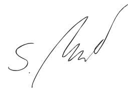
“Compliance risk” describes the lack of legal and organisational compliance with all laws and standards applicable to Asklepios. The present Code of Conduct has not been signed by all managers and employees. There is therefore, and due to the diversity of regulations, the risk that requirements are not being complied with deliberately or as a result of negligence. This is associated with legal and economic risks for Asklepios. This can result in penalties, compensation claims or an occupational ban for medical staff. Internal investigations have identified certain compliance violations. Appropriate measures, for example enhanced regulations and controls, are in development. A formal compliance management system is being set up.

5. OVERALL MANAGEMENT STATEMENT: SUMMARY AND OUTLOOK

Risk management brings together all risks flagged up by the management of individual hospitals or regions and the central departments. With regard to the risks described in this report – taking account of their probability, potential financial impact and present business prospects – the management does not anticipate any individual or aggregate risks that could materially endanger the Group's ability to continue as a going concern. Management assumes that the Group's earnings power is a solid foundation for future business development and provides the resources necessary to take the opportunities offered to the Group.

Hamburg, 16 March 2015

Dr. Ulrich Wandschneider



Dipl.-Kfm. Stephan Leonhard

Dr. Roland Dankwardt

Kai Hankeln

Dr. Andreas Hartung

Dr. Thomas Wolfram

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IFRS Consolidated statement of financial position for the financial year ended 31 December 2014

EUR '000	Note no.	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Intangible assets	IX.2	401,514	400,667
Property, plant and equipment	IX.3	1,345,703	1,302,031
Investments accounted for using the equity method	IX.4	5,388	3,372
Financial assets	IX.5	263,775	153,584
Other financial assets	IX.5	73,428	85,055
Trade receivables	IX.7	172	359
Non-current income tax assets	IX.8	1,190	2,194
Other assets	IX.9	921	2,625
Deferred taxes	IX.21	67,871	51,206
Total non-current assets		**2,159,962**	**2,001,093**
Current assets			
Inventories	IX.6	96,663	90,194
Trade receivables	IX.7	365,008	379,179
Current income tax assets	IX.8	539	3,538
Other financial assets	IX.5	74,127	69,142
Other assets	IX.9	5,812	7,732
Cash and cash equivalents	IX.10	161,240	204,142
Total current assets		**703,389**	**753,927**
Total assets		**2,863,351**	**2,755,020**

EUR '000	Note no.	31.12.2014	31.12.2013
EQUITY AND LIABILITIES			
Equity attributable to the parent company			
Issued capital	IX.11ba	1,022	1,022
Reserves	IX.11bb	662,907	615,434
Group profit		118,625	100,408
Non-controlling interests	IX.11bc	219,163	209,393
Total equity	IX.11	**1,001,717**	**926,257**
Non-current liabilities			
Trade payables	IX.14	159	107
Participation capital / subordinated capital	IX.12	0	7,000
Financial liabilities	IX.13	630,461	699,222
Finance lease liabilities	IX.17	10,739	9,124
Pensions and similar obligations	IX.18	210,800	119,512
Other provisions	IX.19	244,294	263,289
Deferred taxes	IX.21	31,231	31,016
Other financial liabilities	IX.15	93,709	100,120
Other liabilities	IX.16	11,014	14,997
Total non-current liabilities		**1,232,407**	**1,244,387**
Current liabilities			
Trade payables	IX.14	59,486	73,606
Participation capital / subordinated capital	IX.12	47,000	60,900
Financial liabilities	IX.13	65,197	35,712
Finance lease liabilities	IX.17	622	203
Pensions and similar obligations	IX.18	5,195	2,898
Other provisions	IX.19	106,007	97,095
Current income tax liabilities	IX.20	6,462	6,413
Other financial liabilities	IX.15	140,765	117,927
Other liabilities	IX.16	198,493	189,622
Total current liabilities		**629,227**	**584,376**
Total equity and liabilities		**2,863,351**	**2,755,020**

IFRS Consolidated income statement for the financial year from 1 January to 31 December 2014

EUR '000	Note no.	2014	2013
Revenue	VII.1	3,020,171	2,899,101
Other operating income	VII.2	226,685	216,597
		3,246,856	**3,115,698**
Cost of materials	VII.3	683,114	670,047
Personnel expenses	VII.4	1,922,194	1,860,412
Other operating expenses	VII.5	311,173	300,861
Operating result/EBITDA[1]		**330,375**	**284,378**
Depreciation, amortisation and impairment			
of intangible assets and depreciation and impairment of financial assets and property, plant and equipment	VII.6	118,562	108,570
Operating result/EBIT[2]		**211,813**	**175,808**
Net investment income		1,733	1,733
Net investment income	VII.7	**1,733**	**1,733**
Interest and similar income	VII.8	4,251	2,653
Interest and similar expenses	VII.8	-36,682	-32,569
Interest result	VII.8	**-32,431**	**-29,916**
Financial result		**-30,698**	**-28,182**
Earnings before income taxes		**181,115**	**147,625**
Income taxes	VII.9	-29,305	-26,534
Consolidated net profit		**151,810**	**121,092**
Of which attributable to the parent company		118,625	100,408
Of which attributable to non-controlling interests		33,185	20,684

[1)] Earnings before financial result, taxes and depreciation and amortisation

[2)] Earnings before financial result and taxes

IFRS Consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2014

EUR '000	2014	2013
Consolidated net profit	**151,810**	**121,092**
Changes in the fair value of cash flow hedges	271	0
Measurement of financial assets	7,221	360
Income taxes	-1,143	-57
Total changes in value reclassified to profit or loss if certain conditions are met	**6,349**	**303**
Change in actuarial gains (+)/losses (-) from defined benefit pension commitments and similar obligations	-98,678	-45,181
Income taxes	17,611	6,992
Total changes in value not reclassified to profit or loss	**-81,067**	**-38,189**
Total changes in value recognised in equity (other comprehensive income)	**-74,718**	**-37,886**
Total comprehensive income (total consolidated net profit and other comprehensive income)	**77,092**	**83,206**
Of which attributable to the parent company	65,708	72,551
Of which attributable to non-controlling interests	11,384	10,655

IFRS Consolidated statement of cash flows for the financial year ended 31 December 2014

EUR '000	Note no.	2014	2013
Consolidated net profit		**151,810**	**121,092**
Income taxes	VII.9	29,305	26,534
Interest result	VII.8	32,431	29,916
Net investment income	VII.7	-1,733	-1,733
Amortisation and impairment of intangible assets and depreciation and impairment of financial assets and property, plant and equipment	VII.6	118,562	108,570
Gross cash flow (EBITDA)		**330,375**	**284,379**
Other non-cash transactions		793	-331
Changes in inventories, receivables and other assets	IX.6,7,8,9	17,380	-16,470
Changes in liabilities and provisions	IX.12,14,15, 16,17,18,20	-19,949	-14,719
Dividend received	VII.7	1,733	1,733
Interest income	VII.8	4,083	1,754
Income taxes paid	VII.9	-23,497	-26,563
Cash flow from operating activities/Net cash flow		**310,918**	**229,783**
Investments in intangible assets*	IX.2,17	-11,025	-17,770
Investments in property, plant and equipment*	IX.3	-152,153	-121,102
Proceeds from the disposal of non-current assets		988	4,793
Acquisitions of subsidiaries, equity investments and financial assets	IX.1,4,5	-104,991	-3,987
Net cash used in investing activities		**-267,181**	**-138,066**
Proceeds from borrowings	IX.13	0	300,000
Proceeds from the repayment of financial liabilities		-37,818	-229,184
Repayment of participation capital/subordinated capital	IX.12	-20,900	-60,757
Cash flow from dual hospital financing	IX.3	7,865	-12,399
Interest expenses	VII.8	-34,172	-25,316
Distributions		-1,614	-5,864
Cash flow from financing activities		**-86,639**	**-33,520**
Change in cash and cash equivalents		-42,902	58,197
Cash and cash equivalents as at 1 January		204,142	145,945
Cash and cash equivalents as at 31 December	**IX.10**	**161,240**	**204,142**

* Internally financed capital expenditure

IFRS Statement of changes in consolidated equity for the financial year ended 31 December 2014

EUR '000	Equity attributable to the parent company						
	Issued capital	Revenue reserve	Reserve for market valuation	Group profit	Total	Non-controlling interests	Equity
As at 1 January 2013	**1,022**	**556,248**	**-2,355**	**90,394**	**645,309**	**206,218**	**851,527**
Annual result	0	0	0	100,408	100,408	20,684	121,092
Other comprehensive income	0	-28,160	303	0	-27,857	-10,029	-37,886
Total comprehensive income	**0**	**-28,160**	**303**	**100,408**	**72,551**	**10,655**	**83,206**
Change in the consolidated group	0	-1,118	855	0	-263	0	-263
Equalisation payment commitments	0	0	0	0	0	-5,996	-5,996
Change in equity interests in consolidated companies	0	-733	0	0	-733	-1,484	-2,217
Allocation to reserves	0	90,394	0	-90,394	0	0	0
Total transactions recognised directly in equity	**0**	**88,543**	**855**	**-90,394**	**-996**	**-7,480**	**-8,476**
As at 31 December 2013	**1,022**	**616,631**	**-1,197**	**100,408**	**716,864**	**209,393**	**926,257**
As at 1 January 2014	**1,022**	**616,631**	**-1,197**	**100,408**	**716,864**	**209,393**	**926,257**
Annual result	0	0	0	118,625	118,625	33,185	151,810
Other comprehensive income	0	-59,266	6,349	0	-52,917	-21,801	-74,718
Total comprehensive income	**0**	**-59,266**	**6,349**	**118,625**	**65,708**	**11,384**	**77,092**
Other changes	0	0	0	0	0	0	0
Equalisation payment commitments	0	0	0	0	0	-1,614	-1,614
Change in equity interests in consolidated companies	0	-18	0	0	-18	0	-18
Allocation to reserves	0	100,408	0	-100,408	0	0	0
Total transactions recognised directly in equity	**0**	**100,390**	**0**	**-100,408**	**-18**	**-1,614**	**-1,632**
As at 31 December 2014	**1,022**	**657,755**	**5,152**	**118,625**	**782,554**	**219,163**	**1,001,717**

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I. Basis of the consolidated financial statements

1) GROUP STRUCTURE: PRINCIPLES AND BUSINESS SEGMENTS

The Company is named Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Rübenkamp 226, Hamburg, Germany (hereinafter also referred to as "AKG", the "Group" or the "Company"), and is entered in the commercial register at the Hamburg district court, HRB 98981. The Company was formed on 19 June 1985.

Asklepios Kliniken Gesellschaft mit beschränkter Haftung and its subsidiaries operate primarily on the German market in the clinical acute care and rehabilitation sectors as well as, to a very limited extent, in the nursing sector. The purpose of the Company is the acquisition and operation of and the provision of consulting services for healthcare institutions.

The Group operates facilities in numerous federal states in Germany. The Group structure is geared towards regional differences in terms of personnel and company law. The operating entities are mainly equity investments in the three sub-group financial statements of Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein (100 % equity investment), Asklepios Kliniken Hamburg GmbH, Hamburg (74.9 % equity investment), and MediClin AG, Offenburg (52.73 % equity investment), included in the consolidated financial statements.

The Group also has selected foreign operations; this relates almost exclusively to the investment in Greece (Athens Medical Center S.A.).

II. Accounting principles

1) RULES APPLIED

The consolidated financial statements of AKG and its subsidiaries as at 31 December 2014 were prepared applying Section 315a (1) HGB ("Handelsgesetzbuch": German Commercial Code) in accordance with the International Financial Reporting Standards (IFRS) and the corresponding interpretations of the IASB (IFRIC), as adopted by the European Union in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council. All those standards and interpretations subject to mandatory adoption for financial year 2014 were observed.

The consolidated financial statements are prepared on the basis of historical cost, restricted by the remeasurement of financial assets available for sale as well as by the measurement at fair value through profit or loss of financial assets and financial liabilities (derivative financial instruments). The preparation of the consolidated financial statements is based on the assumption that the enterprise is a going concern.

The Group is therefore exempt from the obligation to prepare consolidated financial statements in accordance with HGB. AKG's IFRS consolidated financial statements and Group management report are published in the electronic Federal Gazette (elektronischer Bundesanzeiger).

As far as the individual consolidation, accounting and measurement methods used are concerned, please refer to the following comments in section V.

2) NEW STANDARDS AND STANDARDS THAT HAVE TO BE ADOPTED FOR THE FIRST TIME

Accounting standards adopted for the first time

The accounting standards were revised and published by the IASB. They replace earlier versions of these standards/interpretations in full or in part or constitute new standards/interpretations. The Group applied the following full standards or the corresponding amended regulations in compliance with the corresponding transitional provisions for the first time and – where necessary – adjusted the comparative information in compliance with the new accounting standards:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
New version of IAS 27	Separate Financial Statements
New version of IAS 28	Investments in Associates and Joint Ventures
Amendments to IFRS 10, IFRS 11, IFRS 12	Transition Guidance
Amendments to IFRS 10, IFRS 12, IAS 27	Investment Entities
Amendments to IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting

IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements, IFRS 12 – Disclosure of Interests in Other Entities; new version of IAS 27 – Separate Financial Statements, new version of IAS 28 – Investments in Associates and Joint Ventures; Amendments to IFRS 10, IFRS 11, IFRS 12 – Transition Guidance, Amendments to IFRS 10, IFRS 12, IAS 27 – Investment Entities

In May 2011, the IASB published three new IFRSs on consolidation, joint arrangements and disclosures. IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities form part of an extensive project of reform. IAS 27 (rev. 2011) – Separate Financial Statements has also been amended, which now contains only the unamended requirements for IFRS separate financial statements. Finally, IAS 28 (rev. 2011) – Investments in Associates and Joint Ventures has been amended and thus adjusted to the new standards IFRS 10, 11 and 12. The effective date of the original standards was postponed for EU companies to financial years beginning on or after 1 January 2014.

In June 2012, the IASB published amendments to the transitional provisions of IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities. The amendments are to be applied simultaneously with the abovementioned standards.

IFRS 10 provides a uniform definition for the term control and therefore a uniform basis for the existence of a parent-subsidiary relationship and the delimitation of the consolidated group associated with this. The new standard replaces the standards relevant up to now: IAS 27 (rev. 2008) – Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. The regulations of IFRS 10 had no effects on AKG's consolidated group.

IFRS 11 governs the recognition of situations where a company exercises joint control over a joint venture or carries out a jointly controlled operation. The new standard replaces IAS 31 – Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers which up to now were the relevant regulations for issues concerning the recognition of joint ventures. This amendment had no effect on AKG's financial position and performance.

IFRS 12 stipulates the disclosure requirements for companies that comply with the two new standards IFRS 10 – Consolidated Financial Statements and IFRS 11 – Joint Arrangements. The disclosures extend both to subsidiaries, associates and joint ventures and to unconsolidated structured entities. The standard replaces the disclosure requirements previously included in IAS 28 – Investments in Associates and Joint Ventures. The new provision resulted in changes to the notes to the consolidated financial statements.

In October 2012, the IASB published amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities, and IAS 27 – Separate Financial Statements, by which investment entities (the term is newly defined in IFRS 10) are exempted from the obligation to include the subsidiaries they control in their consolidated financial statements by way of full consolidation if the investment entity is the ultimate holding company. This amendment had no effect on AKG's financial position and performance, as the Company is not an investment entity as defined by the standard and holds no investments in such entities.

Amendments to IAS 32 – Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities

In December 2011, the IASB published amendments to IAS 32 – Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities. The standard addresses the offsetting of financial assets and financial liabilities and clarifies that an unconditional, legally enforceable right of set-off must also exist in the event of the insolvency of an involved party. Criteria are also given by way of example, under which gross settlement of the financial asset and the financial liability still leads to offsetting. These new guidelines had no material effect on AKG's net assets, financial position and results of operations.

Amendments to IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets

In May 2013, the IASB published amendments to IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets. They relate to disclosures with regard to the measurement of the recoverable amount in the event of impairment of assets if it is based on fair value less costs of disposal. In addition, the amended standard introduces new disclosure requirements in the event of an impairment loss or reversal on an asset or a cash-generating unit. The amendments did not affect the notes to the consolidated financial statements for AKG, as there are no impaired assets.

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

In June 2013, the IASB published amendments to IAS 39 – Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting. The amendments stipulate that hedge accounting can continue in the event of a conversion to central counterparties (CCP) to reduce default risks and improve the transparency and regulatory oversight of over-the-counter (OTC) derivatives. AKG did not expect the amendments to have any effect on the net assets, financial position and results of operations.

The list below shows the IFRS-IAS standards and interpretations that will be effective in subsequent years:

Standard/Interpretation	Published in	Effective date
Endorsed:		
Amendments to IAS 19: Defined Benefit Plans: Employee Contributions	November 2013	1 July 2014
Improvements to the International Financial Reporting Standards, 2010-2012 cycle and 2011-2013 cycle (December 2013)	December 2013	1 July 2014
IFRIC 21 – Levies	May 2013	1 January 2014

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions

In November 2013, the IASB published amendments to IAS 19 – Employee Benefits. The amendments involve accounting for employee contributions in the context of defined benefit pension obligations.

When accounting for employee contributions, the new regulations provide simplification for employee contributions that are not coupled to the number of years of service. In this case, regardless of the plan's benefit formula, the service cost can be reduced for the period in which the corresponding service was rendered.

The new regulations must be applied retrospectively.

AKG does not expect the regulations to have any material effect on the Group's net assets, financial position and results of operations.

Improvements to the International Financial Reporting Standards, 2010-2012 cycle and 2011-2013 cycle (December 2013)

In December 2013, the IASB published the outstanding 2010-2012 cycle of annual improvements to IFRS as well as the current 2011-2013 cycle. The aim of these annual improvements is to make the content of the requirements more specific and to remove unintended inconsistencies between standards. The most recent publication includes amendments to the following standards and issues:

- IFRS 1: Applicable IFRSs
- IFRS 2: Definition of vesting conditions
- IFRS 8: Disclosures on aggregation of segments and requirement for reconciliation of segment assets

- IAS 16 and IAS 38: Revaluation method – determination of accumulated depreciation on the date of revaluation
- IAS 24: Expansion of the definition of related parties to include management entities and regulation of associated disclosure requirements

The new regulations must be applied prospectively or retrospectively, depending on the relevant amendment.

AKG does not expect the regulations to have any effect on the Group's net assets, financial position and results of operations.

IFRIC 21 – Levies

In May 2013, the IASB issued IFRIC 21 – Levies.

These regulations relate to accounting for obligations to pay government levies that are not taxes as defined by IAS 12 – Income Taxes. As a result of the application of the interpretation, obligations to pay levies May recognised in the balance sheet at a different date than previously, especially when the obligation only arises when certain conditions are met on a certain date.

For EU entities, the interpretation must be applied for the first time for financial years beginning on or after 14 June 2014 with retrospective effect.

AKG does not expect the regulations to have any effect on the Group's net assets, financial position and results of operations.

Standard/Interpretation	Published in	Effective date
Not yet endorsed:		
IFRS 9 – Financial Instruments – Hedge Accounting; Classification and Measurement and amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures; accounting for impairment	November 2009/October 2010/December 2011/July 2014	1 January 2018
IFRS 14 – Regulatory Deferral Accounts	January 2014	1 January 2016
Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations	May 2014	1 January 2016
Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	May 2014	1 January 2016
IFRS 15 – Revenue from Contracts with Customers	May 2014	1 January 2017
Amendments to IAS 16 and IAS 41: Bearer Plants	June 2014	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	August 2014	1 January 2016
Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	1 January 2016
Improvements to IFRS 10, IFRS 12, and IAS 28: Investment Entities: Applying the Consolidation Exception	December 2014	1 January 2016
Improvements to IAS 1: Disclosure Initiative	December 2014	1 January 2016
Improvements to the International Financial Reporting Standards, 2012-2014 cycle (September 2014), improvements to IFRS 3, IFRS 13 and IAS 40 at the end of 2014	September 2014	1 January 2016

The IASB and the IFRIC have published the standards listed in the above table under "Endorsed", which have already been adopted by the EU in the comitology procedures, but whose adoption was not mandatory for the financial year 2014.

IFRS 9 – Financial Instruments – Hedge Accounting; Classification and Measurement and amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures

In November 2009, the IASB issued a new IFRS on the classification and measurement of financial instruments. This marks the completion of the first phase of a three-phase project to replace IAS 39 – Financial Instruments – Recognition and Measurement with a new standard. IFRS 9 will introduce new provisions for the classification and measurement of financial assets.

In October 2010, the IASB re-issued IFRS 9 – Financial Instruments, in which new requirements for the recognition of financial liabilities have been included and requirements for the derecognition of financial assets and liabilities have been transferred from IAS 39. At the same time, the Basis for Conclusions was restructured.

In December 2011, the IASB published amendments to IFRS 9 – Financial Instruments and IFRS 7 – Financial Instruments – Disclosures under the heading of "Mandatory Effective Date and Transition Disclosures". In so doing, mandatory application of IFRS 9 was postponed to the financial year beginning on or after 1 January 2017. IFRS 9 (rev. 2011) also specifies exception provisions, under which a company can make additional disclosures in the notes to its financial statements instead of adjusting the previous year's disclosures when changing to IFRS 9.

The additional explanatory notes required in IFRS 9 were also added as an amendment to IFRS 7. It must also be possible based on the information disclosed to reconcile the measurement categories according to IAS 39 and IFRS 9 to balance sheet items as well as to classes of financial instrument.

In July 2014, the IASB published an updated version of IFRS 9 – Financial Instruments, which added new provisions to the former version of the standard on accounting for impairment on financial assets and revised regulations on the classification and measurements of financial instruments.

AKG is currently examining the precise impact of the new standard.

IFRS 14 – Regulatory Deferral Accounts

In January, the IASB published IFRS 14 – Regulatory Deferral Accounts. The standard's regulations will allow entities that are preparing IFRS financial statements for the first time in accordance with IFRS 1 to retain the regulatory deferral accounts that they recognised in connection with rate-regulated activities under their former national accounting standards and to continue accounting for them according to the previous accounting policies.

The standard is not relevant for AKG.

Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

In May, the IASB published IFRS 11 – Joint Arrangements. It clarifies that acquisitions of interests in joint operations that constitute a business as per IFRS 3 – Business Combinations must be accounted for using the same principles as when accounting for business combinations under IFRS 3 and other applicable IFRS, unless these conflict with the guidance of IFRS 11. This means that, when an interest is acquired in a joint operation,

- the acquired identifiable assets and liabilities must be measured at fair value on the transaction date, whereby on the acquisition of additional interests when joint control is maintained the interests already held are not remeasured,
- any goodwill or deferred taxes arising from the first-time recognition of assets and liabilities must be recognised,
- the cash-generating unit to which the goodwill was assigned must be tested for impairment at least once a year and when there are indications of existing impairment, as per IAS 36 Impairment of Assets,
- transaction costs must be expensed, and
- the disclosures required under IFRS 3 and other standards relating to business combinations must be made.

The amendments do not apply if the reporting entity and the participating parties are under the common control of the same ultimate controlling entity.

The new regulations apply prospectively for acquisitions of interests occurring in reporting periods after the effective date.

AKG does not expect the regulations to have any effect on the Group's net assets, financial position and results of operations.

Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

In May 2014, the IASB published amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets. The objective of these amendments is to clarify which methods are appropriate for the depreciation and amortisation of property, plant and equipment and intangible assets. In principle, property, plant and equipment and intangible assets must be depreciated and amortised such that they reflect the entity's expected consumption of the future economic benefit generated by the asset. In this regard, the IASB has now clarified that depreciation of property, plant and equipment on the basis of revenues from the goods they generate does not comply with this approach and is therefore inappropriate, as the revenues not only depend on the consumption of the asset, but also on other factors such as sales volume, price and inflation. This clarification is also included in principle in IAS 38 for the amortisation of intangible assets with limited useful lives. However, the IASB has also introduced a rebuttable presumption in this regard. Accordingly, revenue-based amortisation of intangible assets with limited useful lives is permissible in the following two exceptional cases:

- The "value" of the asset is directly expressed through the revenues generated or
- it can be demonstrated that revenues and the consumption of economic benefits of the intangible asset are highly correlated.

For both property, plant and equipment and for intangible assets, it is further clarified that a reduction in selling prices for goods and services produced with the assets could be indicative of their economic obsolescence and therefore a decline in the potential economic benefit of the assets required for production.

AKG does not expect the regulations to have any effect on the Group's net assets, financial position and results of operations.

IFRS 15 – Revenue from Contracts with Customers

In May, the IASB and the FASB published the new standard for revenue recognition, IFRS 15 – Revenue from Contracts with Customers. In particular, the objective of the revised standard is to unify the previous, rather limited regulations of IFRS on one hand and the very detailed and in parts industry-specific regulations of US-GAAP on the other hand and thus to improve the transparency and commensurability of financial information.

According to IFRS 15, revenues must be recognised when the customer gains control over the agreed goods and services and can draw benefits from them. The transfer of material opportunities and risks, as in the old regulations of IAS 18 – Revenue, is no longer decisive. The revenues must be measured with the amount of consideration the entity expects to receive. The new model provides a five-step model for determining revenue recognition, which stipulates that first the customer contract and the separate performance obligations included therein must be identified. Then the transaction price of the customer contract must be determined and allocated to the individual performance obligations. Finally, the new model stipulates that revenue must be recognised for each performance obligation in the amount of the assigned transaction price portion as soon as the agreed service is performed or the customer has gained control over it. Hereby, specified criteria are used to distinguish whether the performance obligation is satisfied over time or at a point in time. The new standard does not distinguish between different types of work and performance, instead establishing standard criteria for when performance is to be recognised over time or at a point in time. The regulations and definitions of IFRS 15 will in future supersede the content of both IAS 18 – Revenue and IAS 11 – Construction Contracts.

AKG is currently examining the precise impact of the new standard.

Amendments to IAS 16 and IAS 41: Bearer Plants

In June 2014, the IASB published amendments to IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture on accounting for bearer plants. The term "bearer plants" covers plants

- that are used in the production of agricultural produce,
- whose useful lives extend to more than one period, and
- that are unlikely to be sold themselves as living plants or as agricultural produce.

The published amendments clarify that such plants must – like internally generated property, plant and equipment – be accounted for at cost until they reach maturity and thereafter according to the provisions of IAS 16 either using the cost or remeasurement model. Accounting in accordance with IAS 41 will no longer be permitted in future.

The standard is not relevant for AKG.

Amendments to IAS 27: Equity Method in Separate Financial Statements

In August 2014, the IASB published amendments to IAS 27 – Separate Financial Statements. On the basis of the amendments, investments in subsidiaries, joint ventures and associates in the IFRS separate financial statements can in future be recognised using the equity method. This gives entities the following options for including such entities in their separate financial statements:

- At (amortised) cost,
- Measurement as financial instruments available for sale in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" or in future (depending on the still outstanding EU endorsement) in accordance with IFRS 9 "Financial Instruments,
- Using the equity method.

The standard is not relevant for AKG.

Amendments to IAS 28 and IFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

In September 2014, the IASB published amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures. This rectifies a former inconsistency between the two standards. Namely, IFRS 10 currently requires the recognition of the full gain or loss resulting from the loss of control over a subsidiary contributed to a joint venture or associate. In contrast, IAS 28 stipulates that gains or losses on non-financial assets contributed to associates or joint ventures must only be recognised in the amount of unrelated investors' interests. According to the amendments now issued, full profit or loss recognition will always be required at an investor in future if the transaction (i.e. the contribution of a subsidiary to a joint venture or associate with loss of control over the subsidiary) relates to a business as defined by IFRS 3 – Business Combinations. If this is not the case, only the proportional gain or loss (to the extent of unrelated investors' interests) must be recognised.

AKG does not expect the regulations to have any material effect on the Group's net assets, financial position and results of operations.

Improvements to IFRS 10, IFRS 12, and IAS 28: Investment Entities: Applying the Consolidation Exception

This standard clarifies issues relating to the application of the consolidation exception for investment entities that instead account for their subsidiaries at fair value. The amendments relate to enquiries of the IFRS IC and are intended to prevent the emergence of varying practices.

The standard is applicable from 1 January 2016, with voluntary early adoption being permitted.

AKG does not expect the regulations to have any effect on the Group's net assets, financial position and results of operations.

Improvements to IAS 1: Disclosure Initiative

Adjustments to IAS 1 Presentation of Financial Statements are proposed here. The proposed amendments include:

- Clarifying the materiality principle in IAS 1;
- Clarifying the sub-classification of items in the statement of financial position and statement of comprehensive income;
- Additional requirements for the presentation of subtotals;
- Clarifying the structural requirements for notes to financial statements;
- Removing the requirements in IAS 1 regarding the identification of significant accounting policies as part of the notes.

The standard is applicable from 1 January 2016, with voluntary early adoption being permitted.

AKG does not expect the regulations to have any effect on the Group's net assets, financial position and results of operations.

Improvements to the International Financial Reporting Standards, 2012-2014 cycle (September 2012)

In September 2014, the IASB published the annual improvements to IFRS (2012-2014 cycle). The clarifications thus made relate to the following standards and topics:

- IFRS 3: Exceptions from the scope of application for joint arrangements and accounting for contingent consideration in connection with business combinations
- IFRS 13: Scope of the portfolio exception and waiver of discounting in the measurement of current receivables and liabilities at fair value provided the effect is immaterial
- IAS 40: Interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property
- IFRS 5: Reclassification from "held for sale" to "held for distribution to owners"
- IFRS 7: Concept of continuing involvement and disclosures on offsetting financial assets and financial liabilities in interim financial statements
- IAS 19: Assessing the depth of the market for high quality corporate bonds in connection with determining the applicable interest rate
- IAS 34: Disclosure of information "elsewhere in the financial report"

AKG does not expect the regulations to have any material effect on the Group's net assets, financial position and results of operations.

IFRS amendments planned by the IASB with effects on the Group's net assets, financial position and results of operations

The new draft standard from the IASB on accounting for leases will result in a significant increase of the finance lease arrangements to be recognised in the Asklepios Group. We expect this to lead to an increase of non-current assets and standard market financial liabilities, which could considerably alter the Group's capital structure, and an increase in EBITDA because of the omission of rental expenditure. The International Accounting Standards Board is currently planning to approve a new leasing standard in 2015. The earliest possible voluntary application date is therefore 2016/2017, provided it is adopted by the EU in endorsement proceedings. Experience indicates that the mandatory application of new standards is not to be expected for the year they are issued.

For information on the evaluation of the market conformity of property rents of MediClin AG, refer to section IX.17 Finance lease liabilities.

3) REPORTING AND RECLASSIFICATIONS

Assets and liabilities and expenses and income have been offset in accordance with IAS 1.33 when offsetting reflects the substance of the transaction. Receivables and liabilities were netted at the level of each German federal state pursuant to the KHG ("Krankenhausfinanzierungsgesetz": German Hospital Financing Act).

The consolidated income statement, which is presented as a separate part of the consolidated financial statements in accordance with the option provided by IAS 1 (rev. 2011), has been prepared using the cost-summary method.

All amounts in the consolidated financial statements are disclosed in thousands of euro (EUR thousand) or millions of euro (EUR million) if no other currency unit is specified.

4) FINANCIAL YEAR

The financial year is the calendar year.

5) APPROVAL OF THE FINANCIAL STATEMENTS

The management authorised the Company's consolidated financial statements for issue by signature.

III. Operating segment reporting

According to IFRS 8 – Operating Segments, the segment information on operating segments must be presented in the way internal reporting is made to the chief operating decision maker (management approach).

An operating segment is a component of an entity:

a) that engages in business activities from which it May earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity),

b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and

c) for which discrete financial information is available.

An operating segment May engage in business activities for which it has yet to earn revenue, for example, start-up operations May be operating segments before earning revenue. In our group, the chief operating decision maker is group management.

In our group, management is the chief operating decision maker. This is accompanied by the definition of transactions requiring approval in the articles of association. Management makes strategic decisions for the Group and receives regular reports on the figures for the hospitals and entities. Certain strategic decisions are also the responsibility of the shareholder meeting. Based on our understanding of offering integrated healthcare services, we do not make a distinction in terms of control between services allocable to the inpatient or outpatient sector or rehabilitation or care sector as defined by the SGB ("Sozialgesetzbuch": German Social Code). Based on this approach, we still have one reportable operating segment.

All revenue for all of our activities is recorded in Germany and (with the exception of our service companies, which almost exclusively generate internal, consolidated revenue) with external customers or payers. For the breakdown of revenue by business segment, please refer to Section VII.

IV. Currency translation

The consolidated financial statements are prepared in euro, which is the functional and reporting currency of the Group.

Transactions in foreign currencies are translated to the functional currency at the rates prevailing at the date of the transaction. Gains and losses from the settlement of such transactions and from the translation at the closing rate of monetary assets and liabilities in foreign currencies are recognised in the consolidated income statement unless they are recognised as qualifying cash flow hedges and qualifying net investment hedges in equity (other comprehensive income).

V. Consolidation, accounting and measurement methods

The financial statements of the entities included in the consolidated financial statements of the Company were all drawn up on the basis of uniform accounting policies. The financial statements of all entities included are prepared as at the cut-off date of the consolidated financial statements

1) BASIS OF CONSOLIDATION

a) Subsidiaries

In addition to AKG as the ultimate parent, the consolidated group also includes the subsidiaries over which AKG exercises control, either directly or indirectly. The Group controls a subsidiary when it is exposed to variable returns from its investment in the subsidiary or has rights to these returns and has the ability to use its power over the subsidiary to affect these returns. The subsidiaries are consolidated from the day the Group obtains control. The subsidiaries are removed from the consolidated group as soon as the Group loses control.

In the event of loss of control over a subsidiary, the assets and liabilities of the former subsidiary are derecognised and any retained interests are recognised at fair value. Subsequently, the investment and all amounts that the Group owes to or is owed by the former subsidiary are accounted for in compliance with the relevant IFRS. The fair value is deemed to be the initial value of a financial asset or, if applicable, the acquisition cost on addition of an investment in an associate or joint venture. Gains and losses on the loss of control are recognised in the income statement. This also applies to the amounts that were previously included in the statement of comprehensive income.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of contingent consideration deemed to be an asset or liability will be recognised in accordance with IAS 39 either in the consolidated income statement or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Any hidden reserves and hidden liabilities disclosed during initial consolidation in the course of the fair value measurement of assets and liabilities are carried forward, amortised or reversed in subsequent periods based on the development of the assets and liabilities. Goodwill is tested for impairment at least once a year in subsequent periods and, if impaired, is written down to its recoverable value.

If shares are acquired in stages, the difference between the acquisition cost and the pro rata equity is recognised as goodwill. In this case, the share of equity previously held by the acquirer is remeasured at the fair value on the acquisition date and the gain or loss arising is recognised in profit and loss.

Intercompany expenses and income as well as receivables and liabilities between consolidated entities are eliminated. Intercompany profits and losses are eliminated if material. In the case of consolidation measures with an effect on income, the effects for income tax purposes are considered and deferred taxes reported.

b) Associates

Associates are entities over which the Group has significant influence but no control. Investments in associates are reported using the equity method and initially measured at cost. The share of the Group in associates contains the goodwill incurred on acquisition.

The share of the Group in gains and losses of associates is recognised in the consolidated income statement from the date of acquisition, while the share of changes in the reserves is recognised in the Group's reserves. The total changes after the acquisition are offset against the carrying amount of the investment. Dividend payments are subtracted accordingly from the amount recognised in equity. If the Group's share of losses in an associate corresponds to or exceeds the Group's interest in this entity, including other unsecured receivables, the Group will not recognise any further losses unless it has entered into obligations for the associate or has made payments for the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only once its share of the profits exceeds the share of losses not recognised.

Unrealised gains resulting from transactions between group entities and associates are eliminated in proportion to the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates were amended where necessary to guarantee uniform accounting within the Group.

c) Other equity investments

Equity investments of the Group that are neither fully consolidated as subsidiaries (IAS 27) nor consolidated as associates (IAS 28) are accounted for in accordance with the principles of IAS 39. The Group reports such equity investments as "Available-for-sale financial assets". When recognised initially, they are measured at fair value. During initial recognition, transaction costs are regarded as part of the purchase price. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in other comprehensive income in the reserve for available-for-sale financial assets.

d) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets attributable to shares not held by equity holders of the parent. Non-controlling interests are disclosed separately in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of financial position. They are presented in equity in the consolidated statement of financial position.

If the Group's holding in a subsidiary changes and the Group does not lose control of the subsidiary, these transactions are treated as equity transactions. This applies to transactions with owners acting in their capacity as owners.

The Group recognises directly in equity any difference between the amount by which the non-controlling interests change and the fair value of the consideration paid or received.

e) Basis of consolidation

The following entities belonged to the consolidated group as at 31 December 2014. Other supplementary information provided includes the amount of the interest (direct and indirect) and whether or not the respective entity made use of the exemption in Sec. 264 (3) HGB and Sec. 264b HGB not to prepare a management report or meet disclosure requirements.

Entity, registered office	Share of capital in % 2014	Share of capital in % 2013	Sec. 264 (3) HGB and Sec. 264b HGB
AKG Klinik Hohwald GmbH, Königstein	100.00	100.00	Yes
AKG Klinik Parchim GmbH, Königstein	100.00	100.00	Yes
AKG Kliniken GmbH, Königstein	100.00	100.00	Yes
Ambulantes Gesundheitszentrum Schwedt GmbH, Schwedt	100.00	100.00	Yes
Asklepios - ASB Krankenhaus Radeberg GmbH, Radeberg	94.00	94.00	No
Asklepios Aponova GmbH, Hamburg	100.00	100.00	No
Asklepios Business Services GmbH, Königstein	100.00	100.00	No
Asklepios Connecting Health GmbH (until 15 December 2014: Fachklinik Helmsweg GmbH), Hamburg	100.00	100.00	No
Asklepios Dienstleistungsgesellschaft Hamburg mbH, Hamburg	100.00	100.00	No
Asklepios Dienstleistungsgesellschaft mbH, Königstein	100.00	100.00	Yes
Asklepios Fachkliniken Brandenburg GmbH, Brandenburg	100.00	100.00	Yes
Asklepios Fachklinikum Stadtroda GmbH, Stadtroda	94.00	94.00	Yes
Asklepios Facility Services Hamburg GmbH, Hamburg (formerly Asklepios Services Hamburg GmbH, Hamburg)	100.00	100.00	No
Asklepios Gesundheitszentrum Bad Tölz GmbH, Bad Tölz	100.00	100.00	Yes
Asklepios Gesundheitszentrum GmbH, Königstein	100.00	100.00	Yes
Asklepios Hamburg Beteiligungsgesellschaft mbH, Hamburg	100.00	100.00	No
Asklepios Hamburg Personalservice GmbH, Hamburg	100.00	100.00	No
Asklepios Harzkliniken GmbH, Goslar	94.00	94.00	Yes
Asklepios International Beteiligungsgesellschaft mbH, Königstein	100.00	100.00	No
Asklepios International GmbH, Königstein	100.00	100.00	No
Asklepios Klinik Alsbach GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Bad Griesbach GmbH & Cie OHG, Königstein	94.00	94.00	Yes
Asklepios Klinik Bad Salzungen GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Bad Wildungen GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinik Dr. Walb Homberg/Ohm, GbR, Königstein	94.00	94.00	n.a.
Asklepios CardioCliniC - Harburg GmbH (until 5 November 2014: Asklepios Klinik Eimsbüttel GmbH), Hamburg	94.00	94.00	No
Asklepios Klinik Fürstenhof Bad Wildungen GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Gauting GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Lenggries GmbH, Munich	100.00	100.00	No
Asklepios Klinik Lich GmbH, Lich	94.00	94.00	Yes

Entity, registered office	Share of capital in % 2014	Share of capital in % 2013	Sec. 264 (3) HGB and Sec. 264b HGB
Asklepios Klinik Lindau GmbH, Lindau	100.00	100.00	No
Asklepios Klinik Lindenlohe GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Pasewalk GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Sankt Augustin GmbH, Sankt Augustin	100.00	100.00	Yes
Asklepios Klinik Schaufling GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Sobernheim GmbH, Königstein	100.00	100.00	Yes
Asklepios Klinik Wiesbaden GmbH, Königstein	99.00	99.00	Yes
Asklepios Kliniken Hamburg GmbH, Hamburg	74.90	74.90	No
Asklepios Kliniken Langen-Seligenstadt GmbH, Langen	94.00	94.00	Yes
Asklepios Kliniken Verwaltungsgesellschaft mbH, Königstein	100.00	100.00	No
Asklepios Kliniken Weißenfels – Hohenmölsen GmbH, Weißenfels	100.00	100.00	Yes
Asklepios Klinikum Bad Abbach GmbH, Königstein	94.00	94.00	Yes
Asklepios Klinikum Uckermark GmbH, Schwedt	94.00	94.00	No
Asklepios Krankenpflegeschulen gGmbH, Königstein	95.00	95.00	No
Asklepios Kurhaus GmbH, Königstein (formerly MVZ Bad Oldesloe GmbH, Königstein)	100.00	100.00	Yes
Asklepios Lindau Beteiligungsgesellschaft mbH, Lindau	100.00	100.00	No
Asklepios Logistics Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios medi top Pflegedienst & Service GmbH, Hamburg	95.30	95.30	No
Asklepios Medical Healthcare China Holding GmbH, Königstein	51.00	51.00	No
Asklepios Medical School GmbH, Hamburg	100.00	100.00	No
Asklepios MVZ Mitteldeutschland GmbH, Stadtroda	100.00	100.00	Yes
Asklepios MVZ Nord Schleswig Holstein GmbH, Hamburg	100.00	100.00	Yes
Asklepios MVZ Weißenfels GmbH, Weißenfels	100.00	100.00	Yes
Asklepios MVZ Nord GmbH, Hamburg	100.00	100.00	No
Asklepios Nordseeklinik Westerland GmbH, Königstein	99.00	99.00	Yes
Asklepios Objektbetreuung Hamburg GmbH, Hamburg	100.00	100.00	No
Asklepios Pflegeheim Weserblick GmbH, Königstein	100.00	100.00	Yes
Asklepios Poland sp. z o.o., Szczecin (Poland)	100.00	100.00	n.a.
Asklepios Privita GmbH, Hamburg	100.00	100.00	No
Asklepios Psychiatrie Langen GmbH, Langen	100.00	100.00	Yes
Asklepios Psychiatrie Niedersachsen GmbH, Göttingen	100.00	100.00	Yes
Asklepios Reha - Klinik Bad Schwartau GmbH, Königstein	94.00	100.00	Yes
Asklepios Schwalm-Eder-Kliniken Dienstleistungs-GmbH, Schwalmstadt	100.00	100.00	No
Asklepios Schwalm-Eder-Kliniken GmbH, Schwalmstadt	94.00	94.00	No
Asklepios Service Hotellerie GmbH, Königstein	100.00	100.00	Yes
Asklepios Service IT GmbH, Königstein, Königstein	100.00	100.00	No

Continued on next page

Entity, registered office	Share of capital in % 2014	Share of capital in % 2013	Sec. 264 (3) HGB and Sec. 264b HGB
Asklepios Service Einkauf und Versorgung GmbH (formerly: Asklepios Service Logistik GmbH), Königstein	100.00	100.00	No
Asklepios Service Reinigung GmbH, Königstein	100.00	100.00	Yes
Asklepios Service Technik GmbH, Königstein	100.00	100.00	No
Asklepios Stadtklinik Bad Tölz GmbH, Königstein	100.00	100.00	Yes
Asklepios Stadtkrankenhaus Seesen GmbH, Seesen	100.00	100.00	No
Asklepios Südpfalzkliniken GmbH, Burglengenfeld	100.00	100.00	Yes
Asklepios Therapie GmbH, Königstein	100.00	100.00	No
Asklepios Weserbergland-Klinik GmbH, Höxter	100.00	100.00	Yes
Asklepios Westklinikum Hamburg GmbH, Hamburg	74.95	74.95	Yes
Cortex Software GmbH, Offenburg	100.00	100.00	No
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem GmbH & Co. KG, Essen	100.00	100.00	Yes
Fachklinik Rhein/Ruhr für Herz/Kreislauf- und Bewegungssystem Verwaltungs GmbH, Essen	100.00	100.00	No
Fachklinikum Wiesen GmbH, Königstein	100.00	100.00	Yes
GFB medi GmbH, Alsbach	100.00	100.00	No
GKB Klinikbetriebe GmbH, Königstein	99.00	99.00	Yes
HDG-Harzkliniken Dienste GmbH, Goslar	100.00	100.00	Yes
Herzzentrum Lahr/Baden GmbH & Co. KG, Bad Rappenau	94.49	94.49	Yes
HKW Hamburger Krankenhauswäscherei GmbH, Hamburg	51.00	51.00	No
KB Krankenhausbeteiligungsgesellschaft mbH & Co. KG, Essen	100.00	100.00	No
KB Krankenhausbeteiligungsverwaltungsgesellschaft mbH, Essen	100.00	100.00	Yes
KLS – Facility Management GmbH, Langen	100.00	100.00	No
Kraichgau-Klinik Aktiengesellschaft, Bad Rappenau	94.485	94.485	No
Kraichgau-Klinik Bad Rappenau GmbH & Co. KG, Bad Rappenau	94.485	94.485	Yes
MAH Medizinische Akademie Hamburg GmbH, Hamburg	49.00	49.00	No
MC Kliniken Geschäftsführungs-GmbH, Offenburg	94.485	94.485	No
MC Service GmbH, Offenburg	100.00	100.00	No
MediClin a la Carte GmbH, Offenburg	100.00	100.00	No
MediClin AG, Offenburg	52.73	52.73	No
MediClin Dr. Hoefer-Janker GmbH & Co. Klinik KG, Bonn	100.00	100.00	Yes
MediClin Energie GmbH, Offenburg	100.00	100.00	Yes
MediClin Geschäftsführungs-GmbH, Offenburg	100.00	100.00	No
MediClin GmbH & Co. KG, Offenburg	100.00	100.00	Yes
MediClin Immobilien Verwaltung GmbH, Offenburg	100.00	100.00	No
MediClin Krankenhaus am Crivitzer See GmbH, Crivitz	100.00	87.00	No
MediClin Medizinisches Versorgungszentrum GmbH, Offenburg	100.00	100.00	No

Entity, registered office	Share of capital in % 2014	Share of capital in % 2013	Sec. 264 (3) HGB and Sec. 264b HGB
MediClin Pflege GmbH, Offenburg	100.00	100.00	No
MediClin MVZ Südbaden GmbH, Offenburg	100.00	0.00	No
MediClin Therapie GmbH, Offenburg	100.00	100.00	No
MEDILYS Laborgesellschaft mbH, Hamburg	100.00	100.00	No
Medizinische Einrichtungs-Gesellschaft mbH, Schwedt	100.00	100.000	Yes
MPS Medizinische Personal- und Servicegesellschaft mbH Kettwig, Essen	100.00	100.00	No
MVZ Asklepios Klinik Seligenstadt GmbH, Seligenstadt	100.00	100.00	Yes
MVZ Hamburg-Ost HOG GmbH, Hamburg	100.00	100.00	No
MVZ Hanse Histologikum GmbH, Hamburg	51.00	51.00	No
MVZ Onkologie Barmbek GmbH, Hamburg	66.00	66.00	No
MVZ MediClin Bonn GmbH, Bonn	100.00	100.00	No
MVZ Vorpommern GmbH, Pasewalk	100.00	100.00	Yes
MVZ-Müritz GmbH, Waren	100.00	100.00	No
Nordseeklinik Neubau GmbH, Königstein	100.00	100.00	Yes
Personalagentur für Gesundheit GmbH, Alsbach	100.00	100.00	Yes
ProCuraMed AG, Bern (Switzerland)	100.00	100.00	n.a.
PROMEDIG gemeinnützige Gesellschaft für medizinische Innovation mbH, Hamburg	100.00	100.00	No
Reha - Klinik Schildautal Investgesellschaft mbH, Königstein	99.00	99.00	Yes
Rehabilitationszentrum Gernsbach/Schwarzwald GmbH & Co. KG, Bad Rappenau	94.49	94.49	Yes
Rückenzentrum Sankt Georg GmbH, Hamburg	51.00	0.00	No
Sächsische Schweiz Kliniken GmbH, Sebnitz	93.73	93.73	No
ZIT Zentralinstitut für Transfusionsmedizin GmbH, Hamburg	100.00	100.000	No

The following companies are accounted for at acquisition cost as it was not possible to determine their fair values reliably (shares in capital unchanged year on year):

Entity, registered office	Share of capital in %	Equity EUR '000	Annual result EUR '000
4QD – Qualitätskliniken.de GmbH, Berlin**	25,000	947	261
Bad Griesbacher Tunnelanlagen GmbH & Co. Betriebs – KG, Bad Griesbach*	15,500	391	-11
KDC-Krankenhaus-Dienstleistungsgesellschaft Crivitz mbH, Crivitz	69,231	55	5
KVMed Beteiligungsgesellschaft mbH, Cologne*	10,000	2.997	-5
MediServ GmbH, Essen**	51,000	160	87
Medusplus GmbH, Essen**	51,000	52	11
Müritz-Klinikum Service GmbH, Waren	51,000	134	75
VR-LEASING ABYDOS GmbH & Co. Immobilien KG, Eschborn**	44,408	-105	22

* Figures for 2012, as none are available for 2013/2014

** Figures for 2013, as none are available for 2014

The following companies are accounted for using the equity method:

Entity, registered office	Share of capital in %
Collm Klinik Oschatz gGmbH, Oschatz	25.00
Athens Medical Center S.A., Athens	35.46
INI International Neuroscience Institute Hannover GmbH, Hanover	49.00

2) INTANGIBLE ASSETS

Intangible assets are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

After initial recognition, intangible assets are carried at amortised cost.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Intangible assets with a finite useful life are amortised on a straight-line basis over their useful life and tested for impairment whenever there is an indication that the intangible asset May be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each financial year at least. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

	Useful life in years

Software and licences	3 - 7
Brands and customer bases	10 - 20

Impairment is recognised in the income statement in amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment. With the exception of goodwill, there are no intangible assets with an indefinite useful life in the Group.

3) GOODWILL

Goodwill arising from a business combination is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently using an impairment test if events or changes in circumstances indicate that the carrying amount May be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units (CGUs), that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill has been allocated represents the lowest level in the Group at which goodwill is monitored for internal management purposes.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. The recoverable amount is the higher of an asset's net selling price and its value in use. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. If the impairment exceeds the carrying amount of the goodwill, the difference shall be allocated proportionally to the CGU's assets. If the reasons for impairment cease to exist, impairment of goodwill is not reversed. Impairment is recognised in the income statement in amortisation and impairment of intangible assets and depreciation and impairment of property, plant and equipment.

4) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is based on the following useful lives:

	Useful life in years
Land rights	60 years
Residential and commercial buildings	20 to 52 years
Land improvements	10 to 20 years
Plant and machinery	6 to 30 years
Other equipment, furniture and fixtures	3 to 15 years

The carrying amounts of property, plant and equipment are tested for impairment as soon as there is any indication that the carrying amount of an asset exceeds its recoverable amount.

Property, plant and equipment are derecognised upon disposal or when no further economic benefits are expected from their continued use or sale. The gain or loss on derecognition is determined as the difference between the net disposal proceeds and the carrying amount and recognised in the consolidated income statement in the period in which the item is derecognised.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each financial year and adjusted if necessary.

The cost of repairing property, plant and equipment, including current maintenance costs, for example, are recognised in profit or loss.

5) GOVERNMENT GRANTS

The Company receives government grants for different programs subsidised by the state. Government grants are recognised according to IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance) only if it is reasonably certain that the conditions attached to the grants will be fulfilled and the grants actually awarded. If government grants are made for the purchase of property, plant and equipment, these grants are offset against the cost of the asset in accordance with IAS 20.24. In addition, the Company receives grants which are earmarked for financing current expenses. These grants are recognised in profit or loss and deducted from the corresponding expenses in the appropriate period.

Assistance granted to entities in the Group in the form of an interest benefit in the granting of non-interest bearing or low-interest bearing loans is determined at the time of granting and also deducted from the cost of the subsidised asset.

6) LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases under which a material portion of the risks and rewards connected with ownership of the leased property are retained by the lessor are classified as operating leases. In this case, payments made are charged to the income statement on a straight-line basis over the period of the lease.

Leases under which the Group bears the key risks and enjoys the benefits of ownership of the leased property are classified as finance leases. Finance lease assets are capitalised at the time of the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. A leasing liability is recorded for the same amount. Each lease instalment is split into an interest component and a repayment component in order to keep the interest charged on the leasing liability at a constant level. The interest component of the leasing instalment is recorded in the income statement as expenditure so that a constant rate of interest is incurred over the term of the lease. The corresponding finance lease asset is depreciated over the term of the lease or, if shorter, the economic life of the leased property.

The new draft standard from the IASB on accounting for leases will result in a significant increase of the finance lease arrangements to be recognised in the Asklepios Group. We expect this to lead to an increase of non-current assets and standard market financial liabilities, which could considerably alter the Group's capital structure, and an increase in EBITDA because of the omission of rental expenditure. The International Accounting Standards Board is currently planning to approve a new leasing standard in 2015. The earliest possible voluntary application date is therefore 2016/2017, provided it is adopted by the EU in endorsement proceedings. Experience indicates that the mandatory application of new standards is not to be expected for the year they are issued.

7) RESEARCH AND DEVELOPMENT COSTS

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial application of research findings. Research costs are expensed as incurred. The portion of development costs for which the prerequisites for recognition as an intangible asset pursuant to IAS 38 – Intangible Assets are met in full is recognised as an intangible asset.

Development costs that must be capitalised were not incurred in the current financial year or the previous year. Development costs are subsidised and therefore have no effect on earnings in net terms.

8) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset (IAS 23.11). In financial year 2014, borrowing costs of EUR 1.7 million were capitalised in connection with construction projects. The capitalised amount was calculated as a surcharge rate from the capitalisation rate for loans taken out (4.04 %).

All other borrowing costs are expensed in the period in which they were incurred (IAS 23.10).

9) IMPAIRMENT OF NON-FINANCIAL ASSETS

Other intangible assets and property, plant and equipment are subject to impairment testing by the Company in accordance with IAS 36.

An impairment loss is charged on other intangible assets and property, plant and equipment if, as a result of certain events or developments, the carrying amount of the asset is no longer covered by the expected proceeds from the sale or the discounted net cash flow from further use. If it is not possible to determine the recoverable amount for individual assets, the cash flows are determined from the next higher cash-generating unit.

Impairment losses are reversed if the reason for impairment ceases to apply in subsequent years. The reversal of impairment losses is limited to the maximum amount of amortised cost that would have resulted had the impairment losses not been charged.

The test for impairment is carried out annually. If there are indications that could result in potential impairment, tests are carried out more frequently. Net cash flows are determined on the basis of forecasts for the individual reporting units; for subsequent years, the net cash flow trend is determined. The expected net cash flows are discounted using a risk-adjusted interest rate. Other parameters are derived from standardised industry figures. We use the expertise of independent advisory firms for this purpose.

The following parameters were used for all cash-generating units (CGUs) when testing for impairment:

	2014	2013
Planning horizon	3 years	3 years
Growth rate including perpetuals	0.5 %	0.5 %
Discount rate before tax	4.8 %	4.3 %

The average revenue growth for the major goodwill-bearing companies is between 1.0 % and 7.6 % in the 2014 – 2017 planning period.

Our business model includes the turnaround of loss-making clinics / institutions, which generally takes up to five years in the industry.

10) FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments recognised as financial assets or financial liabilities are reported separately. Financial instruments are recognised as soon as a group entity becomes a party to the financial instrument. Financial instruments are initially measured at fair value. Transaction costs are initially recognised as part of the purchase price (except for transaction costs incurred for financial assets, which are measured at fair value through profit or loss).

For subsequent measurement, the financial instruments are allocated to one of the measurement categories listed in IAS 39 (Financial Instruments: Recognition and Measurement). Financial assets are derecognised if the rights to cash flows have expired or if the right to receive the cash flows has been transferred and the Group has substantially transferred all risks and rewards incidental to ownership.

Financial assets as defined by IAS 39 are broken down into financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets and derivative financial instruments. The classification depends on the purpose for which the financial asset in question was acquired. Regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the period generally established by regulation or convention in the marketplace.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading. Financial assets such as shares or interest-bearing securities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in profit or loss. An exception to this relates to financial instruments designated for hedge accounting. Gains or losses on these are recognised in other comprehensive income.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, such as trade receivables for example. These are disclosed under current assets, provided that they do not fall due in more than twelve months from the end of the reporting period. After initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest method minus any reduction for impairment. Impairment is recognised if partial or full uncollectibility is expected. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. The time value of money from using the effective interest method is also recognised in profit or loss.

c) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified in any of the preceding categories. They are disclosed under non-current assets, unless the Group plans their disposal within twelve months of the end of the reporting period. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised in equity.

If a decline in the fair value of an available-for-sale financial asset was recognised in other comprehensive income, this amount is reclassified to loss if there is objective evidence that this asset is impaired. This even occurs if the asset is not derecognised.

Impairment losses recognised in profit or loss for equity instruments categorised as available for sale are not reversed through profit or loss.

If the fair value of a debt instrument classified as available for sale increases in a period after the impairment was recognised in profit or loss, this impairment is reversed and the amount of the reversal is recognised in profit or loss.

The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The carrying amount of cash and cash equivalents, receivables, and current liabilities approximates fair value due to the relatively short-term maturity of these instruments. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period.

d) Derivative financial instruments

Derivative financial instruments are financial contracts whose value is derived from the price of an asset (such as shares, obligations, money market instruments or commodities) or a reference rate (such as currencies, indices and interest rates). Little or no initial investment is required and they are settled in the future. Examples of derivative financial instruments include options, forward transactions or interest rate swaps.

Unless used for hedging, derivative financial instruments are usually recognised at their fair value in profit or loss in accordance with IAS 39.

The Company adheres to the requirements of IAS 39 with respect to cash flow hedge accounting. By definition, a cash flow hedge is a hedge of the exposure to variability in cash flows that (a) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and (b) could affect profit or loss. Provided that the hedging relationship is effective, changes in the value of cash flow hedging instruments are initially recorded in other comprehensive income in a separate equity item (cash flow hedge reserve). The corresponding amount is released to income from the cash flow hedge reserve in the period in which the hedged transaction (e.g. a variable interest payment) has an effect on profit or loss. The disclosure option pursuant to IAS 39.98b is not applied. Under this option, associated gains and losses are removed and included in the initial cost or other carrying amount of the asset or liability. The ineffective portion of the gain or loss on a hedging instrument is recognised immediately in profit or loss.

The Company uses cash flow hedges to hedge against the risk of increasing interest cash flows from liabilities subject to floating rates of interest. Accordingly, an appropriate interest cap that meets the main conditions is entered into when a liability subject to a floating rate of interest is accepted. Only the intrinsic value of the interest cap is designated as the hedging instrument. Since it qualifies as a derivative, the fair value of the interest cap is recognised in profit or loss. When designating the hedging relationship, the Company documents the relationship between the underlying transaction as well

as risk management objective and strategy. Both the prospective and retrospective effectiveness of the hedging relationship is assessed upon designation and at the end of each subsequent reporting period.

As at 31 December 2014, the Group holds derivative financial instruments in the form of interest caps (hedging) that must be measured at fair value. The fair value of the interest caps is recognised under other financial assets at a carrying amount of EUR 0 thousand (previous year: EUR 13 thousand), while the present value of the premium payments is recognised under other financial liabilities at a carrying amount of EUR 1,672 thousand (previous year: EUR 1,914 thousand). A hedging reserve of EUR 271 thousand (previous year: EUR 542 thousand) is recognised in other comprehensive income.

In future, interest rate hedges measured at fair value can be used to hedge against rising interest rates of financial liabilities with floating interest rates and the following volumes:

Financial year	Amount in EUR million
2015	199,7
2016	115,9
2017	59,0

The Company adheres to the requirements of IAS 39 with respect to fair value hedge accounting. Changes in the fair value of derivatives designated to hedge the fair value of the hedged item are recognised in the income statement together with the changes in the fair value of the hedged item.

An offer available to the Group for the acquisition of financial assets was designated as a fair value hedge to hedge fluctuations of the market price. If the hedge can be considered effective, the carrying amount of the hedging object is adjusted for the changes in the fair value attributable to the hedged risk.

The following table shows the changes in hedged items and hedging instruments in fair value hedge relationships recognised in profit or loss:

Financial year	Amount in EUR million
Income from hedged items	1.9
Expense from hedging instruments	-1.9
Ineffective portion	0.0

e) Financial liabilities

Financial liabilities as defined by IAS 39 are classified as financial liabilities at fair value through profit or loss or as other financial liabilities.

The Group determines the classification of its financial liabilities upon initial recognition and, where allowed and appropriate, reassesses this designation at each financial year-end.

Financial liabilities at fair value through profit or loss are measured at fair value upon initial recognition. Gains and losses from changes in fair value are recognised immediately in profit or loss. As in the previous year, the Group has not allocated any financial liabilities to the category “financial liabilities measured at fair value through profit or loss” as at the end of the reporting period.

Financial liabilities, which are therefore all allocated to the category “financial liabilities measured at amortised cost”, are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. They are reported under other liabilities.

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or expires.

f) Offsetting financial assets and financial liabilities

Financial assets and liabilities are set off if the Group has a right at the same time to set off the reported amounts against each other and the Group intends to settle the financial assets and financial liabilities on a net basis or to settle the associated liability simultaneously with the realisation of the asset. The legal right must not be contingent on future events and enforceable in the ordinary course of business.

g) Determination of fair value

The following table shows financial instruments measured at fair value analysed in terms of in terms of measurement method. The different levels are as follows:

- Level 1: market prices (unadjusted) used on the active market for identical assets and liabilities

- Level 2: inclusive data, apart from the level 1 market prices, that are observable for the assets and liabilities either directly (i.e. as price) or indirectly (i.e. derived from price)

- Level 3: inclusive data for assets and liabilities not based on market data (on this level, the Group’s investments are reported at amortised cost, as no market price can be determined for them)

31 December 2014 (EUR million)	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	0.0	1.4	1.4
Available-for-sale financial assets	260.9	0.0	0.0	260.9
Financial liabilities	0.0	1.7	0.0	1.7

31 December 2013 (EUR million)	Level 1	Level 2	Level 3	Net total
Financial assets	0.0	1.9	1.4	3.3
Available-for-sale financial assets	147.6	0.0	0.0	147.6
Financial liabilities	0.0	1.9	0.0	1.9

The fair value of financial instruments that are traded on the active market is based on the quoted market bid price at the close of business at the end of the reporting period. The market is considered active if quoted prices are readily and regularly available from an exchange, dealer, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded on an active market is calculated using a valuation technique. Fair value is thus estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. If all inputs required for measuring fair value are observable, the instrument is assigned to level 2.

If one or more significant inputs are not based on observable market data, the instrument is assigned to level 3. There were no reclassifications in this financial year or the previous year.

h) Net profit by measurement category

	From subsequent measurement				
EUR million	From interest results	Fair value	Impairment	2014	2013
Loans and receivables	0.3	-5.8	-3.6	-9.1	-10.2
Financial liabilities measured at amortized cost	-23.8	0.0	0.0	-23.8	-17.7
Financial assets and liabilities measured at fair value through profit or loss	0.0	-1.9	0.0	-1.9	-40.5
Available-for-sale financial assets	0.0	3.6	0.0	3.6	42.2

Net profit from subsequent measurement of loans and receivables comprises the income and expenses from impairment of trade receivables.

The liabilities recognised at fair value and the financial assets and liabilities measured at fair value through profit or loss relate to a fair-value hedge with a net result of zero.

Net profit from available-for-sale financial assets includes dividends in full, which are reported in the investment result.

11) INCOME TAXES

a) Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

b) Deferred taxes

Deferred tax is recognised using the liability method on all temporary differences as at the end of the reporting period between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases. Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Future changes in tax rates are taken into account as at the end of the reporting period, to the extent that their material effectiveness conditions are fulfilled in the course of the legislative process.

Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carry forwards to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carry forwards can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reviewed at the end of each reporting period and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realised.

As in the previous year, a corporate income tax rate of 15 % plus a solidarity surcharge of 5.5 % assessed on the corporate income tax was used to determine deferred taxes as at 31 December 2014. The operating clinics are generally exempt from trade tax.

For transactions and other events recognised in other comprehensive income, any income taxes are also recognised in other comprehensive income and not in the consolidated income statement. For 2014, this related to a change in the fair value of financial assets of EUR -1,143 thousand (previous year: EUR -57 thousand) and a change in pension commitments of EUR 17,611 thousand (previous year: EUR 6,992 thousand).

Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable right to offset the current tax assets against the tax liabilities and these assets and liabilities relate to income taxes levied by the same tax authority for the same taxable entity. Deferred taxes are not discounted.

12) INVENTORIES

Inventories are measured at the lower of the cost and net realisable value in accordance with IAS 2, using their average cost price as a simplified measurement method. All identifiable risks in inventories resulting from an above-average storage period or reduced options for disposal of inventories are taken into account by carrying out appropriate impairments.

Work in process concerns so-called ‘inpatients’. Work in process relates to inpatients whose treatment is still ongoing as at the end of the reporting period. We do not report any income realised in accordance with the percentage of completion method from estimates and assumptions from the measurement of these inpatients (zero profit method, see V.19 for more details). The number of patients in the hospital is recorded as at the end of the reporting period. If we have to assume as at the end of the reporting period that the contract costs will exceed contract revenue, we initially write down the estimated contract costs. We also report provisions for potential losses as necessary.

13) TRADE RECEIVABLES

Receivables are not secured and therefore subject to the risk of total or partial default. Specific bad debt allowances in a separate allowance account are recognised if receivables are fully or partially uncollectible or it is likely that they cannot be collected, and the amount can be determined reliably. Receivables are written off directly if there is objective evidence that it will not be possible to collect the debts.

The bad debt allowances make provision for all recognisable risks based on individual risk estimates and past experience.

14) REVENUE RECOGNITION

Revenue is generated mainly from the running of hospitals and therefore exclusively relates to revenue from the rendering of services. Similar to all other hospitals in Germany, our hospitals are subject to statutory remuneration rules (including the KHEntgG (“Krankenhausentgeltgesetz”: German Hospital Fees Act) and the BPflV (“Bundespflegesatzverordnung”: German National Hospital Rate Ordinance)). The offering of the hospitals and the prices charged to the payers (mainly health insurance companies) are regulated by a large number of laws and ordinances at state and federal level. The inpatient services provided by the hospitals are supposed to be remunerated from budgets negotiated prospectively with the statutory health insurers. In practice, however, budgets are not negotiated until the course of a financial year and some are not concluded until after the financial year has ended. In such cases there is uncertainty surrounding the agreed volume of services and/or remuneration, for which we use appropriate estimates.

Most of our revenue stems from billing DRGs under the KHEntgG in our acute hospitals. No statutory DRGs are defined for some of our services (in particular psychiatry and treatment of psychologically disturbed criminals). Remuneration here is based on the budgets negotiated according to daily nursing charges pursuant to the BPfIV or local provisions.

The budgets negotiated, which are generally capped, result from multiplying the service volume by the price. The budgets are negotiated by our hospitals with the payers.

Dividend revenue is recognised on the date on which the right to receive the payment arises and is reported in the investment result. Interest income is recognised using the effective interest method.

15) OTHER RECEIVABLES AND OTHER ASSETS

Other receivables and other assets are stated at amortised cost. Adequate specific bad debt allowances are recognised for items subject to risk.

16) CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the statement of financial position generally comprise short-term, highly liquid monetary deposits with an original maturity of less than three months from the date of acquisition. Cash and cash equivalents correspond to the cash and cash equivalents in the consolidated statement of cash flows.

17) OTHER PROVISIONS

Provisions are recognised when the Group has a present obligation (legal, contractual or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the consolidated income statement, net of the amount recognised for a reimbursement that is virtually certain.

Non-current provisions are discounted. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

18) PENSION PROVISIONS

The Group has various pension plans. The plans are financed by payments to insurance companies or pension funds or by creating provisions, the amount of which is based on actuarial calculations. The Group has both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which fixed contribution payments are paid to an independent company (insurance company or pension fund).

Under defined contribution plans, the Group makes contributions to public or private pension plans based on statutory or contractual obligations. The Group has no other payment obligations apart from the payment of the contributions. The contributions are recognised as a personnel expense when they fall due.

A defined benefit plan is a pension plan that does not fall under the definition of a defined contribution plan. Typically it involves a fixed amount of pension payments to be paid to an employee upon retirement, which is usually based on one or several factors such as the employee's age, years of service and salary.

The provision for defined benefit plans recognised in the statement of financial position corresponds to the present value of the defined benefit obligation (DBO) as at the end of the reporting period less the plan assets existing to cover the obligations.

The DBO is calculated annually by an independent actuary using the projected unit credit method. The present value of the DBO is calculated by discounting the future expected cash outflows using the interest rate on high-quality corporate bonds with the same maturities as the pension obligation. The pension obligations are measured on the basis of actuarial appraisals, which include the assets available to cover these obligations.

Actuarial gains and losses based on experience adjustments and changes in actuarial assumptions are recognised immediately. They are shown as components of total comprehensive income outside the consolidated income statement in the statement of comprehensive income and are posted directly in the revenue reserves following first-time recognition in total comprehensive income; they are no longer recognised in profit or loss in subsequent periods.

IAS 19 (rev. 2011) introduced net interest income. Net interest income is calculated by applying the actuarial interest rate to net liabilities/net assets. When calculating net interest income according to IAS 19 (rev. 2011), the actuarial interest rate is also implicitly applied to plan assets. The difference between the (expected) net interest income and the actual income is recognised with the remeasurements and thus in other comprehensive income.

Under collectively bargained agreements, the Group has to make contributions for a certain number of employees to a public-sector pension plan (supplemental pension plan ZVK). The contributions are made by way of cost sharing. This plan is a multiemployer plan (IAS 19.8 (rev. 2011)), as the entities involved share both the credit risk and the biometric risk.

The ZVK pension is generally classified as a defined benefit pension plan (IAS 19.30 (rev. 2011)). As the information required to make a more detailed calculation of the proportion of future payment obligations attributable to the Group is not available, the requirements of IAS 19.34 (rev. 2011) are applicable. The ZVK is financed primarily by cost sharing, whereby the contribution rate for a certain coverage period is determined at the level of the entire pool of insured persons and not at the level of the individual insured risk. Asklepios therefore also bears the risks (biometric, capital investment) of the other sponsoring employers of the ZVK. Therefore, the obligations are to be accounted for as a defined contribution plan. There are no agreements as defined by IAS 19.36 (rev. 2011), as a result of which it is not necessary to recognise a corresponding asset or liability. The recognition of any liability item in the statement of financial position is subordinate to warrantor obligations of public-sector entities. The current contribution payments to ZVK are reported as pension costs for the respective years as post-employment benefits in personnel expenses.

The pension provisions also include indirect obligations covered by the provident funds, provided that Asklepios Kliniken GmbH or its subsidiaries are responsible for fulfilling the obligations by way of payment of the corresponding amounts to the external pension funds. The obligations are recognised less the plan assets of the provident fund. In addition, there are obligations to civil servants of the city of Hamburg on leave of absence and individual contractual obligations to retired members of the Management Board.

19) ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires that assumptions or estimates be made which have an effect on the values stated in the Company's statement of financial position, the recognition of contingent liabilities and the disclosure of income and expenses.

The key assumptions concerning the future and other key sources of estimation uncertainty as at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in subsequent financial years are discussed below (the carrying amounts of receivables and liabilities as well as further explanations can be found in IX.).

- Acquisitions: Assumptions and estimates influence the purchase price allocation for acquisitions. Contingent purchase price liabilities are recognised at fair value in the context of purchase price allocation.

- Impairment of goodwill: The Group reviews goodwill for impairment annually. This involves an estimate of the value in use of the cash-generating units (CGUs) to which the goodwill is allocated. Calculating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose the discount rates in order to calculate the present value of those cash flows.

  The carrying amount of goodwill as at 31 December 2014 was EUR 352,743 thousand (previous year: EUR 352,099 thousand).

  Please refer to the explanations given in V.9) on carrying out impairment tests and the corresponding notes on goodwill.

- Fair value of derivative and other financial instruments: The fair value of financial instruments not traded on an active market is determined by applying suitable valuation techniques selected from a variety of methods. The assumptions used are mostly based on market conditions existing on the reporting date. To determine the fair value of numerous available-for-sale financial assets that are not traded on active markets, the Group applies present value techniques.

- Fair value of investments accounted for using the equity method: Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The input parameters used in the model are based on observable market data to the extent that this is possible, and on assumptions relating to growth and interest rates. The carrying amount of investments accounted for using the equity method as at 31 December 2014 was EUR 5,388 thousand (previous year: EUR 3,372 thousand).

- Inpatients (work in process): When billing our patients, we receive fixed prices for the amount of the respective DRG, which is calculated based on the base rates that are uniform for each federal state and the Germany-wide coding. The number of patients in the hospital is recorded as at the end of the reporting period. This is based on the "length of stay" milestones as a percentage of the Germany-wide average length of stay as well as the date of the operation. As the cost of these inpatients cannot be reliably determined due to the their difficult-to-assess status and the difficulty in forecasting the development of their treatment, the Group calculates the costs for these inpatients based on the fixed prices to which Asklepios is entitled. Because the cost of these inpatients cannot be reliably estimated as a result, the Group reports no income realised in accordance with the percentage of completion method from the treatment of these patients. The income reported is limited to the amount of estimated contract costs incurred by reducing the estimated costs per inpatient (zero profit method). The carrying amount as at 31 December 2014 was EUR 48,355 thousand (previous year: EUR 43,630 thousand).

- Pensions and similar obligations: The amount of provisions for pensions depends on a large number of actuarial assumptions. These relate primarily to:

  - the discount rates

  - the future wage and salary increases

  Due to the long-term nature of these provisions, such estimates are subject to significant uncertainty. Please refer to our explanations given in V.18) Pension provisions. The carrying amount as at 31 December 2014 was EUR 215,995 thousand (previous year: EUR 122,410 thousand).

- Taxes: The calculation of taxable income is based on the assessment of the matter pursuant to the applicable legal norms and their interpretations. The amounts reported as a tax expense, tax liabilities and tax receivables are based on the assumptions made. The recognition of unused tax losses in particular requires estimates regarding the amount of the unused tax losses and the future taxable income available for offsetting against these unused tax losses. There are uncertainties surrounding the interpretation of complex tax provisions in particular. Differences from the assumptions made arising at a later date are recognised in the period in which they arose. The income and expenses from such differences are recognised in the period incurred or recorded. Please refer to V. 11 Income taxes.

- Revenue recognition: The inpatient services provided by our hospitals are supposed to be remunerated from budgets negotiated prospectively with the statutory health insurers. In practice, however, budgets are not negotiated until the course of a financial year and some are not concluded until after the financial year has ended. In such cases there is uncertainty surrounding the agreed volume of services and/or remuneration, for which Asklepios uses appropriate estimates. Past experience has shown that the imprecision inherent in every estimate is immaterial in this case in proportion to revenue.

- Other provisions: Estimates are required for provisions with regard to the amount, the probability of occurrence and the maturity.

- Some group entities secure themselves against and settle actual and expected cases of losses up to a specified amount of losses. If this amount is exceeded, other external insurance companies are involved. The provisions recognised in the financial year are based on estimates of future payments for the cases of losses reported as well as for the cases already incurred but not yet reported. The estimates are based on past experience and current claims. This experience is based both on the frequency of claims (number) and the amount of claims (costs) and is combined with expectations regarding individual claims in order to estimate the amounts recognised. The obligations to pay damages were calculated based on actuarial methods by an external expert.

- The amount of the provisions recognised is determined in particular by the actuarial parameters established, the amount of the individual claim and the date on which payments are due in connection with the claim. The provision covers individual losses as well as claims settlement expenses. Past experience has shown that the imprecision inherent in the estimate is immaterial. For the recognition of the provision, please refer to the statement of changes in provisions in section IX. 19.

- Trade receivables: Identifiable risks are accounted for with bad debt allowances. These are measured on the basis of the probable credit risk using past experience and the percentage maturity structure on the basis of the period outstanding or the risk of non-recognition.

VI. Financial risk management

1) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

A financial instrument is a contract that gives rise to both a financial asset of one entity and a financial liability or equity of another entity. The Group has various financial assets, including above all cash and cash equivalents, trade receivables and other receivables, which arise directly from its operations. The financial liabilities reported by the Group essentially comprise trade payables, liabilities to banks and finance lease liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The main risks arising from the Company's financial instruments can be grouped into the following three risk clusters: liquidity and financing risks, interest fluctuation and capital market risks (market risk) and credit, counterparty and payment risks (default risks).

Group-wide risk management focuses on the uncertainty of developments on financial markets and aims at minimising potential adverse effects on the financial position of the Group. Risk management is performed by management and complies with the policies issued by management. Management identifies, assesses and hedges financial risks in close cooperation with the operating units of the Group. Management determines the principles for cross-functional risk management and issues policies for specific areas including handling of interest and credit risk, the use of derivative and primary financial instruments as well as investment of liquidity surpluses.

2) LIQUIDITY AND FINANCING RISK

Liquidity risks stem from a possible lack of financing to settle liabilities as they fall due in terms of volume and maturity. In particular the latter fact leads to the need to accept unfavourable financing conditions in the event of potential liquidity bottlenecks. The central task of the Group's financing and investor relations division is to control short-term liquidity risks and longer-term financing risks, and it employs a group-wide integrated cash management system for this purpose – with a focus on efficient control of short-term cash and cash equivalents.

Prudent liquidity management involves holding an adequate reserve of liquid funds, the option of financing an adequate amount using the lines of credit obtained and the ability to issue suitable financial instruments on the market.

Due to the dynamic nature of the business environment in which the Group operates, the aim of management is to ensure that financing remains as flexible as needed by securing sufficient lines of credit and constant access to capital markets. All credit agreements are complied with on an ongoing basis.

The table below shows the maturities of liabilities based on minimum contractual obligations (without discounting).

EUR million	31 December 2014 Total	Up to 12 months	1 to 5 years	Over 5 years
Trade payables	59.7	59.5	0.2	0.0
Financial liabilities including profit participation and subordinated capital	742.7	112.2	211.3	419.2
Finance leases	16.8	1.1	4.7	11.0
Other financial liabilities (excluding derivatives)	232.8	140.8	37.6	54.4

EUR million	31 December 2013 Total	Up to 12 months	1 to 5 years	Over 5 years
Trade payables	73.7	73.6	0.1	0.0
Financial liabilities including profit participation and subordinated capital	802.8	96.6	254.4	451.8
Finance leases	13.8	0.2	3.2	10.4
Other financial liabilities (excluding derivatives)	216.2	117.1	36.0	63.1

The subordinated capital matures on a date that is dependent on contractually defined terms and conditions. As at the end of the reporting period, Asklepios assumes that the majority is due within the subsequent year.

If IAS 17 is amended accordingly, a material portion of MediClin AG's operating leases could also be classified as finance leases in 2016 at the earliest.

3) CREDIT, COUNTERPARTY AND PAYMENT RISK (DEFAULT RISK)

Credit and counterparty risks result if a customer or another counterparty to a financial instrument fails to meet its contractual obligations in terms of due dates and del credere. Asklepios is exposed to only a low level of risk from an unexpected loss of cash or income. Firstly, financial contracts are entered into only selectively and are distributed over a broad group of banks with a good credit rating. The cash investment policy, which is mainly short term, follows the principle of 'security over yield' and spreads excess group liquidity across different banks from the three major German deposit protection systems with a limit for each individual institution. Secondly, Asklepios has a low del credere risk thanks to the high share of debtors that are German (statutory) health insurance companies, supplemented with a smaller share of public welfare authorities and some private patients. By contrast, the growing influence of the economic crisis on the earnings situation of the social insurance schemes results in the risk of delayed payment of trade receivables, which in turn leads to a danger of more capital being tied up in current assets. There is also a risk that individual receivables will not be recognised by the MDK. As a result, provisions are recognised for bad debts that are measured by the management on the basis of the past experience. The income adjustments after the end of the reporting period made based on examinations by the MDK are recognised in the allowances for trade receivables provided these have not yet been settled by the payers. The MDK risk for receivables already paid is covered by a provision.

Bad debt allowances are recognised immediately when there is any indication that a receivable is not recoverable in full or in part.

As in the previous year, there are no significant concentrations of risk as at 31 December 2014. With respect to the other financial assets carried by the Group, the maximum exposure to credit risk arising from default of the counterparty is equal to the carrying amount of the corresponding instrument.

For all payment transactions processed using an automated payment management system, at the very least the principle of dual control applies. The conclusion of financial contracts is also regulated in a volume-weighted approval catalogue.

4) MARKET RISK

Asklepios regards market risk as the risk of a loss that May be incurred as a result of a change in market parameters that are relevant for measurement (currency, interest, price). Fluctuations in market interest rates affect future interest payments for floating-interest liabilities. Material increases in the base interest rate or the bank margin can therefore restrict the Group's profitability, liquidity and financial position. The same applies to the foreign currency risks, which are very limited.

The Group controls these risks centrally, also using derivative financial instruments. In doing so, we follow our financing principles, which prohibit in particular the conclusion of transactions for trading or speculative purposes and prioritise the efficient hedging of our variable interest expenses.

5) PRESENTATION OF THE INTEREST RISKS TO WHICH ASKLEPIOS IS EXPOSED

Interest rate sensitivities

The credit volumes are hedged against interest fluctuation risks, most of which in the long term. The Group uses cash flow hedges to hedge against the risk of increasing interest from long-term liabilities subject to floating rates of interest on the basis of interest caps with appropriate repayment and maturities. Their purpose is to hedge the cash flow interest rate risk arising from the Company's operations and its sources of finance. For further details on the hedging instruments used, please refer to the notes on the derivative financial instruments. Only the intrinsic value of the interest cap is designated as the hedging instrument in each case, with recognition at fair value through profit or loss.

6) CASH FLOW INTEREST RATE RISK

In the case of fixed-rate financial liabilities, the operating cash flow and Group profit are largely unaffected by changes in the market interest rate. Accordingly, the more long-term liabilities from the promissory note loan are concluded with a fixed interest rate. However, the Group is inherently exposed to a cash flow interest rate risk relating to liabilities subject to floating rates of interest. These risks are hedged by the Group using interest caps. The Group has thus limited the change of interest rate risk.

The interest rate risk is presented using sensitivity analyses in accordance with IFRS 7. These present the effects of changes in market interest rates on interest income and expenses, other components of profit or loss and on equity.

There is no interest rate risk within the meaning of IFRS 7 for financial instruments that are subject to fixed interest rates and measured at amortised cost.

The Group uses cash flow hedges to secure liabilities that are subject to floating rates of interest. These affect both the hedge reserve in other comprehensive income and net interest and are therefore included in the sensitivity analysis.

As the closing balance of cash and cash equivalents is not reliable for calculating interest sensitivities, the average balance was used. The average balance was taken to be the arithmetic mean of the opening and closing balances.

	31.12.2014		31.12.2013	
EUR thousand Floating: Interest level	**+100 basis points**	**-100 basis points**	**+100 basis points**	**-100 basis points**
Ergebnis vor Ertragssteuern	99	-417	-5,141	4,849

7) CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratio in order to support its business operations.

As at 31 December 2014, the equity ratio increased to 35.0 % (previous year: 33.6 %) and is thus considerably higher than the contractual requirements. The Company monitors its capital with reference to the ratio of net debt to EBITDA (debt ratio). This performance indicator continues to improve. According to internal guidelines, this ratio should be limited to 3.5 x. The external contractually agreed limits are more broadly defined.

The financing strategy of the Group as a whole is guided primarily by the net debt / EBITDA ratio.

The following table illustrates how this performance indicator was calculated in the period under review:

EUR million	2014	2013
Excluding subordinated capital		
Financial liabilities (excluding subordinated capital)	695.7	734.9
Cash and cash equivalents	161.2	204.1
Net liabilities (excluding subordinated capital)	534.5	530.8
EBITDA	330.4	284.4
Net debt/EBITDA	**1.6 x**	**1.9 x**

The performance indicator was therefore within the specified range in the financial year at 1.6 x (previous year: 1.9 x). Even taking into account subordinated capital, the indicator amounted to 1.8 x (previous year: 2.1 x).

EUR million	2014	2013
Including subordinated capital		
Financial liabilities	742.7	802.8
Cash and cash equivalents	161.2	204.1
Net liabilities (including subordinated capital)	581.5	598.7
EBITDA	330.4	284.4
Net debt/EBITDA	**1.8 x**	**2.1 x**

Compared with German industry as a whole and the relevant competitors within the industry, this leverage can be considered positively low. Furthermore, the interest coverage factor, in terms of EBITDA, (including interest on participation capital) stands at 10.2 x (previous year: 9.5 x).

As at the end of the reporting period, AKG has cash reserves of EUR 161.2 million (previous year: EUR 204.1 million) in the form of cash and cash equivalents and undrawn lines of credit for a further EUR 521.5 million (previous year: EUR 491 million).

VII. Notes to the income statement

1) REVENUE

Revenue breaks down by business segment as follows:

EUR million	2014	2013
Clinical acute care	2,552.1	2,462.7
Post-acute and rehabilitation clinics	437.5	411.6
Social and welfare facilities	18.9	18.9
Other	11.7	5.9
Total	**3,020.2**	**2,899.1**

Revenue increased due to new medical services, occupancy management and performance-based compensation agreements.

2) OTHER OPERATING INCOME

Other operating income is broken down as follows:

EUR million	2014	2013
Income ancillary, additional, and other operations	70.1	66.4
Income from operations	69.0	69.0
Income from other grants	36.0	36.3
Income from cost reimbursements	32.5	30.3
Miscellaneous	19.1	14.2
Total	**226.7**	**216.6**

EUR 11.0 million (previous year: EUR 11.3 million) of the income from ancillary, additional, and other operations relates to rental and lease agreements and various items from current operations.

3) COST OF MATERIALS

The ratio of the cost of materials to revenue improved year on year to 22.6 % (previous year: 23.1 %). In absolute terms, the cost of materials increased by EUR 13.1 million year on year to EUR 683.1 million. However, in relative terms this development was below average. The measures to reduce the cost of materials proved effective. Here, optimising arrangements, like internal energy procurement within the Group, proved particularly effective in reducing costs. On the other hand, consumption was low because of the mild winter. The energy procurement measures taken will also have a positive impact on earnings in the years to come. The higher production costs for cytostatics also impacted the cost of materials, although these were offset by increased income from dispensing cytostatics.

4) PERSONNEL EXPENSES

Personnel expenses rose by EUR 61.8 million year on year to EUR 1,922.2 million. The headcount fell slightly from 34,439 full-time equivalents in the previous year to 34,255. The ratio of personnel expenses to revenue declined from 64.2 % to 63.6 %. The increase in absolute staff costs is due to wage increases.

The pension costs contain benefits of the Asklepios Group from defined benefit and defined contribution obligations and similar commitments. For company pensions, (former) employees have claims under supplemental pension plans (ZVK), federal or state benefit plans (VBL), or direct insurance policies in addition to the pension provisions. The employees are also insured through the statutory pension insurance.

The current contribution payments to VBL/ZVK are reported in the operating result as postemployment expenses. Contribution payments for post-employment payments came to EUR 33.2 million in financial year 2014 (previous year: EUR 33.0 million).

In addition, the employer’s contributions to pension insurance qualify as payments to defined contribution plans.

5) OTHER OPERATING EXPENSES

Other operating expenses relate to:

EUR million	2014	2013
Maintenance and servicing	87.9	89.8
Rental expenditure	52.8	54.0
Taxes, dues and insurance	38.1	33.7
Contributions, consulting and audit fees	30.2	29.6
Office supplies, postage and telephone charges	20.7	21.0
Other administrative and IT expenses	17.1	16.2
Training expenses	14.4	13.8
Advertising and travel expenses	13.9	13.5
Miscellaneous	36.1	29.3
Total	**311.2**	**300.9**

The contributions, consulting and audit fees include expenses for acquisitions, IT projects, audits of financial statements and other consulting projects. For information on the assessment of the rental expenditure of MediClin AG, please also refer to section IX.17 Finance lease liabilities.

Miscellaneous other expenses comprise various items from current operations.

6) DEPRECIATION, AMORTISATION AND IMPAIRMENT

Amortisation, depreciation and impairment break down as follows:

EUR million	2014	2013
Depreciation and impairment of financial assets and property, plant and equipment	110.5	100.1
Amortisation and impairment of intangible assets	8.1	8.5
Total amortisation/depreciation and impairment	**118.6**	**108.6**

7) NET INVESTMENT INCOME

The investment result breaks down as follows:

EUR million	2014	2013
Net investment income	1.7	1.7
Other investment loss/income	**1.7**	**1.7**

Net investment income includes dividend payments.

8) INTEREST RESULT

The interest result breaks down as follows:

EUR million	2014	2013
Interest income	4.3	2.7
Interest expenses	-36.7	-32.6
of which interest and expenses from subordinated loans	(-3.6)	(-7.2)
Interest result	**-32.4**	**-29.9**

The Company received EUR 4.1 million of the interest income reported (previous year: EUR 1.8 million). The Company paid EUR 34.2 million of the interest expenses (previous year: EUR 25.3 million).

The Company has entered into some interest rate hedges to hedge against the interest risk of its floating-rate financial liabilities and part of its participation capital. Under the terms of the hedges, the Group receives compensation if a Euribor-based interest limit is exceeded.

Interest expenses break down as follows:

EUR million	2014	2013
Bank loans and overdrafts	-11.3	-14.4
Participation capital/subordinated loans	-3.6	-7.2
Interest expense from the bond	-6.3	-6.3
Interest expense for pension and similar obligations	-2.6	-1.7
Interest expense from the promissory note loan	-10.6	-1.6
Other finance costs	-2.3	-1.4
Interest expenses	**-36.7**	**-32.6**

The interest expenses include interest on finance leases of EUR 0.6 million (previous year: EUR 0.5 million).

Interest income breaks down as follows:

EUR million	2014	2013
Interest income from bank balances	4.1	1.4
Interest from loans granted	0.0	1.0
Interest on receivables	0.1	0.2
Other finance revenue	0.1	0.1
Interest income	**4.3**	**2.7**

9) INCOME TAXES

Income taxes relate to current and deferred income taxes. Corporate income taxes, including the solidarity surcharge, are reported as income taxes. Corporate income taxes, including the solidarity surcharge, are reported as income taxes.

Income taxes are broken down as follows:

EUR '000	2014	2013
Current income taxes	-28,832	-22,315
Deferred income taxes	-473	-4,219
Total	**-29,305**	**-26,534**

The taxes paid in the financial year amount to EUR 23.5 million (previous year: EUR 26.6 million).

The reconciliation of the current tax expenses and the tax resulting on the earnings before income taxes taking German corporate income tax into account is shown below:

EUR '000	2013	2012
Earnings before income taxes	181,115	147,625
Imputed tax expense*	-28,661	-23,362
Capitalised and non-capitalised loss carry forwards	98	-1,153
Trade tax	-960	-1,531
Tax refunds/back payments for previous years	-130	-657
Tax increases/decreases due to deviating tax rates	-94	157
Tax increases/decreases due to recognition adjustments for deferred taxes	538	-534
Tax increases/decreases due to compensation payments/non-deductible expenses as well as corporate income tax on compensation payments of non-deductible expenses as well as corporate income tax on compensation payments on non-controlling interests	20	198
Dividend income, 5 % tax	0	+83
Other	-116	+265
Tax expense of the current year	**-29,305**	**-26,534**

* Imputed tax rate for 2014 and 2013 15.825 %

The actual tax rate was 16.0 % (previous year: 18.0 %).

VIII. Notes to the statement of cash flows

In accordance with IAS 7, the statement of cash flows is structured according to cash flows from operating, investing and financing activities. The cash flow from operating activities is developed using the indirect method. Cash and cash equivalents comprise cash on hand and bank balances.

Compared to the previous year, cash and cash equivalents decreased by EUR 42.9 million. Net cash from operating activities amounted to EUR 310.9 million (previous year: EUR 229.8 million). The increase resulted mainly from higher EBITDA. Net cash flow from operating activities is offset by cash flow from investing activities including investments in financial assets of EUR -267.2 million (previous year: EUR -138.1 million). Cash flow from financing activities (EUR -86.6 million, previous year: EUR -33.5 million) was influenced in the financial year by the repayment of subordinated capital. Including only the investments in non-current assets in net cash flow from investing activities results in the reporting year in a significant positive increase in cash and cash equivalents compared to the previous year.

Net cash used in financing activities also includes distributions of EUR 1.6 million to companies that belong to the group of related parties and that have non-controlling interests in companies of the Group.

IX. Notes on items of the consolidated statement of financial position

1) BUSINESS COMBINATIONS USING THE PURCHASE METHOD

In the financial year, statutory health insurance physicians' offices were acquired for which the effectiveness conditions were met in 2014, meaning that they were included in the consolidated financial statements in 2014. No costs were incurred in relation to the acquisitions. The revenue and annual results generated since inclusion in the consolidated financial statements are of minor importance to the consolidated financial statements. In the final purchase price allocation, the acquisition costs of EUR 1.5 million resulted in goodwill of EUR 1.5 million. No net assets were acquired and, similarly, no cash and cash equivalents were assumed in the course of the acquisitions.

2) INTANGIBLE ASSETS

2014 EUR '000	Goodwill	Other intangible assets	Prepayments for intangible assets	Total
Cost				
As at 1 January 2014	**367,664**	**79,260**	**14,893**	**461,817**
Capital expenditure	1,499	7,001	2,133	10,633
Disposals	-2,376	-534	-801	-3,711
Reclassifications	136	995	-754	377
As at 31 December 2014	**366,923**	**86,722**	**15,471**	**469,116**
Accumulated amortisation and impairment				
As at 1 January 2014	**-15,565**	**-45,585**	**0**	**-61,150**
Amortisation and impairment for the financial year	0	-8,138	0	-8,138
Amortisation and impairment on disposals	1,385	301	0	1,686
As at 31 December 2014	**-14,180**	**-53,422**	**0**	**-67,602**
Residual carrying amounts				
As at 31 December 2014	**352,743**	**33,300**	**15,471**	**401,514**

2013 EUR '000	Goodwill	Other intangible assets	Prepayments for intangible assets	Total
Cost				
As at 1 January 2013	**362,540**	**74,396**	**6,913**	**443,849**
Changes in the consolidated group	0	2	0	2
Capital expenditure	5,063	5,483	8,191	18,737
Disposals	0	-771	0	-771
Reclassifications	61	150	-211	0
As at 31 December 2013	**367,664**	**79,260**	**14,893**	**461,817**
Accumulated amortisation and impairment				
As at 1 January 2013	**-15,565**	**-37,855**	**0**	**-53,420**
Amortisation and impairment for the financial year	0	-8,501	0	-8,501
Amortisation and impairment on disposals	0	771	0	771
As at 31 December 2013	**-15,565**	**-45,585**	**0**	**-61,150**
Residual carrying amounts				
As at 31 December 2013	**352,099**	**33,675**	**14,893**	**400,667**

In detail, the goodwill reported by AKG relates to:

Goodwill EUR '000	2014	2013
MediClin AG, Offenburg	233,418	234,155
Asklepios Kliniken Hamburg Gesellschaft mit beschränkter Haftung, Hamburg	37,776	37,776
Asklepios Fachkliniken Brandenburg GmbH, Brandenburg	14,933	14,933
Asklepios MVZ Nord und Schleswig-Holstein GmbH, Hamburg	10,670	11,274
Asklepios Klinikum Uckermark GmbH, Schwedt	9,754	9,754
Asklepios Fachkliniken Brandenburg GmbH, Lübben site	8,308	8,308
Asklepios Klinik Sobernheim GmbH, Königstein	6,423	6,423
Pro Cura Med AG, Bern (Switzerland)	4,908	4,908
Asklepios Klinik Eimsbüttel, GmbH, Hamburg	4,542	4,542
Asklepios Fachkliniken Brandenburg GmbH, Teupitz site	4,245	4,245
Reha - Klinik Schildautal Investgesellschaft mbH, Königstein	2,273	2,273
Asklepios Gesundheitszentrum Aidenbach, Königstein	1,695	1,695
Fachklinik Helmsweg GmbH, Hamburg	1,658	1,658
MVZ Vorpommern	1,338	1,238
MVZ Schleswig Holstein	1,219	1,219
Asklepios Klinik Wiesbaden GmbH, Königstein, Klinik Birkenwerder	1,155	1,155
Miscellaneous	8,428	6,543
Total	**352,743**	**352,099**

The CGUs each constitute a business (medical facility or group of facilities) and are thus the smallest cash-generating unit. The changes in goodwill are the result of practice goodwill acquired or sold and already recognised in the separate financial statements.

The recoverability of all goodwill included in the consolidated statement of financial position and allocable to cash-generating units was substantiated via its value in use. No impairment losses were necessary in the reporting period.

The calculation of value in use (= recoverable amount) considers our strategic direction, past experiences and industry development.

The sensitivity analysis carried out assumed a change in the pre-tax discount rate of 0.5 % or -0.5 %. In addition, EBIT was changed 5 % higher or lower than the current assumption. No matter what the configuration, goodwill will not need to be written down.

Software, customer bases and brand names are all reported under other intangible assets.

3) PROPERTY, PLANT AND EQUIPMENT

2014 EUR '000	Land and buildings including buildings on third-party land	Technical equipment and machinery	Operating and office equipment	Assets under construction	Total
Cost **As at 1 January 2014**	**1,438,989**	**97,973**	**407,328**	**55,353**	**1,999,643**
Additions/investments similar to acquisitions	29,462	14,730	65,050	40,838	150,080
Disposals	13	-3,662	-16,355	316	-19,688
Reclassifications	36,160	8,852	4,377	-49,766	-377
As at 31 December 2014	**1,504,624**	**117,893**	**460,400**	**46,741**	**2,129,658**
Accumulated depreciation and impairment **As at 1 January 2014**	**-419,801**	**-43,200**	**-234,611**	**0**	**-697,612**
Depreciation and impairment for the financial year	-46,507	-9,020	-50,187	0	-105,714
Depreciation and impairment on disposals	853	3,221	15,297	0	19,371
As at 31 December 2014	**-465,455**	**-48,999**	**-269,501**	**0**	**-783,955**
Residual carrying amounts **As at 31 December 2014**	**1,039,169**	**68,894**	**190,899**	**46,741**	**1,345,703**

2013 EUR '000	Land and buildings including buildings on third-party land	Technical equipment and machinery	Operating and office equipment	Assets under construction	Total
Cost					
As at 1 January 2013	**1,367,894**	**85,353**	**370,166**	**69,828**	**1,893,241**
Changes in the consolidated group	29	3	369	1	402
Additions/investments similar to acquisitions	31,373	7,038	44,925	41,057	124,393
Disposals	-1,720	-884	-13,584	-2,205	-18,393
As at 31 December 2013	**1,438,989**	**97,973**	**407,328**	**55,353**	**1,999,643**
ccumulated depreciation and impairment					
As at 1 January 2013	**-376,643**	**-36,415**	**-197,307**	**0**	**-610,365**
Depreciation and impairment for the financial year	-44,115	-7,426	-48,528	0	-100,069
Depreciation and impairment on disposals	957	641	11,224	0	12,822
As at 31 December 2013	**-419,801**	**-43,200**	**-234,611**	**0**	**-697,612**
Residual carrying amounts					
As at 31 December 2013	**1,019,188**	**54,773**	**172,717**	**55,353**	**1,302,031**

Refinancing of subsidy-funded assets into equity-funded assets is recognised under disposals of land and buildings at EUR -902 thousand.

Furthermore, there are also rental and lease agreements for real property, medical equipment and office equipment, which are classified as operating leases.

The rental and lease expenses incurred are reported under other operating expenses.

The amounts recognised as finance leases under buildings and buildings on third-party land relate to a new building in Barmbek. The rental agreement has a term of 20 years. Once the rental agreement expired, the property passes to AKHH. It is financed via a partially subsidised loan. The non-subsidised portion is reported under financial liabilities (see note 13 Financial liabilities). The residual carrying amount is EUR 38.2 million (previous year: EUR 40.7 million).

Receivables and government grants for financing investments are deducted from the cost of the assets and therefore reduce current depreciation. These were grants earmarked for specific investments in accordance with the KHG ["Krankenhausfinanzierungsgesetz": German Hospital Financing Act] with a residual carrying amount of EUR 1,126.3 million (previous year: EUR 1,144.4 million) as well as other government grants and third-party grants with a residual carrying amount of EUR 136.8 million (previous year: EUR 142.7 million). Grants issued in accordance with the KHG are repaid only

in the event that hospital operations are discontinued in accordance with Sec. 8 (1) KHG (no longer included in the hospital plan).

Thus, total grants of EUR 1,263.1 million (previous year: EUR 1,287.1 million) are permanently available to the Company interest-free and redemption-free.

Write-downs after reduction due to income from the reversal of special items of EUR 96.9 million (previous year: EUR 96.3 million) amount to EUR 118.6 million (previous year: EUR 108.6 million).

4) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Shares developed as follows:

EUR '000	2014	2013
Beginning of the year	3,372	1,922
Purchase of further shares (net)	2,016	1,450
End of the year	**5,388**	**3,372**

The market capitalisation of the shares for which a publicly quoted market price exists (Athens Medical Center S.A.) is EUR 24.6 million. The additions in the reporting year relate entirely to these.

The shares of the assets, liabilities, selected revenue and expenses of the entities accounted for using the equity method as at 31 December 2014 and 2013 that can be allocated to the Group are as follows:

EUR '000	31.12.2014	31.12.2013
Current assets	2,987	2,953
Non-current assets	997	851
Current liabilities	1,244	1,112
Non-current liabilities	0	0

EUR '000	1.1. – 31.12.2014	1.1. – 31.12.2013
Revenue	6,962	6,484
Personnel expenses	-4,482	-4,250
Cost of materials	-1,627	-1,692
Financial result	7	13

5) FINANCIAL AND OTHER FINANCIAL ASSETS

EUR 337.2 million of the financial assets and other financial assets are non-current and EUR 74.1 million are current.

With respect to the marketable securities we hold and derivatives, please refer to our explanations under IX. 22 Financial instruments and V. 10 d) Derivative financial instruments.

Receivables from grants of EUR 72.2 million (previous year: EUR 77.0 million) to finance a hospital in Hamburg are counterbalanced by a loan obligation. This obligation is reported under other financial liabilities (note 15).

Receivables pursuant to the KHG of EUR 11.7 million (previous year: EUR 14.7 million) relate to outstanding claims to state subsidies. Receivables pursuant to the BPflV and KHEntgG of EUR 21.1 million (previous year: EUR 15.3 million) relate to compensation claims.

By netting the receivables pursuant to the KHG with the corresponding liabilities at the level of the German federal state, receivables of EUR 11,655 thousand remained at Group level (previous year EUR 14,650 thousand:). These are counterbalanced by liabilities of EUR 43,350 thousand (previous year: EUR 25,805 thousand). Under the KHG, the Company discloses total gross liabilities of EUR 124,670 thousand (previous year: EUR 122,506 thousand) and receivables of EUR 165,599 thousand (previous year: EUR 188,316 thousand).

Investments of EUR 1.4 million (previous year: EUR 1.4 million) include companies in which AKG has a shareholding of between 20 % and 50 %. These are not consolidated and are accounted for at cost.

Other financial assets were impaired in the amount of EUR 7,293 thousand as at the end of the reporting period (previous year: EUR 9,588 thousand). In financial year 2014, a total of EUR 1,602 thousand (previous year: EUR 1,376 thousand) attributable to the ‘loans and receivables’ measurement category was recognised in profit or loss.

6) INVENTORIES

Inventories break down as follows:

EUR ’000	31.12.2014	31.12.2013
Materials and supplies	46,902	44,847
Inpatients (work in process)	48,355	43,630
Finished goods and merchandise	1,406	1,717
Total	**96,663**	**90,194**

Materials and supplies include mainly medical supplies. Work in process relates mainly to the cut-off of DRG inpatients as at the end of the reporting period. Impairment of EUR 0.1 million (previous year: EUR 0.1 million) was recognised on materials and supplies.

7) TRADE RECEIVABLES

EUR '000	31.12.2014	31.12.2013
Gross receivables	406,758	416,102
Less impairment	-41,578	-36,564
Net receivables	**365,180**	**379,538**
Of which non-current receivables	172	359
Of which current receivables	365,008	379,179

Trade receivables are valued at amortised cost. An amount of EUR 365,008 thousand (previous year: EUR 379,179 thousand) falls due in less than one year.

EUR '000	Carrying amount	Of which: neither impaired nor past due as at the end of the reporting period	Of which: not impaired as at end of the reporting period, but past due by					
			Less than 30 days	Between 30 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
	As at 31.12.2014							
Trade receivables	365,180	277,864	50,342	10,068	5,220	6,304	6,385	8,997
	As at 31.12.2013							
Trade receivables	379,538	296,777	45,379	12,828	3,625	5,864	6,383	8,682

With respect to the trade receivables that were neither impaired nor past due, there was no indication as at the reporting date that the debtors would fail to meet their payment obligations.

Impairment of trade receivables totalled EUR 41.6 million (previous year: EUR 36.6 million), whereby trade receivables in the amount of EUR 5.8 million. (previous year: EUR 4.7 million) were derecognised during the financial year.

8) INCOME TAX ASSETS (NON-CURRENT AND CURRENT)

Non-current income tax assets relate mainly to discounted receivables from the payment of residual corporate tax credit that arose due to the change from the imputation system to the half-income system. The corporate tax credit is being paid over a disbursement period of 2009 to 2017. A discount rate of 4.25 % was applied, as in the previous year.

Current income tax assets relate to corporate tax reimbursement claims against tax authorities.

9) OTHER ASSETS

Other assets break down as follows:

EUR '000	31.12.2014	31.12.2013
Receivables from other taxes	18	79
Payments on account	501	532
Prepayments for expenses in the coming financial year	6,214	9,746
Other assets	**6,733**	**10,357**
Of which non-current	921	2,625
Of which current	5,812	7,732

10) CASH AND SHORT-TERM DEPOSITS

Cash and short-term deposits are subject to variable interest rates. Short-term deposits are made for different periods of time depending on the Group's liquidity requirements. Interest is charged at the respective interest rates applicable for short-term deposits. The fair value of cash and cash equivalents corresponds to their carrying amount.

Cash and short-term deposits include grants received. Pursuant to IAS 20, the interest accrued on these grants is offset against the corresponding expenses from the increase in liabilities pursuant to the KHG. The grants are earmarked and can be used for subsidised investments only.

11) EQUITY

According to IAS 1 (rev. 2011), the development of equity is presented in a statement of changes in Group equity, which is a separate component of the consolidated financial statements.

EUR '000	31.12.2014	31.12.2013
Equity attributable to the parent company	782,554	716,864
Non-controlling interests	219,163	209,393
Total equity according to the statement of financial position	**1,001,717**	**926,257**

a) Components of equity

For the composition of equity, we refer to the separate consolidated statement of changes in Group equity.

ba) Issued capital

The issued capital corresponds to the liable capital of the parent under company law. It has been paid in full.

bb) Reserves

Reserves include revenue reserves and the fair value reserve. Revenue reserves consist of the retained profit of the previous year.

In the financial year 2014, a total of EUR 100,408 thousand (previous year: EUR 90,394 thousand) was allocated to the revenue reserves.

The fair value reserve changed by EUR 6,349 thousand in the financial year, with a balance of EUR +5,152 thousand as at 31 December 2014 (previous year: EUR -1,197 thousand). The change in the fair value of cash flow hedges (31 December 2014: EUR -272 thousand, 31 December 2013: EUR -543 thousand) and the measurement of financial assets (31 December 2014: EUR 5,424 thousand, 31 December 2013: EUR -654 thousand) are recognised in this reserve.

bc) Non-controlling interests

The non-controlling interests contain third-party shares in the equity of consolidated subsidiaries.

Non-controlling interests of approximately 6% are attributable to the entities that operate clinics. We refer to V.1 – Basis of consolidation – of the notes to the consolidated financial statements.

EUR 33,185 thousand of the consolidated net income for the year is attributable to non-controlling interests (previous year: EUR 20,684 thousand). Subject to board approval, a provisional EUR 17.5 million, and thus cumulatively EUR 99.2 million, of this net income for the year is attributable to the non-controlling interests of Asklepios Kliniken Hamburg GmbH, with its main branch in Hamburg. Non-controlling interests hold a total of 25.1 % of the voting rights in Asklepios Kliniken Hamburg GmbH. There were no distributions to non-controlling interests in the reporting year. The consolidated financial statements of Asklepios Kliniken Hamburg GmbH will be approved and adopted by the company's boards at a later date. For Asklepios Kliniken Hamburg GmbH, the consolidated financial statements include a total of EUR 262.3 million in assets that can be liquidated at short notice (of which cash and cash equivalents of EUR 36.1 million, which have increased by EUR 4.5 million year on year) and EUR 762.1 million in non-current assets available for generating future income (totalling EUR 1,189.6 million in 2014). Non-current liabilities of EUR 332.5 million were included in the consolidated financial statements for Asklepios Kliniken Hamburg GmbH. In connection with the measurement of non-current liabilities, actuarial losses of EUR 22.8 million before deduction of deferred tax assets of EUR 4.1 million were included in the consolidated financial statements and charged to the non-controlling interests with no effect on income.

Subject to board approval, a provisional EUR 4.0 million, and thus cumulatively EUR 103.6 million, of the net income for the year attributable to non-controlling interests is attributable in 2014 to the non-controlling interests of MediClin Aktiengesellschaft (MediClin AG), with its head office in Offenburg. Non-controlling interests hold a total of 47.27 % of the voting rights in MediClin Aktiengesellschaft. There were no distributions to non-controlling interests in the reporting year. The consolidated financial statements of MediClin Aktiengesellschaft will be approved and adopted by the company's boards at a later date. For MediClin Aktiengesellschaft, the consolidated financial statements include a total of EUR 102.8 million in assets that can be liquidated at short notice (of which cash and cash equivalents of EUR 26.3 million, which have increased by EUR 13.1 million year on year) and EUR 216.8 million in non-current assets available for generating future income (totalling EUR 544.9 million in 2014). Non-current liabilities of EUR 112.3 million were included in the consolidated financial statements for MediClin Aktiengesellschaft. In connection with the measurement of non-current liabilities, actuarial losses of EUR 3.7 million before deduction of deferred tax assets of EUR 0.6 million were included in the consolidated financial statements and charged to the non-controlling interests with no effect on income.

There were no material transactions with non-controlling interests in 2013 or 2014.

bd) Development of other comprehensive income

Other comprehensive income includes both the development of actuarial losses from pension provisions of EUR -81.1 million (previous year: EUR -38.2 million) and the change in the fair value of available-for-sale securities of EUR 6.3 million (previous year: EUR 0.3 million including changes in the value of cash flow hedges).

EUR 21.8 million (previous year: EUR 10.0 million) of the actuarial losses from pension provisions relates to non-controlling interests.

12) PARTICIPATION CAPITAL AND OTHER SUBORDINATED CAPITAL

The Group has issued participation certificates with an average term to maturity of around nine years. These are subordinated to all non-subordinated creditors but have the same standing as other participation certificate holders and rank above the shareholders, including shareholder loans made in lieu of equity.

The holder of the participation certificates can change the interest rate depending on the form of a key financial covenant for a portion of the participation capital if certain key financial covenants are not complied with. The holder of the participation certificates can change the interest rate depending on the form of a key financial covenant for a portion of the participation capital if certain key financial covenants are not complied with. It is subject to a nominal and effective interest rate of 7.3 %. It has a carrying amount of EUR 47.0 million and a fair value of EUR 47.0 million.

Subordinated capital of EUR 20.9 million was repaid in the financial year.

The contractual payments without discounting are disclosed in the notes under 13) Financial liabilities.

13) FINANCIAL LIABILITIES

EUR '000	31.12.2014	31.12.2013
Current portion	65,197	35,712
Non-current portion	630,461	699,222
Total financial liabilities	**695,658**	**734,934**

In total, EUR 33.3 million was repaid in the financial year (previous year: EUR 27.3 million).

Non-current financial liabilities include a fixed-rate capital market bond with a volume of EUR 150.0 million. The bond expires on 28 September 2017 and has a coupon of 4.0 %. The interest is paid in arrears on an annual basis as at 28 September each year. In addition, in early November 2013 Asklepios placed a promissory note loan of EUR 300 million with an average term of more than 7.5 years, which is also included in non-current financial liabilities.

Other financial liabilities are generally subject to floating interest rates. These vary between 0.8 % and 3.0 % and are based on capital market rates (Euribor). The financial liabilities subject to floating interest rates usually have fixed-interest periods of between one and three months. The redemption payments are essentially in line with the fixed-interest terms.

EUR 110.1 million (previous year: EUR 128.9 million) of the financial liabilities is secured, largely by land charges.

The non-subsidised portion of a loan from the financing of a new build with a carrying amount of EUR 38.2 million (previous year: EUR 40.7 million) as at 31 December 2014 had a fair value of EUR 45.8 million (previous year: EUR 48.2 million) on the same date.

Of the non-current financial liabilities, the following amounts fall due in the next few years:

Financial year	Amount in EUR million
2016	20.6
2017	195.7
2018	85.9
2019	17.7
Subsequent years	310.6
Total	**630.5**

The future payments from financial liabilities, participation certificates and subordinated capital as well as the interest and instalment components included therein break down as follows:

31.12.2014

Remaining term EUR million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum obligation	131	386	346	863

31.12.2013

Remaining term EUR million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum obligation	83	496	383	962

Credit facilities

The Group has undrawn lines of credit of EUR 521.5 million as at the end of the reporting period (previous year: EUR 491.5 million). Of this, EUR 90.6 million (previous year: EUR 92.5 million) is secured by land charges. Drawings on these credit lines are subject to floating interest.

14) TRADE PAYABLES

There are trade payables due to third parties. An amount of EUR 59,486 thousand (previous year: EUR 73,606 thousand) falls due in less than one year.

15) OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise:

EUR '000	31.12.2014	31.12.2013
Subsidised loans	89,532	99,253
Liabilities from outstanding invoices	45,169	38,365
Liabilities pursuant to the KHG	43,350	25,805
Liabilities to shareholders	8,239	7,083
Liabilities for third-party obligations	7,756	8,653
Purchase price commitments/liabilities to former payers	7,690	7,819
Liabilities from investment grants	3,087	4,045
Liabilities to Landeskrankenhausgesellschaft	2,580	1,880
Liabilities from third-party funds	2,117	1,562
Liabilities from interest cap	1,672	1,914
Liabilities to senior consultants	1,532	1,402
Investment subsidy liabilities	1,531	1,895
Liabilities to state authorities	1,208	970
Liabilities for social security	630	567
Liabilities to the pension guarantee association	557	614
Other financial liabilities	17,824	12,230
Other financial liabilities	**234,474**	**218,047**
Of which non-current	93,709	100,120
Of which current	140,765	117,927

The subsidised loans amounting to EUR 89.5 thousand are financed in full by the respective states, affecting interest and repayment. The corresponding receivables from the states are reported as assets or offset against the liabilities to the states.

The future payments from subsidised loans as well as the interest and instalment components included therein break down as follows:

31.12.2014

Remaining term EUR million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum obligation	10	42	55	107

31.12.2013

Remaining term EUR million	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum obligation	13	47	68	128

The interest component included in the minimum obligations amounts to EUR 19.2 million (previous year: EUR 29.0 million).

With respect to the liabilities according to the KHG, please refer to the explanations under IX. 5) Other financial assets.

The purchase price obligations comprise primarily obligations from a number of acquisitions.

Liabilities for third-party obligations concern statutory obligations to perform maintenance and fire protection work.

Liabilities from grants concern money for investments obtained from sponsors, etc. that has not been used yet.

16) OTHER LIABILITIES

Other liabilities comprise:

EUR '000	31.12.2014	31.12.2013
Personnel liabilities	166,119	156,268
Tax liabilities (wage tax, VAT)	31,560	29,902
Payments on account	6,318	10,685
Miscellaneous	5,510	7,764
Other liabilities	**209,507**	**204,619**
Of which non-current	11,014	14,997
Of which current	198,493	189,622

Personnel liabilities relate mainly to obligations from performance-based compensation, obligations from accrued vacation and German phased retirement scheme liabilities. Personnel liabilities include termination benefits, especially in the form of German phased retirement scheme and severance obligations of EUR 14.3 million (previous year: EUR 11.8 million). The liabilities from phased retirement agreements of EUR 1.4 million (previous year: EUR 2.7 million) include the Group's future obligations for the outstanding settlement amounts during the beneficiaries' working phases and the top-up amounts to be accumulated on a pro-rata basis according to IAS 19 (rev. 2011). For unregulated cases, an estimate in line with the previous utilisation of similar contractual offers was applied. In the financial year, the asset values for securing the outstanding settlement amount of EUR 1,831 thousand (fair value) (previous year: EUR 2,788 thousand) are offset against the obligations.

Tax liabilities include the wage tax and VAT payable to the tax authorities.

Other non-financial liabilities comprise mainly subsidies which can be paid to clinics, depending on their individual earnings situation.

17) FINANCE LEASE LIABILITIES

Assets for which the Group has concluded finance leases are reported in property, plant and equipment. For a sale-and-leaseback arrangement with a total volume of EUR 7.6 million concluded in 2008, the lease payments for the first ten years are EUR 554 thousand per year. Thereafter, they are provisionally calculated at EUR 621 thousand. A financing rate of 5.85 % per year was applied for the first ten years. The interest rates will be renegotiated after the fixed interest period expires.

The leased property was transferred to non-current assets at the present value of the minimum lease payments of EUR 7.6 million, with EUR 2.7 million attributable to land and EUR 4.9 million to the building. The net carrying amount at the end of the reporting period totalled EUR 8.4 million (previous year: EUR 8.7 million).

The future payments from finance lease agreements for land and buildings as well as the interest and instalment components included therein break down as follows:

31.12.2014

Remaining term EUR '000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum lease obligation	687	2,792	9,617	13,096
Financing costs	-396	-1,487	-2,787	-4,670
Present value of minimum lease obligation (land, building)	**291**	**1,305**	**6,830**	**8,426**

31.12.2013

Remaining term EUR '000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum lease obligation	52	2,730	10,387	13,169
Financing costs	-2	-1,492	-2,951	-4,445
Present value of minimum lease obligation (land, building)	**50**	**1,238**	**7,436**	**8,724**

In addition, there are other leases for medical and technical equipment classified as finance leases. The leases have remaining terms of up to five years. The interest rates underlying the leases vary between 2.6 % and 7.7 % per year according to the date the contract was signed, term and lease volume. The net carrying amounts at the end of the reporting period totalled EUR 2.9 million (previous year: EUR 0.6 million).

The future payments from finance lease agreements for operating and office equipment as well as the interest and instalment components included therein break down as follows:

31.12.2014

Remaining term EUR '000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Minimum lease obligation	457	1,818	1,364	3,639
Financing costs	-127	-387	-191	-705
Present value of minimum lease obligation (operating and office equipment)	**330**	**1,431**	**1,173**	**2,934**

31.12.2013

Remaining term EUR '000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Mindestleasingverpflichtung	84	570	0	654
Finanzierungskosten	-10	-42	0	-52
Present value of minimum lease obligation (operating and office equipment)	**74**	**528**	**0**	**602**

Property rents of MediClin AG

In the 2014 financial year, the Management Board of MediClin AG was presented with a legal opinion holding that the rents paid by MediClin AG to the OIK fund for the hospitals contributed to the real estate fund and leased back between 1999 and 2002 were excessive. Furthermore, because of the shareholder structure of the fund, this legal opinion assumed a violation of the prohibition on refunding contributions as per section 57 of the German Stock Corporation Act, as shareholders of the fund are simultaneously direct or indirect shareholders of MediClin AG also.

As the Management Board is obliged to ensure that the company's transactions are concluded lawfully, it must examine the suspicions expressed in the opinion and the legal claims potentially arising from them.

The internal legal review commissioned by MediClin AG revealed that the rents, if not market-based, could constitute a forbidden refund of contributions as per section 57 of the German Stock Corporation Act. If the rents paid by the individual hospitals do in fact exceed the market rate at the location, it must be determined when this circumstance commenced. The review of the appropriateness of the rents commissioned by MediClin AG is still ongoing. The results available as at the end of the year regarding the appropriateness of the rents do not permit a conclusive assessment as to whether and to what extent they are or were off-market.

18) PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Some employees were granted post-employment annuity payments under the Group's pension scheme, which takes the form of defined contribution and defined benefit plans. The Group's obligations cover both existing and future benefit claims.

Pension provisions for defined benefit plans are determined in accordance with IAS 19 (rev. 2011) on the basis of actuarial assumptions. In the financial years, the following parameters were applied:

	2014	2013
Discount rate	2.50 %	3.50 %
Expected salary increases	2.00 %	2.00 %
Expected pension increases	1.00 %	1.00 %
Average employee turnover	0.00 %	0.00 %

The cost trends in the medical sector were not considered in the calculation of pension provisions on grounds of immateriality.

The Group's defined benefit pension obligations are orientated towards the Hamburg Act on Additional Retirement Pensions and the respective valid version of the bylaws of the Pension Institution of the Federal Republic and the Federal States (VBL) and are based on benefit guideline no. 1 of the collective agreement on the company pension scheme at Landesbetrieb Krankenhäuser (LBK Hamburg) – a public-law institution – dated 24 July 2000. These obligations are met by way of the insured provident fund of LBK e.V. In addition, there are obligations to civil servants of the city of Hamburg on leave of absence and individual contractual obligations that are partially covered by employer's pension liability insurance policies. For employees entitled to a pension at Asklepios Westklinikum Hamburg GmbH, acquired on 1 July 2008, there are benefit obligations funded by provisions in accordance with the bylaws of the VBL.

The Hamburg Act on Additional Retirement Pensions allows for pension benefits on the basis of final salary. The corresponding present value of the obligations as at 31 December 2014 was EUR 374,269 thousand (89 % of the total obligation). The benefit amount is calculated from years of service and pay according to the pay grade when pension payments begin. Pensions increase by 1 % per year.

The present value of the obligation from defined contribution pension commitments according to the bylaws of the VBL is EUR 41,244 thousand (10 % of the total obligation). The annual contribution amount is determined by the pay subject to supplementary pension payments. The pension payments result from the actuarial annuitisation of the contributions. The current annuities are increased by 1 % each year.

As the payable benefits are lifelong pension payments, there is a longevity risk, which is largely hedged by the concluded pension liability insurance policies. In addition, because the payable benefit depends on salary, there is a risk that the required payment to the employee will increase due to future salary increases. The Group bears this risk in full.

The 2005 G mortality tables published by Dr Klaus Heubeck were used as a biometric basis for calculation.

The amount of the provision breaks down as follows:

EUR '000	31.12.2014	31.12.2013
Present value of benefit obligation from funded pension commitments	413,082	320,793
Present value of unfunded benefit obligations funded by provisions	79,183	69,378
Total present values of pension obligation	**492,265**	**390,171**
Fair value of plan assets	-276,270	-267,761
Effect of the asset limit as at 31 December	0	0
Net provisions	**215,995**	**122,410**

In the financial years shown, there were no effects from the change in demographic assumptions, as these were unchanged year on year.

The development is as follows:

EUR '000	31.12.2014	31.12.2013
Provision as at 1 January	122,410	82,081
Current service cost	4,853	4,800
Past service cost	0	320
Net interest cost/income	4,032	3,180
Benefits paid	-2,003	-2,044
Experience adjustments	0	0
Employer contributions to plan assets	-11,976	-11,108
Actuarial losses from the change of financial assumptions	98,679	45,181
Provision as at 31 December	**215,995**	**122,410**

The present value of the pension obligations developed as follows:

EUR '000	31.12.2014	31.12.2013
Present value of the obligation as at 1 January	390,171	341,586
Service cost	4,853	4,800
Past service cost	0	320
Interest cost	13,419	14,225
Experience adjustments	1,466	-1,059
Actuarial losses from the change of financial assumptions	93,612	40,931
Benefits paid	-11,256	-10,632
Present value of the obligation as at 31 December	**492,265**	**390,171**
Of which unfunded benefit obligations funded by provisions	**79,183**	**69,378**
Present value of the funded benefit obligations	**413,082**	**320,793**

The fair value of plan assets developed as follows:

EUR '000	31.12.2014	31.12.2013
Fair value of plan assets as at 1 January	267,761	259,505
Expected return on plan assets	9,366	11,045
Benefits paid	-9,232	-8,603
Remeasurement of plan assets	-3,600	-5,294
Employer contributions to plan assets	11,975	11,108
Fair value of plan assets as at 31 December	**276,270**	**267,761**

If there is excess cover in the provident fund, it is not economically usable, so it is not recognised as an asset. The effect of this asset limit developed as follows:

EUR '000	31.12.2014	31.12.2013
Effect of the asset limit as at 1 January	0	0
Gain recognised in OCI	0	0
Effect of the asset limit as at 31 December	**0**	**0**

The offsetting of assets and obligations of the provident fund did not at any time result in excess cover of the obligations.

Plan assets exclusively comprise employer's pension liability insurance concluded to cover the provident fund obligations from benefit obligations.

EUR 11.6 million (previous year: EUR 10.4 million) was contributed to the provident fund in financial year 2014. The amount paid in to plan assets for financial year 2015 is expected to be comparable to 2014.

The sensitivity of the obligation in relation to the change in relevant actuarial assumptions (figures in brackets relate to the previous year) is as follows:

		Relative change of the obligation
Actuarial interest rate	-0.50 %	Increase of 9.48 % (8.89 %)
Actuarial interest rate	+0.50 %	Decrease of 8.31 % (7.84 %)
Income trend	-0.50 %	Decrease of 0.82 % (0.78 %)
Income trend	+0.50 %	Increase of 0.88 % (0.83 %)

The effects of sensitivity were determined by the same method as the obligation at the end of the year. Only the change in the factor presented was considered, while other factors were assumed to be constant. This assumption May differ in the actual impact of a factor.

As the pension adjustment is contractually fixed (1 % increase), this is not an influencing factor listed in the sensitivity analysis.

Because of the existing employer's pension liability insurance policies, biometric risk is largely not borne by the Group but rather by the insurer, meaning that there was no sensitivity analysis here either.

The estimated payments from the pension provisions and plan assets are as follows:

Financial year	EUR '000
2015	11,985
2016	12,717
2017	13,574
2018	14,415
2019	15,291
2019-2023	89,668
Total	**157,650**

The estimated employer contributions to plan assets for 2015 amount to EUR 11.7 million. Estimated benefit payments from pension provisions are EUR 2.3 million.

The annual benefit payment obligation arises from the insurance contracts concluded with the provident funds.

The weighted average duration of pension obligations is around 15 years (previous year: 15 years).

Multiemployer plans

Since 1 January 2002, BVK Zusatzversorgung, Munich, has paid a benefit that arises if an annual amount of 4.00 % of an employee's gross salary is paid in full into a funded scheme. The contributions are made exclusively by the employer. The size of the contribution depends on the employee's pay subject to supplementary pension payments. The bylaws provide for a flat redevelopment charge for additional financing requirements above the actual contribution.

In the financial year, the contribution rate of ZVK Darmstadt was 5.70 % of the pay subject to supplementary pension payments. As a result of the closure of the integrated scheme and the switch to the point model, the fund levies a flat redevelopment charge of 2.30 % to cover additional financing requirements in order to finance the claims and accrued entitlements arising before 1 January 2002. In accounting group II, which is already funded, a compulsory contribution of 4.80 % is levied.

In 2015, Asklepios is expecting a contribution/funding requirement for members of BVK Zusatzversorgung, Munich, of EUR 3.8 million (previous year: EUR 3.8 million). For members of the Zusatzversorgungskasse der Gemeinden und Gemeindeverbände (supplementary pension fund for municipalities and municipal associations) in Darmstadt, Asklepios is expecting a funding requirement of EUR 2.9 million (previous year: EUR 2.9 million).

In 2013, BVK Zusatzversorgung, Munich, had 5,698 members (previous year: 5,651) and managed assets of EUR 16.4 billion (previous year: EUR 15.3 billion). In 2013, 670,786 compulsorily insured employees and 613,010 non-contributory insurance contracts were registered via these members. Company pensions are paid to 247,085 compulsorily insured employees. In the financial year, Asklepios registered an average of approximately 2,300 employees entitled to supplementary pension provision. The Zusatzversorgungskasse der Gemeinden und Gemeindeverbände in Darmstadt has more than 630 members. 86,200 compulsorily insured employees and 85,800 non-contributory insurance contracts were registered via these members. Company pensions are paid to 44,200 former employees and surviving dependants. In the financial year, Asklepios registered an average of approximately 1,035 employees entitled to supplementary pension provision.

The financing requirements for compulsory insurance benefits are determined for the coverage period plus one year. To cover these financing requirements, the contributions and redevelopment charges for the coverage period are to be determined according to actuarial principles in such a way that the contributions to be paid for the coverage period together with other income expected from compulsory insurance and the partial assets available at the start of the coverage period are expected to suffice to finance the expenditure for the coverage period and one additional year. The coverage period is measured in such a way that the expected obligations of the fund resulting from entitlements and benefits from compulsory insurance can be met on an ongoing basis, but it May not be less than ten years. After five years at the latest, the contribution and redevelopment charge requirements for a new coverage period must be determined after five years at the latest (rolling coverage period)

If a member leaves the accounting group of BVK Zusatzversorgung, Munich, or ZVK Darmstadt, the fund is to be paid a settlement amount equal to the present value of its obligations from compulsory insurance on the date the membership ended. The calculation of present value takes account of company pension beneficiaries' claims to benefits and pension points from accrued entitlements as at the date the membership ended. Individually financed supplementary contributions are not included.

Until 31 December 2012, one of the Group's clinics was a participating institution in the Pension Institution of the Federal Republic and the Federal States (VBL) in Karlsruhe.

19) OTHER PROVISIONS

Other provisions developed as follows in the financial year:

EUR '000	1.1.2014	Accrued interest	Reversal	Additions	31.12.2014
Contractual obligations	176,794	-15,978	0	0	160,816
Compensation payments/loss adjustment	73,259	-11,618	-2	20,934	82,573
Health insurers	42,848	-17,271	0	20,621	46,198
Litigation risks	7,294	-776	0	1,560	8,078
Sundry other provisions	60,189	-17,025	-1,256	10,727	52,636
Total	**360,384**	**-58,667**	**-1,258**	**49,842**	**350,301**

Provisions break down according to term as follows:

EUR '000	31.12.2014	31.12.2013
Less than one year	106,007	97,095
More than one year	244,294	263,289
Other provisions, total	**350,301**	**360,384**

Contractual obligations involve mainly provisions recognised during the initial consolidation of MediClin AG (2011), which are likely to be utilised on an annual basis for non-market rental obligations and the reduction of the maintenance backlog by 2028 as planned. As in previous years, utilisation for non-market rents will be linear at first and equal to the actual reduction of the maintenance backlog, and it is expected to amount to EUR 16.3 million in 2015. In 2016 to 2019, approximately EUR 65.2 million is expected to be utilised. Provisions were also recognised in connection with the initial consolidation of MediClin AG for the risk of higher payments to contribution-funded systems and for subsequent performance-based payments. These are assessed on an ongoing basis. As planned, an amount of less than EUR 4.0 million will be utilised for 2015, as in 2014.

The provisions for compensation payments/loss adjustment were calculated for medical liability damages based on actuarial methods by an external expert. The provision covers individual losses, incurred but not reported (IBNR) cases and claims settlement expenses. A market interest rate with a matching term was used to discount the expected payments. Of these provisions, EUR 4.8 million is expected to be utilised in 2015 and around EUR 19.6 million from 2016 to 2019.

The provisions for health insurance funds are set up to cover budget risks and provisions for risks of outstanding examinations by the MDK.

Litigation risks result from legal disputes with employees, suppliers and payers. The liabilities arising from the verdict and litigation costs incurred by Asklepios are to be recognised in this item.

Sundry other provisions relate to operating activities. In previous years, provisions totalling EUR 17.0 million were recognised for risks from disputed transaction taxes. In 2014, an agreement was reached with the tax authorities for these provisions and the risk was negotiated to EUR 6.9 million, which generated a positive effect of EUR 10.1 million.

The provisions are utilised steadily as in previous years and according to IAS 37.

20) CURRENT INCOME TAX LIABILITIES

The current income tax liabilities of EUR 6,462 thousand (previous year: EUR 6,413 thousand) are for as yet unassessed corporate income tax and solidarity surcharge for the last financial year and the previous years and for other income tax liabilities resulting from the ongoing tax audit.

21) DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities break down as follows:

EUR '000	31.12.2014	31.12.2013
Deferred tax assets		
Contractual obligations	29,967	33,955
Provisions for pensions	30,120	14,587
Unused tax losses	5,191	2,787
Leases	289	310
Miscellaneous	9,264	6,712
Total deferred tax assets	**74,831**	**58,351**
Offsetting	-6,960	-7,145
Deferred tax assets reflected in the statement of financial position	**67,871**	**51,206**
Deferred tax liabilities		
Variance in value of intangible assets and property, plant and equipment	36,012	37,272
Replacement reserve	0	0
Liabilities to banks	4	14
Miscellaneous	2,175	875
Total deferred tax liabilities	**38,191**	**38,161**
Offsetting	-6,960	-7,145
Deferred tax liabilities reflected in the statement of financial position	**31,231**	**31,016**

Deferred tax assets are recognised on temporary differences and unused tax losses if there is reasonable assurance that they will be realised in the short term or there is a corresponding amount of deferred tax liabilities.

For transactions and other events recognised directly in other comprehensive income, any deferred taxes are recognised in equity or in other comprehensive income, and not in the consolidated income statement. For 2014, this concerned EUR -1,143 thousand (previous year: EUR -57 thousand) of deferred tax assets recognised in other comprehensive income due to temporary differences in the measurement of financial assets and fair values of cash flow hedges. Another EUR 17,611 thousand (previous year: EUR 6,992 thousand) of deferred tax assets was recognised in other comprehensive income due to temporary differences in provisions for pensions.

In the financial year 2014, no deferred tax assets were recognised on unused tax losses for corporate income tax purposes of EUR 69.5 million (previous year: EUR 63.2 million) and for commercial tax purposes of EUR 73.7 million (previous year: EUR 69.7 million), because it is unlikely that sufficient tax income will be generated for these amounts in the near future. EUR 2.7 million of deferred tax assets were recognised for unused commercial tax losses of EUR 19.3 million (previous year: EUR 6.4 million used tax losses with EUR 0.9 million deferred tax assets).

No deferred tax liabilities were recognised for temporary differences in connection with shares in subsidiaries amounting to EUR 7.9 million (previous year: EUR 7.7 million), because the differences are not expected to be reversed in the near future.

22) ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

Carrying amounts, amounts recognised and fair values by class and measurement category.

EUR '000	Measurement category as per IAS 39	Carrying amount 31.12.2014	Amount recognised in statement of financial position as per IAS 39				Amount recognised in statement of financial position as per IAS 17	Fair value 31.12.2014
			Amortised cost	Cost	Fair value with no effect on income	Fair value with effect on income		
ASSETS		**934.865**	**673.975**	**0**	**260.890**	**0**	**0**	**934.865**
Cash and cash equivalents	LaR	161,240	161,240	0	0	0	0	161,240
Trade receivables	LaR	365,180	365,180	0	0	0	0	365,180
Other financial assets	AfS	260,890	0	0	260,890	0	0	260,890
Other financial assets (derivatives)	n.a.	0	0	0	0	0	0	0
Other financial assets	LaR	147,555	147,555	0	0	0	0	147,555
EQUITY AND LIABILITIES		**1,048,135**	**1,046,463**	**0**	**1,672**	**0**	**11,360**	**1,077,584**
Trade payables	FLAC	59,644	59,644	0	0	0	0	59,644
Financial liabilities	FLAC	695,658	695,658	0	0	0	0	703,767
Participation capital/subordinated capital	FLAC	47,000	47,000	0	0	0	0	47,000
Finance lease liabilities	n.a.	11,360	11,360	0	0	0	11,360	11,360
Other financial liabilities (derivatives)	n.a.	1,672	0	0	1,672	0	0	1,672
Other financial liabilities	FLAC	232,801	232,801	0	0	0	0	248,142
Of which: aggregated by measurement category according to IAS 39:								
Loans and receivables	LaR	673,975	673,975	0	0	0	0	673,975
Available-for-sale financial assets	AfS	260,890	0	0	260,890	0	0	260,890
Financial liabilities measured at amortized cost	FLAC	1,035,103	1,035,103	0	0	0	0	1,058,553

EUR '000	Measurement category as per IAS 39	Carrying amount 31.12.2013	Amount recognised in statement of financial position as per IAS 39				Amount recognised in statement of financial position as per IAS 17	Fair value 31.12.2013
			Amortised cost	Cost	Fair value with no effect on income	Fair value with effect on income		
ASSETS		**891,461**	**741,902**	**0**	**147,635**	**1,924**	**0**	**891,461**
Cash and cash equivalents	LaR	204,142	204,142	0	0	0	0	204,142
Trade receivables	LaR	379,538	379,538	0	0	0	0	379,538
Other financial assets	AfS	149,074	1,439	0	147,635	0	0	149,074
Other financial assets (derivatives)	n.a.	1,924	0	0	0	1,924	0	1,924
Other financial assets	LaR	156,783	156,783	0	0	0	0	156,783
EQUITY AND LIABILITIES		**1,103,922**	**1,102,008**	**0**	**1,914**	**0**	**9,327**	**1,106,405**
Trade payables	FLAC	73,714	73,714	0	0	0	0	73,714
Financial liabilities	FLAC	734,934	734,934	0	0	0	0	734,934
Participation capital/subordinated capital	FLAC	67,900	67,900	0	0	0	0	70,383
Finance lease liabilities	n.a.	9,327	9,327	0	0	0	9,327	9,327
Other financial liabilities (derivatives)	n.a.	1,914	0	0	1,914	0	0	1,914
Other financial liabilities	FLAC	216,133	216,133	0	0	0	0	216,133
Of which: aggregated by measurement category according to IAS 39:								
Loans and receivables	LaR	740,463	740,463	0	0	0	0	740,463
Available-for-sale financial assets	AfS	149,074	1,439	0	147,635	0	0	149,074
Financial liabilities measured at amortized cost	FLAC	1,092,681	1,092,681	0	0	0	0	1,095,164

The fair value of derivative financial instruments and loans was calculated by discounting the expected future cash flows using market interest rates. The fair value of other financial assets was determined using market interest rates.

X. Other notes

1) ANNUAL AVERAGE NUMBER OF FTES

The average number of employees in financial year 2014 was 34,255 (previous year: 34,439).

FTEs by group	2014	2013
Nursing service	11,118	11,567
Medical-technical service	5,663	5,709
Medical service	4,989	4,944
Functional service	3,809	3,529
Financial service	3,479	2,663
Administrative service	2,610	2,591
Miscellaneous	2,587	3,436
Total	**34,255**	**34,439**

2) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Other financial obligations relate mainly to capital commitments as well as rental and lease agreements and comprise the following:

EUR ’000	2014	2013
Rental and lease agreements	499,470	472,073
Capital commitments	24,081	46,498
Purchase commitments	35,202	38,145
Maintenance contracts	35,401	35,639
Insurance contracts	2,272	2,171
Miscellaneous	23,384	17,442
Total	**619,810**	**611,968**

The obligations arising from rental and lease agreements relate primarily to the real property of MediClin AG that is rented on a long-term basis, excluding obligations already recognised during purchase price allocation. The underlying rental agreements have a term until 31 December 2027. The agreements provide for an annual rent adjustment in the amount of the change in the German Consumer Price Index, but in any case no more than 2 % p.a.

The purchase commitments include orders in investments that were not yet delivered as at the cut-off date.

All other financial obligations are carried at their nominal amount and are due as follows:

	EUR '000
Less than 1 year	105,291
Between 2 and 5 years	166,797
More than 5 years	347,722
Total	**619,810**

The future payment obligations under operating leases broke down as follows as at 31 December 2014 and 31 December 2013:

EUR '000	31.12.2014	31.12.2013
Less than 1 year	36,274	37,063
Between 2 and 5 years	124,675	128,471
More than 5 years	338,521	306,539
Total	**499,470**	**472,073**

Please refer to section 5) for information on contingent liabilities with related parties.

3) EVENTS AFTER THE END OF THE REPORTING PERIOD

In January 2015, the Group indirectly acquired the developed land on which Hotel Atlantic Kempinski is located in Hamburg. The location and the special tradition of the hotel made the acquisition especially attractive. The review of the appropriateness of the rents commissioned by MediClin AG in 2014 is still ongoing. The results available as at the end of the year regarding the appropriateness of the rents do not permit a conclusive assessment as to whether and to what extent they are or were off-market. No other events took place after the reporting date that had a significant effect on the net assets, financial position and results of operations.

4) MANAGEMENT REMUNERATION

The members of the management in key positions constitute the managing directors/members of the management boards of AKG and its subgroups as well as the members of the Supervisory Board of AKG and the supervisory boards of the subgroups.

Management remuneration totalled EUR 6.5 million in the financial year (previous year: EUR 5.9 million). EUR 2.8 million of this figure relates to managing directors of the parent company as defined by Sec. 314 (1) No. 6 HGB (previous year: EUR 2.6 million).

Supervisory board remuneration totalled EUR 3.3 million in financial year 2014 (previous year: EUR 3.0 million), of which EUR 1.2 million (previous year: EUR 0.9 million) was paid to members of the Supervisory Board of AKG.

5) GROUP AUDITOR FEES (SECTION 314 (1) NO. 9 HGB)

Total fees for the Group's auditors were expensed as follows in the financial year:

Fee EUR '000	2014	2013
Audits of financial statements	1,559	1,398
Other attestation services	190	584
Tax consulting services	398	274
Other services	541	391
Total	2,688	2,647

The other attestation services relate to the reviews of our three quarterly financial statements and audit services in the IT department.

6) RELATED PARTY DISCLOSURES

For AKG, related parties within the meaning of IAS 24.20 include entities controlled by the Group and/or entities over which the Group has a significant influence and vice versa. In particular, subsidiaries and equity investments are therefore defined as related parties.

Related parties EUR '000	2014	2013
Receivables	28,808	24,578
Liabilities	9,481	12,489
Income	3,051	2,066
Expenses	5,154	2,611

Of the receivables (liabilities) with related parties, EUR 84 thousand (EUR 17 thousand) (previous year: EUR 403 thousand (EUR 17 thousand)) are due from (to) associates.

Transactions between Asklepios Kliniken Gesellschaft mit beschränkter Haftung and its consolidated subsidiaries and among the consolidated subsidiaries were eliminated from the consolidated statement of financial position and the consolidated income statement.

Dr Bernard gr. Broermann, Königstein-Falkenstein, is the sole shareholder of Asklepios Kliniken Gesellschaft mit beschränkter Haftung.

By a loan purchase and transfer agreement of 22 January 2013, the loan agreements at standard market security and interest conditions of an indirect wholly-owned investment of Dr gr. Broermann based in the USA were fully transferred in their total amount of USD 13.8 million (EUR 10.5 million) from AKG to another related party as at 31 December 2012. In the financial year, the impairments made were reduced by EUR 3.8 million and increased by the interest receivables of EUR 1.7 million that originated in this financial year.

There is a consulting agreement in place between Asklepios Kliniken Gesellschaft mit beschränkter Haftung and the law firm Dr. gr. Broermann. The legal consulting services are provided at market rates. In the financial year 2014, nothing was charged for legal consulting (previous year: EUR 15 thousand).

Asklepios Kliniken Verwaltungsgesellschaft mbH has a lease agreement for various office spaces with a related party. The related expenses of EUR 393 thousand are reported in the consolidated income statement under other operating expenses.

There is a consolidated tax group for VAT purposes at the level of AKG. This simplifies the intragroup transactions considerably and results in significant savings in the medium term. Standard intercompany agreements have been concluded between the Group entities in order to exchange services.

AKV has received a purchase offer for financial assets held by the Company from a related party (a subsidiary wholly-owned by the AKG shareholder). The related party is contractually committed to be bound to the purchase offer indefinitely. However, the related party can call on AKV in writing to accept the offer within a period of 30 days at any time. Thereafter, the offer lapses without a requirement for further clarification. Due to the classification as a fair value hedge, expense from the hedge of EUR 1.9 million was posted in the income statement, which is offset by the same amount of income from the underlying transaction.

There is a standard market warranty deed in place between Asklepios Kliniken GmbH and Kurstift Bad Homburg gGmbH, whose shareholder is Dr. Broermann Hotels & Residences GmbH. According to this deed, Asklepios Kliniken GmbH assumes the warranty for all claims against Kurstift Bad Homburg gGmbH to which ZVK Wiesbaden is or will be entitled in the event of termination of membership in accordance with Section 15 of the bylaws of ZVK Wiesbaden. The warranty is limited to a settlement amount of EUR 3.3 million. The warranty amount is reviewed every five years, starting on 1 January 2018.

There are no other transactions with related parties.

In the financial year, consulting services worth EUR 660 thousand were rendered by members of the Supervisory Board of Asklepios Kliniken Gesellschaft mit beschränkter Haftung or by parties related to them in accordance with the arm's length principle. The services are included under other operating expenses. The compensation paid to the employee representatives on the Supervisory Board for the work they performed above and beyond their Supervisory Board activities amounted to EUR 2.3 million in 2014 (previous year: EUR 2.2 million).

7) LITIGATION

The Company is occasionally involved in legal disputes in the course of its business activities. The Company is not aware of any events that could have a significantly adverse effect on its financial position and financial performance.

8) CORPORATE BOARDS OF ASKLEPIOS KLINIKEN GESELLSCHAFT MIT BESCHRÄNKTER HAFTUNG

Supervisory Board

The members of the Supervisory Board of the Company are:

Name	Position
Dr. Stephan Witteler	Chairman of the Supervisory Board Lawyer, Frankfurt am Main
Dominik Schirmer	Deputy Chairman of the Supervisory Board, Trade union secretary/Regional department head, Oberaudorf
Erika Harder	Medical assistant, Krailling
Dr. Nicolai Jürs	Specialist in internal medicine, angiology, Hamburg
PD Dr. Karsten Krakow	Senior consultant, Frankfurt
Dr. Hans-Otto Koderisch	Specialist in internal medicine, Heidelberg
Rainer Laufs	Management consultant, Kronberg
Prof. Dr. Michael Lingenfelder	Professor of business studies, Lustadt
Prof. Dr. Dr. h.c. Karl-Heinrich Link	Senior surgical consultant, Wiesbaden
Stefan Murfeld	Employee, Königstein
Uwe Ostendorff (since 23 January 2014)	Trade union secretary, Berlin
Monika Paga	Nurse, Schwedt
Dirk Reischauer	Lawyer, Wiesbaden
Jochen Repp	Lawyer, Oberursel
Katharina Ries-Heidtke	Employee, Hamburg
Michael Schreder	HR manager, Lich
Martin Simon Schwärzel	Nurse, Griesheim
Hilke Stein	Trade union secretary, Hamburg
Andre Stüve	Architect, Damme
Stephan zu Höne	Managing director, Kassel

Management

Dr. Ulrich Wandschneider Hamburg	Diplom-Kaufmann Management chairman
Dipl.-Kfm. Stephan Leonhard Oberursel	Diplom-Kaufmann, tax consultant Management vice-chairman
Dr. Roland Dankwardt Hochheim	Specialist for surgery and special trauma surgery, emergency medical aid, sports medicine Dipl. (VWA) Krankenhausbetriebswirt Chief Medical Officer of the Asklepios Group
Kai Hankeln Bad Bramstedt	Certified business economist
Dr. Andreas Hartung Nürnberg	Diplom-Volkswirt
Dr. Thomas Wolfram Hamburg	Specialist for surgery and trauma surgery Diplom-Gesundheitsökonom and MBA

Hamburg, 16 March 2015

Dr. Ulrich Wandschneider

Dipl.-Kfm. Stephan Leonhard

Dr. Roland Dankwardt

Kai Hankeln

Dr. Andreas Hartung

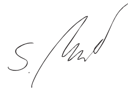
Dr. Thomas Wolfram

AFFIRMATION OF THE LEGAL REPRESENTATIVES

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Hamburg, 16 March 2015

Dr. Ulrich Wandschneider



Dipl.-Kfm. Stephan Leonhard

Dr. Roland Dankwardt

Kai Hankeln

Dr. Andreas Hartung

Dr. Thomas Wolfram

(TRANSLATION - THE GERMAN TEXT IS AUTHORITATIVE) AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Asklepios Kliniken Gesellschaft mit beschränkter Haftung, Hamburg, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in group equity, the consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st, 2014 to December 31st, 2014. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB („Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 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 group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Frankfurt am Main, March 16, 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Michael Burkhart	Lars Müller
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

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DISCLAIMER

This report contains forward-looking statements. These statements are based on current experience, estimates and projections of the management and currently available information. They are not guarantees of future performance, involve certain risks and uncertainties that are difficult to predict, and are based upon assumptions as to future events that May not be accurate. Many factors could cause the actual results, performance or achievements to be materially different from those that May be expressed or implied by such statements. We do not assume any obligation to update the forward-looking statements contained in this report. This report does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any bond, nor shall there be any sale, issuance or transfer of the bonds referred to in this report in any jurisdiction in contravention of applicable law.

10 YEARS OF ASKLEPIOS KLINIKEN IN HAMBURG

For 10 years, Asklepios has been a strong partner for Hamburg in matters relating to health. Every second person living in Hamburg places his or her trust in the medical expertise of the seven Asklepios clinics, whose importance extends well beyond the confines of the City of Hamburg.

Today, some 13,000 employees work in the tradition-steeped yet state-of-the-art maximum-care hospitals. The 1,400 trainees get their practical education in our in-house centre for training healthcare professions. Numerous additional specialist clinics and facilities such as the Asklepios Medical School, the Institute for Emergency Care, the Hamburg Blood Donor Service or the large-scale Medilys Laboratory complete our commitment in providing healthcare for the Hamburg region.

The investment in what were once hospitals owned by Hamburg (Landesbetriebs Krankenhäuser Hamburg) in 2004 remains one of the most important milestones in the development of the Asklepios Group. Since 2007, Asklepios has been the majority owner of Asklepios Kliniken Hamburg GmbH. The City of Hamburg still owns a 25.1 % stake. Above and beyond the ongoing expansion and improvement of the medical offerings, the partial privatisation is a success for Hamburg, also in economic terms. Up to 2015, Asklepios had invested EUR 500 million of its own funds in Hamburg clinics. From a loss-making operation, which generated losses running into hundreds of millions of euros, and which required a high level of capital expenditure, emerged a healthy hospital operator that implemented a high level of investments. Alongside tax payments and a share in profits, Hamburg is reaping an additional benefit. In the course of the acquisition, the Asklepios Group moved its headquarters to Hamburg, thus resulting in additional jobs at the holding level.

Pastries will do in Hamburg: celebrating the 10-year anniversary of Asklepios Kliniken in Hamburg with children's face painting and biscuits.

Hamburg’s oldest clinic

Tradition and innovation – the **Asklepios Klinik St. Georg** has a history that dates back over 190 years. There are even records for this site going back to 1190 as a lepers’ hospital, named after Saint George. Today, this location houses the maximum-care hospital and the Asklepios Campus Hamburg.

»We must constantly seek out new approaches.«

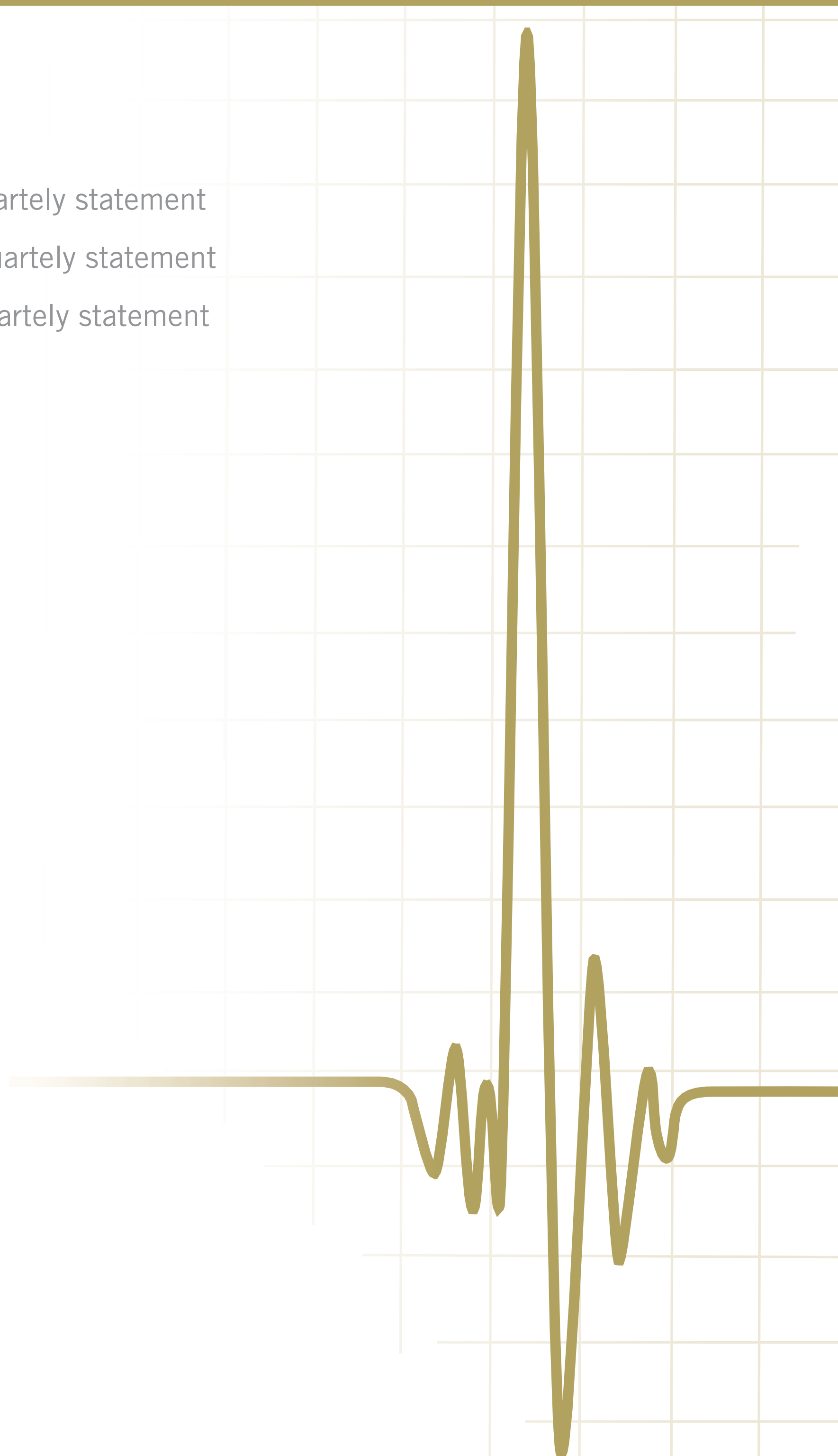
At the **ZEIT Conference “Germany as a Health Location”**, Asklepios founder Dr Bernard gr. Broermann referred to the high workload compression as a result of the cost containment policy in healthcare. He said that Asklepios was responding with investments promoting growth and innovations in hospital management. The event hosted by the ZEIT publishing house took place in November 2014 in cooperation with Asklepios Kliniken Hamburg. Discussion participants included Helmut Schmidt and Maria Höfl-Riesch.

Dr Bernard gr. Broermann

Maria Höfl-Riesch

LOCATIONS

ASKLEPIOS
United for Health



Financial calendar 2015

28.05.2015	Publication of 1st quartely statement
27.08.2015	Publication of 2nd quartely statement
26.11.2015	Publication of 3rd quartely statement

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