VAMED
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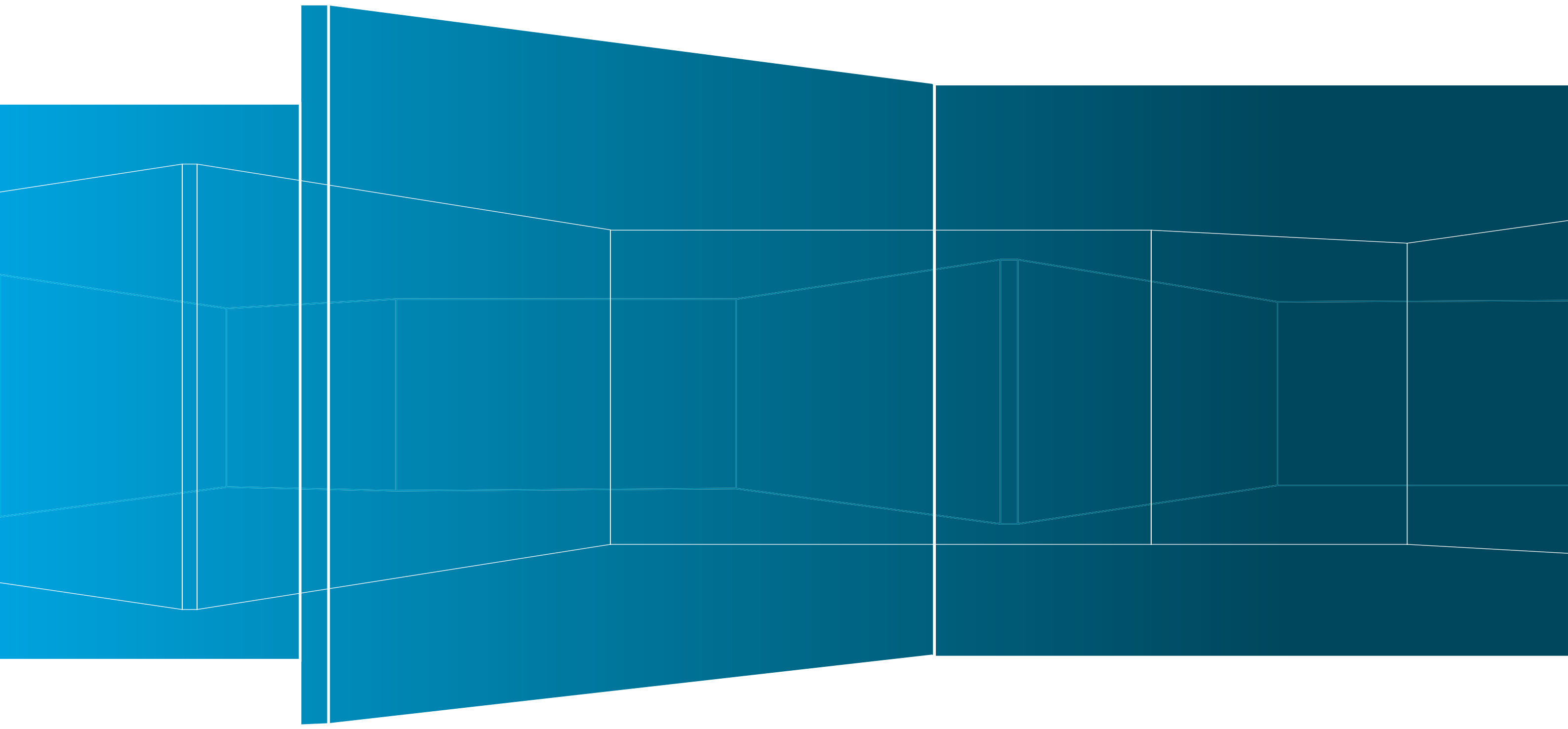
UNDERSTANDING HEALTH IN A HOLISTIC WAY

ANNUAL REPORT 2014



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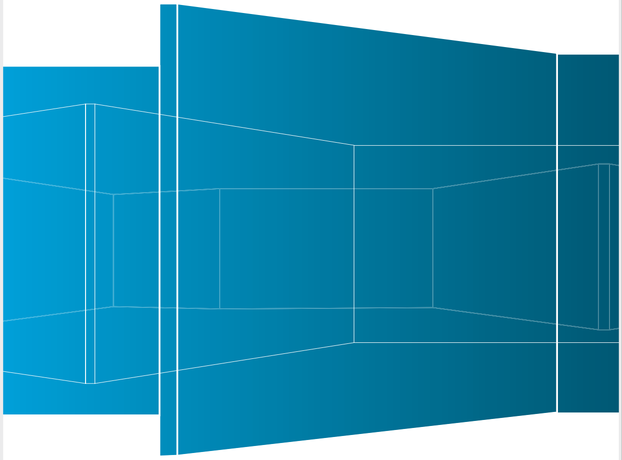

AT A GLANCE 2014

UNDERSTANDING HEALTH IN A HOLISTIC WAY

www.vamed.com

	2014	2013
Orders on hand (€ m)	1,397.8	1,139.2
Sales (€ m)	1,042.3	1,020.4
International sales (%)	61.4	59.4
EBIT (€ m)	59.3	54.7
EBT (€ m)	58.0	52.3
Staff (as at Dec. 31)	7,746	7,010

Acc. to International Financial Reporting Standards (IFRS)

VAMED Aktiengesellschaft
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VAMED AG

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FOREWORD OF THE EXECUTIVE BOARD

In 2014, VAMED again managed to prove its capability and efficiency, despite a challenging economic and political environment. Order books rose significantly, and new orders reached an all-time high. This constitutes a solid basis for future growth and once again confirms the course VAMED has been pursuing with its unique product portfolio in the prevention, acute care, rehabilitation, and nursing areas.

VAMED implements health care projects and provides services for hospitals and other health care facilities on a global basis. VAMED's range of services comprises the complete value chain in the health care sector, from project development, planning and project management via all facility management aspects in technical, commercial, and infrastructure terms, to total operational management. As at the end of the period under review, VAMED had successfully implemented more than 710 projects in 77 countries. Never before has VAMED operated in so many different countries - though the year was a rather challenging year, even in the developed markets.

We offer our clients customized solutions from a single source, but also implement projects jointly with co-operation partners. Public sector clients are displaying increasing interest in Public Private Partnership models (PPPs) for hospitals and other health care facilities. VAMED is also a pioneer in this market segment: As the end of 2014, 23 such models had been, or were being, implemented.

In the year under review, major projects were finalized and important new reference projects could be won. We are particularly proud that, in 2014, we succeeded in putting our entire range of services and our PPP know-how to good use in connection with the largest order in our corporate history, an order that is also the largest PPP project in the German health care sector: Together with our consortial partner, the construction company BAM, we were awarded the contract for the modernization of the University Hospital Schleswig-Holstein.
Once completed, VAMED will be in charge of that hospital's facility management for thirty years. Also the work on the modernization of the bed tower of Charité Berlin, which was started in January 2014, was continued with success.

In Austria, in the acute care sector, we celebrated the topping-out ceremony in connection with the large-scale order for the turn-key construction of the Provincial Hospital Neunkirchen (Lower Austria), and with another major project, the extension and modernization of the Provincial Hospital Mistelbach-Gänserndorf (Lower Austria), construction of the new building was completed. In the rehabilitation sector, the Oncological Rehabilitation Center in St. Veit im Pongau (Salzburg) was put into operation, and at the Rehabilitation Center Enns (Upper Austria) the topping-out ceremony took place, and construction work was started for the Rehabilitation Center in St. Andrä/Zicksee (Burgenland).

In the previous period, we were awarded the major contract for the modernization and extension of the University Hospital Clinic Center Banja Luka, Bosnia and Herzegovina.

VAMED has been working successfully for many years in the important Asian markets Malaysia, Vietnam, and China. In China, VAMED was last year awarded a contract for the delivery of medical equipment for the hospital of the University of Beijing. We entered the market of Papua New Guinea, where we are building a turn-key hospital in the country's interior. In Africa, in addition to numerous projects as for instance in Gabon, Nigeria, Cape Verde, Mozambique, and Senegal, VAMED also built five additional polyclinics in Ghana. Another ten of these clinics in a modular design will be built by 2017.

In Latin America, we received our first order from Peru for the delivery of a medical equipment package, and in Trinidad and Tobago VAMED was awarded the contract for the construction and equipment of the Hospital Point Fortin. Also in the services business we were able to expand our activities in the previous year. On a global basis, VAMED now renders facility management services for 510 hospitals with a total of 130,000 beds and has total operational management responsibility for 51 health care facilities with a total of 6,700 beds on four continents. Included are now eleven rehabilitation facilities in Austria, two in Switzerland, and one in the Czech Republic.

In 2014, VAMED may also refer to a record of success in the sector prevention and health tourism facilities. Attracting about 2.5 million guests a year at our eight VAMED Vitality World thermal spa and health resorts, VAMED is Austrian market leader. And VAMED is expanding offers continuously: In November 2014, additional premium-segment offers were made available to families and seminar guests with the enlargement of St. Martins Therme & Lodge in the Burgenland. In December 2014, VAMED Vitality World took over the operational management of Aquaworld Resort Budapest, the first resort outside of Austria.
VAMED is focused on the innovative capacity, the know-how and the commitment of our entire team and attaches priority to lean and efficient structures and a global orientation of our portfolio of services. Our efficient cost management and consistent efforts at optimizing structures and processes have contributed to achieving our good 2014 result.

Our success is based on our tradition, our values, and the courage to continue our course globally. In the more than thirty years since our foundation, VAMED has accepted the challenges of international competition and developed a unique range of offers in health care.

We are firmly committed to further improving and to strengthening and expanding our value chain in our target markets in Europe and beyond. This means continuing to grow, while remaining profitable. In doing so, we act responsibly: VAMED is not only dedicated to making economical use of available resources; our primary focus is on quality, from which both patients and the staff of health care facilities can benefit.

Also in 2014, we managed to extend our international presence and to again improve our financial ratios. We owe this success above all to our staff, and we would like to take this opportunity to express our appreciation for their outstanding performance, their cost awareness, commitment, and drive.

Likewise, we owe thanks to our customers, partners, and shareholders for the trust they placed in us and for their support during the past fiscal year.

Dr. Ernst Wastler
Chairman of the
Executive Board

Mag. Wolfgang Kaltenegger
Member of the
Executive Board

Mag. Gottfried Koos
Member of the
Executive Board

MMag. Andrea Raffaseder
Member of the
Executive Board

REPORT OF THE SUPERVISORY BOARD

Based on a current resolution, the Supervisory Board now has five shareholder representatives, viz. Dr. Gerd KRICK, Dkfm. Stephan STURM, KR Karl SAMSTAG, Mag. Andreas SCHMIDRADNER and Dr. Robert HINK, who have been appointed Supervisory Board Members until the end of the Annual General Meeting in which the Supervisory Board's acts for the fiscal year 2017 are officially approved.

In the fiscal year 2014, the Supervisory Board's deliberations focused on project and corporate acquisitions and on activities to strengthen the corporate areas 'Services' and 'Total Operational Management', as well as on measures to further expand, strengthen and consolidate the position of the VAMED group in the health care sector in Central Europe and internationally.
The Executive Board informed the Supervisory Board in writing and orally on the future corporate policy, the future development of the assets, financial position and performance of VAMED AG and of the VAMED group, as well as on the corporate business, the situation of the company and of the entire VAMED group. Where required in accordance with the provisions of the Companies Act, the Memorandum and Articles of Associations, or the company's rules and regulations, the Supervisory Board's approval was obtained. The Financial Statements and the Management Report of VAMED AG were audited by Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, who issued an unqualified report.

As regards the preparation of separate consolidated financial statements, the Executive Board made use of the exemption provisions of the Austrian Business Code, section 245, under which, as a result of the group's inclusion into the majority shareholder's consolidated financial statements, no separate consolidated financial statements had to be prepared; (condensed) financial statements of the subgroup, representing the VAMED segment in the majority shareholder's consolidated financial statements, were made available to the Supervisory Board. The consolidated financial statements of the majority shareholder were also submitted to the Supervisory Board.

The Supervisory Board set up a Balance Sheet Committee to audit the financial statements of VAMED AG and the (condensed) financial statements of the VAMED group; after detailed audits and following the Balance Sheet Committee's meeting on February 27, 2015, the Committee recommended the Supervisory Board to approve the financial statements.

In its meeting of March 4, 2015, the Supervisory Board accordingly approved the Financial Statements, including the Management Report, of VAMED AG, thereby adopting them under the Companies Act, section 96, para. 4.

The Supervisory Board is in approval of the Executive Board's suggestion on the use of the profit for the year. The Supervisory Board suggests appointing Deloitte Audit Wirtschaftsprüfungs GmbH, 1010 Vienna, Renngasse 1/Freyung, as auditors for the Financial Statements 2015 of VAMED AG.

Thanks and recognition are due to the staff for their contribution in the fiscal year 2014.

Vienna, March 4, 2015

Dr. Gerd Krick
Chairman of the Supervisory Board

CORPORATE ORGANS OF VAMED AG

The Executive Board

CHAIRMAN OF THE EXECUTIVE BOARD	**Dr. Ernst Wastler**
MEMBER OF THE EXECUTIVE BOARD	**Mag. Wolfgang Kaltenegger**
MEMBER OF THE EXECUTIVE BOARD	**Mag. Gottfried Koos**
MEMBER OF THE EXECUTIVE BOARD	**MMag. Andrea Raffaseder**

The Supervisory Board

CHAIRMAN	**Dr. Gerd Krick** Chairman of the Supervisory Board of Fresenius SE & Co. KGaA Chairman of the Supervisory Board of Fresenius Management SE
DEPUTY CHAIRMAN	**Dkfm. Stephan Sturm** Member of the Executive Board of Fresenius Management SE, the general partner of Fresenius SE & Co. KGaA
MEMBERS	**Dr. Robert Hink** Secretary General of the Austrian Association of Municipalities (ret.)
	KR Karl Samstag CEO of Bank Austria Creditanstalt AG (ret.)
	Mag. Andreas Schmidradner Managing Director of B&C Holding GmbH
DELEGATED BY THE WORKS COUNCIL	**Josef Artner**
	Otto Hager (until December 12, 2014)
	Mag. (FH) Thomas Hehle (as of December 12, 2014)
	Ing. Robert Winkelmayer

VAMED GROUP **STRUCTURE**

Each individual order places very special and challenging demands on the VAMED team. The structure of the VAMED group ensures that, worldwide, we can offer solutions geared to local needs.

» With competence and professionalism we realize worldwide projects for the health of tomorrow. «

PROJECTS		SERVICES	
INTERNATIONAL	CENTRAL EUROPE	AKH and KAV, VIENNA	CENTRAL EUROPE and INTERNATIONAL
VAMED ENGINEERING GmbH & CO KG, Vienna	VAMED Standortentwicklung und Engineering GmbH & CO KG, Vienna	VAMED-KMB Krankenhaus-management und Betriebsführungs-ges.m.b.H., Vienna	VAMED Management und Service GmbH & Co KG, Vienna

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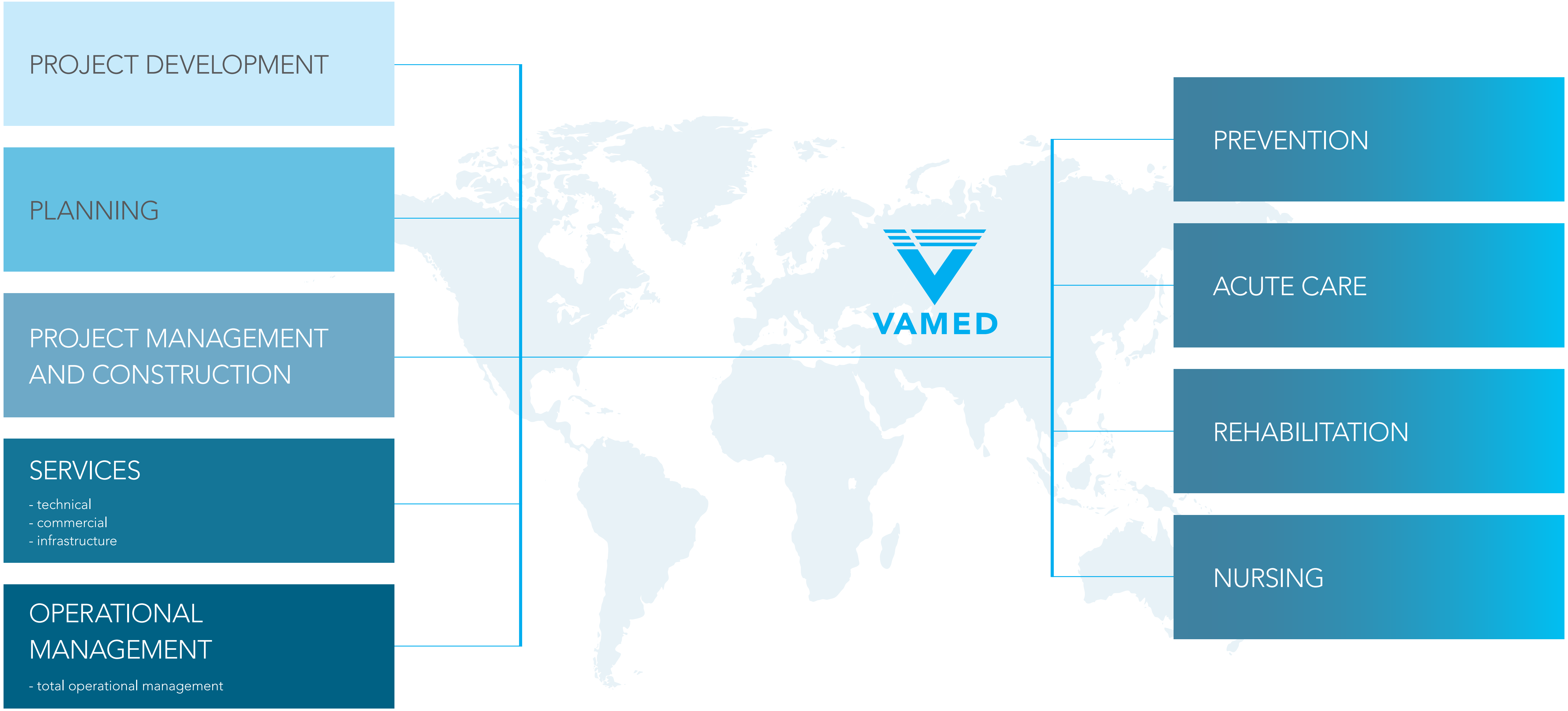
UNDERSTANDING HEALTH IN A HOLISTIC WAY

VAMED, the international health care group, operates in all areas of health care: prevention, acute care, rehabilitation, and nursing.

In all of these areas, VAMED offers wide-ranging services, from project development via planning, project management and construction to technical, commercial, and infrastructure services, as well as (total) facility management.



THE HUMAN BEING IS THE FOCUS

VAMED uses its expertise, competence, and professionalism to turn ideas and visions into reality with only one focus at the center of attention: human health and wellbeing.

PREVENTION

The thermal spa and health care resorts of the VAMED Vitality World offer medico-therapeutic methods and a wide range of applications aimed at improving our guests' physical and mental wellbeing. VAMED has put its many years of experience in health care to good use and bridged the gap between preventive medicine and health tourism.

ACUTE CARE

VAMED's leading international position in the hospitals and clinics sector is the result of innovation and sustainability: Together with our partners, VAMED implements major projects in the areas of planning, construction, and operational management of hospitals. In all these areas, VAMED may refer to many years of international experience.

REHABILITATION

In all its rehabilitation facilities, VAMED aims at reducing patients' illness or accident-induced limitations as much as possible to ensure their maximum participation in community life. Personal and individual care and the positive and patient-oriented organization of all facilities constitute the basis for the best results of therapeutic measures.

NURSING

"Salutogenesis in geriatric care", the methodical concept used by VAMED, breaks new ground in caring for the elderly so they can lead a self-determined life in dignity in line with their individual sense of life. A further element of key importance is individual employee development. In terms of spatial and functional organization, the focus is on implementing resident and employee-friendly and state-of-the-art standards.

» Innovation evolves through vision. «

ASSUMING RESPONSIBILITY

VAMED's experience as an internationally operating health group in the areas prevention, acute, care, rehabilitation and nursing forms the basis for successful solutions across the entire portfolio: project development, planning, project management and construction, services, and operational management.

PROJECT DEVELOPMENT

The idea for a project is the driving force behind a plan. Sparked by an initial project idea, VAMED develops individually adjusted and customized solutions to put the project on the right track in functional, technical, and financial terms.

PLANNING

The complex challenges faced when planning projects in the health care sector require a professional team that can put its experience and know-how to good use in designing new solutions - a team that can be trusted. VAMED's experts, forming a competent and well-coordinated team, plan projects from the very beginning and assume responsibility for their complete implementation.

PROJECT MANAGEMENT AND CONSTRUCTION

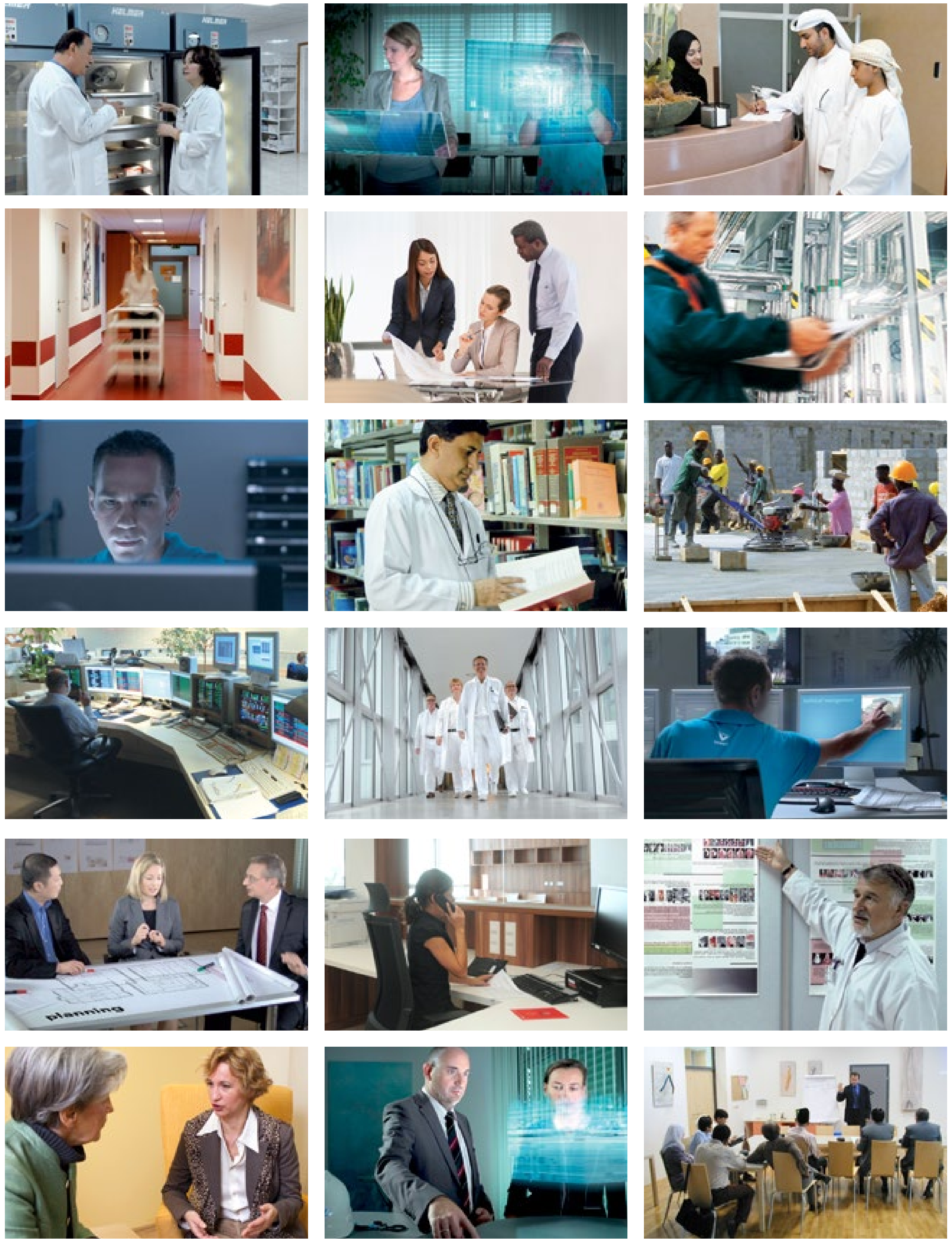
VAMED is the professional partner for health care projects, from initial planning to turn-key construction and the final handing-over of the project. Implementation meeting all requirements in terms of deadlines, costs and quality is ensured, as are suitable financing solutions and accompanying control.

SERVICES

VAMED offers a full range of services for health care facilities. VAMED's service business has a modular structure and ranges from facility management aspects in technical, commercial, and infrastructure terms to total operational management. Through optimizing processes, VAMED minimizes costs and ensures the required quality of health care.

OPERATIONAL MANAGEMENT

VAMED is one of the very few providers worldwide that has the know-how it takes to manage a health care facility over its entire life cycle, from the initial project idea to total operational management, using our own resources. VAMED stands ready to provide whatever management service is desired, from outsourcing solutions for partial operations via partnership models to total operational management.



» Competence through concentrated know-how. «

VAMED LOCATIONS WORLDWIDE

Employing more than 16,000 people on four continents, VAMED works on ideas and their implementation for health care facilities of the future. VAMED has so far successfully implemented more than 710 facilities in health care and health tourism in 77 countries.

Berlin, Germany
Hamburg, Germany
Kirchheimbolanden, Germany
Bad Homburg, Germany
Kiel, Germany
Lübeck, Germany
Cologne, Germany
Düsseldorf, Germany
Kassel, Germany
Mülheim an der Ruhr, German
Paris, France
Prague, Czech Republic
Arnheim, The Netherlands
Vienna, Austria - VAMED Headquarters
Rapperswil-Jona, Switzerland
Zihlschlacht-Sitterdorf, Switzerland
Dussnang, Switzerland

Lisbon, Portugal
Florence, Italy
Milan, Italy
Budapest, Hungary
Athens, Greece
Ankara, Turkey
Warsaw, Poland
Bucharest, Romania
Novi Sad, Serbia
Tuzla, Bosnia and Herzegovina
Bijeljina, Bosnia and Herzegovina

Moscow, Russia
Krasnodar, Russia
St. Petersburg, Russia
Sochi, Russia
Donetsk, Ukraine
Kiev, Ukraine
Yalta, Crimea
Astana, Kazakhstan
Ashgabat, Turkmenistan
Baku, Azerbaijan
Minsk, Belarus

Port-of-Spain, Trinidad and Tobago
Bogotá, Colombia
Tegucigalpa, Honduras
Quito, Ecuador

Abu Dhabi, UAE
Abuja, Nigeria
Praia, Cape Verde
Dakar, Senegal
Maputo, Mozambique
Accra, Ghana
Libreville, Gabon
Tripoli, Libya
Erbil, Iraq
Baghdad, Iraq

Ulaanbaatar, Mongolia
Beijing, P.R. of China
Ho Chi Minh City, Vietnam
Hanoi, Vietnam
Kuala Lumpur, Malaysia
Manila, Philippines
Bangkok, Thailand
Jakarta, Indonesia
Port Moresby, Papua New Guinea

» From individual services to overall implementation projects, including operational management: VAMED is the partner for all health care sector projects where overall solution competence is required – globally. «

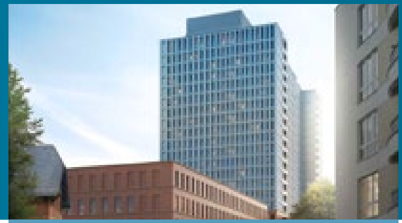
VAMED PROJECTS

By the end of 2014, VAMED had implemented more than 710 projects worldwide, 23 of which were Private Public Partnership (PPP) models.

Public sector clients are displaying increasing interest in Public Private Partnerships (PPPs). For these business models, public and private partners jointly plan, build, finance and operate hospitals and other health care facilities. In order to increase efficiency and ensure a competitive edge, VAMED is always trying to find new and innovative approaches:

Apart from partnership-based implementation models, as for instance life cycle and PPP models, these include international structured financial engineering and the continuous further development of instruments and processes for the implementation and operational management of health care facilities. On the following pages, selected VAMED projects are presented in detail.


Rehabilitation Clinic Vienna Baumgarten Austria


University Hospital Charité Berlin Germany


General Hospital of the City of Vienna – Medical University Campus Austria

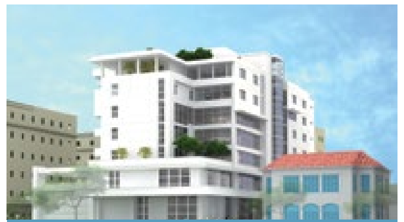

Provincial Hospital Neunkirchen Austria


AQUA DOME-Tirol Therme Längenfeld Austria


Polyclinic Ghana


Rehabilitation Clinic Enns Austria


Rehabilitation Center St. Veit im Pongau Austria


Oncological Center Hue Vietnam


Ziyang No. 2 People's Hospital China


San Fernando Hospital Trinidad and Tobago


Rehabilitation Clinic Zihlschlacht Switzerland


Tauern Spa Kaprun Austria


Teaching Hospital Ibadan Nigeria


HIAOBO Hospital Libreville Gabon


District Hospital Koula Moutou Gabon


Rehabilitation Clinic Malvazinky Czech Republic


Private Clinic Salzburg Austria


Hospital Bijeljina Bosnia and Herzegovina


Rashid Abdullah Omran Hospital UAE


Hospital No. 4 Sochi Russia

ONCOLOGICAL REHABILITATION ST. VEIT IM PONGAU
ST. VEIT IM PONGAU, AUSTRIA

The Oncological Rehabilitation Center St. Veit im Pongau commenced operation in January 2014.

This innovative center offers special rehabilitation programs for all tumor diseases. Treatment is based on the three pillars: physical activation, relaxation and lifestyle counseling. The program includes physical and physio-oncological therapies.

The team of physicians, therapists and nursing staff receives support from experts from the III. Medical University Hospital Salzburg, who have collaborated on developing the specific rehabilitation concept. The complex therapeutic program is based on the Oncological Rehabilitation Performance Profile of the pension insurance institution PVA.

The oncological rehabilitation center has 104 single and 8 double rooms; 6 rooms are equipped for special-needs patients. The patient rooms are generously and comfortably furnished and have bath/WC, satellite TV, telephone and balcony. The new building was erected directly next to the existing Provincial Hospital St. Veit im Pongau.

The rehabilitation center is operated by an operating company set up jointly by VAMED and Salzburg Provincial Hospitals. Patients are referred to the rehabilitation center by PVA and other social insurers.

PROVINCIAL HOSPITAL MISTELBACH-GÄNSERNDORF
MISTELBACH, AUSTRIA

The annex to the Provincial Hospital Mistelbach-Gänserndorf was officially inaugurated at the end of October 2014.

The Provincial Hospital Mistelbach-Gänserndorf is undergoing a general overhaul, in connection with which a total of euro 195 million will have been invested by 2017. The new building completed and opened towards the end of October 2014 constitutes the most important and largest construction phase: 14,000 m² additional useful space were made available on eight levels.

The Surgery Center and the attached Intensive Care units as well as the Family Center constitute the core of the new building, which also includes the following sections: children and adolescents, gynecology and obstetrics, as well as a day clinic for child and adolescent psychiatry, a joint primary care and admission unit, a nursing station for internal medicine including dialysis, a palliative care unit, a special class ward, an outpatients center and a multipurpose hall. Also, a new 250-space parking garage for visitors and patients was built.
The implementation of that project poses a particular challenge as the wide-ranging work must be carried out with the hospital in full operation.

ST. MARTINS THERME & LODGE
FRAUENKIRCHEN, AUSTRIA

Five years after its inauguration, St. Martins Therme & Lodge was further extended and the new larger resort opened up towards the end of November 2014.

Since November 2009, St. Martins Therme & Lodge has been the leading enterprise in the Seewinkel quarter of the Burgenland province. The enlargement of the lodge and thermal spa redefines the location's strategic positioning as the "First Lodge of Central Europe". Within just one year, new and exclusive retreatment zones were created around the lake and above the water, which enhance the impact of the impressive natural scenery on the edge of the National Park even more. The thermal spa, the restaurant and the lodge now offer a stupendous view of the wide expanse of water and the National Park's Pannonian landscape. Featuring 16 new Panorama Suits and 12 Explorer Junior Suites, as well as a second spa area for the Lodge and a lake view sauna in the thermal spa, St. Martins Therme & Lodge now has additional attractive offers in the premium segment for families and seminar guests alike.

St. Martins Therme & Lodge has developed into an exemplary Austrian and international health tourism project and has already received numerous national and international awards.

kneipp-hof DUSSNANG AG
DUSSNANG, SWITZERLAND

kneipp-hof Dussnang, located in Canton Thurgau, one of the leading Swiss rehabilitation clinics specialized in orthopedics, offers professional follow-up care after surgeries on the musculo-skeletal system and the comprehensive services of a stylish hotel.

The rehabilitation center offers a wide range of therapies in accordance with ICF (International Classification of Functioning, Disability and Health, WHO); outpatient therapies are also possible. While the focus is on the musculo-skeletal system, special health-promoting in-patient treatments are also available. The therapeutic bath, newly opened in 2014, is used in therapies and also for preventive and health tourism purposes.

kneipp-hof Dussnang attaches great importance to a modern and health-compatible hotel ambience: all 154 rooms for inpatients are single rooms, 11 of which form part of the admission section (dedicated section for somatic patients). The rehabilitation clinic is surrounded by a large park.

kneipp-hof Dussnang employs a sophisticated standardized process management and is a rehabilitation clinic certified in accordance with the internationally recognized standards of the European Foundation for Quality Management (EFQM).

UNIVERSITY HOSPITAL SCHLESWIG-HOLSTEIN
KIEL/LÜBECK, GERMANY

At the end of September 2014, VAMED, with BAM as its consortial partner, was awarded the contract for the modernization of the University Hospital Schleswig-Holstein (UKSH).

This contract includes planning, the construction of new buildings, and the renovation of existing UKSH facilities at costs of approximately euro 520 million. Work is scheduled to commence in 2015 and will be completed in 2021.

In addition, the consortium was also commissioned with operating and maintaining the buildings until 2044. The overall contract volume amounts to about euro 1.7 billion.

This is the largest Public Private Partnership project in the German health care system, which the VAMED-BAM consortium won in a Europe-wide award procedure.

BED TOWER CHARITÉ
BERLIN, GERMANY

The University Hospital Charité Berlin awarded the contract for the renovation of the Charité Berlin Bed Tower to the joint venture VAMED and Ed. Züblin acting as general contractor.

Over the next three years, the 21-storey bed tower of the University Hospital in Berlin-Mitte will be renovated and equipped with state-of-the-art medical equipment. Next to the bed tower, a 5-storey building to house intensive care units, 15 operating rooms and an emergency department will be erected. Total investment costs amount to euro 202.5 million.

The new building and the new bed tower, which centralizes treatment and diagnostic areas on storeys one to five, is planned to be opened towards the end of 2016. As early as January 2015 the construction site had been largely prepared and the gutting of the tower started.

Charité is one of the largest university hospitals in Europe and has a world-wide reputation as an excellent research and training center. More than half of the German Nobel Prize recipients for Medicine and Physiology come from Charité, including Emil von Behring, Robert Koch, and Paul Ehrlich. Charité operates on four locations, comprising more than 100 clinics and institutes bundled under 17 Charité Centers.

UNIVERSITY HOSPITAL BANJA LUKA, BANJA LUKA BOSNIA AND HERZEGOVINA

In the fall of 2014, the Ministry of Health of the Republika Srpska, Bosnia and Herzegovina, commissioned VAMED with the modernization and extension of the University Hospital Clinic Center Banja Luka.

The University Hospital Clinic Center Banja Luka is the most important medical service provider in the Republika Srpska. While currently major medical departments are located outside of the University Hospital, all medical departments are planned to be concentrated in future in the University Hospital Clinical Center of Banja Luka. This means that the medical departments currently dispersed over several locations will be moved and merged with the existing departments.

One of this project's biggest challenges is to ensure continuous hospital operation during the entire construction period. In the first step, the existing main building with an area of 41,300 m² on ten storeys will be modernized. Furthermore, a new 3-storey building with an area of 17,400 m² will be erected where the central surgical group with 10 operating rooms, intensive care units (48 beds), central sterilization, pathology and a day clinic will be located. The project valued at about euro 84 million is planned to be completed by 2018.

GOROKA PROVINCIAL HOSPITAL GOROKA, PAPUA NEW GUINEA

VAMED was awarded the contract for the modernization of the Goroka Provincial Hospital. This is VAMED's first project in Papua New Guinea. Opened in 1969, the hospital needs to be enlarged and the existing structures must be refurbished.

An essential component of this project is the turnkey construction of the new building with the main entrance and the outpatient clinics, a radiology department, the operating area and the intensive care unit, the areas for surgery as well as for obstetrics and gynecology. The new building will also house the central sterilization department and the laboratory.

The implementation of this project poses particular challenges: The hospital is located in the interior of the country at an altitude of about 1,600 meters above sea level, about an hour's flight away from the capital city Port Moresby.

BEIJING UNIVERSITY INTERNATIONAL HOSPITAL
BEIJING, CHINA

VAMED won a major medical equipment contract from the Beijing University International Hospital.

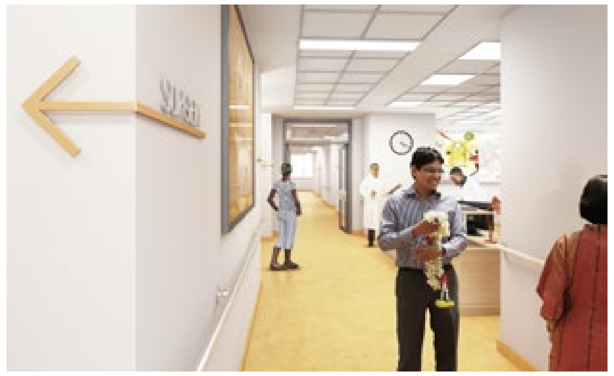
The contract includes planning, supply, installation, putting-into-operation, and technical servicing of medical equipment at the Beijing University International Hospital. This project, at a total contract value of about euro 58 million, is VAMED's largest order so far from China.

The Beijing University International Hospital, with a total area of 440,000 m² and 1,800 beds, started treating patients in December 2014.

GENERAL HOSPITAL POINT FORTIN
POINT FORTIN, TRINIDAD AND TOBAGO

Following the successful completion and handing-over of the San Fernando Teaching Hospital, VAMED managed to win another major contract from Trinidad and Tobago at the end of the year: the turn-key construction of Point Fortin General Hospital.

That major contract includes planning and constructing the hospital, equipping it with medical equipment and furniture, putting it into operation, and staff training, as well as a three-year maintenance period. Construction is scheduled to last 32 months. This 3-storey 100-bed hospital with an area of approximately 16 000 m² will operate with a special focus on the treatment of burn victims. Point Fortin is located about 1 hour to the south of San Fernando and 2.5 hours to the south of Trinidad's capital city Port of Spain. The successful handing-over of the San Fernando Teaching Hospital in early 2014 was key for being awarded this follow-up contract.



REGIONAL HOSPITAL MONAPO
MOZAMBIQUE

VAMED is building the Regional Hospital Monapo in the province of Nampula, in the north of Mozambique.

The contract includes project development, planning, constructing and equipping the hospital, as well as training hospital staff and providing maintenance for one year.

The Regional Hospital Monapo is a general hospital for primary health care in which simple diseases can be treated, but which also is specialized in children's health problems and births. The clinic includes outpatient departments (emergency, ENT, gynecology, examination rooms), a diagnostic department including laboratory (HIV, malaria, TBC), and a small radiology area, an operating room for minor surgeries and Cesarean sections, delivery rooms and sterilization, as well as bed areas for children, women, and men. In addition, there are service facilities such as a kitchen, a laundry, a pharmacy, a medication storage room, offices and a plant for waste recycling.

The Nampula Province is the most populous of the country - in the Monapo metropolitan area alone there are about 250,000 inhabitants. There is still great potential in health care.

10 POLYCLINICS
CENTRAL REGION, GHANA

Together with the Ministry of Health of Ghana, VAMED developed a concept for clinics aimed at improving medical care of the population in rural areas.

VAMED is currently implementing ten polyclinics in Ghana; these specialize in general health care as well as gynecology and childbirth. Each new clinic is equipped with between 15 and 31 beds.

The "polyclinic" concept, as it is called, was previously implemented 15 times by VAMED.

A polyclinic typically includes a medical/diagnostic part, as well as a sterilization unit, a laboratory, administrative rooms, a pharmacy, and other ancillary facilities. In addition, a service and technical building as well as staff accommodation with two residential units are being built. The concept is complemented by a water tank, rainwater collection channels with tank, a solar water heating system as well as a wastewater and sewage treatment plant.

The simultaneous implementation of the ten clinics at ten different locations in the Central Region of Ghana makes logistics and site supervision particularly challenging.

DAR AL SHIFAA HOSPITAL
KHALIFA CITY, ABU DHABI, UAE

Commissioned by Al Khaja Holding, VAMED is building the Dar Al Shifaa Hospital in the United Arab Emirates.

The Dar Al Shifaa Hospital is a private hospital that meets the most demanding requirements - both with regard to medical care as well as ambience and interior design.

The Dar Al Shifaa Hospital will consist of two separate buildings, with the inpatient sections being concentrated in one building. Completion is scheduled for 2016.

The hospital will offer gynecology, internal medicine, surgery, and emergency medicine.

A large area is dedicated to the examination and treatment of both outpatients and inpatients. The inpatient section has 71 beds.

EMERGENCY HOSPITALS
TURKMENISTAN

In Turkmenistan, VAMED supplied medical equipment for an emergency hospital in the capital Ashgabat as well as for four additional regional emergency hospitals. All hospitals were handed over ready for operation in 2014.

VAMED won orders for the delivery and installation of medical equipment for an emergency hospital in the capital Ashgabat as well as for four other smaller emergency hospitals in different regions of the country in 2013.

The center in Ashgabat has four operating rooms, two trauma rooms, and a total of 219 beds (including 18 intensive care units, 26 burns units, and 175 additional beds, spread over 7 stations).
The station for burns patients, which also has a fully air-conditioned intensive care unit, is the first of its kind in Turkmenistan. The main building also has a control center that acts as the central control unit in the event of a disaster.

Libreville, Gabon, Africa

GROUP MANAGEMENT REPORT 2014

VAMED achieved excellent results in 2014.
VAMED may refer to a successful fiscal year 2014 - sales increased by 2 %, EBIT is up 8 %, and earnings before tax (EBT) improved by 11 %. A 13 % rise in new orders and a plus of almost 23 % in our order books form a solid basis for continued future growth.

1. Economic report

1.1 General economic and business situation

VAMED is specialized on international projects and services for hospitals and health care centers. Our range of services comprises the complete value chain in the health care sector, ranging from consultation, project development, planning and turn-key completion via maintenance and technical management to total operational management. Our wide-ranging competencies warrant an efficient and successful support of complex health care facilities over their entire life cycles. VAMED is in addition a pioneer in the area of Public Private Partnership (PPP) models for hospitals and other health care facilities.

As a global provider for the health care industry with a wide-ranging service portfolio, VAMED has achieved a unique market position.

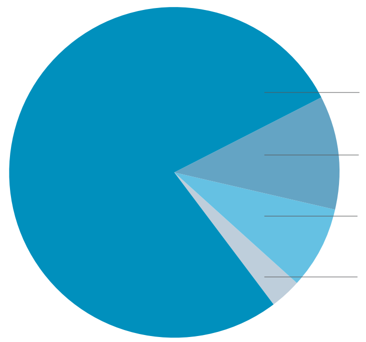
VAMED has so far successfully implemented more than 710 projects in 77 countries dispersed over four continents.

1.2 Business development

Economic development
In the fiscal year 2014, VAMED managed to increase sales by 2 % to a total of € 1,042 million (2013: € 1,020 million). Sales by divisions developed as follows:

in T€	2014	2013	Changes
Project business	557,884	583,127	-4.3 %
Service business	484,399	437,293	10.8 %
Total	**1,042,283**	**1,020,420**	**2.1 %**

Sales broken down by regions
In 2014, Europe was the most dynamic sales region, accounting for 78 % of total sales. Africa, Asia, and Latin America contributed 11 %, 8 %, and 3 %, respectively, to total sales.



2014: T€ 1,042,283

In the year under review, project business again developed excellently and orders on hand rose by 23 % to € 1,398 million.

VAMED's earnings performance also was outstanding. EBIT rose by 8 % to € 59 million (2013: € 55 million), of which the project business and the service business accounted for € 27 million (2013: € 27 million) and € 32 million (2013: € 28 million), respectively. The EBIT margin was 5.7 %.

A result of our business's low capital intensity, VAMED's return on equity (ROE) before taxes was excellent at 20.4 % (2013: 19.9 %).

The net income of VAMED attributable to the parent's shareholders was € 41 million, an increase of 10 % against the previous period (2013: € 37 million).

VAMED'S VALUE CHAIN

PROJECT BUSINESS

- Project development
- Consulting
- Planning
- Project management and construction
- Financial engineering

SERVICE BUSINESS

- Total operational management
- Facility management
- Medical technology management
- Logistics/procurement
- IT solutions/information systems
- Quality management

Project business

Our project business comprises consulting, development and planning, and the turn-key completion of projects, including financial engineering. VAMED also implements projects on the basis of cooperation models. For these business models, public and private partners set up a joint project company to plan, build, finance and operate hospitals and other health care facilities. Public sector clients are displaying increasing interest in such Public Private Partnerships (PPPs). So far, 23 PPP models have been implemented. In the following, brief information is given about important projects in individual project business target markets.

Europe

In Europe, one project business focus was on Germany, where VAMED received an order for the modernization of the University Hospital Schleswig-Holstein. A consortium formed by VAMED and BAM will construct new buildings and renovate existing facilities. The budgeted investment volume is € 520 million; work is scheduled to begin in 2015 and to be completed in 2021. The consortium was also commissioned with operating and maintaining the buildings until 2044. At an overall contract volume of € 1.7 billion, this is the largest PPP model in the German health care sector.

In Berlin, renovation work on the 21-storey Charité bed tower was started. Implemented by the Ed. Züblin and VAMED consortium, this major construction project also includes a newly constructed building to house intensive care units, operating rooms and emergency services.

Extension work on the Hofheim Hospital, Main-Taunus district, was continued. This modernization project will help to further improve treatment quality and render hospital operation more efficiently.

The Kassel Hospital and VAMED have teamed up for the reprocessing of surgical instruments. Our joint company, Casalis Facility Services Ltd., will construct and subsequently operate the new Central Sterilization Facility.

In Austria, major projects in progress were continued or completed. In January 2014, the oncological rehabilitation center St. Veit im Pongau/Salzburg, the first center of that type in the region, was inaugurated.

Work on the renovation and expansion of the former hospital in Enns/Upper Austria to convert it into a modern rehabilitation and therapy center was continued. That health care facility, with a focus on treating neurological and pulmonary diseases, will have 120 beds and start operations in mid-2015.

In the acute care sector, we celebrated the topping-out ceremony in mid-2014 in connection with the large order for the turn-key construction of the Provincial Hospital Neunkirchen, Lower Austria, and afterwards started finalization work. This 364-bed specialist hospital is planned to be finished towards the end of 2016.

In connection with another major project, the extension and modernization of the Provincial Hospital Mistelbach-Gänserndorf in Lower Austria, construction of the new building was completed, which marked the end of an important construction stage. The modernization of existing structures will be completed by 2017. VAMED received a follow-up order for prioritized measures to increase efficiency and for maintenance work.

Furthermore, construction work for the specialized Rheumatism Hospital in Baden, Lower Austria, was successfully continued in 2014.

In the Burgenland province, work on the extension of the St. Andrä/Zicksee Rehabilitation Center was started. In November, work on the extension of St. Martins Therme & Lodge was successfully completed.

In Switzerland, extension work for the renowned Rehabilitation Clinic Zihlschlacht, Canton Thurgau, was started. That 100-bed facility is a leading clinic for neurological rehabilitation, with special wards for early rehabilitation, psycho-mentally severely affected patients, for the treatment of Parkinson diseases, as well as for the treatment of chronic pain.

In Bosnia and Herzegovina, VAMED received a major order for the modernization and extension of the University Hospital Clinic Center Banja Luka.

In Romania, delivery of a medical equipment package for the St. Gheorghe Hospital was started. For that hospital, VAMED already carried out a feasibility study commissioned by the Ministry of Health. The extension of the Provincial Hospital Targoviste was also successfully completed.

In Russia, we completed the extension and modernization of the City Hospital No. 4 in Sochi. With its 350 beds and 16 operating rooms that hospital provided a major Austrian contribution to health care during the 2014 Olympic Winter Games.

Africa

In Gabon, modernization work for the major project Centre Hospitalier de Libreville was continued to schedule and some extension phases were already successfully finished. Also, work on the Jeanne Ebori Hospital was continued.

In Ghana, the turn-key construction of five further polyclinics - after Polyclinics I and II, now Polyclinics III - was successfully completed and the polyclinics were officially inaugurated. These polyclinics are of a modular structure, each comprising a central medical complex featuring operating room, examination rooms, a maternity ward, laboratory, pharmacy, and bed ward, as well as a service complex and staff accommodation.

A number of other orders are also in the implementation phase, as for instance in Cape Verde, Mozambique, and Senegal. In Senegal, the telemedicine project, linking four hospitals, was completed successfully.

Asia-Pacific region

We have been working with success for many years already in Malaysia, Vietnam, and China, important markets for VAMED in Asia.

In Mongolia, after initial orders in 2010 and 2012, follow-up orders for medical equipment packages for three hospitals were received in 2014. VAMED was also awarded a contract for the delivery of medical equipment for the hospital of the University of Beijing and the Central Hospital Luoyang.

In Vietnam, work on the enlargement of the hospital in Hue, with special facilities for oncological care, was continued as planned. In Hanoi, the functional planning and the supply of medical equipment in connection with the "Hospital Modernization Program – PMU 4" was continued.

In Laos, VAMED was awarded a further contract as part of the overall modernization of the "Friendship Hospital" in Vientiane. Construction of the magnetic resonance imaging unit was completed and the unit was put into operation. Towards the end of 2014, VAMED received a further contract for the extension of that hospital.

VAMED achieved a major success in remote Papua New Guinea: In Goroka, about an hour by plane from the capital city Port Moresby, at an altitude of 1,600 meters, VAMED is going to build a turn-key hospital.

Latin America

VAMED's first order in Honduras, the planning, supply, and installation of a medical equipment package for an existing hospital, was successfully completed. The implementation of follow-up orders – partial new construction including medical equipment – was started. VAMED established a branch office in Honduras to support project management on location and to further work the Honduran market.

The projects in Trinidad and Tobago were also successfully continued. Following the order for the extension of the San Fernando Hospital in San Fernando, Trinidad's second largest city, and that hospital's official inauguration in early 2014, VAMED received an order for the turn-key construction of a hospital in Port Fortin, as well as for its medico-technical and IT equipment.

A first order could be achieved in Ecuador. The order is for a medical equipment package for three public hospitals in the capital city Quito.

In Peru, VAMED succeeded in winning a contract for the delivery of a medical equipment package.

In Haiti, VAMED continues deliveries of medical equipment for the Mother and Child Hospital built following the terrible earthquake of 2010 and rendered additional medical support services.

Service business

Our services range from the maintenance of buildings and of all devices, service of medical equipment, via facility management to the total operational management of health care facilities. VAMED's service business has a modular structure and comprises all facility management aspects in technical, commercial, and infrastructure terms for health care objects. On a global basis, VAMED was responsible in 2014 for the total operational management of 51 health care facilities with a total of some 6,700 beds on four continents. In facility management, VAMED provided services for 510 hospitals with a total of 130,000 beds. VAMED also provides services related to energy management, waste management, cleaning of buildings and exterior facilities, as well as security services. With this offer of integrated solutions VAMED ensures the optimum management and operation of a facility over its entire life cycle, from its construction to the end of its primary useful life, or to its modernization and extension. VAMED also takes over logistics tasks in health care.

The streamlining of procedures minimizes logistics costs and ensures the required quality of medical care.

The following survey outlines relevant developments and events in our service business target markets.

Europe

In Austria, VAMED successfully continued in 2014 its more than 28-year long partnership with the General Hospital of the City of Vienna - Medical University Campus (AKH). VAMED has been in charge of facility management of the AKH since 1986 already. The AKH Vienna is one of Europe's largest hospitals, comprising more than 30 clinics and institutes with about 2,100 beds.

Managed by VAMED, another new Rehabilitation Center in St. Veit im Pongau/Salzburg was put into operation. Being in charge of a total of twelve rehabilitation centers (one of which is still under construction), VAMED is the largest private provider of rehabilitation services in Austria. Ensuring high-quality service standards at all our rehabilitation centers is an essential VAMED objective.

In Germany, Charité CFM Facility Management Ltd., the consortium led by VAMED, has been in charge of all technical and infrastructure services at the University Hospital Charité Berlin since 2006. A staff of about 2,600 is busy fulfilling this order, one of the largest ever placed in the European hospitals sector.

In Schleswig-Holstein, the consortium between VAMED and BAM received the contract for the operation and maintenance of the University Hospital Schleswig-Holstein at the Kiel and Lübeck locations until 2044.

In Switzerland, following the takeover of the renowned Rehabilitation Clinic Zihlschlacht in 2012, a further important rehabilitation facility, the Swiss kneipp-hof Dussnang, Canton Thurgau, was taken over in 2014. This facility enjoys an outstanding medical reputation and combines a rehabilitation center, a hotel, therapeutic cures, outpatient treatment and short-time nursing.

In the Czech Republic, VAMED continued in 2014 its successful management of the Mediterra Hospitals on seven locations with a total of 1,000 beds.

In Kosovo, work was started on an IT contract for the implementation of an e-health system for the networking of health care facilities.

Africa

In Gabon, VAMED is in charge of the total operational management of six regional hospitals and of the facility management of the HIAOBO Hospital in Libreville, of the Angondje Hospital, and of the Centre Hospitalier in Libreville. The continued and further education project – commissioned by the Ministry of Health – for the regional hospitals operated by VAMED was continued successfully in 2014.

Middle East

In the United Arab Emirates, the management assistance contracts for two hospitals, the 250-bed Sheikh Khalifa Specialized Hospital Ras Al Khaimah, and the 205-bed Sheikh Khalifa General Hospital Umm Al Quwain, were continued.

In Qatar, VAMED was awarded the contract for IT planning and implementation for the Naufar Healthcare and Rehabilitation Center.

VAMED Vitality World

Owing to an increasing health consciousness, thermal spas and wellness resorts have been gaining in importance. VAMED has put its decade-long experience to good use and, with the VAMED Vitality World thermal spa and health resorts, managed to bridge the gap between preventive medicine and health tourism. As the market leader, VAMED operates eight thermal spa and health resorts in six Austrian provinces, attracting about 2.5 million guests a year.

In December 2014, VAMED Vitality World took over the operational management of Aquaworld Resort Budapest. This 4*-Superior Resort is among the most popular Budapest city spas and one of Hungary's largest thermal spa resorts. In Budapest, thermal spas may refer to a centuries-old tradition and are well known far beyond Hungary's borders. Today, Budapest has 120 hot springs. The Aquaworld Resort Budapest is the ninth resort of VAMED Vitality World.

In November 2014, the extension of St. Martins Therme & Lodge was ceremonially inaugurated. Featuring 16 new Panorama Suites and 12 Explorer Junior Suites, as well as a second spa area for the Lodge and a lake view sauna in the thermal spa, St. Martins Therme & Lodge now has additional attractive offers in the premium segment for families and seminar guests alike.

Also in terms of product development, VAMED Vitality World lived up to its position as market leader and innovator: In October, VAMED Vitality World presented exclusive premium gift cards, the first gift cards in all of Europe furnished with Swarovski crystals. As regards the 'Relax! One-day Holiday', a thoroughly positive balance can be drawn after one year and VAMED Vitality World has extended its offers in some resorts. In addition, VAMED Vitality World was chosen "World's Leading Medical Wellness and SPA Operator" in 2014 for the fourth time in a row.

1.3 Results of operations, financial position, assets and liabilities of the VAMED group

1.3.1 Results of operations

In the fiscal year 2014, the VAMED group managed to increase consolidated sales from T€ 1,020,420 to T€ 1,042,283, or by about 2 %.

Breakdown of sales by division:

in T€	2014	2013	Changes
Project business	557,884	583,127	-4.3%
Service business	484,399	437,293	10.8%
Total	**1,042,283**	**1,020,420**	**2.1%**

Earnings before taxes (EBT) amount to € 58 million, up € 5.8 million (or about 11 %) against the previous period.

The financial result is € -1.2 million, an improvement of € 1.3 million (previous period: € -2.5 million) despite leveraged acquisitions.

Taxes on income and earnings rose by about € 2.1 million to € 15.7 million. Based on EBT, the tax ratio is 27.1 % (previous period: 26.2 %).

1.3.2 Assets and liabilities

in T€	Dec. 31, 2014	%	Dec. 31, 2013	%
ASSETS				
Current assets	591,082	66%	470,462	65%
Property, plant and equipment; goodwill; other intangible assets	173,232	20%	136,903	19%
Other non-current assets	126,970	14%	118,203	16%
Balance sheet total	**891,284**	**100%**	**725,568**	**100%**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Short-term liabilities	408,925	46%	317,187	44%
Long-term liabilities	197,339	22%	145,598	20%
Shareholders' Equity	285,020	32%	262,783	36%
Balance sheet total	**891,284**	**100%**	**725,568**	**100%**

Investments

The following investments were made by the VAMED group:

in T€	2014	2013
Property, plant and equipment	7,000	9,246
Other intangible assets	2,646	1,694
Total	**9,646**	**10,940**

The increase in property, plant and equipment mainly refers to replacement and renewal investments in connection with furniture and fixtures.

1.3.3 Financial position

in T€	2014	2013	Changes
Order intake (project business)	839,521	743,930	12.8%
Sales	1,042,283	1,020,420	2.1%
Operating result before interest, taxes, depreciation, amortization (EBITDA)	71,267	65,051	9.6%
EBITDA margin	6.8%	6.4%	
Operating result (EBIT)	59,283	54,734	8.3%
EBIT margin	5.7%	5.4%	
Earnings before taxes (EBT)	58,049	52,277	11.0%
EBT margin	5.6%	5.1%	
Results attributable to the parent's shareholders	41,191	37,349	10.3%
Balance sheet total	891,284	725,568	22.8%
Shareholders' equity	285,020	262,783	8.5%
Equity ratio	32.0%	36.2%	
Tax ratio (based on EBT)	27.1%	26.2%	

1.4 Non-financial performance indicator

The past record of success and the future potential of VAMED are essentially based on the following key factors:

- unique overall competencies in the health care sector;
- the skills and potentials of our staff members, the result of their training, expertise, and project experience;
- their ability and readiness to extend cooperation to beyond organizational units and geographic boundaries;
- internationalism, multi-cultural experience and the resulting ability to develop adequate solutions worldwide;
- producer-independence; our product and producer neutrality ensures optimum benefits for our customers;
- the ability of the entire VAMED group – in the sense of a 'learning organization' – to put to good use and further develop the experience gathered in connection with projects;
- the setting of demanding standards by management and the committed promotion of staff complying with such standards;
- integration into a large international group operating in the health care sector, tapping all opportunities an international network offers.

VAMED is committed to respecting ethical standards (Compliance Rules) with regard to our staff and in our relations with customers, suppliers and all other business partners. In order to ensure that these challenging requirements are met, VAMED has implemented a group-wide Compliance System to monitor adherence to all (self-imposed) obligations as stipulated in our Code of Conduct.

The implementation and realization of e-learning modules within our knowledge management system was launched in 2012. The VAMED Code of Conduct, the first e-learning project, was made available to all VAMED staff in 2013 in the German, English and Czech languages. Already in early 2014, the second e-learning module, on IT Security, was successfully implemented in both the German and English languages.

For more than a decade already VAMED has attached top priority to further developing their human capital, the single most important factor to ensure lasting success, and established an HCM - Human Capital Management program.

Related processes within the lead companies of the VAMED group aim at raising individual training levels and improving qualitative and quantitative resources, thus promoting and further developing the organization's capability to perform. Within the scope of strategic personnel planning, processes are being implemented for the identification of high potentials, i.e. top performers capable of assuming managerial responsibilities. The aim is to specifically train them to fulfill future tasks.

The HCM program is an important instrument that helps to promote employee identification with the company, to support training of high potentials and to prepare best-trained staff well familiar with the relevant sector in each case for responsible positions, and in general to both widen and deepen know-how over the entire value chain of the VAMED group. This at the same time helps to shorten familiarization periods and to substantially reduce placement errors. The expansion of the 'VAMED Academy', our internal training and further training center, by additional technical fields and topics on issues like personality development, leadership skills, social and methodological competencies was advanced in 2014 with consistency and will be pursued in a targeted manner also in 2015.

The year 2008 saw the start of the VAMED group's first trainee program. In the reporting period 2014, seven further trainees started VAMED's fourth trainee program, which focuses on Technical Services and Controlling.

The further development of staff is supplemented and supported by knowledge management systems and quality management systems established at individual company level to meet most challenging standards (e.g., according to ISO 9001:2000, ISO 13485:2003, EFQM, Joint Commission, E-Qalin, and KTQ). In technical terms, all requirements for the various knowledge management components (knowledge portal, panel of experts, Communities of Practice, etc.) could be put in place already in 2008. Currently, there are eight Communities of Practice across entities. Furthermore, 41 project-specific teamspaces were used. VAMED staff access the knowledge portal about 8,500 times a day to retrieve information and exchange information beyond the limits of their departments or companies.

In 2014, we clustered and networked the know-how of 500 highly competent physicians working for VAMED into the International Medical Board (IMB), a new international knowledge platform.

Our partners' trust, on which the success of the VAMED group is effectively based, is built on the potential of our staff, our supporting systems, and our overall competencies.

Staff

In 2014, the consolidated companies of the VAMED group had on average 838 manual employees, 6,517 non-manual employees, and 174 apprentices (previous period: 742 manual employees, 5,531 non-manual employees, and 149 apprentices). The total average number of staff employed rose by 743, the result of changes in the consolidated group in the current year, as well as of the acquisition of companies in the Czech Republic in July and December of the previous period.

2. Risk report

2.1 General risks

Professional project control and professional project management have become well-established core competencies of the VAMED group in the construction as well as in services sector. General risks associated with the project and services business are covered by operating well-tested systems for their identification, assessment and minimization, adjusted to the business activity at issue.

These systems for a satisfactory avoidance of default, liquidity and cash-flow risks comprise organizational measures (as for instance risk calculation standards for working out offers; risk assessment prior to acceptance of orders; ongoing project controlling including project supervisory meetings and continuously updated risk evaluation; budget checking at regular intervals, etc.), quality assurance measures (quality standards comprising several business fields, in particular according to ISO 9001:2000, ISO 9001:2008, ISO 13485:2003, ISO 14001:2004 and EFQM), and measures regarding financial issues (credit reviews; dunning system; ensuring receipt of payment through requiring advance payment, L/Cs, or guaranteed loans; safe investments; sufficient prudential reserves). In the year 2014, VAMED continued its successful strategy to increasingly offer overall implementation models with a major focus on total operational management for health care facilities.

The complexity of sophisticated services in both national and international health care markets requires relatively long development periods and entails significant cost risks. While such long development periods are usual in the trade, VAMED may put its specific experience, standardized procedure models, knowledge databases and wide-ranging interdisciplinary technical competencies to good use to substantially shorten these development periods and therefore markedly curtail exposure to cost risks.

All countries are currently experiencing enormous cost pressure in meeting health care demands, which can be felt in the hospital and rehabilitation sectors in particular. In Europe, strategies to reduce hospital bed capacity, to close down or to merge hospitals and to implement specialized hospitals continue to dominate in the acute care sector.

VAMED addresses this trend through holistic implementation models including financing (e.g., life-cycle models and innovative PPP models along the entire VAMED value chain). Fair and reasonable sharing of opportunities and risks with mostly public partners/sponsors and a clear focus on core competencies in each situation usually constitute the only chance to implement investment projects and increase cost effectiveness in the health care sector.

A targeted further development of core competencies from the services division and the project business for their synergetic application against the backdrop of wide-ranging international experience is required to implement such models. Associated risks can be minimized through competent quality management, professional knowledge management and by operating broadly-based development programs for the staff and the management alike. For cases in which an event of risk occurs despite wide-ranging measures to minimize risks, a crisis management system has been established which provides for a clearly defined plan to proceed by stages.

Using simulated cases, this system is being trained systematically and on a regular basis. In particular with regard to our responsibility as operators of health care facilities we have detailed plans and protective measures for our staff, our patients and guests in place to ensure the continued functioning of those health care facilities we are in charge of.

2.2. Specific risks

Hedging transactions tailored to the scope of individual projects and their duration are entered into to provide cover against trade receivables and future purchases of products and services quoted in foreign currencies.

3. Supplementary report

No events of significant importance with regard to the results of operations, financial position, assets and liabilities of the VAMED group have occurred after the end of the year under review.

4. Outlook

VAMED's tasks in Europe in the year 2015 will largely be determined by holistic implementation models and PPP projects. Outside of Europe, our focus will be on tailored solutions and customer-oriented financial engineering for health care facilities along VAMED's value chain. A particular future focus will be on the development of integrated health care models. With its unique product portfolio in the prevention, acute care, rehabilitation and nursing areas VAMED will continue its successful path in the fiscal year 2015. VAMED in general differentiates between established and developing health care markets. In particular in established health care markets, characterized by increasing cost pressure and rising cost awareness, our services are much in demand. In addition to increasing efficiency through professional technical, infrastructure or commercial management, there are a vast number of novel processes indirectly controlled by procedures in the medical and nursing fields that bear substantial potential for additional improved efficiency. VAMED plays an innovative and leading role in the continued development of these processes.

In addition to our services, the adaptation of health care facilities' infrastructure in the established target markets, in particular in connection with life-cycle and PPP models, is much in demand.

In VAMED's fast growing health care markets, providing efficient health care systems that meet people's needs continues to have priority. While work to develop primary supply structures has largely been completed, a considerable focus in many markets is now on promoting the availability of secondary health care and on creating tertiary as well as teaching and research structures within Centers of Excellence. Also in a large number of Asian, Middle Eastern as well as African markets there is increasing demand for professional services in accordance with European standards. This in turn generates demand in developing markets for VAMED's core competencies in the project as well as service business divisions. In the vast majority of cases, contracts are procured via our project business. Customer-oriented offers in rehabilitation, nursing, and preventive care meet with increasing interest in these markets, too. Through a comprehensive service portfolio, professionalism and reliability, VAMED has managed to build up an excellent reputation at both national and international levels over the past years.

Also in 2015, VAMED will be determined to live up to the standards of high reputation and trust placed by partners and customers at home and abroad in our competence and our ability to successfully implement projects meeting all requirements as to costs, deadlines, and quality.

Also in the future we will attach top priority to developing innovative approaches and quality solutions and ensuring their successful implementation. Living up to the VAMED motto 'think global, act local' also in 2015, VAMED will continue to offer and expand for all our customers and partners our wide-ranging international network of branches and joint ventures in Central and Eastern Europe, the Middle East, in Asia, Africa and Latin America, including the total value chain – for the benefit of people's health and to ensure quality for our patients and our staff alike.

Vienna, February 27, 2015

The Executive Board

Dr. Ernst Wastler
Chairman of the Executive Board

Mag. Wolfgang Kaltenegger
Member of the Executive Board

Mag. Gottfried Koos
Member of the Executive Board

MMag. Andrea Raffaseder
Member of the Executive Board

Gmundnerberg, Austria, Europe

CONSOLIDATED FINANCIAL STATEMENTS 2014

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Condensed CONSOLIDATED FINANCIAL STATEMENTS of VAMED AG VIENNA for the fiscal year January 1 to December 31, 2014

The consolidated financial statements of the VAMED group are equivalent to the segment report "Fresenius Vamed" in the consolidated financial statements of Fresenius SE & Co. KGaA according to IFRS and are referred to herein as "financial statements of the VAMED group".

VAMED GROUP – INCOME STATEMENT

January 1 to December 31, in T€	Note(s)	2014	2013
Sales	3	1,042,283	1,020,420
Cost of sales	4, 5	-903,740	-889,625
Gross profit		**138,543**	**130,795**
Selling and general administrative expenses	6	-80,853	-77,829
Other expenses	7	-1,060	-971
Other income	7	2,653	2,739
Operating result (EBIT)		**59,283**	**54,734**
Interest income	8	3,445	1,488
Interest expenses	9	-4,679	-3,945
Earnings before taxes (EBT)		**58,049**	**52,277**
Income taxes	10	-15,746	-13,672
Earnings after income taxes (EAT) = net income		**42,303**	**38,605**
Attributable to non-controlling interests	11	-1,112	-1,256
Results attributable to the parent's shareholders		**41,191**	**37,349**

VAMED GROUP – STATEMENT OF COMPREHENSIVE INCOME

January 1 to December 31, in T€	Note(s)	2014	2013
Earnings after income taxes (EAT) = net income		**42,303**	**38,605**
Other Comprehensive Income (Loss)			
Positions which will be reclassified into net income in subsequent years		**-2,483**	**-1,828**
Cash flow hedges		-1,566	-34
Foreign currency translation		-1,390	-1,804
Income taxes on positions which will be reclassified		473	9
Positions which will not be reclassified into net income in subsequent years		**-7,435**	**-2,562**
Actuarial losses on defined benefit pension plans		-7,397	-1,544
Other items (mainly severance pay provisions)		-2,029	-1,817
Income taxes on positions which will not be reclassified		1,991	799
Other Comprehensive Income (Loss)		**-9,918**	**-4,390**
Total comprehensive income		**32,385**	**34,215**
Attributable to non-controlling interests		**-1,355**	**-1,256**
Group income statement		-1,112	-1,256
Other Comprehensive Income (Loss)		-243	0
Comprehensive income attributable to the parent's shareholders		**31,030**	**32,959**

VAMED GROUP – BALANCE SHEET

ASSETS

as at December 31, in T€	Note(s)	2014	2013
Cash and cash equivalents	12	68,262	106,306
Trade accounts receivable, less allowance for doubtful accounts	13	181,472	137,600
Accounts receivable from and loans to related parties	14	51,545	40,691
Inventories	15	235,166	135,044
Prepaid expenses and other current assets	16	54,637	50,821
Total current assets		**591,082**	**470,462**
Property, plant and equipment	17	68,454	46,016
Goodwill	18	99,344	85,180
Other intangible assets	18	5,434	5,707
Deferred taxes	10	13,228	8,425
Other non-current assets	13, 16, 19	113,742	109,778
Total non-current assets		**300,202**	**255,106**
Total assets		**891,284**	**725,568**

LIABILITIES AND SHAREHOLDERS' EQUITY

as at December 31, in T€	Note(s)	2014	2013
Trade accounts payable	20	168,630	114,310
Short-term trade accounts payable to related parties	21	4,094	1,569
Short-term accrued expenses and other short-term liabilities	22, 23	165,627	144,582
Short-term borrowings	24	12,678	4,410
Short-term loans from related parties	24	48,754	43,882
Current portion of long-term debt and liabilities from capital lease obligations	24	1,850	1,067
Short-term accruals for income taxes	25	7,292	7,368
Total short-term liabilities		**408,925**	**317,187**
Long-term debt and liabilities from capital lease obligations, less current portion	24	21,035	3,261
Long-term liabilities and loans from related parties	24	74,515	64,309
Long-term accrued expenses and other long-term liabilities	22, 23	56,081	44,128
Pension liabilities	26	26,616	17,322
Deferred taxes	10	19,092	16,579
Total long-term liabilities		**197,339**	**145,598**
Equity attributable to non-controlling interests		**6,067**	**3,284**
Subscribed capital	27	10,000	10,000
Capital reserve	27	41,119	41,119
Other reserves	27	253,489	224,117
Accumulated Other Comprehensive Income (Loss)	28	-25,655	-15,737
Equity attributable to the parent's shareholders' equity		**278,953**	**259,499**
Total shareholders' equity		**285,020**	**262,783**
Total liabilities and shareholders' equity		**891,284**	**725,568**

VAMED **GROUP – CASH FLOW STATEMENT**

January 1 to December 31, in T€	2014	2013
Cash provided by/used for operating activities		
Attributable to the parent's shareholders	41,191	37,349
Attributable to non-controlling interests	1,112	1,256
Adjustments to reconcile group net income (EAT) to cash and cash equivalents provided by operating activities		
Depreciation and amortization	11,984	10,317
Changes in deferred taxes	-273	-1,444
Gain/loss on sale of fixed assets	24	-167
Other expenses/income not recognized as cash	1,182	1,226
Change in assets and liabilities, net of amounts from businesses acquired or disposed of		
Changes in accounts receivable, net	-38,405	38,525
Changes in inventories	-98,885	-39,264
Changes in prepaid expenses and other current assets	-4,337	23,640
Changes in accounts receivable from/payable to related parties	-1,294	1,633
Changes in accounts payable, accruals and other liabilities	79,597	-45,327
Changes in accruals for income tax	-512	3,012
Cash provided by/used for operating activities	**-8,616**	**30,756**
Cash provided by/used for investment activities		
Purchase of property, plant and equipment	-9,646	-10,940
Proceeds from the sale of property, plant and equipment	140	150
Acquisition of investments, net	-9,891	-10,720
Proceeds from divestitures	178	0
Cash provided by/used for investment activities	**-19,219**	**-21,510**
Cash provided by/used for financing activities		
Proceeds from/repayment of short term loans	4,302	-6,863
Proceeds from/repayment of borrowings from related parties	13,227	44,353
Proceeds from/repayment of borrowings to related parties	-17,484	-12,068
Proceeds from/repayment of long-term debt and liabilities from capital lease obligations	250	-1,272
Payments to capital reserve	0	-32
Dividends paid	-10,035	-9,700
Changes in non-controlling interests	-469	-487
Cash provided by/used for financing activities	**-10,209**	**13,931**
Net change in cash and cash equivalents	**-38,044**	**23,177**
Cash and cash equivalents at the beginning of the year	**106,306**	**83,129**
Cash and cash equivalents at the end of the year	**68,262**	**106,306**
thereof: cash and cash equivalents subject to restricted disposition	0	0

VAMED **GROUP – STATEMENT OF SHAREHOLDERS' EQUITY**

in T€	Subscribed capital	Reserves: Capital reserve	Reserves: Other reserves	Other Comprehensive Income (Loss)	Equity attributable to the parent's shareholders	Equity attributable to non-controlling interests	Total shareholders' equity
As at December 31, 2012	**10,000**	**41,152**	**197,816**	**-11,346**	**237,622**	**2,393**	**240,015**
Effects of the inclusion of items in connection with FSE segment reporting (VAMED's goodwill and option reserve)	0	0	1,226	0	1,226	0	1,226
Other Comprehensive Income (Loss) Cash flow hedges	0	0	0	-25	-25	0	-25
Foreign currency translation	0	0	0	-1,804	-1,804	0	-1,804
Actuarial losses on defined pension plans	0	0	0	-1,174	-1,174	0	-1,174
Other items (mainly severance pay provisions)	0	0	0	-1,388	-1,388	0	-1,388
Effect of changes of the consolidated group	0	0	-2,574	0	-2,574	122	-2,452
Creation and/or reversal of reserves	0	-33	0	0	-33	0	-33
Dividends	0	0	-9,700	0	-9,700	-487	-10,187
Net income	0	0	37,349	0	37,349	1,256	38,605
As at December 31, 2013	**10,000**	**41,119**	**224,117**	**-15,737**	**259,499**	**3,284**	**262,783**
Effects of the inclusion of items in connection with FSE segment reporting (VAMED's goodwill and option reserve)	0	0	1,182	0	1,182	0	1,182
Other Comprehensive Income (Loss) Cash flow hedges	0	0	0	-1,093	-1,093	0	-1,093
Foreign currency translation	0	0	0	-1,390	-1,390	0	-1,390
Actuarial losses on defined pension plans	0	0	0	-5,924	-5,924	0	-5,924
Other items (mainly severance pay provisions)	0	0	0	-1,511	-1,511	-243	-1,754
Effect of changes of the consolidated group	0	0	-2,966	0	-2,966	2,383	-583
Creation and/or reversal of reserves	0	0	0	0	0	0	0
Dividends	0	0	-10,035	0	-10,035	-469	-10,504
Net income	0	0	41,191	0	41,191	1,112	42,303
As at December 31, 2014	**10,000**	**41,119**	**253,489**	**-25,655**	**278,953**	**6,067**	**285,020**

Kuala Lumpur, Malaysia, Asia

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GENERAL NOTES

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GENERAL NOTES

1. General

I. Group structure

VAMED is specialized on international projects and services for hospitals and health care centers. The headquarters and the location of the lead company, VAMED Aktiengesellschaft, is in 1230 Vienna, Sterngasse 5. VAMED Aktiengesellschaft (in the following also VAMED AG, or VAG) is owned by Fresenius Pro-Serve GmbH (in the following also FPS), Oberursel, a wholly-owned subsidiary of Fresenius SE & Co. KGaA (in the following also FSE), Bad Homburg v.d.H., (77 %), IMIB Immobilien und Industriebeteiligungen GmbH, Vienna, (13 %), and B & C Beteiligungsmanagement GmbH, Vienna, (10 %).

Fresenius is a globally active health care group with products and services for dialysis, hospitals, as well as the medical care of outpatients. The Fresenius group further operates hospitals and provides engineering and general services for hospitals and other health care facilities. In addition to the activities of FSE, the operating activities were split into the following legally independent business segments (subgroups) in the fiscal year under review:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed

General notes on the financial statements of the VAMED group

VAMED AG is included in the consolidated financial statements of Fresenius SE & Co. KGaA with its seat in 61352 Bad Homburg v.d.H., Germany, and makes use of the exemption provisions under the Austrian Business Code, section 245. FSE draws up the consolidated financial statements in the German language in accordance with IFRS under the German Commercial Code, section 315a. Therefore, the financial statements of the VAMED group have been drawn up on a voluntary basis and are fully in line with the segment report for the 'Fresenius Vamed' segment in FSE's consolidated financial statements according to IFRS.

The financial statements of the VAMED group are in euro. For the purpose of clear presentation, figures are given in thousand euros (T€). As a result of the required rounding, minor deviations of total and percentage figures may be seen. The VAMED group's financial statements vary from the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in the following points:

- The goodwill from the acquisition of the VAMED group at the level of the parent company FSE has been included in the financial statements of the VAMED group (push-down accounting);
- The goodwill from acquisitions of other FSE segments has been included in the VAMED group's financial statements at the values indicated by FSE (push-down accounting) or arises from the difference between the purchase prices and the amortized carrying amounts. The total goodwill resulting from the above circumstances amounts to € 50.5 million.
- The present Notes on the VAMED group's financial statements have been drawn up to the extent required for a clear understanding of the balance sheet and the income statement and do not claim to be complete in the sense of the International Financial Reporting Standards (IFRS).

As for the full wording of the abbreviated company names used in these Notes, please see List of Participating Interests. Broken down into 'fully consolidated companies' and 'non-consolidated companies', that list gives company names in alphabetical order on the basis of their German-language abbreviations. Also those companies are shown as affiliated and non-consolidated entities which, via FSE's consolidated group, are included in the FSE Financial Statements.

II. Basis of presentation

The financial statements of the VAMED group have been drawn up in accordance with the parent's guidelines (in particular as regards the application of IFRS, materiality thresholds, and the determination of the consolidated group) and for purposes of drawing up FSE's consolidated financial statements and are included into FSE's consolidated financial statements according to IFRS as the 'Fresenius Vamed' segment. In order to improve clarity of presentation, various items have been aggregated in VAMED's consolidated balance sheet and income statement. These items are analyzed separately in the Notes where this provides useful information to the users of VAMED's consolidated financial statements. The VAMED group's balance sheet contains the information required under IAS 1 (Presentation of Financial Statements) and presents assets and liabilities using a current/non-current classification. The consolidated statement of income is classified using the cost-of-sales accounting format.

III. Summary of significant accounting principles

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods. Capital consolidation is performed by offsetting investments in subsidiaries against the underlying revalued equity at the date of acquisition. The assets and liabilities of subsidiaries, as well as non-controlling interests, are recognized at their fair values. In case of acquisitions within the group, the carrying amounts have been recognized. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment.

All intercompany revenues, expenses, income, receivables and payables are eliminated.

In the year under review, no profits and losses on items of property, plant and equipment and inventory acquired from other group entities had to be eliminated. Deferred tax assets are recognized on temporary differences resulting from consolidation procedures.

Non-controlling interests comprise the interest of non-controlling shareholders in the consolidated equity of group entities. Profits and losses attributable to the non-controlling shareholders are separately disclosed in the income statement.

Companies that have not been included in VAMED's consolidated financial statements are valued at purchase cost less accumulated depreciation.

b) Composition of the Group

The consolidated financial statements of the group include VAMED AG as well as all material companies in which VAMED AG holds a direct or indirect majority interest, or a majority of voting rights, and may exercise control.

VAMED's consolidated financial statements as at the end of the fiscal year 2014 include VAMED AG and 24 (2013: 20) Austrian as well as 33 (2013: 31) foreign companies.

In the year under review, the composition of the group changed as follows:

First consolidation of the following companies in 2014

- GHG	Gmundnerberg Holding GmbH, Bad Sauerbrunn, Austria
- KHD	kneipp-hof Dussnang AG, Fischingen, Switzerland
- MED-H	VAMED MEDITERRA a.s., Prague, Czech Republic
- NTG	Neurologisches Therapiezentrum Gmundnerberg GmbH, Altmünster, Austria
- RBB GmbH	Rehaklinik Wien Baumgarten Betriebs-GmbH, Vienna, Austria
- RBB KG	Rehaklinik Wien Baumgarten Betriebs-GmbH & Co KG, Vienna, Austria

KHD was acquired in June 2014 and integrated into the consolidated VAMED group as of July 1, 2014.

MED-H was founded in August 2014 as a MEDITERRA s.r.o. spin-off and has since operated as a holding company for investments in the Czech Republic. It has been part of the consolidated group since October 1, 2014.

Gmundnerberg Holding GmbH and Neurologisches Therapiezentrum Gmundnerberg GmbH, in connection with a step-by-step acquisition, were included in the consolidated group as of July 1, 2014.

RBB GmbH was converted into a GmbH & Co KG on August 20, 2014, with retroactive effect as of December 31, 2013. In its first full year of operation, RBB KG was therefore included in the consolidated group (in accordance with internal guidelines) as of January 1, 2014. Its limited partner, RBB GmbH, has been part of the consolidated group since October 1, 2014.

In the year under review, there were no deconsolidations.

Special purpose entities (SPEs) are required to be consolidated if a company of the VAMED group exercises a controlling interest over an SPE (i.e., receives essentially all benefits and incurs all risks). Companies of the VAMED group participate in longer-term project companies set up for defined periods of time and for specific purposes, viz. the construction and operation of thermal spas. These project companies are SPEs, yet as VAMED does not exercise a controlling interest they have not been consolidated. In the year under review, the project companies, on a preliminary basis, turned over € 102 million (in 2013: € 88 million). These SPEs are mainly financed through debt, participation rights and investment grants. A complete list of investments of VAMED AG is given in detail in these Notes.

c) Classifications

The classification of the items in VAMED's consolidated financial statements is based on the presentation in the parent's consolidated financial statements under IFRS.

d) Sales recognition policy

Sales from services are recognized at amounts estimated to be received under reimbursement arrangements with third party payors. Sales from services are recognized on the date services and related products are provided and the payor is obligated to pay.
Product sales are recognized when risks pass to the customers, either at the time of shipment, upon receipt by the customer or upon any other terms that clearly define passage of title. Sales are stated net of discounts, allowances and rebates.

Sales for long-term production contracts are recognized depending on the individual agreement and in accordance with the 'Completed Contract Method' (CCM) or, if requirements for its application are met, in accordance with the 'Percentage-of-Completion Method' (PoC) on the basis of a project's stage of completion. The sales to be recognized are calculated as a percentage of the costs already incurred based on the estimated total cost of the contract, or milestones laid down in the contract. Profits are only recognized when the outcome of a production contract accounted for using the PoC method can be measured reliably. Expected losses are recorded immediately as expenses.

e) Government grants

Public sector grants are generally not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. At first, the grant is recorded as a liability and offset against earnings over the useful life of the asset in line with depreciation.

f) Impairment

The VAMED group reviews the carrying amount of its property, plant and equipment, its intangible assets with definite useful lives as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the asset's net realizable value or the value in use. The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant assets. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of future cash flows of the smallest cash-generating units (CGUs). If the reasons for impairment cease to exist, an adequate increase up to the assets' amortized costs of acquisition and production is effected, with the exception of goodwill write-downs.

Assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell. For such assets, depreciation is ceased. In the year under review, no such assets are shown.

g) Capitalized Interest

The VAMED group includes capitalized interest on borrowed capital as part of the costs of the assets if they are directly attributable to the acquisition, construction or manufacture of qualifying assets. In the fiscal year 2014, as in the previous period, no interest on borrowed capital was capitalized.

h) Income taxes

Current income taxes are determined on the basis of the financial results for the fiscal year as at the balance sheet date, taking into account the legal situation in the various countries. Expected or paid additional tax expenses and tax income for previous periods are also taken into consideration. Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the group's financial statement carrying amounts of existing assets and liabilities and their respective tax basis.
Furthermore, deferred taxes are recognized on consolidation procedures affecting net income. Deferred tax assets also include claims to future tax reductions which arise from the expected usage of existing tax losses available for carryforward. The recoverability of deferred tax assets from tax loss carried over, and their usability, is assessed on the basis of the VAMED group's performance planning as well as tax strategies that can be practically implemented.

Deferred taxes are calculated using rates applicable for the period in which an asset is likely to be realized or a liability is likely to be redeemed. The tax rates used are those that have been enacted or published as at the balance sheet date.

The recoverability of the carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is shown to the extent that it is probable that sufficient taxable profit will be available to utilize part or all of that deferred tax asset.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and short-term time deposits.

j) Trade accounts receivable

Trade accounts receivable are stated at their nominal value less allowance for doubtful accounts. Allowances are determined mainly on the basis of payment history to date, the age structure of balances, and all information available on the contract partners. In order to assess the appropriateness of allowances, the VAMED group checks regularly whether there have been any divergences to previous payment history.

k) Inventories

Inventories comprise all assets which are held for sale in the normal course of business (finished products), in the process of production for such sale (work in progress, incl. long-term production contracts and services not yet invoiced) or consumed in the production process or in the rendering of services (raw materials and supplies).

As regards raw materials and supplies, merchandise, and CCM-valued work not yet invoiced, inventories are stated at the lower of acquisition or manufacturing cost (determined by using the average cost or first-in, first-out method) or net realizable value. As regards PoC-valued work that can not yet be invoiced, valuation is effected on the basis of acquisition or manufacturing cost plus overheads and share of profit or loss equal to the degree of completion.

l) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Ongoing maintenance and repair expenses are immediately recognized as expenses. The costs for the replacement of components and the general overhaul of property, plant and equipment are capitalized provided it is probable that future economic benefits are generated for the VAMED group and the costs can be measured reliably. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 50 years for buildings and improvements and 2 to 23 years for technical plants, machinery and equipment.

m) Intangible assets with definite useful lives

In the VAMED group, intangible assets with definite useful lives resulting from consolidation, as for instance customer relations, are amortized using the straight-line method over the remaining useful lives of the assets (usually 4 to 6 years) and reviewed for impairment. All other intangible assets are amortized over their individual estimated useful lives between 1 and 15 years.

Impairment losses are recognized in the event of losses in value of a lasting nature. Should the reasons for impairment no longer apply, the impairment losses are reversed up to the amount of the amortized costs of acquisition and production.

n) Goodwill and other intangible assets with indefinite useful lives

The VAMED group identifies intangible assets with indefinite useful lives if, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the group. The identified intangible assets with indefinite useful lives, such as trade names or certain management contracts acquired in connection with M&As, are recognized and reported apart from goodwill. They are recorded at acquisition costs. Goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment (impairment test). To perform the annual impairment test of goodwill, the VAMED group identified smallest cash-generating units (CGUs) and determined the carrying amount of each CGU by assigning to it the assets and liabilities, including the existing goodwill and intangible assets. As a rule, a CGU is determined to be one level below division level in line with operative control ('management approach').

At least once a year, the fair value of each CGU is compared to its carrying amount. The fair value of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by such CGU. In case the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of such CGU's goodwill.

For the goodwill of the 'Fresenius Vamed' segment shown in the financial statements of the VAMED group as determined by the parent company, impairment tests are carried out for the CGUs 'Project Business' and 'Service Business'.

To evaluate the recoverability of separable intangible assets with indefinite useful lives, the VAMED group compares the fair values of these intangible assets with their carrying amounts. An intangible asset's fair value is determined using a discounted cash flow approach and other methods, if appropriate.
The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in VAMED's consolidated balance sheet was verified. As a result, the VAMED group did not record any goodwill impairment losses in 2014 and 2013.

A negative difference, if any, resulting from the purchase price allocation (lucky buy), after reviewing the value approach, is immediately recognized in profit or loss.

Apart from goodwill, no other intangible assets with indefinite useful lives are shown.

o) Leasing

Leased assets assigned to the VAMED group based on the risk and rewards approach (finance leases) are recognized as property, plant and equipment and measured on receipt date at their fair values, as long as the present values of lease payments are not lower. Leased assets are depreciated in straight-line over their useful lives. If there is doubt as to whether title to the leased asset passes at a later stage and there is no advantageous purchase option the asset is depreciated over the contractual lease term, if this is shorter. An impairment loss is recognized if the recoverable amount is lower than the amortized cost of the leased asset. Should the reasons for impairments no longer apply, adequate increases are effected. Finance lease liabilities are measured at the present value of the future lease payments and are recognized as financial liability.

p) 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. The VAMED group categorizes its financial instruments as follows: Cash and cash equivalents, assets recognized at amortized costs, liabilities recognized at repayment amounts, derivatives designated as hedging instruments, as well as assets at market value and liabilities at market value. Within the VAMED group, other categories of financial instruments exist to an insignificant extent only or not at all.

Derivative financial instruments (foreign currency forward contracts) are recognized in the balance sheet as assets or liabilities at fair value. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of financial instruments classified as cash flow hedges is recognized in shareholders' equity (Accumulated Other Comprehensive Income (Loss)) until the secured underlying transaction is realized (see Note 30, Financial Instruments). The non-effective portion of cash flow hedges is recognized in earnings immediately. Changes in the fair value of derivatives with regard to which no hedge accounting is applied are recognized periodically in earnings.

q) Liabilities

Liabilities are generally stated at amortized costs as at the balance sheet date, which normally corresponds with their repayment amount.

r) Legal contingencies

In the ordinary course of VAMED group's operations, the VAMED group is subject to legal disputes and procedures relating to various aspects of its business. The VAMED group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate. The VAMED group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the VAMED group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

s) Other accrued expenses

Accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future, and the amount can be reliably estimated.

Tax accruals include obligations for the current year and for prior years.

t) Pension liabilities and similar obligations

The actuarial valuation of pension liabilities is effected in accordance with the accumulated benefits obligations approach for post-employment benefit obligations (projected unit credit method), taking future wage, salary and pension increase rates into account. The VAMED group uses December 31, 2014, as the measurement date in determining the funded status of all plans.

In accordance with the new standard (IAS 19R), net interest expense (net interest income) is determined by multiplying the net defined benefit liability (net asset) by the discount rate used to determine the gross defined benefit obligation at the beginning of the period.

All revaluation effects are immediately shown under Other Comprehensive Income (Loss) and not recognized in profit or loss in subsequent periods. All other components of the net pension expense are recognized in profit or loss for the period.

u) Stock option plans

The total value of FSE stock options and convertible bonds, as at the day of issue, granted to members of the VAMED group's Executive Board and to the VAMED group's staff, determined in accordance with financial mathematics models, is amortized over the blocking period using values.

v) Foreign currency translation

The reporting currency is the euro. Substantially, all assets and liabilities of the foreign subsidiaries are translated at the exchange rate on the balance sheet date, while revenues and expenses are translated at average exchange rates. Adjustments due to foreign currency translation fluctuations are excluded from net earnings and are reported in Accumulated Other Comprehensive Income (Loss).

Gains and losses arising from the translation of foreign currency positions, as far as these are not considered foreign equity instruments, are recorded as 'Other Expenses' or 'Other Income'. In the year under review, the VAMED group recognized T€ 529 (previous period: T€ 807) as other expenses and T€ 278 (previous period: T€ 1,113) as other income.

The exchange rates of the main currencies affecting foreign currency translation developed as follows:

	Year-end exchange rate		Average exchange rate	
	Dec. 31, 2014	Dec. 31, 2013	**2014**	**2013**
AED (United Arab Emirates dirham) per €	4.459	5.065	4.880	4.878
CHF (Swiss franc) per €	1.202	1.228	1.215	1.231
CZK (Czech crown) per €	27.725	27.425	27.535	25.978
RUB (Russian ruble) per €	72.337	45.325	50.952	42.337
TTD (Trinidad and Tobago dollar) per €	7.611	8.708	8.348	8.364
USD (US dollar) per €	1.214	1.379	1.329	1.328

w) Fair value hierarchy

The three-tier fair value hierarchy according to IFRS 7, Financial Instruments Disclosures, classifies assets and liabilities recognized at fair value based on the inputs used in determining the fair value. Level 1 is defined as observable inputs, such as prices quoted in active markets.

Level 2 is defined as inputs other than prices quoted in active markets that are directly or indirectly observable.

Level 3 is defined as unobservable inputs for which little or no market data exist, therefore requiring the company to develop its own assumptions.

x) Use of estimates

The preparation of the VAMED group's consolidated financial statements in conformity with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

y) Receivables management

The entities of the VAMED group perform ongoing evaluations of the financial situation of their customers and in the vast majority of cases require collateral, in the form of down payments, letters of credit, or bank guarantees, from the customers in particular when they place construction orders.

z) Recent pronouncements

The year under review is based on IFRS as mandatorily required or voluntarily applied earlier for fiscal years starting on January 1, 2014. As far as these are relevant for the VAMED group' business, the following standards were applied for the first time in 2014:

In June 2013, the International Accounting Standards Board (IASB) issued Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39). As a result of the amendments to IAS 39, the novation of a hedging instrument to a central counterparty, as a result of legal or regulatory requirements, does not cause an existing hedging relationship to discontinue if specific conditions are met. IAS 39 amendments are effective for fiscal years beginning on or after January 1, 2014; an earlier adoption is permitted. The VAMED group applies the amended version of IAS 39 as of January 1, 2014. There were no effects on the Consolidated Financial Statements of the VAMED group.

In May 2011, the IASB issued IFRS 10, Consolidated Financial Statements, and modified the relevant transitional provisions in June 2012. The new standard provides one single definition of 'control'. The new standard replaces the previously relevant consolidation guidance in IAS 27 (2008), Consolidated and Separate Financial Statements and SIC-12, Consolidation - Special Purpose Entities. According to IFRS 10, an entity (subsidiary) is controlled by an investor who is exposed to or has rights to variable returns from the involvement with the entity (subsidiary) when the investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. In accordance with IASB guidance, IFRS 10 is effective retrospectively for fiscal years beginning on or after January 1, 2013; an earlier adoption is permitted only concurrently with IFRS 11, IFRS 12 and IAS 28 (as amended in 2011). Under EU law, the date as of when first application becomes mandatory was postponed to January 1, 2014. The VAMED group applies IFRS 10 as of January 1, 2014. There were no effects on the Consolidated Financial Statements of the VAMED group.

In May 2011, the IASB issued IFRS 11, Joint Arrangements, and modified the relevant transitional provisions in June 2012. The standard defines and regulates the accounting of arrangements under common control (joint arrangements). The new standard replaces the guidance on accounting for joint ventures previously included in IAS 31, Interest in Joint Ventures, and SIC-13, Jointly Controlled Entities - Non-Monetary Contributions by Venturers. Joint arrangements as defined under IFRS 11 are arrangements for which two or more parties have contractually agreed joint control. Joint control exists if decisions about relevant activities must be taken unanimously by all parties. Moreover, IFRS 11 classifies joint arrangements in joint operations and joint ventures and gives guidance on how to account for both types. Parties to a joint operation have rights to the assets and obligations for the liabilities of the arrangement and shall include them in their consolidated financial statements proportionately to their interest. Parties to a joint venture have a right to the net position (asset or liability) of the arrangement and the arrangement shall be accounted for following the equity method.
The option to consolidate using the proportionate method of accounting has been eliminated. In accordance with IASB guidance, IFRS 11 is effective retrospectively for fiscal years beginning on or after January 1, 2013; an earlier adoption is permitted concurrently with IFRS 10, IFRS 12 and IAS 28 (as amended in 2011). Under EU law, the date as of when first application becomes mandatory was postponed to January 1, 2014. The VAMED group applies IFRS 11 as of January 1, 2014. There were no effects on the Consolidated Financial Statements of the VAMED group.

In May 2011, the IASB issued an amended version of IAS 28, Investments in Associates and Joint Ventures. This version stipulates that joint ventures as described in IFRS 11, Joint Arrangements, shall be accounted for following the equity method guidance in IAS 28. In accordance with IASB guidance, the revised IFRS 28 is effective retrospectively for fiscal years beginning on or after January 1, 2013; an earlier adoption is permitted concurrently with IFRS 10, IFRS 11 and IFRS 12. Under EU law, the date as of when first application becomes mandatory was postponed to January 1, 2014. The VAMED group applies the amended version of IAS 28 as of January 1, 2014. There were no effects on the Consolidated Financial Statements of the VAMED group.

In May 2011, the IASB issued IFRS 12, Disclosure of Interests in Other Entities, and modified the relevant transitional provisions in June 2012. The standard gathers all disclosure requirements for interests held in other entities, including joint arrangements. In accordance with IASB guidance, IFRS 12 is effective retrospectively for fiscal years beginning on or after January 1, 2013; an earlier adoption is permitted concurrently with IFRS 10, IFRS 11 and IAS 28 (as amended in 2011). Under EU law, the date as of when first application becomes mandatory was postponed to January 1, 2014. The VAMED group applies IFRS 12 as of January 1, 2014. There were no effects on the Consolidated Financial Statements of the VAMED group.

aa) Recent pronouncements not yet applied

The IASB issued the following new standards and interpretations relevant for the VAMED group that are applicable at the earliest for fiscal years starting on or after January 1, 2015:

In September 2014, the IASB issued Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures (2011)). This amendment addresses the inconsistency between the requirements of IFRS 10 and IAS 28 and clearly states that the scope of recognition of gains and losses in connection with transactions with an associate company or a joint venture company is dependent on whether the assets disposed of or contributed constitute a business under IFRS 3, Business Combinations. In case of a loss of control of a business as defined in IFRS 3, the full gain or loss resulting from the transaction is recognized. Where the transaction refers to assets that do not constitute a business, only the pro-rated gain is recognized. The IFRS 10 and IAS 28 amendments are effective for fiscal years beginning on or after January 1, 2016; an earlier adoption is permitted. The VAMED group will apply the amendments as of January 1, 2016.

The VAMED group is currently not expecting any effects on the Consolidated Financial Statements.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. Simultaneously, the Financial Accounting Standards Board (FASB) published its equivalent update of the accounting standard Accounting Standards Update 2014-09 (ASU 2014-09), FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. These two standards are the result of a major convergence project between FASB and the IASB. IFRS 15 specifies how and when companies reporting under IFRS will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a series of revenue-related interpretations. The standard applies to nearly all contracts with customers; major exceptions are lease contracts, financial instruments, and insurance contracts. The new standard is effective for fiscal years beginning on or after January 1, 2017. Earlier adoption is permitted. The VAMED group is currently looking into effects on the Consolidated Financial Statements.

In May 2014, the IASB issued Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations. The amendments add new guidance on accounting for the acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, Business Combinations. In such cases, all of the principles on business combinations accounting in IFRS 3 and other relevant IFRSs have to be applied, except for those principles that conflict with the guidance in IFRS 11. In addition, the acquirer shall disclose the information required by IFRS 3. Those amendments shall be applied prospectively for fiscal years beginning on or after January 1, 2016. Earlier adoption is permitted. The VAMED group is currently looking into effects on the Consolidated Financial Statements.

In December 2011, IASB issued Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7). The amendments to IFRS 9 defer the mandatory effective date of IFRS 9 from January 1, 2013, to January 1, 2015. Earlier adoption is permitted. This mandatory effective date has been canceled in connection with another amendment issued in November 2013. The amendments to IFRS 7 relieve entities from restating previous year's financial statements. Instead, additional disclosures may be made in the Notes. The VAMED group will take account of these guidelines upon the first application of IFRS 9.

In November 2009, the IASB issued IFRS 9, Financial Instruments for the accounting of financial assets, which replaces the IAS 39 financial asset categories with two categories. Financial instruments that have basic loan features and are managed on a contractual yield basis must be measured at amortized cost. All other financial instruments are measured at fair value through the Income Statement. Changes in value of strategic investment in equity instruments can be presented as Other Comprehensive Income (Loss). In October 2010, the IASB issued additions to IFRS 9, Financial Instruments for the accounting of financial liabilities. These additions complete the classification and measurement of financial instruments phase of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new guidance requires entities that choose to measure financial liabilities at fair value to generally present changes in the entity's own credit risk in Other Comprehensive Income (loss). Other current accounting guidance for financial liabilities has been maintained. In November 2013, the IASB issued additions to IFRS 9, Financial Instruments, by introducing a new general hedge accounting model. This new model enables entities to reflect their risk management activities more flexibly. For liabilities elected to be measured at fair value, the changes to IFRS 9 introduce the possibility to recognize gains and losses, caused by a worsening in an entity's own credit risk, no longer in the Income Statement. The accounting for liabilities can be changed before applying any of the other requirements in IFRS 9. Furthermore, the IASB canceled the mandatory first application date of January 1, 2015. In June 2014, the IASB issued a new version of IAS 9, Financial Instruments. This IFRS 9 version is considered the final and complete version, thus, mainly replacing IAS 39 as soon as IFRS 9 is applied. It includes all prior guidance on the classification and measurement of financial assets and financial liabilities as well as hedge accounting and introduces requirements for impairment of financial instruments as well as modified requirements for the measurement categories of financial assets. The impairment provisions reflect a model that relies on expected losses (expected loss model). This model comprises a two stage approach: Upon recognition an entity shall recognize losses that are expected within the next twelve months. If credit risk deteriorates significantly, from that point in time impairment losses shall amount to lifetime expected losses. The provisions for classification and measurement are amended by introducing an additional third measurement category for certain debt instruments. Such instruments shall be measured at fair value with changes recognized in other comprehensive income (fair value through other comprehensive income). The standard is accompanied by additional disclosure requirements and is effective for fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The VAMED group is currently looking into effects on the Consolidated Financial Statements.

The EU Commission's endorsements of IFRS 9, IFRS 15 and of the amendments to IFRS 10, IAS 28, IFRS 11 and IFRS 7 are still outstanding.
All other pronouncements issued by the IASB have been reviewed and, as expected, they do not impact the Consolidated Financial Statements of the VAMED group.
As a rule, the VAMED group does not apply reporting standards before their application has been made mandatory.

IV. Critical accounting policies

In the opinion of the Management of the VAMED group, the following accounting policies and topics are critical for the consolidated financial statements in the present economic environment. The influences and judgments as well as the uncertainties which affect them are also important factors to be considered when looking at present and future operating earnings of the VAMED group.

a) Recoverability of goodwill and intangible assets with indefinite useful lives

The amount of intangible assets, including goodwill and trade names, represents a considerable part of the total assets of the VAMED group. As at December 31, 2014, and December 31, 2013, the carrying amounts of these items were € 99.3 million and € 85.2 million, respectively. This represented 11.1 % and 11.7 % of the balance sheet total and 34.9 % and 32.4 % of equity.

Impairment tests of goodwill and non-amortizable intangible assets with indefinite useful lives are performed at least once a year, or if events occur or circumstances change that would indicate the carrying amount might be impaired. To determine possible impairments of these assets, the fair value of the CGUs is compared to their carrying amounts. The fair value of each CGU is determined using estimated future cash flows for the unit, discounted by a weighted average cost of capital (WACC). Determining the discounted future cash flows involves significant assumptions, especially regarding future sales prices, quantities sold, and costs. In determining discounted cash flows, the VAMED group utilizes for every reporting unit its three-year budget, projections for years four to ten, and a corresponding growth rate for all remaining years. These growth rates are assumed to be about 1.0 % at a planned income tax rate for the group of approx. 27 %. In the VAMED group, WACC (after income tax) is 4.86 %. Country-specific adjustments did not occur. In case the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of such CGU's goodwill. An increase of the WACC by 0.5 % would not have resulted in the recognition of an impairment loss in the year under review.

A prolonged downturn in the health care industry with sales prices below expectations and/or the costs of the provisions of services and the implementation of construction projects exceeding expectations could adversely affect the VAMED group's estimation of future cash flows in specific sectors. Future adverse changes in a reporting unit's economic environment could affect the discount rate. A possible consequence could be a negative influence of additional goodwill impairment losses on the VAMED group's future operating results.

b) Legal contingencies

The VAMED group is not involved in any litigation resulting from the ordinary course of its business, the outcome of which may have a material effect on the financial position, results of operations or cash flows of the VAMED group. See also "III. Summary of significant accounting principles, item r) Legal contingencies".

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable, net of allowance, were € 193.1 million and € 148.0 million in 2014 and 2013, respectively. The allowance for doubtful accounts was € 8.7 million and € 7.3 million as of December 31, 2014 and December 31, 2013, respectively.

2. Acquisitions and divestitures

In the year under review, the following company was acquired and included in the consolidated group:

- KHD kneipp-hof Dussnang AG,
  Fischingen, Switzerland

The inclusion of KHD in the consolidated group and the acquisition of the companies Melnik and CLPA during the fiscal year 2013, on the basis of a preliminary PPA (purchase price allocation), had the following effects on sales, earnings, and the balance sheet (in € million):

Sales	23.6
EBITDA	2.7
EBIT	2.0
Net interest	-0.1
Net income	1.7
Balance sheet total	14.9

In the year under review there were no disposals of consolidated companies.

NOTES ON THE INCOME STATEMENT

(all figures in T€, except for staff numbers)

3. Sales

Sales by division were as follows:

	2014	2013
Project business	557,884	583,127
Service business	484,399	437,293
Sales	**1,042,283**	**1,020,420**

Sales broken down by regions:

	2014	2013
Austria	402,476	414,271
Germany	154,624	128,041
Other European countries	250,170	227,937
Africa	117,593	116,627
Latin America	32,742	49,072
Asia	84,678	84,472
Sales	**1,042,283**	**1,020,420**

4. Cost of sales

Cost of sales comprised the following:

	2014	2013
Personnel	258,914	222,238
Material and third-party services, depreciation and amortization	644,826	667,387
Cost of sales	**903,740**	**889,625**

5. Personnel expenses

Cost of sales, selling and general administrative expenses included personnel expenses of T€ 303,855 and T€ 266,929 in 2014 and 2013, respectively.

	2014	2013
Wages and salaries	238,091	209,036
Social security contributions, cost of retirement benefits (incl. severance payments) and other personnel expenses	65,764	57,893
Personnel expenses	**303,855**	**266,929**

The VAMED group's annual average number of employees by function is shown below:

	2014	2013
Production and services	6,880	5,828
General administration	560	506
Sales and marketing	89	88
Total employees (heads)	**7,529**	**6,422**

6. Selling and general administrative expenses

Selling and general administrative expenses are broken down as follows:

	2014	2013
Selling expenses	18,586	25,531
General administrative expenses	62,267	52,298
Selling and general administrative expenses	**80,853**	**77,829**

7. Other expenses, other income

Other expenses mainly include effects of exchange rate changes and of the revaluation of guarantee obligations, money transfer costs and bank guarantee costs.

Other income mainly includes income from investments, gains from the sale of property, plant, and equipment as well as intangible assets, exchange rate gains, income from insurance recovery payments, revaluation of guarantees and other operating income.

8. Interest income

Interest income results mainly from investments in the parent companies FSE and FPS, lendings and loans to non-consolidated group companies, as well as interest on bank deposits.

9. Interest expenses

Interest expenses result mainly from local and project-related interim financing and, vis-à-vis FSE and FPS, in connection with the acquisition of investments.

10. Income taxes

In the year under review, the corporate tax rate in Austria has remained unchanged against the previous year at 25 %.

A reconciliation between the expected and actual income tax expense is shown below.

The expected corporate income tax expense is computed by applying the Austrian corporate tax rate on income before income taxes and non-controlling interests.

	2014	2013
Computed 'expected' income tax expense	14,512	13,069
Increase (reduction) in income taxes resulting from: Items not recognized for tax purposes	1,924	1,258
Foreign tax rate differentials	146	-551
Tax-free income	-751	-690
Taxes for previous years	35	1,537
Other	-120	-951
Income tax according to income statement	**15,746**	**13,672**
Effective tax rate	27.1 %	26.2 %

Income tax expenses for the reporting years consisted of the following:

	2014			2013		
	Current tax	Deferred tax	Income tax	Current tax	Deferred tax	Income tax
Austria	4,771	2,569	7,340	5,649	1,322	6,972
Germany	3,923	-258	3,665	3,767	-1,022	2,745
Other foreign countries	4,861	-120	4,741	4,892	-937	3,955
Total	**13,555**	**2,191**	**15,746**	**14,309**	**-637**	**13,672**

Deferred taxes
The tax effects of the temporary valuation differences that give rise to deferred tax assets and liabilities mainly result from the valuation of balance sheet items according to the PoC method (accounts receivable, inventories, and project-related accruals) and the valuation of social capital provisions.

As at the balance sheet date, deferred tax assets amount to T€ 13,228, deferred tax liabilities to T€ 19,092, resulting in net deferred tax liabilities of T€ 5,864.

As at the balance sheet date, deferred tax assets from loss carryforwards are recognized in the amount of T€ 7,897. In the previous period, that amount was T€ 5,873. According to budgets, the loss carryforwards meet the criteria for recognition and will be used up over the next five years.

VAMED AG and its subsidiaries are subject to tax audits on a regular basis.
In the year under review, ten group companies were subject to tax audits; three of these audits were completed.

Non-controlling interests are held in API, HCC, HSB, HMT, NFM, NTG, TAU, VSB, and in the MED subsidiaries NTV and ALM; their profit shares are shown under non-controlling interests.

NOTES ON THE BALANCE SHEET

Notes on current assets (all figures in T€)

12. Cash and cash equivalents

As at December 31, 2014 and December 31, 2013, cash and cash equivalents did not include restricted items.

13. Trade accounts receivable

As at December 31, trade accounts receivable were as follows:

	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Trade accounts receivable	189,749	12,056	201,805	144,276	11,009	155,285
Less allowance for doubtful accounts	-8,277	-407	-8,684	-6,676	-668	-7,344
Trade accounts receivable, net	**181,472**	**11,649**	**193,121**	**137,600**	**10,341**	**147,941**

Accounts receivable of T€ 193,121 include T€ 1,798 (previous period: T€ 2,971) related to Libyan projects. As to their recoverability, see Note 15. Inventories.

14. Accounts receivable from and loans to related parties

As at December 31, these receivables were as follows:

	2014	2013
Trade accounts receivable	8,236	8,714
Receivables from financing and other clearing	43,309	31,977
Accounts receivable from and loans to related parties	**51,545**	**40,691**

As at December 31, 2014, and December 31, 2013, this item included receivables from the group companies FPS, FSE, and Netcare and the segments Fresenius Medical Care, Kabi, and Helios, in the amount of T€ 42,801 and T€ 31,343, respectively.

15. Inventories

As of December 31, inventories consisted of the following:

	2014	2013
Raw materials and purchased components	2,112	1,377
Services not yet invoiced valued acc. to CCM	52,888	43,355
valued acc. to PoC	178,129	88,226
Finished goods	2,037	2,086
Changes in inventories	**235,166**	**135,044**

Advance payments from customers that could be directly allocated to individual projects were offset against the gross amount of services not yet invoiced.

As at December 31, 2014, and December 31, 2013, advance payment offset amounts totaled T€ 426,577 and T€ 247,951, respectively.

Total inventories, amounting to T€ 235,166, include T€ 19,909 for Libyan projects. This means that, from 2013 to 2014, inventories for Libyan projects fell by T€ 2,496. In connection with one long-term project, for which a Restart Agreement was signed in 2012, a further partial delivery was effected to Libya and paid in full by the customer in the year under review. The Management assumes the continued implementation of orders and the recoverability of both inventories and accounts receivable.

The companies of the VAMED group are obliged to purchase T€ 71,655 of goods and services on fixed terms, of which, on December 31, T€ 69,219 was committed for purchases for 2015. The terms of these agreements do not exceed 22 years. VAMED's purchase obligations that are matched by same-size purchase obligations on the customers' part are not shown.

VAMED also has contingent purchase obligations vis-à-vis suppliers in connection with construction projects the fulfilling of which is linked to the implementation of projects with final customers so that these amounts are not shown.

16. Prepaid expenses and other current and non-current assets

As at December 31, prepaid expenses and other current and non-current assets comprised the following:

	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Prepayments	15,132	183	15,315	22,165	91	22,256
Receivables from fiscal authorities	8,177	459	8,636	7,525	9	7,534
Interest receivable	28	0	28	2	0	2
Prepaid expenses	5,913	13,570	19,483	6,635	15,329	21,964
Derivative financial instruments	223	0	223	22	0	22
Investments and long-term loans	0	73,570	73,570	0	70,076	70,076
Other assets	25,702	14,311	40,013	14,767	13,932	28,699
Prepaid expenses and other assets, gross	**55,175**	**102,093**	**157,268**	**51,116**	**99,437**	**150,553**
Less allowances	-538	0	-538	-295	0	-295
Prepaid expenses and other current and non-current assets	**54,637**	**102,093**	**156,730**	**50,821**	**99,437**	**150,258**

The item 'Investments and long-term loans' includes investments in non-consolidated companies (in accordance with the List of Investments) as well as long-term loans to non-consolidated companies.

Depreciations on these assets in the amount of T€ 581 and T€ 225 were recognized in the fiscal years 2014 and 2013, respectively.

'Other non-current assets' also includes the long-term part of accounts receivable in the amount of T€ 11,649 (previous period: T€ 10,341).

Notes on non-current assets (all figures in T€)

17. Property, plant and equipment

As at December 31, 2014, and December 31, 2013, the acquisition and manufacturing costs as well as accumulated depreciation of property, plant and equipment consisted of the following:

Acquisition and manufacturing costs	As at January 1, 2014	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2014
Land and land facilities	2,052	3,460	0	-30	-14	**5,468**
Buildings and improvements	38,025	17,726	1,371	-166	-121	**56,835**
Machinery, equipment and rental equipment under capital leases	53,681	2,798	5,829	-3,504	-143	**58,661**
Construction in progress	1,224	15	307	-63	-12	**1,471**
Total	**94,981**	**23,999**	**7,507**	**-3,763**	**-289**	**122,435**

Depreciation and amortization	As at January 1, 2014	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2014
Land and land facilities	0	0	0	0	0	**0**
Buildings and improvements	14,418	0	2,404	-103	-3	**16,716**
Machinery, equipment and rental equipment under capital leases	34,546	0	6,204	-3,427	-58	**37,265**
Construction in progress	0	0	0	0	0	**0**
Total	**48,965**	**0**	**8,608**	**-3,530**	**-61**	**53,981**

Acquisition and manufacturing costs	As at January 1, 2013	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2013
Land and land facilities	775	1,282	11	0	-16	**2,052**
Buildings and improvements	27,275	5,938	5,645	-371	-461	**38,025**
Machinery, equipment and rental equipment under capital leases	48,650	3,237	6,085	-3,089	-1,202	**53,681**
Construction in progress	2,920	733	-2,056	-34	-339	**1,224**
Total	**79,619**	**11,189**	**9,685**	**-3,494**	**-2,018**	**94,981**

Depreciation and amortization	As at January 1, 2013	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2013
Land and land facilities	0	0	0	0	0	**0**
Buildings and improvements	13,139	51	1,595	-318	-48	**14,418**
Machinery, equipment and rental equipment under capital leases	32,397	168	5,497	-3,012	-504	**34,546**
Construction in progress	0	0	0	0	0	**0**
Total	**45,536**	**219**	**7,091**	**-3,330**	**-552**	**48,965**

Carrying amounts	December 31, 2014	December 31, 2013
Land and land facilities	5,468	2,052
Buildings and improvements	40,119	23,606
Machinery, equipment and rental equipment under capital leases	21,396	19,135
Construction in progress	1,471	1,224
Total	**68,454**	**46,016**

Depreciation and amortization are allocated within cost of sales, selling and general administrative expenses, depending upon the area in which the asset is used.

Leasing

'Machinery, equipment and rental equipment under capital leases' includes amounts for leased movable assets and for buildings. As at December 31, 2014, and December 31, 2013, the carrying amounts of these items were T€ 2,600 and T€ 2,816, respectively.

18. Goodwill and other intangible assets

As at December 31, 2014, and December 31, 2013, the acquisition and manufacturing costs as well as accumulated amortization of intangible assets consisted of the following:

Acquisition and manufacturing costs	As at January 1, 2014	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2014
Goodwill (non-regular amortization)	85,805	14,164	0	0	0	**99,969**
Other (regular amortization)	21,317	177	2,345	-170	7	**23,676**
Total	**107,122**	**14,341**	**2,345**	**-170**	**7**	**123,645**

Depreciation and amortization	As at January 1, 2014	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2014
Goodwill (non-regular amortization)	625	0	0	0	0	**625**
Other (regular amortization)	15,610	0	2,795	-170	7	**18,242**
Total	**16,235**	**0**	**2,795**	**-170**	**7**	**18,867**

Acquisition and manufacturing costs	As at January 1, 2013	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2013
Goodwill (non-regular amortization)	77,904	7,901	0	0	0	**85,805**
Other (regular amortization)	20,201	661	1,694	-1,178	-61	**21,317**
Total	**98,105**	**8,562**	**1,694**	**-1,178**	**-61**	**107,122**

Depreciation and amortization	As at January 1, 2013	Changes in entities consolidated	Additions/ Transfers	Disposals	Foreign currency translation	As at December 31, 2013
Goodwill (non-regular amortization)	625	0	0	0	0	**625**
Other (regular amortization)	13,657	166	3,000	-1,178	-35	**15,610**
Total	**14,282**	**166**	**3,000**	**-1,178**	**-35**	**16,235**

Carrying amounts	December 31, 2014	December 31, 2013
Goodwill (non-regular amortization)	99,344	85,180
Other (regular amortization)	5,434	5,707
Total	**104,778**	**90,887**

19. Other non-current assets

This item mainly shows interests in non-consolidated companies as well as loans to non-consolidated investments and non-current prepaid expenses. As for a breakdown, see Note 16.

20. Trade accounts payable

Trade accounts payable are mainly project business related.

21. Accounts payable to related parties

Accounts payable include amounts payable to consolidated FSE companies of T€ 179 (previous period: T€ 875) and to non-consolidated companies of T€ 3,915 (previous period: T€ 694).

22. Accrued expenses

As at December 31, short and long-term accruals consisted of the following:

	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Personnel expenses	18,341	32,593	50,934	18,145	28,567	46,712
Warranty	1,179	80	1,259	713	80	793
Invoices outstanding	37,227	3,511	40,738	48,043	4,190	52,233
Other accrued expenses	8,581	507	9,088	12,921	1,017	13,939
Accrued expenses	**65,328**	**36,691**	**102,019**	**79,822**	**33,854**	**113,677**

The following table shows the development of accrued expenses in the fiscal year:

	As at January 1, 2014	Changes in entities consolidated	Additions	Transfer	Consumption	Dissolution	As at December 31, 2014
Personnel expenses	46,712	1,116	13,950	0	-8,930	-1,914	50,934
Warranty	793	0	1,205	0	-115	-624	1,259
Invoices outstanding	52,233	891	33,188	0	-36,723	-8,851	40,738
Other accrued expenses	13,939	6	7,068	0	-10,475	-1,450	9,088
Accrued expenses	**113,677**	**2,013**	**55,412**	**0**	**-56,244**	**-12,839**	**102,019**

Accruals for personnel expenses mainly refer to bonuses, severance payments, anniversary bonuses, holidays not yet taken and obligations to make additional contributions to pension funds.

Warranty-related accruals refer to warranty claims under construction and service projects.

Accruals for invoices not yet paid mainly refer to suppliers' services already provided but not yet invoiced.

Other accrued expenses comprise auditing and consultation services, interest, and other non-project-related expenditure.

23. Other liabilities and advance payments received

As at December 31, other liabilities and advance payments received consisted of the following:

	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Social-security-related liabilities	5,285	0	5,285	4,735	0	4,735
Personnel liabilities	5,259	193	5,452	1,997	82	2,079
Tax liabilities	18,622	0	18,622	17,045	0	17,045
Non-current trade accounts payable	0	3,565	3,565	0	4,444	4,444
Deferred income	7,259	685	7,944	5,171	1,099	6,270
Derivative financial instruments	1,645	0	1,645	132	0	132
Miscellaneous other liabilities	9,645	4,268	13,913	11,335	4,065	15,400
Other liabilities	**47,715**	**8,711**	**56,426**	**40,415**	**9,690**	**50,105**
Advance payments received	**52,584**	**10,678**	**63,262**	**24,344**	**582**	**24,926**

24. Debt and liabilities from capital lease obligations

a) Short-term borrowings from third parties

These borrowings refer to short-term interim financing.

b) Long-term debt and liabilities from capital lease obligations

As at December 31, long-term debt and liabilities from capital lease obligations consisted of the following:

	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Long-term borrowings	1,681	20,443	22,124	874	2,656	3,530
Lease obligations	169	592	761	193	605	798
Long-term debt and liabilities from capital lease obligations	**1,850**	**21,035**	**22,885**	**1,067**	**3,261**	**4,328**

c) Short-term and long-term borrowings from related parties

This item shows short-term and long-term borrowings from FPS.

25. Short-term accruals for income taxes

This item shows expected tax liabilities (less prepayments effected).

26. Pensions and similar obligations

Guaranteed benefit obligations have largely been transferred to pension funds. Benefit claims (pension) are contingent on period of service and compensation received. Accrued amounts refer to active beneficiaries as well as former employees and dependents.

In addition to defined benefit plans there are also defined contribution plans, with regard to which payments (dependent on employees' own contributions) are effected to pension funds. For defined contribution plans there are no liabilities exceeding continuous contribution payments so that no accruals or liabilities are shown.

External experts are in charge of determining accrued amounts (for companies in Austria this is done by Mercer (Austria) GmbH on the basis of the 'AVOE 2008 - Employees' mortality tables).

The following table shows the changes in benefit obligations, the changes in plan assets and the funded status of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans, while the benefits paid as shown in the changes in plan assets include only benefit payments from VAMED group's funded benefit plans.

	2014	2013
Benefit obligations at the beginning of the year	**47,181**	**38,283**
Changes in entities consolidated	7,957	2,425
Foreign currency translation	550	-287
Service cost	1,903	1,363
Prior service cost	-1	0
Interest cost	1,376	1,281
Contributions by plan participants	934	716
Transfer	902	3,248
Revaluation gains (-) and losses (+)	7,789	2,183
Thereof adjustments according to experience	35	29
Thereof changes in financial assumptions	7,754	2,154
Benefits paid	-2,832	-2,031
Amendments	0	0
Benefit obligations at the end of the year	**65,759**	**47,181**
Thereof vested	46,928	36,057
Fair value of plan assets at the beginning of the year	**29,859**	**25,489**
Changes in entities consolidated	6,556	34
Foreign currency translation	433	-230
Interest income arising from plan asset	1,009	695
Revaluation gains (+) and losses (-)	392	639
Contributions by the employer	1,699	1,726
Contributions by plan participants	934	716
Transfer	902	2,676
Benefits paid	-2,641	-1,886
Fair value of plan assets at the end of the year	**39,143**	**29,859**
Funded status as of December 31	**26,616**	**17,322**

The plan assets are neither used by the staff of the VAMED group nor invested in the VAMED group.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

	2014	2013
Discount rate	1.74 %	2.69 %
Rate of compensation increase	1.86 %	2.00 %
Rate of pension increase	0.85 %	1.02 %

In the year under review, benefit costs in the amount of T€ 2,270 (previous period: € 1,949) accrued for VAMED group's defined benefit pension plans, which are composed as follows:

	2014	2013
Service cost	1,903	1,363
Interest cost, net	367	586
Net periodic benefit cost	**2,270**	**1,949**

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling and general administrative expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions (based on the valuation as at December 31 of the preceding year) were used in determining net periodic benefit cost (NPPC) for the current year:

	2014	2013
Discount rate	2.69 %	3.06 %
Rate of compensation increase	2.00 %	2.09 %
Rate of pension increase	1.02 %	1.05 %

Losses in connection with accumulated benefit obligations mainly result from changes in the discount rates on which actuarial computations are based. For the Austrian companies, computation is based on the 'AVOE 2008 - Employees' mortality tables.

Sensitivity analysis

A rise or fall in essential actuarial assumptions by 0.5 points would have the following effects on pension obligations as at December 31, 2014:

Development of pension obligation	0.5 points rise	0.5 points fall
Discount rate	-4,774	5,301
Rate of compensation increase	684	-1,170
Rate of pension increase	3,687	-1,930

Sensitivity calculations are based on the average term of pension obligations as at December 31, 2014. Calculations were performed separately for the most important actuarial parameters in order to show their respective effects on the present value of pension obligations as at December 31, 2014.

The following table shows the expected future benefit payments:

Expected benefit payments	**For the fiscal years**
3,206	2015
3,297	2016
3,190	2017
3,107	2018
3,128	2019
17,873	2020 to 2024
Total **33,801**	**for the next 10 years**

Plan investment policy and strategy

Plan assets are managed exclusively by the pension funds in accordance with their respective investment strategies and are broken down as follows:

	2014	2013
Investment fund for shares	26.40%	26.14%
Bond funds	44.61%	46.75%
Real estate funds	12.02%	12.04%
Other	16.97%	15.06%

The 'Other' portion of the plan assets is determined on the basis of Level 1 and 2 ('Fair Value Measurement', approx. 29 % and 71 %, respectively).

Defined contribution plans

VAMED group's total expense under defined contribution plans for the year under review was T€ 1,387 (previous period: T€ 1,320).

The main part relates to the Austrian plan, which employees of the VAMED group's lead companies can join. Employees can deposit up to 5 % of their pay, and the company contributes 100 % of the employee's contribution.

27. Shareholders' equity

Subscribed capital

There were no changes of the subscribed capital in the year under review.

Capital reserve

The capital reserve shows the capital reserve from the consolidated financial statements of VAMED AG as at December 31, 2007 (according to the Austrian Business Code), plus additions from the first entry of the goodwill (at parent company level), as well as one subsidiary's capital reserve , which is not available for distribution.

Other reserves

Other reserves comprise earnings generated by group entities in the reporting year and in prior years to the extent that they have not been distributed.

Dividends

Under the Austrian Companies Act, the amount of dividends available for distribution to shareholders is based upon the net profit as shown in VAMED AG's financial statements drawn up under the Austrian Business Code.

28. Other Comprehensive Income (Loss)

	Before taxes January 1, 2014	Changes	Before taxes December 31, 2014	Tax effect January 1, 2014	Changes	Tax effect December 31, 2014	After taxes January 1, 2014	After taxes December 31, 2014
Cash flow hedges	-71	-1,566	-1,637	18	473	491	-53	-1,146
Foreign currency translation	-1,651	-1,390	-3,041	0	0	0	-1,651	-3,041
Actuarial losses on defined pension plans	-11,921	-7,397	-19,318	2,748	1,473	4,221	-9,173	-15,097
Other items (mainly severance pay provisions)	-6,262	-2,030	-8,292	1,402	519	1,921	-4,860	-6,371
Other Comprehensive Income (Loss)	**-19,905**	**-12,383**	**-32,288**	**4,168**	**2,465**	**6,633**	**-15,737**	**-25,655**

OTHER NOTES

29. Commitments, contingent liabilities

Operating leases and rental payments

The companies of the VAMED group lease office buildings as well as machinery and equipment under various lease agreements expiring on dates through 2049. Rental expenses in 2014 amounted to T€ 26,656, in the previous period to T€ 23,130. For the first to the fifth subsequent year, obligations under these contracts amount to T€ 69,181, then to T€ 81,904 (previous period: T€ 56,645, and T€ 64,207).

The VAMED group has contingent liabilities in an assessable amount of € 37.7 million max. (previous period: € 45.8 million) resulting from guarantees and similar obligations (mainly in connection with various construction and service projects). No amount is indicated for those additional contingent liabilities that, as at the balance sheet date, could not be assessed in the light of the circumstances.

Legal proceedings

In the year under review, the companies of the VAMED group were not involved in any legal proceedings (neither as plaintiff nor as defendant) of material importance for future business performance. All foreseeable risks resulting from such proceedings have been covered by write-downs and accruals, or insurance contracts.

30. Financial instruments

Valuation of financial instruments

Cash and cash equivalents are stated at nominal value, which equals the fair value.

Short-term financial instruments like accounts receivable and payable, and short-term borrowings, are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

Valuation of derivatives (foreign currency forwards) is done on the basis of a comparison of the contracted forward rate with the forward rate as at the balance sheet date for the remaining term of the contract. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the respective currency. The VAMED group is exposed to risks related to foreign exchange fluctuations in connection with its international business activities that are partly denominated in currencies other than the euro. In order to manage foreign exchange rate fluctuation risks, the VAMED group enters into certain hedging transactions with highly rated banks or the parent's Treasury.

Market risk

The VAMED group has determined the euro as its financial reporting currency. The international activities of the group companies result in transaction risks that relate to sales and purchases denominated in foreign currencies. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the VAMED group enters into foreign exchange forward contracts. These hedging transactions were recognized as cash flow hedges. The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product and service purchases and sales is reported in Accumulated Other Comprehensive Income (Loss).

Credit risk

The VAMED group has a major exposure on the merits of loss of receivables. This risk is administered through careful credit rating throughout the entire project phase, consistent receivables management, taking out insurance cover (wherever possible), and by outsourcing the financing risk.

Liquidity risk

The VAMED group uses effective working capital and cash management to control liquidity in order to ensure discharge of existing and future financial obligations. In light of cash and cash equivalents and receivables from cash pooling and investments as existent on the balance sheet date and the financing structure of construction projects, the Management of the VAMED group believes these items as well as the cash generated by operating activities and additional short-term borrowings to be sufficient to meet the foreseeable demand for liquidity of the VAMED group.

31. Supplementary information on capital management

The VAMED group has a solid financial profile. The need for debt (in the form of intra-group borrowing and bank loans) mainly arose in connection with the acquisition of new companies. As a result of the receipt of advance payments and of payments as work progresses, there is little need for debt in the project business division.
Due to the company's diversification within the health care sector and its strong market positions in global, growing and non-cyclical markets, fundamentally predictable and sustainable cash flows are generated. VAMED group's customers are almost invariably of high credit quality. Moreover, the downpayments and provision of security received in the majority of transactions ensure that cash flows can be planned with reasonable certainty. Further details on the development of shareholders' equity and debt are given in the Management Report under '1.3 Results of operations, financial position, assets and liabilities of the VAMED group'.

32. Notes on division reporting

The VAMED group has identified the business divisions 'Project Business' and 'Service Business', which corresponds to internal organizational and reporting structures (management approach) as at December 31 of the year under review.

Sales and proceeds between the business divisions are principally at arm's length. Administrative services are billed in accordance with service level agreements.

33. Related party transactions

In the year under review, there were no business transactions between companies of the VAMED group and Executive or Supervisory Board members of VAMED AG.

34. Subsequent events

Since the end of the fiscal year, there have been no significant changes in the VAMED group's corporate position or operating environment. At present, there are no plans to carry out any significant changes in the group's structure, administration, legal form, or in the area of personnel.

35. Compensation report

The Executive Board's total compensation amounted to T€ 1,967 (previous period: T€ 1,858).

In the year under review, no loans or advance payments on future compensation elements were made to members of VAMED AG's Executive Board.

36. Information on the Supervisory Board

Members of the Supervisory Board in the year under review:

Supervisory Board:
Dr. Gerd Krick (Chairman)
Dkfm. Stephan Sturm (Deputy Chairman)
Dr. Robert Hink
KR Karl Samstag
Mag. Andreas Schmidradner

Employees' representatives:
Josef Artner
Otto Hager (until December 12, 2014)
Mag. (FH) Thomas Hehle (as of December 12, 2014)
Ing. Robert Winkelmayer

The Supervisory Board compensation is fixed by the VAMED AG General Meeting and in the year under review amounted to T€ 103 (previous period: T€ 89).

37. Auditor's fees

In 2014 and 2013, the fees for the auditor Deloitte Audit Wirtschaftsprüfungs GmbH, Vienna, and other Deloitte companies abroad, were expensed as follows:

	2014		2013	
	Total	Thereof Austria	Total	Thereof Austria
Audit fees	299	206	289	199
Tax consulting fees	13	0	54	0
Other fees	161	161	138	133
Total auditor's fee	**473**	**367**	**481**	**332**

38. Investments

VAMED AG's investments are listed in the Annex to the Notes.

39. Responsibility statement

"To the best of our knowledge, and in accordance with applicable reporting principles, the consolidated financial statements of the VAMED group give a true and fair view of the assets, liabilities, financial position and profit or loss of the VAMED group, and the Management Report includes a fair review of the development and performance of the business and the position of the VAMED group, together with a description of the principal opportunities and risks associated with the expected development of the VAMED group."

Vienna, February 27, 2015

The Executive Board

Dr. Ernst Wastler
Chairman of the Executive Board

Mag. Wolfgang Kaltenegger
Member of the Executive Board

Mag. Gottfried Koos
Member of the Executive Board

MMag. Andrea Raffaseder
Member of the Executive Board

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2014

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

Consolidated companies:

Abbreviation	Company, location	Capital interest %
VAG	VAMED AG, Vienna, Austria	
ALM	ALMEDA, a.s., Neratovice, Czech Republic	76.00
API	API Betriebs gemeinnützige GmbH, Vienna, Austria	60.00
HCC	H.C. Hospital Consulting S.p.A., Bagno a Ripoli (Florence), Italy	92.71
CLP	Centrum léčby pohybového aparátu, s.r.o., Prague, Czech Republic	100.00
GHG	Gmundnerberg Holding GmbH, Bad Sauerbrunn, Austria	100,00
hi	hospitalia international gmbh, Bad Homburg v.d.H., Germany	100.00
HMT	HERMED Medizintechnik Schweiz AG, Rapperswil-Jona, Switzerland	56.00
HSB	Heilbad Sauerbrunn Betriebsgesellschaft m.b.H., Bad Sauerbrunn, Austria	95.00
HTB	HERMED Technische Beratungs GmbH, Kirchheimbolanden, Germany	100.00
KHD	kneipp-hof Dussnang AG, Fischingen, Switzerland	100.00
KLB	Krankenhaus-Logistik Berlin-Brandenburg-Niedersachsen GmbH, Bad Saarow, Germany	100.00
KLS	Krankenhaus-Logistik Schleswig-Holstein GmbH, Damp, Germany	100.00
KSB	Krankenhaus-Sterilisation Berlin GmbH, Bad Saarow, Germany	100.00
KSW	Krankenhaus-Sterilisation Baden-Württemberg GmbH, Mühlheim, Germany	100.00
KSM	Krankenhaus-Service Mecklenburg-Vorpommern GmbH, Stralsund, Germany	100.00
KTB	Krankenhaus-Technik Berlin-Brandenburg-Niedersachsen GmbH, Bad Saarow, Germany	100.00
KTL	Krankenhaus-Technik-Logistik Mecklenburg-Vorpommern GmbH, Schwerin, Germany	100.00
KTN	Krankenhaus-Technik Nordrhein-Westfalen GmbH, Bad Berleburg, Germany	100.00
KTS	Krankenhaus-Technik Schleswig-Holstein GmbH, Damp, Germany	100.00
KTT	KTT Krankenhaus-Technik Thüringen GmbH, Erfurt, Germany	100.00
MED-H	VAMED MEDITERRA a.s., Prague, Czech Republic	100.00
MED	MEDITERRA s.r.o., Prague, Czech Republic	100.00
MEL	Mělnická zdravotní, a.s., Mělnik, Czech Republic	100.00
NET	MEDNET s.r.o., Prague, Czech Republic	100.00
NFM	Niederösterreichische Facility Management GmbH, Wiener Neustadt, Austria	60.00
NSZ	Nemocnice sv. Zdislavy, a.s., Velké Meziříčí, Czech Republic	100.00
NTG	Neurologisches Therapiezentrum Gmundnerberg GmbH, Altmünster, Austria	60.00
NTK	Neurologisches Therapiezentrum Kapfenberg GmbH, Kapfenberg, Austria	90.00
NTV	Nemocnice Tanvald, s.r.o., Tanvald, Czech Republic	0.30
PKS KG	PKS Privatklinik Salzburg GmbH & Co KG, Salzburg, Austria	100.00
PKS GmbH	PKS Privatklinik Salzburg GmbH, Salzburg, Austria	100.00

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2014

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

Abbreviation	Company, location	Capital interest %
RBB GmbH	Rehaklinik Wien Baumgarten Betriebs-GmbH, Vienna, Austria	100.00
RBB KG	Rehaklinik Wien Baumgarten Betriebs-GmbH & Co KG, Vienna, Austria	100.00
RMB	Rehabilitationsklinik im Montafon Betriebs-GmbH, Schruns, Austria	100.00
ROB GmbH	Rehabilitationszentrum Oberndorf Betriebs-GmbH, Oberndorf, Austria	100.00
ROB KG	Rehabilitationszentrum Oberndorf Betriebs-GmbH & Co KG, Oberndorf, Austria	100.00
RZS	Rehaklinik Zihlschlacht AG, Zihlschlacht-Sitterdorf, Switzerland	100.00
SED	MEDITERRA - Sedlčany, s.r.o., Sedlčany, Czech Republic	100.00
STC	Seniorenzentrum St. Corona am Schöpfl Betriebsgesellschaft m.b.H., Vienna, Austria	100.00
TAU	TAU Management und Betriebsführung GmbH, Vöcklabruck, Austria	60.00
TBS	Therme Seewinkel Betriebsgesellschaft m.b.H., Frauenkirchen, Austria	100.00
TMD	TEMAMED Medizintechnische Dienstleistungs GmbH, Kirchheimbolanden, Germany	100.00
UKK	VAMED UKK Projektgesellschaft m.b.H., Berlin, Germany	100.00
VE KG	VAMED ENGINEERING GmbH & CO KG, Vienna, Austria	100.00
VE (P)	PRINSAMED - PROJECTOS INTERNACIONAIS DE SAÚDE UNIPESSOAL LDA, Lisbon, Portugal	100.00
VE (U)	TOV "VAMED UKRAINE", Kiev, Ukraine	100.00
VE GMBH	VAMED ENGINEERING GmbH, Vienna, Austria	100.00
VHP	VAMED Health Project GmbH, Berlin, Germany	100.00
VHP-CZ	VAMED Health Projects CZ s.r.o., Prague, Czech Republic	100.00
VKMB	VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Vienna, Austria	100.00
VMS KG	VAMED Management und Service GmbH & Co KG, Vienna, Austria	100.00
VMS GMBH	VAMED Management und Service GmbH, Vienna, Austria	100.00
VMS-D	VAMED Management und Service GmbH Deutschland, Berlin, Germany	100.00
VMT	VAMED Medizintechnik GmbH, Vienna, Austria	100.00
VSB	VAMED Service- und Beteiligungsges. m.b.H., Berlin, Germany	95.00
VSG KG	VAMED Standortentwicklung und Engineering GmbH & CO KG, Vienna, Austria	100.00
VSG GMBH	VAMED Standortentwicklung und Engineering GmbH, Vienna, Austria	100.00

All company names are shown as registered; the names of countries are according to ISO 3166.

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2014

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

Non-consolidated companies:

Abbreviation	Company, location	Capital interest %
AVK	ATEGRIS VAMED Krankenhaus Service GmbH, Oberhausen, Germany	49.00
BBH	Blumauerplatz Beteiligungs-Holding GmbH, Linz, Austria	100.00
BPB	Burgenländische Pflegeheim Betriebs-GmbH, Neudörfl, Austria	49.00
CFS	Casalis Facility Services GmbH, Kassel, Germany	49.00
CFM	Charité CFM Facility Management GmbH, Berlin, Germany	16.33
CWS	CW Krankenhaus-Service GmbH, Düsseldorf, Germany	25.00
FMS	Facility Management Schleswig-Holstein GmbH, Kiel, Germany	50,00
GOK	Gemeinnützige Oberndorfer Krankenhausbetriebsgesellschaft m.b.H., Oberndorf near Salzburg, Austria	49.00
GRB	Gesundheitsresort Gars Betriebs GmbH, Gars am Kamp, Austria	19.14
GRG	Gesundheitsresort Gars GmbH, Gars am Kamp, Austria	17.00
IPU	Immobilien Partner UKSH GmbH, Berlin, Germany	50.00
ITS	UKSH Gesellschaft für IT Services mbH („ITSG“), Lübeck, Germany	49.00
ITT	UKSH Gesellschaft für Informationstechnologie mbH („GfIT“), Lübeck, Germany	49.00
KFE	KFE Klinik Facility-Management Eppendorf GmbH, Hamburg, Germany	49.00
KME	KME Klinik Medizintechnik Eppendorf GmbH, Hamburg, Germany	49.00
LKV	LKV Krankenhaus Errichtungs- und Vermietungs-GmbH, Linz, Austria	49.00
MTK GmbH	VAMED MTK Hofheim Verwaltungsgesellschaft mbH, Berlin, Germany	100.00
MTK KG	VAMED MTK Hofheim GmbH & Co. KG, Berlin, Germany	100.00
NRZ	Neurologisches Rehabilitationszentrum "Rosenhügel", Errichtungs- und Betriebs-GmbH, Vienna, Austria	49.00
OCB	Oberndorfer Catering Betriebs-GmbH, Oberndorf near Salzburg, Austria	49.00
PSZ	Psychosomatisches Zentrum Eggenburg GmbH, Eggenburg, Austria	29.00
RBW	Rehabilitationsklinik im Bregenzer Wald Betriebs-GmbH, Lingenau, Austria	100.00
RKB GmbH	Rehabilitationszentrum Kitzbühel Betriebs-GmbH, Kitzbühel, Austria	100.00
RKB KG	Rehabilitationszentrum Kitzbühel Betriebs-GmbH & Co KG, Kitzbühel, Austria	100.00
RVB	Rehabilitationszentrum St. Veit im Pongau Betriebs-GmbH, St. Veit im Pongau, Austria	76.00
RZO	Rheuma-Zentrum Wien-Oberlaa GmbH, Vienna, Austria	49.00
SEN	S.EN.AL.PA S.P.A., Venice, Italy	21.40
TBG	'TBG' Thermenzentrum Geinberg Betriebsgesellschaft m.b.H., Linz, Austria	18.00
TEH	Therapiezentrum Enns Holding GmbH, Linz, Austria	29.70
THG	"THG" Thermenzentrum Geinberg Errichtungs-GmbH, Linz, Austria	27.34

LIST OF INVESTMENTS OF VAMED GROUP AS AT DECEMBER 31, 2014

(Without indirect investments, investments of below 10%, as well as closed-down/non-operating firms)

Abbreviation	Company, location	Capital interest %
THL	THL Therme Laa a.d. Thaya - Projektentwicklungs- und Errichtungsgesellschaft m.b.H., Laa a.d. Thaya, Austria	19.96
TLG	Aqua Dome Tirol Therme Längenfeld GMBH & CO KG, Längenfeld, Austria	11.66
TLG GMBH	Aqua Dome Tirol Therme Längenfeld GMBH, Längenfeld, Austria	11.66
TWB GMBH	Tauern SPA World Betriebs-GmbH, Kaprun, Austria	20.99
TWB KG	Tauern SPA World Betriebs-GmbH & Co KG, Kaprun, Austria	17.07
TWE GMBH	Tauern SPA World Errichtungs-GmbH, Kaprun, Austria	20.99
TWE KG	Tauern SPA World Errichtungs-GmbH & Co KG, Kaprun, Austria	17.07
TWO GmbH	Therme Wien Ges.m.b.H., Vienna, Austria	19.99
TWO KG	Therme Wien GmbH & Co KG, Vienna, Austria	19.99
UKH-Linz	UKH-Linz Errichtungs- und Vermietungs-GmbH, Linz, Austria	33.33
VAROM	VAMED ROMANIA S.R.L., Bucharest, Romania	100.00
UKS	VAMED UKSH PPP GmbH, Berlin, Germany	10.00
VBH	"VAMED B&H" d.o.o. Tuzla, Tuzla, Bosnia and Herzegowina	100.00
VE (M)	VAMED ENGINEERING (M) SDN. BHD., Kuala Lumpur, Malaysia	16.00
VE (T)	Vamed (Thailand) Co., Ltd., Bangkok, Thailand	15.00
VEE	VAMED EMIRATES LLC, Abu Dhabi, United Arab Emirates	20.00
VE-NIG	VAMED ENGINEERING NIGERIA LIMITED, Abuja, Nigeria	15.00
VE-PHD	Philippine Hospital Project Development Corporation, Manila Makati City, Philippines	40.00
VE-TUR	VAMED TURKEY MÜHENDİSLİK İNŞAAT TAAHHÜT MEDİKAL SAĞLIK HİZMETLERİ LİMİTED ŞİRKET, Ankara, Turkey	100.00
VHC	VAMED Healthcare Co. Ltd., Beijing, China	100.00
VHH	VAMED Hungaria Health Care Ltd., Budapest, Hungary	100.00
VHS	VAMED HEALTHCARE SERVICES SDN. BHD., Kuala Lumpur, Malaysia	93.14
VHT	VAMED Healthcare Services (Thailand) Ltd., Bangkok, Thailand	49.00
VIH	VAMED International Hospital Management and Consulting (Beijing) Co., Ltd., Beijing, China	100.00
VMR	Health Institution - Institute for diagnostics "VAMED" Novi Sad, Novi Sad, Serbia	75.00
VMS-CZ	VAMED CZ s.r.o., Prague, Czech Republic	100.00
VPH-F	VAMED Projets Hospitaliers Internationaux France S.A.S, Paris, France	100.00
V-RU	OOO VAMED, Moscow, Russian Federation	100.00

All company names are shown as registered; the names of countries are according to ISO 3166.

AUDITOR'S REPORT

We have audited the 'Condensed Consolidated Financial Statements', comprising balance sheet, income statement, cash flow statement, statement of changes in equity, and condensed Notes, of VAMED AG, Vienna, for the fiscal year January 1 to December 31, 2014. The condensed consolidated financial statements are based on the Group Reporting Package prepared in accordance with the International Financial Reporting Standards (IFRS) and the consolidated group stipulated therein. The preparation and the contents of that Group Reporting Package, prepared exclusively for the purpose of integration into the parent's consolidated financial statements, and the resulting condensed consolidated financial statements, are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on the condensed consolidated financial statements based on our audit. On signing the job arrangement letter, our mandate, and our responsibility, also vis-à-vis third parties, are subject to the General Conditions of Contract for the Public Accounting Professions (AAB 2011) as published by the Chamber of Public Accountants. Therefore, our liability is excluded for cases of slight negligence. For gross negligence, a maximum liability limit of EUR 2 million is agreed upon in accordance with the Austrian Business Code, section 275.

We conducted our audit in accordance with the International Standards on Auditing (IASs). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the condensed consolidated financial statements are free of material misstatements. Our understanding of the business and the economic and legal environment of the subgroup and expectations as to possible misstatements were taken into account in the determination of the audit procedures. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the condensed consolidated financial statements. An audit also includes assessing the accounting principles applied and significant estimates made by the legal representatives as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion. We believe that our audit provides a reasonable basis for our opinion.

The VAMED subgroup's financial statements vary from the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in the following points

- The VAMED subgroup's financial statements include goodwill from the acquisition of the VAMED group by the parent ('push down accounting') as well as goodwill from the acquisition of other segments of the parent by the VAMED group that result from the 'push down accounting' or have been recognized at the difference between the purchase prices and the carrying amounts, always using the amounts provided by the parent. As for details, also regarding figures, we refer to the 'General notes on the financial statements of the VAMED group' as contained in the Notes to the VAMED subgroup's financial statements ('Notes').
- The Notes to the VAMED subgroup's financial statements ('Notes'), as stated therein in 'General notes on the financial statements of the VAMED group', do not include all disclosures required under IRFS.
- The VAMED subgroup's financial statements comprises two non-profit organizations, which turn over a total of € 12.4 million, from which the VAMED group does not benefit directly.

In our opinion, which is based on the results of our audit, the condensed financial statements of the VAMED AG subgroup, Vienna, as at December 31, 2014, subject to the qualifications stipulated in the above paragraph, were prepared in accordance with International Financial Reporting Standards (IFRS) and give a true and fair view of the financial position of the VAMED AG subgroup as at December 31, 2014 and of its financial performance for the financial year from January 1, 2014 to December 31, 2014.

Vienna, February 27, 2015

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ppa

Dr. Christoph Waldeck Certified Public Accountant	ppa. Dr. Claudia Brunnhuber-Holzinger Certified Public Accountant

VAMED

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