# Report on the first 9 months of the year

01 July 2009 to 31 March 2010

Marseille-Kliniken AG

## Main Group figures (IFRS)
## Summary of the first 9 months

| 01 July 2009 to 31 March 2010 and previous year | | 09\|10 | 08\|09 | Change in % |
|---|---|---|---|---|
| **Results** | | | | |
| Consolidated operating revenues | € m | 186.1 | 175.1 | 6.3 |
| EBITDAR | € m | 47.1 | 43.1 | 9.4 |
| EBITDA | € m | 11.3 | 6.7 | 67.9 |
| EBIT | € m | 3.9 | 1.4 | 186.6 |
| EBIT margin | % | 2.1 | 0.8 | 168.5 |
| EBT | € m | 1.0 | -2.1 | -146.6 |
| EBT margin | % | 0.5 | -1.2 | -143.6 |
| Group net profit/loss | € m | -1.3 | -3.1 | -56.0 |
| RoS | % | -0.7 | -1.8 | -58.6 |
| Gross cash flow | € m | 11.4 | -0.2 | - |
| **Balance sheet** | | | | |
| Fixed assets | € m | 161.2 | 175.3 | -8.1 |
| Investments | € m | 15.3 | 8.7 | 75.6 |
| Equity* | € m | 60.1 | 74.7 | -19.5 |
| Equity ratio | % | 27.3 | 33.3 | -18.0 |
| **Other key indicators** | | | | |
| Employees | Number | 5.790 | 5.593 | 3.5 |
| Facilities | Number | 70 | 67 | 4.5 |
| Bed capacity | Number | 9.417 | 9.085 | 3.7 |
| Occupancy rate** | % | 92.4 | 92.5 | -0.1 |

* Taking DVFA/SG adjustment items into account
* Incl. 84.2% special items with an equity portion
** Adjusted for start-up facilities and excluding Akut Büren



*Dear shareholders,*

Your company is currently moving in a difficult market. It is true that among the major economic sectors, health care is the most resistant to cyclical trends, but that does not rule out significant disturbances in certain market segments. These undeniably include inpatient care for the elderly. Regardless of the heavy medium and long-term demand, two factors weigh strongly on the market. For one, costs are rising that cannot be offset by nursing care rates and if they are not contained systematically, these have a direct effect on operating results. For another, serious surplus capacities are having a negative impact on nursing care facilities' occupancy rates and profit margins. This applies especially to the West German federal states where what used to be very lucrative business attracted many private providers.

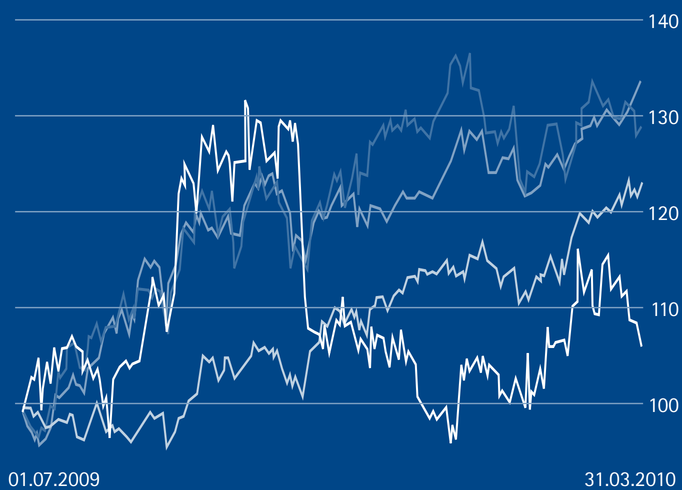
These factors, dear shareholders, have also made their mark on your company. Weak points unmistakably exist in our Group, and we have analysed them but have yet to definitively eliminate all of them. We are working on it. As a matter of principle we are putting everything to the test and drawing our own conclusions. What we can say for sure is that we are continuing to develop and to optimise our profitable core business of care for the elderly and will be modifying our other strategic approaches.

That is not, of course, to say that we have rested on our laurels in the past, hoping that better times will come. Last year in particular we made substantial preliminary investments aimed at ensuring the company's future. The key performance indicators for the first nine months of the financial year 2009/2010 prove that we are heading in the right direction. The figures show improvements in comparison with the same period of the previous year. The Group's operating revenues rose by 6.3% to € 186.1 million between July 2009 and March 2010. The occupancy rate for beds contractually available to the Group was 88.4%. In the nursing care division, the rate was 87.9% (previous year: 89.2%), while rehabilitation, excluding the acute treatment clinic in Büren, recorded a figure of 94.3% (previous year: 92.7%). Group EBIT amounted to € 3.9 million, compared with € 1.4 million in the previous year. EBIT was positive in both divisions, nursing care and rehabilitation. EBT amounted to € 1.0 million (previous year: -€ 2.1 million).

Tendencies toward improvements are not, however, an occasion for satisfaction and taking it easy. Anything but. To make the company even more weatherproof, we will undertake a thorough analysis and carry out work on all areas that need improvement. Our main focus is, for one, on massive changes in cost structures.

We must and will stem the tide of costs at all levels and hierarchies within the company. Decisions are currently being reached on the details. For another, we are taking leave for a while from the expansion strategy for our portfolio of facilities. There will be no new facilities in the foreseeable future. Our operational focus will be mainly on the existing 61 care facilities and their occupancy. We are in the process of reassessing each existing facility's performance and eliminating weak points by means of best practice processes. If we encounter facilities that even in the medium term will evidently not grow to match up to our Group earnings structures, we will not rule out selling them. At the former expansion facilities the aim is to overcome the initial occupancy phase and reach the profit zone. This specifically applies primarily to the two facilities in Hamburg and Berlin that are still operating at a loss and have not yet arrived at a mature occupancy concept.

Our main focus in the nursing care division continues to be on extending the two-star area to the assisted living segment. Demand for this care concept is strong, and the financial risk that the operator runs is relatively low. In assisted living we have nothing to do with the property as such; there is a normal letting relationship between landlord and tenant. Only once occupancy has begun do we take over all outpatient care services and individually assignable components such as caretaker services. With this concept there are no start-up costs such as are incurred by classic nursing homes.




**Marseille-Kliniken share price development** indexed, 1 July 2009 = 100

- Marseille-Kliniken AG
- DAX
- SDAX
- Prime Pharma & Healthcare

We are also taking new directions in sales by relaxing the central management of facilities. We will install seven regional managers to look after the facilities assigned to them locally and to support them on matters of occupancy and efficient management. The central task for the regional marketing experts is to coordinate and dovetail all sales-relevant activities between central Group divisions and the facility managers. We aim to and must be closer to the market.

In contrast, we are dispensing with our original plans to secure our sites by means of a link with the acute medicine segment. In future we will no longer seek to acquire minority shareholdings in acute treatment hospitals and will not be pursuing the establishment of medical treatment centres. The credo of our future expansion policy is conservative: not to invest in anything new and dissipate our energies, but rather to continue to develop areas in which we are successful and profitable. This is the context in which our initial endeavours to agree on projects with governments in developing countries must be seen. In these projects we aim to transfer our expertise by means of software and management services and participate in an improvement of efficient, quality medical care.

We are not lowering our sights in the least when it comes to the strategic target of consolidating and extending our quality leadership. The quality of our nursing care and the high level of competence of the employees that provide it are indispensable prerequisites for success in inpatient care of the elderly. In recent years we have invested heavily in this division and in the nursing care market we are among the leaders in almost all developments. That applies both to our integrated quality management and to the safeguarding and monitoring of quality. Marseille-Kliniken own more than 20 software solutions that structure workflows in health care service enterprises. We will be extending and fine-tuning this core competence with the aim of saving even more time and costs. We are also focussing on training new employees and offering employees ongoing in-service training in order to enhance loyalty to our company. With an e-learning concept that is unique in our industry we have gained experience that we are evaluating with a view to learning from it. Training and running courses for employees and creating working conditions that are conducive to enhancing loyalty must, like any other challenge that the company faces, be measured by the criterion of whether the costs of these programmes are in harmony with their efficacy and efficiency.

The strategic decision to consolidate the Marseille-Kliniken business model and to concentrate on nursing care for the elderly was accompanied by our longstanding decision to carve out the rehabilitation division from the Group. This objective, dear shareholders, has just been achieved. We have sold our eight operational rehabilitation clinics to an investor. This is a deliberate streamlining of our business. After arduous reorganisation, rehabilitation has been developed into a highly profitable segment that is working at capacity. So we are parting company with a gem, as it were. The disposal has a number of positive effects for us. It frees up management capacity, generates book profits and, above all, eases pressure on our currently very strained liquidity position.

Dear shareholders, the financial year 2009/2010 is drawing to a close. We must make adjustments here and now to factors that are of importance for the company's future as a going concern – factors such as effective cost management, flexible market behaviour and high quality standards at our facilities and of our nursing staff. To do justice to these tasks, we have enlarged the Management Board. As you know, our longstanding Chairman of the Management Board Axel Hölzer has stepped down due to health problems. We thank him for his hard work in the service of the company. The Supervisory Board has appointed me to the Management Board on a temporary basis to chair it and play a coordinating role. I enjoy the support of the new members of the Management Board, Claus Dobrowolski and Axel Regenhardt. Mr Dobrowolski is in charge of finance, controlling, accounting and procurement, while Mr Regenhardt has taken over the newly created Management Board responsibility for information technology, organisational management, internal auditing and projects. We expressly welcome the Supervisory Board's decision to strengthen the finance and IT areas. They will provide sustained support toward the company's streamlined growth course.

We would like to thank you, dear shareholders, for your confidence in us, and our residents and their nearest and dearest for deciding to use our facilities, while our employees deserve our recognition for their competent and generous dedication.

Yours,

Ulrich Marseille
Chairman of the Management Board

# Interim management report

## The German economy: strongest among the weak

Germany has so far fared best among the euro zone economies. Due to a harsh winter, growth in Germany may have been slightly negative in the first quarter of 2010, but the decline is likely to be more than offset by strong growth in the second quarter. This leading position is slightly tarnished by the fact that economic development is progressing markedly less strongly in Europe than in the rest of the world. Germany is therefore merely the strongest among Europe's slow-growing economies. Experts anticipate that the German economy will grow by a mere 1.8% in the full year 2010 and by 1.5% in 2011. In these framework conditions the German labour market has developed unexpectedly well. The largely sound position of the labour market in spite of the crisis is due both to government-funded short-time working and to greater labour market flexibility. As reported in a study by the Commerzbank, the average time worked by employees since the crisis began has fallen by 5% with the result that employees in Germany work on average 43.5 hours less per annum. According to the study this is due mainly to a reduction in working hours per week, to cutting back on overtime and to making use of working time accounts. This reduction in working time has spared about 1.8 million people unemployment. In the opinion of economic researchers, the economy is overall still unsteady on its feet. In the further course of the year, economic growth will slow down once more. Significant aggravating factors continue to indicate that economic recovery will be neither swift nor uninterrupted. Companies' extremely low capacity utilisation places a damper on investment activity, and economic booster programmes are also due to be phased out in the months ahead.

## Health care market creates employment

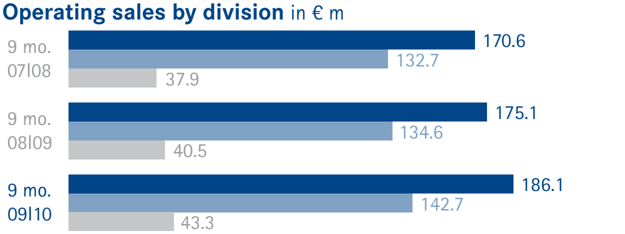
The number of people employed in the German health care sector is growing continually. According to Germany's Federal Statistical Office around 4.6 million people were employed in this sector in 2008. That was 1.7% more than in the previous year. Since 2000 the number of people employed in the health care sector has increased by 12.2% in all, or by 500,000 workers. Thus, one employed person in nine in Germany works in the health care sector. Additional jobs have been created mainly in the health services and social work professions. In recent years the number of physiotherapists has risen by 49,000, that of medical and dental employees by 68,000, and that of people employed in nursing care for the elderly by as many as 122,000 people. Only the number of people employed in hospitals has declined, by 23,000.

According to the Federal Statistical Office, the Germans spent about € 263 billion on their health in 2008, or 3.9% more than in the previous year. That corresponds to € 3,210 per capita. The health care market's contribution toward the gross domestic product was 10.5% in 2008 and is likely, against the backdrop of the decline in GDP, to have risen to over 11% in 2009. This figure includes, in addition to statutory health insurance spending, all other health-related expenditure by other cost-bearing bodies, such as private health insurance companies or private households. Statutory health insurers accounted for the largest portion of health care spending in 2008. They carried € 15.5 billion, or about 57.5% of the sum total of health care expenditure. The largest spending increase was noted in outpatient nursing care services, up by 8% to € 8.6 billion. Spending on drugs and medications amounted to € 43.2 billion.

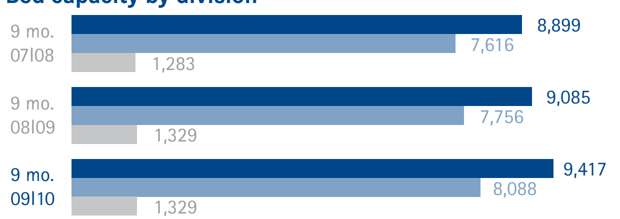
The following figures for the first nine months of the 2009/2010 financial year (end of business year is 30 June) and the same

Group Nursing Rehabilitation

**Operating sales by division** in € m




**Bed capacity by division**




**Occupancy rate by division** in %

period of the previous year have been calculated using IAS/IFRS accounting standards.

### Profitability

Some of the previous year's figures have had to be adjusted due to reclassifications. This did not have any effect on earnings for the first nine months of the previous year. For a more detailed explanation, please see the "Accounting and valuation principles" section of the Notes and the last annual report for the period to 30 June 2009. The figures quoted hereinafter for the previous year have been adjusted.

### Increase in revenues

Group revenues totalling € 186.1 million in the first nine months of the 2009/2010 financial year were € 11.0 million higher than the previous year's € 175.1 million. Of this increase, € 8.1 million was achieved by the nursing care division, here including the services segment, which in total earned € 142.7 million (previous year: € 134.6 million) in revenues. The increase was due first and foremost to higher revenues earned by expansion facilities.

The rehabilitation clinics earned € 38.6 million in revenues, which was € 2.2 million more than in the previous year. Across the entire former rehabilitation division, revenues totalled € 43.3 million after € 40.5 million in the previous year.

As of 31 March 2010, the Group operated a total of 70 facilities, of which 61 are nursing facilities, eight are rehabilitation clinics and one is an acute treatment hospital. Compared with the previous year, facilities in Oberhausen, Bremerhaven and the PflegeKlinik in Waldkirch were added in August, October and November 2009, respectively. As of the reporting date, the nursing care division had a capacity of 8,088 beds, compared to 7,756 beds one year earlier. In the rehabilitation division, capacity was unchanged on the year at 1,329 beds.

The Group occupancy rate, excluding start-up facilities and the acute treatment clinic, was 92.4% (previous year: 92.5%). For all facilities, the occupancy rate across the Group was 88.4% (previous year: 89.4%).

### Group net profit/loss

Group net profit/loss after taxes and before minority interests improved by € 1.8 million on the previous year from -€ 3.1 million to -€ 1.3 million. Earnings before taxes were € 1.0 million after a loss of € 2.1 million in the previous year. EBIT was € 3.9 million in the reporting period as against € 1.4 million in the previous year. Although profits from the sale of the Bremerhaven property played a part in the improvement in earnings, it was mainly due to higher revenues coupled with stable materials costs.

### Nursing care division

Revenues in the nursing care division, including service companies, rose by 6.1% to € 142.7 million (previous year: € 134.6 million). The expansion facilities were able to boost their revenues by € 3.9 million to € 13.5 million. In the existing centres, revenues were increased by 3.1% to € 128.6 million.

Excluding start-up facilities, the nursing care occupancy rate was 92.1%, or just below the previous year's figure of 92.4%. The expansion facilities posted capacity utilisation of 56.5%, compared to 56.1% in the first half of the previous year. This slight increase was due to the newly added facilities. Overall capacity utilisation across all nursing care facilities amounted to 87.9% (previous year: 89.2%).

Earnings before taxes amounted to € -0.1 million (previous year: € -1.4 million). Earnings after taxes and before deduction of minority interests amounted to € -1.0 million (previous year: € -2.1 million).

Earnings after taxes were negatively influenced by expansion facility losses totalling € 5.7 million (previous year: € 5.4 million). The sale of the Bremerhaven property, in contrast, had a positive effect, earning € 1.6 million.

### Rehabilitation

The rehabilitation division's revenues rose to € 43.3 million (previous year: € 40.5 million). Capacity utilisation at the eight rehabilitation clinics was 94.3% (previous year: 92.7%), which represented a further increase. Occupancy at the acute treatment clinic in Büren fell again. Taking this centre into account, the division's occupancy rate totalled 91.9%, compared to 90.6% in the first half of the previous year.

Earnings before taxes by the rehabilitation division reached € 1.0 million (previous year: -€ 0.7 million). Earnings after taxes and before deduction of minority interests amounted to -€ 0.3 million (previous year: -€ 0.9 million).

The € 1.0 million earnings figure was influenced by the losses made by St. Nikolaus Hospital Büren GmbH. In addition, a € 0.7 million provision for contingent losses was made in the segment.

An application for insolvency proceedings was made at Paderborn district court on 21.04.2010 for Sankt Nikolaus Hospital Büren GmbH. For further details see the section "Events after the balance sheet date".

The sale of all rehabilitation clinic operations disclosed in the ad-hoc announcement of 21 April 2010 has been completed and took effect at the end of April. For further details see the section "Events after the balance sheet date".

### Group key indicators

The key indicators changed as follows: EBITDAR rose to € 47.1 million (previous year: € 43.1 million), EBITDA increased to € 11.3 million (previous year: € 6.7 million), EBIT grew to € 3.9 million (previous year: € 1.4 million) and EBT climbed to € 1.0 million (previous year: -€ 2.1 million). Group net profit/loss after minority interests amounted to -€ 1.4 million, compared with -€ 3.0 million the previous year.

The EBITDAR margin was up from 24.6% to 25.3% while the EBITDA margin rose to 6.1% following 3.8% in the same period of the previous year. After 0.8% and -1.2% in the first half of 2008/2009, the EBIT margin and EBT margin came in at 2.1% and 0.5% respectively.

### Assets and financial position

Some of the previous year's figures have had to be fundamentally adjusted due to reclassifications. For a more detailed explanation, please see the "Accounting and valuation principles" section of the Notes and the last annual report for the period to 30 June 2009. The figures quoted hereinafter for the previous year have been adjusted.

Compared with the consolidated financial statements to 30 June 2009, the balance sheet total was down by € 6.3 million. This was due mainly to the reduction in inventories as a result of the Bremerhaven property recognised in the statements as of 30 June 2009 which has since been sold. Outstanding trade receivables have also been reduced. Other receivables and assets decreased mainly as a result of writing down a claim against Trump. On the liabilities side, book equity was down as a result of the loss incurred in the first nine months of the financial year. Non-current and current financial debts were reduced substantially. At the same time, trade payables increased. Other current liabilities rose in particular as a result of a loan to Marseille-Kliniken AG made by the majority shareholder.

Taking into account 84.175% of the special item for deferred investment grants, the equity posted as of 31 March 2010 shrank by € 14.6 million, from € 74.7 million as of 31 March 2009 to € 60.1 million. The equity ratio fell from 33.3% to 27.3%. Equity decreased by € 2.5 million compared to the end of the previous financial year (30 June 2009), coming in at € 60.1 million. In relation to this year-end figure, the ratio fell slightly from 27.6% to 27.3%.

For more information about our financial position, please refer to the management report which forms part of the 2008/2009 annual report. The company's current account overdraft limits were further reduced and partly offset by a loan from the majority shareholder. We are currently drawing up a new, partnership-based financing concept with our commercial banks that will be more long-term in approach.

The Group's net financial debt fell from € 68.7 million in the first half of the previous year to € 61.1 million. The financial debt ratio – which measures non-current financial debt in relation to the balance sheet total – edged up from 20.1% to 20.8%.

Cash flow from operating activities amounted to € 12.0 million in the first nine months of the year. This was an € 8.4 million improvement on the previous year. It was due in particular to the improved result and the increase in current liabilities.

Cash flow from investing activities was unchanged on the previous year at € 0.7 million.

Cash flow from financing activities came in at -€ 12.0 million. This was € 3.0 million down on the -€ 9.0 million posted in the previous year. It was due mainly to high repayment of current financial liabilities.

### Investments

Investments totalled € 15.3 million. They include in particular the construction of the Bremerhaven property, which was sold and leased back on completion.

### Employees

At 5,790, the number of employees was 197 higher than in the same period of the previous year.

### Share price

The Marseille-Kliniken share was worth between € 4.43 and € 6.10 in the nine months from July 2009 to March 2010. It closed at € 4.94 on 31 March 2010, while its closing price on 29 April 2010 was € 4.84.

### Risk report

For information on the risks that the Group faces, we refer to our detailed outline in the 2008/2009 annual report.

In the first nine months of the 2009/2010 financial year, material risks arose that are described below.

Midrange companies of our size face a far from insignificant credit squeeze. Considerable restraint shown by financial institutions is apparent both in current financing for our operating business and in property financing. That is one of the main reasons why we will in future be focussing even more strongly on a positive cash flow in the company. Now that the sale of our rehabilitation activities has been completed, we have the leeway to implement very swiftly the measures that we have initiated. The cost reduction programmes will have a perceptible effect in the course of the present financial year.

The Group's financial situation has eased as a result of the rehab disposal.

Legal risks arise from the Fachklinik IA Bad König's insolvency. We refer in this connection to the management report for financial year 2008/2009. After a fresh analysis of the legal disputes pending, we are currently examining whether further year-end provisions should be made.

Risks arise from the existing vacant properties. In this connection the assessment of the market and requirements analysis is being revised. As stated in the 2008/2009 annual report, intrinsic value is subject to the underlying planning assumptions. Depending on current market trends, further value adjustments may become necessary.

The nursing care facilities at our Angerstrasse, Hamburg, and Türk Bakim Evi, Berlin, locations must continue to be regarded as critical and are generating losses. Together with the regional management we have drawn up measures designed to increase the facilities' performance significantly. Nevertheless, we cannot expect a positive contribution in the short term.

### Events after the balance sheet date

The following significant events have occurred since the first nine months of the financial year that could have a material effect on the asset situation, financial position and profitability of the Marseille-Kliniken Group.

The sale of all rehabilitation clinic operations disclosed in the ad-hoc announcement of 21 April 2010 has been completed and took effect at the end of April. The Marseille-Kliniken Group sold them to a joint investment company consisting of funds advised by the financial investor AUCTUS Capital Partners AG along with the existing management team. AUCTUS has special expertise in the health care sector.

The rehabilitation division is profitable, but in the end no longer formed part of the Marseille-Kliniken Group's core business. Against this background the Group had long been considering a sale of the division. The proceeds from the sale are to be used for further development of the Group's core nursing care business.

Conclusion of the transaction will result in a significant book profit for the Marseille-Kliniken Group in the lower double-digit million euro region. The contracting parties agreed not to disclose the exact purchase price.

On 21 April 2010, Sankt Nikolaus Hospital Büren GmbH applied at the Paderborn district court for insolvency proceedings. We have tried in vain to re-establish a surgical unit in the 60-bed hospital. We therefore lack a prospect with economic viability that would justify financial support over and above that which has already been provided.

### Outlook

The first nine months of 2009/2010 have not yet seen satisfactory development, although improvements on the previous year are clearly manifest.

We expect occupancy rates in the nursing care division to keep climbing, prompting rising earnings from our existing facilities and decreasing start-up costs at the expansion centres. Our newly appointed regional managers will in future be in charge of managing facilities in seven regions. By means of intensive support for the nursing care facilities, we will transfer positive experiences from the good facilities to our critical facilities on the basis of the "best practice" principle.

The nine rehabilitation companies that we have sold will be deconsolidated in the fourth quarter and are therefore of no importance for future planning.

We have taken our optimisation programmes further forward so that our personnel and materials cost reduction targets will achieve the desired results while maintaining the high standards of quality already in place at our centres.

We will intensify our focus on a cash flow that is satisfactory for the management and our shareholders. Our aim is to consolidate in order to achieve a lastingly stable earnings situation that generates satisfactory profits for shareholders.

As a result, we expect our earnings figures for this financial year to be positive, which will be reflected in our asset situation, financial position and profitability.

| **Cash flow statement** * | 9 months 09\|10 €'000 | 9 months 08\|09 €'000 |
|---|---|---|
| Operating result | 3,872 | 1,351 |
| Non-cash expenses/income | 6,201 | 4,236 |
| Decrease/increase in assets/liabilities | 1,937 | -2,001 |
| Cash flow from investing activities | 676 | 639 |
| Cash flow from financing activities | -12,029 | -9,004 |
| Cash and cash equivalents as of 01.07. | 9,631 | 14,433 |
| Increase/decrease in cash and cash equivalents | 656 | -4,780 |
| Cash and cash equivalents as of 31.03. | 10,287 | 9,653 |

* In keeping with the format also required to be submitted quarterly to Deutsche Börse.

| **Balance sheets as of reporting date and previous year** | 31.03.10 €'000 | 31.03.09 €'000 |
|---|---|---|
| Intangible assets | 29,294 | 31,985 |
| Property, plant and equipment | 128,761 | 139,979 |
| Other non-current assets | 3,779 | 4,712 |
| Inventories | 1,551 | 4,938 |
| Cash and cash equivalents | 9,437 | 9,653 |
| Other current assets | 47,434 | 33,224 |
| **Balance sheet total** | **220,256** | **224,490** |
| Equity* | 60,098 | 74,702 |
| Pension provisions | 13,604 | 16,860 |
| Non-current financial debt | 45,706 | 45,115 |
| Other non-current liabilities | 15,414 | 17,375 |
| Current financial liabilities | 24,804 | 33,196 |
| Other current liabilities | 60,630 | 37,242 |
| **Balance sheet total** | **220,256** | **224,490** |

* Including 84.2% special items for deferred investment expenses

| **Financial calendar** for the 09\|10 financial year | |
|---|---|
| Annual report 2009\|2010 | October 2010 |
| Annual General Meeting | December 2010 |
| Report on the 1st quarter 2010/2011 | 8 November 2010 |

## Income statement 9 months (IAS)

| | 09\|10 € '000 | 08\|09 € '000 | Change in % |
|---|---|---|---|
| Consolidated operating revenues | 186,067 | 175,066 | 6.3% |
| Revenues nursing care | 142,729 | 134,586 | 6.1% |
| Revenues rehabilitation | 43,338 | 40,480 | 7.1% |
| EBITDAR | 47,118 | 43,055 | 9.4% |
| EBITDA | 11,291 | 6,726 | 67.9% |
| Depreciation and amortisation | -7,419 | -5,375 | 38.0% |
| EBIT | 3,872 | 1,351 | 186.6% |
| Net interest | -2,915 | -3,405 | -14.4% |
| EBT | 957 | -2,054 | -146.6% |
| | | | |
| Group net profit/loss | -1,349 | -3,068 | -56.0% |
| Result nursing care per share in € (before share split) | -0.08 | -0.18 | -52.9% |
| Result nursing care per share in € (after share split) | -0.04 | | |
| Result rehabilitation per share in € (before share split) | -0.03 | -0.07 | -51.2% |
| Result rehabilitation per share in € (after share split) | -0.02 | | |

## Share information

| | |
|---|---|
| ISIN | DE0007783003 |
| Stock exchange code | MKA.ETR |
| Reuters code | MKAG |
| Stock exchange segment | Prime Standard |
| Trading locations | Xetra, Frankfurt a.M., Hamburg |
| Designated sponsor | Close Brothers Seydler AG |


### Imprint

Publisher: Marseille-Kliniken AG
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The report on the first 9 months of the year is published in German and English and is available on request from Marseille-Kliniken AG, Corporate Communications.

## Consolidated balance sheet of Marseille-Kliniken AG

| | Quarterly report as of 31.03.2010 € '000 | Previous annual financial statements 30.06.2009 € '000 | Quarterly report as of 31.03.2009 € '000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 29,294 | 32,824 | 31,985 |
| Property, plant and equipment | 128,761 | 142,682 | 139,979 |
| Other financial assets | 3,100 | 3,591 | 3,367 |
| Deferred tax assets | 679 | 836 | 1,344 |
| | **161,834** | **179,933** | **176,676** |
| **Current assets** | | | |
| Inventories | 1,551 | 4,971 | 4,938 |
| Trade receivables | 8,776 | 15,554 | 15,064 |
| Other receivables and assets | 11,617 | 12,960 | 14,801 |
| Tax receivables | 2,912 | 3,541 | 3,359 |
| Cash and cash equivalents | 9,437 | 9,631 | 9,653 |
| Non-current assets held for sale | 24,129 | 0 | 0 |
| | **58,422** | **46,658** | **47,815** |
| **Total assets** | **220,256** | **226,591** | **224,490** |
| | | | |
| **Equity** | | | |
| Subscribed capital | 31,100 | 31,100 | 31,100 |
| Capital reserve | 15,635 | 15,635 | 15,635 |
| Revenue reserve | 627 | 627 | 627 |
| Treasury stock | -903 | -903 | -897 |
| Time valuation reserve | -596 | -366 | -574 |
| Currency translation differences | 0 | 0 | 0 |
| Consolidated loss | -23,359 | -21,932 | -10,926 |
| Minority interests | 1,111 | 1,032 | 826 |
| | **23,615** | **25,195** | **35,792** |
| **Non-current liabilities** | | | |
| Deferred investment grants | 43,342 | 44,428 | 46,225 |
| Non-current financial debt | 45,706 | 48,508 | 45,115 |
| Pension obligations | 13,604 | 16,364 | 16,860 |
| Deferred tax liabilities | 8,283 | 9,174 | 9,788 |
| Other non-current liabilities | 272 | 272 | 272 |
| | **111,207** | **118,746** | **118,261** |
| **Current liabilities** | | | |
| Current financial liabilities | 24,804 | 35,464 | 33,196 |
| Current provisions | 11,115 | 11,689 | 8,343 |
| Trade payables | 13,835 | 13,843 | 11,083 |
| Current tax liabilities | 6,240 | 7,451 | 6,595 |
| Other current liabilities | 19,514 | 14,204 | 11,222 |
| Debts incurred in direct connection with non-current assets held for sale | 9,926 | 0 | 0 |
| | **85,434** | **82,651** | **70,438** |
| **Total equity and liabilities** | **220,256** | **226,591** | **224,490** |

## Consolidated statement of changes in equity of Marseille-Kliniken AG for the period 01.07.2009 to 31.03.2010 and previous year

| | | | | | | | | Parent company | Minority shareholders | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| | Subscribed capital € | Capital reserve € | Revenue reserves € | Time valuation reserve € | Currency translation differences € | Consolidated loss € | Treasury stock € | Shares Marseille-Kliniken AG € | Minority interests € | Total equity € |
| **Balance at 01.07.2008** | **31,100,000.00** | **15,635,139.94** | **627,105.53** | **0.00** | **0.00** | **-4,457,267.10** | **-880,639.78** | **42,024,338.59** | **458,834.21** | **42,483,172.80** |
| Purchase of treasury stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -589,162.72 | -589,162.72 | 0.00 | -589,162.72 |
| Sale of treasury stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 572,413.74 | 572,413.74 | 0.00 | 572,413.74 |
| Dividend payment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -3,015,866.25 | 0.00 | -3,015,866.25 | 0.00 | -3,015,866.25 |
| Fair value of derivative financial instruments (cash flow hedges) | 0.00 | 0.00 | 0.00 | -573,584.77 | 0.00 | 0.00 | 0.00 | -573,584.77 | 0.00 | -573,584.77 |
| Change in basis of consolidation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -453,375.32 | 0.00 | -453,375.32 | 436,375.32 | -17,000.00 |
| Earnings in the period | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | -2,999,204.05 | 0.00 | -2,999,204.05 | -69,118.99 | -3,068,323.04 |
| **Balance at 31.03.2009** | **31,100,000.00** | **15,635,139.94** | **627,105.53** | **-573,584.77** | **0.00** | **-10,925,712.72** | **-897,388.76** | **34,965,559.22** | **826,090.54** | **35,791,649.76** |

| | | | | | | | | Parent company | Minority shareholders | Group |
|---|---|---|---|---|---|---|---|---|---|---|
| | Subscribed capital € | Capital reserve € | Revenue reserves € | Time valuation reserve € | Currency translation differences € | Consolidated loss € | Treasury stock € | Shares Marseille-Kliniken AG € | Minority interests € | Total equity € |
| **Balance at 01.07.2009** | 31,100,000.00 | 15,635,139.94 | 627,105.53 | -365,734.97 | 0.00 | -21,931,612.67 | -902,579.62 | 24,162,318.21 | 1,032,240.22 | 25,194,558.43 |
| Purchase of treasury stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sale of treasury stock | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividend payment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fair value of derivative financial instruments (cash flow hedges) | 0.00 | 0.00 | 0.00 | -273,487.17 | 0.00 | 0.00 | 0.00 | -273,487.17 | 0.00 | -273,487.17 |
| Taxes on expenses and income recognised directly in equity | 0.00 | 0.00 | 0.00 | 43,279.34 | 0.00 | 0.00 | 0.00 | 43,279.34 | 0.00 | 43,279.34 |
| Earnings in the period | 0.00 | 0.00 | 0.00 | 0.00 | -166.27 | -1,427,419.87 | 0.00 | -1,427,586.14 | 78,559.91 | -1,349,026.23 |
| **Balance at 31.03.2010** | **31,100,000.00** | **15,635,139.94** | **627,105.53** | **-595,942.80** | **-166.27** | **-23,359,032.54** | **-902,579.62** | **22,504,524.24** | **1,110,800.13** | **23,615,324.37** |

## Consolidated income statement of Marseille-Kliniken AG

| | Current quarter | Accumulated total for the reporting year | Previous annual financial statements | Same quarter previous year | Accumulated total previous year | Continuing operations | Continuing operations | Dis-continued operations | Dis-continued operations |
|---|---|---|---|---|---|---|---|---|---|
| | 01.01.2010 to 31.03.2010 € '000 | 01.07.2009 to 31.03.2010 € '000 | 01.07.2008 to 30.06.2009 € '000 | 01.01.2009 to 31.03.2009 € '000 | 01.07.2008 to 31.03.2009 € '000 | 01.07.2009 to 31.03.2010 € '000 | 01.07.2008 to 31.03.2009 € '000 | 01.07.2009 to 31.03.2010 € '000 | 01.07.2008 to 31.03.2009 € '000 |
| Revenues | 62,296 | 186,067 | 235,535 | 57,900 | 175,066 | 147,517 | 138,644 | 38,550 | 36,421 |
| Changes in inventories of finished goods and work in progress | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other own work capitalised | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other operating income | **1,386** | **8,678** | **10,444** | **678** | **5,568** | **7,012** | **4,620** | **1,666** | **948** |
| **Total revenues** | **63,682** | **194,745** | **245,979** | **58,578** | **180,634** | **154,529** | **143,265** | **40,216** | **37,369** |
| Cost of materials/Cost of purchased services | 8,334 | 23,598 | 32,451 | 9,004 | 23,880 | 13,255 | 14,137 | 10,343 | 9,743 |
| Personnel expenses | 33,850 | 98,081 | 124,397 | 31,391 | 90,253 | 84,326 | 76,959 | 13,755 | 13,293 |
| Depreciation and amortisation | 2,443 | 7,419 | 10,446 | 1,848 | 5,375 | 6,903 | 4,862 | 516 | 513 |
| Other operating expenses | 21,735 | 61,362 | 84,334 | 19,161 | 59,641 | 48,611 | 47,460 | 12,752 | 12,181 |
| Other taxes | 331 | 413 | 1,154 | 49 | 134 | 398 | 58 | 15 | 77 |
| **Earnings from operating activities** | **-3,012** | **3,872** | **-6,803** | **-2,877** | **1,351** | **1,036** | **-212** | **2,835** | **1,563** |
| Financial income | 143 | 383 | 1,137 | 161 | 742 | -56 | 516 | 439 | 226 |
| Financial expenses | 1,008 | 3,298 | 6,400 | 925 | 4,147 | 3,045 | 3,869 | 253 | 278 |
| **Earnings before taxes (and minority interests)** | **-3,877** | **957** | **-12,067** | **-3,641** | **-2,054** | **-2,065** | **-3,565** | **3,022** | **1,511** |
| Taxes on income and earnings | 524 | 2,306 | 1,529 | 255 | 1,014 | 1,594 | 869 | 712 | 145 |
| **Group net profit/loss** | **-4,401** | **-1,349** | **-13,596** | **-3,896** | **-3,068** | **-3,659** | **-4,434** | **2,310** | **1,366** |
| Minority interests | -28 | -79 | 83 | -135 | 69 | -120 | 116 | 41 | -47 |
| **Group result attributable to Marseille-Kliniken AG** | **-4,429** | **-1,427** | **-13,513** | **-4,030** | **-2,999** | **-3,779** | **-4,318** | **2,351** | **1,319** |
| Basic earnings per share (in €) | | | | | | | | | |
| on the basis of 24,300,000 share certificates [1] | € -0.18 | € -0.06 | € -0.56 | € -0.17 | € -0.12 | € -0.16 | € -0.18 | € 0.10 | € 0.05 |
| on the basis of 12,150,000 share certificates | € -0.37 | € -0.12 | € -1.12 | € -0.33 | € -0.25 | € -0.31 | € -0.36 | € 0.20 | € 0.11 |

1 Based on the share split agreed at the Annual General Meeting on 12 December 2008 and entered in the Commercial Register but not yet undertaken.

| Consolidated statement of comprehensive income of Marseille-Kliniken AG | Current quarter 01.01.2010 to 31.03.2010 € '000 | Accumulated total for the reporting year 01.07.2009 to 31.03.2010 € '000 | Previous annual financial statements 01.07.2008 to 30.06.2009 € '000 | Same quarter previous year 01.01.2009 to 31.03.2009 € '000 | Accumulated total previous year 01.07.2008 to 31.03.2009 € '000 | Continuing operations 01.07.2009 to 31.03.2010 € '000 | Continuing operations 01.07.2008 to 31.03.2009 € '000 | Dis-continued operations 01.07.2009 to 31.03.2010 € '000 | Dis-continued operations 01.07.2008 to 31.03.2009 € '000 |
|---|---|---|---|---|---|---|---|---|---|
| Earnings after taxes | -4,401 | -1,349 | -13,596 | -3,896 | -3,068 | -3,659 | -4,434 | 2,310 | 1,366 |
| Cash flow hedges: | | | | | | | | | |
| Fair value of derivative financial instruments | -256 | -273 | -434 | -574 | -574 | -273 | -574 | 0 | 0 |
| Taxes on expenses and income recognised directly in equity | 40 | 43 | 69 | 0 | 0 | 43 | 0 | 0 | 0 |
| **Expenses and income recognised directly in equity** | **-215** | **-230** | **-366** | **-574** | **-574** | **-230** | **-574** | **0** | **0** |
| **Total** | **-4,616** | **-1,579** | **-13,961** | **-4,469** | **-3,642** | **-3,889** | **-5,008** | **2,310** | **1,366** |
| Minority interests | -28 | -79 | 83 | -135 | 69 | -120 | 116 | 41 | -47 |
| **Interests held by Marseille-Kliniken AG shareholders** | **-4,644** | **-1,658** | **-13,878** | **-4,604** | **-3,573** | **-4,009** | **-4,891** | **2,351** | **1,319** |

| Abbreviated cash flow statement* | 9 months 09\|10 € '000 | 9 months 08\|09 € '000 |
|---|---|---|
| Group net profit/loss for the period 01.07.-31.03. | 3,872 | 1,351 |
| Non-cash expenses/income | 6,201 | 4,236 |
| Decrease/increase in assets/liabilities | 1,937 | -2,001 |
| **Cash flow from investing activities** | **676** | **639** |
| **Cash flow from financing activities** | **-12,029** | **-9,004** |
| **Decrease/increase in net cash assets** | **656** | **-4,780** |
| | | |
| **Cash and cash equivalents as of 01.07.** | 9,631 | 14,433 |
| Decrease/increase in cash and cash equivalents | 656 | -4,780 |
| **Cash and cash equivalents as of 31.03.** | **10,287** | **9,653** |

* In keeping with the format also required to be submitted quarterly to Deutsche Börse.

## Consolidated cash flow statement (IFRS)

| | Group total 01.07.2009 to 31.03.2010 € '000 | Group total 01.07.2008 to 31.03.2009 € '000 | Continuing operations 01.07.2009 to 31.03.2010 € '000 | Continuing operations 01.07.2008 to 31.03.2009 € '000 | Discontinued operations 01.07.2009 to 31.03.2010 € '000 | Discontinued operations 01.07.2008 to 31.03.2009 € '000 |
|---|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | | |
| Operating result | **3,872** | **1,351** | **1,036** | **–212** | **2,835** | **1,563** |
| Proceeds from the disposal of assets (profit/loss) | –132 | 147 | –126 | 147 | –6 | 0 |
| Depreciation and amortisation | 7,419 | 5,375 | 6,903 | 4,862 | 516 | 513 |
| Other non-cash income and expenses | –1,086 | –1,286 | –1,086 | –1,286 | 0 | 0 |
| Increase/decrease (+/-) in inventories | 84 | -166 | 70 | -356 | 14 | 190 |
| Change in operating receivables and payables between segments | 0 | 0 | 318 | –1,254 | –318 | 1,254 |
| Increase/decrease in current provisions | 1,176 | –5,668 | 935 | –5,615 | 241 | -53 |
| Taxes on income | –2,737 | –1,996 | –2,455 | –1,947 | –283 | –49 |
| Change in net current assets | 3,414 | 5,830 | 3,189 | 5,002 | 225 | 828 |
| **Cash flow from operating activities** | **12,009** | **3,586** | **8,784** | **–659** | **3,225** | **4,244** |
| **Cash flow from investing activities** | | | | | | |
| Change in basis of consolidation | 0 | -20 | 0 | -20 | 0 | 0 |
| Outflows from asset investments | | | | | | |
| - Intangible assets | –1,216 | –200 | –1,216 | –200 | 0 | 0 |
| - Property, plant and equipment | –14,101 | –4,747 | –14,005 | –4,599 | –95 | –148 |
| Inflows from asset disposals | | | | | | |
| - Intangible assets | 0 | 5,606 | 0 | 5,606 | 0 | 0 |
| - Property, plant and equipment | 15,993 | 0 | 15,993 | 0 | 0 | 0 |
| **Cash flow from investing activities** | **676** | **639** | **772** | **787** | **–95** | **–148** |
| **Cash flow from financing activities** | | | | | | |
| Increase in medium and long-term bank liabilities | 2,073 | 761 | 2,073 | 761 | 0 | 0 |
| Increase in short-term financial liabilities | 15,680 | 0 | 15,680 | 0 | 0 | 0 |
| Decrease in short-term financial liabilities by means of redemption | -25,386 | -3,824 | -25,386 | -3,824 | 0 | 0 |
| Increase/decrease in other non-current liabilities | 0 | -22 | 0 | -22 | 0 | 0 |
| Repayment of finance leasing | -1,569 | 0 | -1,514 | 0 | -55 | 0 |
| Financing activity within segments | 0 | 0 | 2,548 | 4,449 | -2,548 | -4,449 |
| Interest charged on loans | -2,417 | -3,341 | -2,417 | -3,341 | 0 | 0 |
| Interest charged for finance leases | -505 | 0 | -464 | 0 | -41 | 0 |
| Interest received | 95 | 454 | 95 | 454 | 0 | 0 |
| Inflows from disposal of treasury shares | 0 | 572 | 0 | 572 | 0 | 0 |
| Outflows from purchase of treasury shares | 0 | -589 | 0 | -589 | 0 | 0 |
| Dividend payment | 0 | -3,016 | 0 | -3,016 | 0 | 0 |
| **Cash flow from financing activities** | **-12,029** | **-9,004** | **-9,386** | **-4,555** | **-2,643** | **-4,449** |
| **Net increase/decrease in cash and cash equivalents** | **656** | **-4,780** | **170** | **-4,427** | **487** | **-353** |
| Increase/decrease in cash and cash equivalents | 656 | -4,780 | 170 | -4,427 | 487 | -353 |
| Cash and cash equivalents at beginning of financial year | 9,631 | 14,433 | 9,267 | 13,544 | 363 | 889 |
| **Cash and cash equivalents at end of financial year** | **10,287** | **9,653** | **9,437** | **9,117** | **850** | **537** |
| of which cash in hand, bank balances | 10,287 | 9,653 | 9,437 | 9,117 | 850 | 537 |

# Notes to the consolidated financial statements (IFRS)

## Background information

*Accounting in accordance with International Financial Reporting Standards (IFRS)*

The interim report to 31 March 2010 is presented in condensed form in accordance with IFRS requirements.

This report, like previous interim financial statements, has not been subjected to a review or audit as defined in § 317 of the German Commercial Code (HGB).

Items are mainly shown in thousands (€ '000) or as € million. Rounding differences amounting to € '000 +/- 1 can occur.

## Accounting and valuation principles

With the exceptions outlined below, the same accounting and valuation methods were applied to the quarter ending on 31 March 2010 as were applied to the consolidated financial statements for the year that ended on 30 June 2009.

In addition, the following accounting standards or interpretations were applied to this interim quarterly report to 31 March 2010:

IAS 1: Presentation of Financial Statements
IAS 23: Borrowing Costs
IAS 27: Consolidated and Separate Financial Statements
IFRS 3: Business Combinations (as from 1 July 2009)
IFRS 8: Operating Segments

In particular, Marseille-Kliniken AG applies IFRS 8, which is binding for financial years beginning on or after 1 January 2009. The new standard IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 stipulates that companies must disclose segment information on the basis that is available to the most senior decision-making body for operating activities. In the past, the Marseille-Kliniken Group has drawn up its external financial reporting on the basis of its internal financial reporting. The application of IFRS 8 thus has no material impact.

A detailed description of these methods, accounting standards or interpretations was published in the notes to the consolidated financial statements compiled by Marseille-Kliniken AG for the year ending on 30 June 2009, to which we refer here (IAS 34.15). The annual report for the year ending on 30 June 2009 and these interim financial statements can be downloaded from the internet at www.marseille-kliniken.de.

None of the new accounting regulations had a significant influence on the asset situation, financial position, profitability or earnings per share during the current financial period.

Due to adjustments in the consolidated financial statements for the year ending on 30 June 2009, amendments were made to the previous year's figures for purposes of comparability. These adjustments related to the following:

In the previous financial year, treasury shares were valued at an incorrect amount. The value was adjusted retrospectively for the previous year's comparison period and was posted to equity with no effect on income. The capital reserve was adjusted for this purpose.

The purchase price allocation made for the acquisition of the hospital in Büren was erroneous. The capitalised goodwill of € 452,000 would have been allocated to property, plant and equipment if the purchase price allocation had been carried out correctly. We therefore reclassified it under property, plant and equipment for the previous comparative period as well.

In the previous year, balancing items from own funds used in accordance with the German Hospital Financing Act (KHG) were shown under other receivables. This is not an asset as defined by IFRS. We have removed the item in the amount of € 457,000 from the financial statements against the retained earnings as it had already been recognised as from 2006.

In a sale-and-leaseback transaction conducted in the financial year 2005/2006, the disposal of property was not reported in its entirety. We recognised the disposal in the amount of € 851,000 against retained earnings retroactively as of 1 July 2008 and thereby included it in the previous year's comparative figures.

The € 809,000 in bonuses and reimbursements from the purchase of goods that was reported in the previous year under other operating income was deducted from the cost of materials in the interim report to 31 March 2010.

The patients in the facilities who were reported under inventories (€ 2,827,000) in the comparison period were reclassified as trade receivables because the services rendered had essentially not yet been charged and settled. The change in inventories (€ 775,000) was also adjusted accordingly.

The instalments for the loan repayment (€ 950,000), which were previously reported as other receivables under current assets, were reclassified as non-current assets.

In addition, the consolidated financial statements for the year ending on 30 June 2009 were adjusted for finance leases to be stated in the balance sheet. The Marseille-Kliniken Group has leased fixtures at individual facilities. There has not yet been any classification in respect of finance leases to be capitalised. After the contracts had been examined, the previous year's figures as of 30 June 2008 were adjusted in the consolidated financial statements as of 30 June 2009 in respect of the assets to be classified as finance leases and therefore to be capitalised in the lessee's accounts. Retrospectively as of 1 July 2007, property, plant and equipment amounting to € 3,390,000 was capitalised and € 3,727,000 carried as liabilities from finance leases. The difference was included in the retained earnings. No adjustment was made to the previous year's quarterly figures as the additional information benefit was insufficient to justify the expense that its calculation would involve. Furthermore, recognising the above-mentioned finance leases has a negligible effect on results (its effect in the entire 2008/2009 financial year was € 82,000) and therefore does not lead to material changes in Group equity.

Previous year's errors were also corrected in the consolidated cash flow statement that formed part of the consolidated financial statements to 30 June 2009. Issues that had a material effect on the comparative figures for the previous year are as follows:

Cash inflows from sale-and-leaseback transactions conducted in financial year 2007/2008 were previously reported under cash flow from operating activities but must be allocated to the investment area. The change in other net current assets for the third quarter of the previous year that was reclassified as income from the disposal of property, plant and equipment amounted to € 5.6 million.

In addition, the cash flow from investing activities in the previous year's reference period was adjusted to include the amount previously stated as cash flow from operating activities with effect on liquidity.

Furthermore, changes in the figures for the previous year's reference period were undertaken that related mainly to stating interest paid and received separately. Since the consolidated financial statements for the year ending on 30 June 2009 these figures have been stated under cash flow from financing activities. Their previous year's figure has been adjusted accordingly.

Explanatory notes on economic influences that may have had an effect on business activities are included in the Group management report for the quarter under review.

## Group companies

As of 1 January 2010, Marseille-Kliniken AG, Zug, Switzerland, was included in the Marseille Group's consolidated entity. The company is a wholly owned subsidiary of Marseille-Kliniken AG, Berlin. The number of companies to be included in Marseille-Kliniken AG's group of consolidated companies pursuant to IAS 27.12 therefore rose from 133 to 134 as of 31 March 2010 compared with the group of consolidated companies as of 30 June 2009.

## Segment reporting

The following table shows segment reporting in respect of segment results to 31 March 2010 for the current financial year:

| | Nursing care | | Other (formerly rehabilitation) Germany | | Other (formerly rehabilitation) Abroad | | Services, incl. AG, Germany | | Setting-off | | Continuing business operations Total | | Discontinued business operations | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 |
| External revenues | 142,076 | 133,803 | 3,937 | 4,058 | 852 | 0 | 653 | 783 | 0 | 0 | 147,517 | 138,644 | 38,550 | 36,422 | 186,067 | 175,066 |
| Internal revenues with other segments | 0 | 0 | 0 | 0 | 0 | 0 | 46,979 | 46,634 | -46,979 | -46,634 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other operating income | 9,473 | 4,651 | 1,452 | 744 | 0 | 0 | 19,729 | 18,620 | -23,642 | -19,394 | 7,012 | 4,620 | 1,666 | 948 | 8,678 | 5,568 |
| **Total revenues** | **151,549** | **138,454** | **5,389** | **4,802** | **852** | **0** | **67,361** | **66,036** | **-70,621** | **-66,028** | **154,529** | **143,264** | **40,216** | **37,370** | **194,745** | **180,634** |
| Cost of materials | -33,656 | -33,915 | -1,531 | -1,620 | -57 | 0 | -9,546 | -10,304 | 31,535 | 31,701 | -13,255 | -14,137 | -10,343 | -9,743 | -23,598 | -23,880 |
| Personnel expenses | -56,459 | -49,747 | -2,937 | -2,691 | -3 | 0 | -24,927 | -24,523 | 0 | 0 | -84,326 | -76,960 | -13,755 | -13,293 | -98,081 | -90,253 |
| Other operating expenses | -50,319 | -50,129 | -2,606 | -2,024 | -178 | 0 | -34,587 | -29,635 | 38,939 | 34,328 | -48,611 | -47,460 | -12,752 | -12,181 | -61,362 | -59,641 |
| Other taxes | -192 | -99 | -120 | 60 | 0 | 0 | -234 | -18 | 147 | 0 | -398 | -57 | -15 | -77 | -413 | -134 |
| Depreciation and amortisation | -3,566 | -2,726 | -870 | -588 | 0 | 0 | -2,467 | -1,547 | 0 | -1 | -6,903 | -4,862 | -516 | -513 | -7,419 | -5,375 |
| **Earnings from business operations** | **7,358** | **1,839** | **-2,676** | **-2,060** | **613** | **0** | **-4,400** | **10** | **0** | **0** | **1,036** | **-212** | **2,835** | **1,563** | **3,872** | **1,351** |
| Earnings from interest and financial investments | | | | | | | | | | | -56 | 516 | 439 | 226 | 383 | 742 |
| Interest and similar expenses | | | | | | | | | | | -3,045 | -3,869 | -253 | -278 | -3,298 | -4,147 |
| **Earnings before tax** | | | | | | | | | | | **-2,065** | **-3,564** | **3,022** | **1,511** | **957** | **-2,054** |
| Income taxes | | | | | | | | | | | -1,594 | -869 | -712 | -145 | -2,306 | -1,014 |
| **Group net profit/loss** | | | | | | | | | | | **-3,659** | **-4,434** | **2,310** | **1,366** | **-1,349** | **-3,068** |
| Expenses and income recognised directly in equity | | | | | | | | | | | **-230** | **-574** | **0** | **0** | **-230** | **-574** |
| **Total** | | | | | | | | | | | **-3,889** | **-5,007** | **2,310** | **1,366** | **-1,579** | **-3,642** |

The following table provides a segment report with reference to the segment earnings generated in the current financial year up to 31 March 2010:

| | Nursing care | | Other (formerly rehabilitation) Germany | | Other (formerly rehabilitation) Abroad | | Services, incl. AG, Germany | | Setting-off | | Continuing business operations Total | | Discontinued business operations | | Group total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 | 01.07.09-31.03.10 € '000 | 01.07.08-31.03.09 € '000 |
| Liabilities | 148,886 | 138,920 | 16,442 | 34,689 | 693 | 0 | 110,776 | 69,150 | -208,073 | -199,635 | 68,724 | 43,124 | 15,308 | 20,777 | 102,225 | 86,889 |
| Non-allocable liabilities | 35,953 | 31,537 | 7,888 | 9,301 | 0 | 0 | 47,688 | 58,760 | 0 | 0 | 91,529 | 99,599 | 2,886 | 2,211 | 94,415 | 101,810 |
| Assets | 158,894 | 154,070 | 27,715 | 49,194 | 763 | 0 | 130,156 | 97,829 | -162,599 | -162,782 | 179,330 | 173,455 | 24,739 | 34,688 | 204,069 | 208,143 |
| Non-allocable assets | 2,794 | 2,970 | 10,565 | 10,869 | 0 | 0 | 98,962 | 98,101 | -96,559 | -96,048 | 15,762 | 15,892 | 425 | 455 | 16,187 | 16,347 |

Of the discontinued operation's assets, € 2.5 million was intangible assets, € 13.9 million property, plant and equipment, € 0.6 million other financial assets and € 7.1 million current assets, including € 5.8 million in trade receivables. Of the discontinued operation's liabilities, € 3.4 million was non-current assets, including € 2.8 million in pension obligations, and € 6.5 million was current assets, of which € 1.7 million was current provisions, € 1.7 million trade payables, € 1.5 million current tax liabilities and € 1.6 million other current liabilities.

All revenues of discontinued operations were earned in Germany.

The income earned and expenses incurred abroad stated in the segment report relate to the Swiss company consolidated for the first time. The company's business activities consist of national and international consulting and assistance with the coordination, preparation and implementation of corporate strategies and delivery concepts in health care, organisation and process consulting, the implementation of IT concepts for networked business systems and the conclusion of operating and management contracts with health care institutions.

Expenses and income recognised directly in equity relate solely to Marseille-Kliniken AG.

## Explanatory notes to the consolidated balance sheet

*Property, plant and equipment*

The value of property, plant and equipment stated as of 31 March 2010 was approximately € 14.0 million lower than as of 30 June 2009. This figure included € 13.9 million in assets reclassified as held for sale. The remaining € 0.1 million consists mainly of the balance of depreciation on property, plant and equipment and additions.

*Other financial assets*

The reduction in other financial assets as of 31 March 2010 is due in particular to the reclassification of assets as assets held for sale.

*Deferred taxes*

Deferred tax assets were set aside for tax losses carried forward for Group companies. Any deferred tax assets in excess of this which arose due to temporary differences were set off against deferred tax liabilities from temporary differences and shown under liabilities wherever offsetting is permitted.

As of 31 March 2010 there were total corporation tax losses carried forward amounting to € 37.4 million (31 March 2009: € 32.3 million) which can essentially be utilised with no time limitation. These were carried forward as deferred tax assets, as long as it was sufficiently probable that such losses carried forward could be utilised at a future date.

Tax losses carried forward at the consolidated companies lead to the utilisation of deferred tax assets to the extent that the company in question is likely to benefit from having tax losses to be offset during the next five financial years. Against the backdrop of existing budgeting and various measures introduced, it is expected that there will be sufficient scope for offsetting the losses carried forward.

Where it does not seem likely that future taxed earnings of a company will allow for a tax reduction to be realised, deferred tax assets cannot be used against losses carried forward, i.e. appropriate value adjustments will be made to deferred tax assets.

*Inventories*

The Bremerhaven old people's and nursing home construction project recognised under inventories was sold to an investor in November 2009 and leased back as part of a sale-and-leaseback transaction. The proceeds of the sale amounted to about € 1.9 million, and the decline in inventories compared with 30 June 2009 was largely a result of this disposal.

*Non-current assets held for sale and debts incurred in direct connection with assets held for sale*

In the interim report to 31 March 2010, nine companies in the rehabilitation segment (Teufelsbad Fachklinik Blankenburg GmbH, Algos Fachklinik Bad Klosterlausnitz GmbH, REHA-Klinik Sigmund Weil GmbH, Sport- und Rehabilitationszentrum Harz GmbH, Psychosomatische Fachklinik Gengenbach GmbH, Fachklinik für psychische Erkrankungen Ortenau GmbH, Psychosomatische Fachklinik Schömberg GmbH, Gotthard-Schettler-Klinik GmbH and Klinik Bad Herrenalb GmbH) and two Karlsruher Sanatorium AG properties (in Ortenau and Bad Herrenalb) were classified as non-current assets held for sale and as debts incurred in direct connection with assets held for sale. The disposal plan was announced and the planned disposal corresponds to the Marseille Group's long-term strategy. Sale within the next twelve months is also considered to be highly probable.

According to IFRS 5, discontinued operations must be recognised separately from continuing operations. The income statement for continuing operations was adjusted accordingly, with income and expenses of discontinued operations being deducted and shown under a separate heading. For purposes of comparability, the previous year's figures for the discontinued operation were stated accordingly.

*Treasury stock*
In the first nine months of financial year 2009/2010, Marseille-Kliniken AG neither bought nor sold treasury stock. The average share price was unchanged on 30 June 2009 at € 8.54. The value of treasury stock held therefore totalled € 902,579.62 (30 June 2009: € 902,579.62).

*Time valuation reserve*
Deferred swaps with no effect on income are shown in the time valuation reserve. They are two interest rate swaps that were acquired in order to hedge floating-rate loans. This has the effect of transforming the future floating-rate loans into fixed-rate loans. In the third quarter of financial year 2009/2010 a heating oil swap undertaken to hedge payment flows for the purchase of heating oil was sold at a profit of € 18,000.

As of 31 March 2010, the two interest rate swaps shown in the time valuation reserve had overall negative market values amounting to € 708,000 less deferred taxes totalling € 112,000, or € 596,000 in all. The market value was ascertained using the mark-to-market method.

*Deferred investment grants*
Deferred investment grants totalling € 43,342,000 (30 June 2009: € 44,428,000) are dissolved with effect on income in accordance with the useful life of the assets subsidised.

*Current provisions*
Current provisions as of 31 March 2010 are almost unchanged on 30 June 2009 when the reclassification of current provisions for discontinued operations is taken into account. In total, € 1.8 million was reclassified as debt incurred in direct connection with assets held for sale.

*Non-current financial debt*
Non-current financial debt includes, in addition to the financial debts outlined in the notes to the consolidated financial statements to 30 June 2009, derivative financial instruments totalling € 708,000 as of 31 March 2010. These derivatives are the interest rate swaps mentioned under the heading "Time valuation reserve". Changes in the fair value of the swaps are recognised in equity without effect on net income.

**Explanatory notes to the consolidated income statement**
*Revenues*
Revenues increased by about € 11.0 million on the previous year to € 186.0 million. The increase was due mainly to a rise in occupancy rates in both the rehabilitation and nursing care divisions.

*Cost of materials*
The cost of materials in the first nine months of financial year 2009/2010 was almost unchanged on the year at € 23.6 million (previous year: € 23.9 million).

*Depreciation and amortisation*
Depreciation and amortisation in the first nine months of financial year 2009/2010 totalled € 7.4 million and included € 1.6 million in write-downs on capitalised finance leases for factory and office equipment. Depreciation and amortisation during the same period of the previous year amounted to € 5.4 million and did not include write-downs on capitalised finance leases. Not including the effect of finance leases, there were no material changes on the previous year.

*Other operating expenses*
Other operating expenses increased in the first nine months of financial year 2009/2010 to € 61.4 million (previous year: € 59.6 million). In the first nine months of the financial year the recognition of finance leases led to a € 2.1 million reduction in other operating expenses. So even without the effect of the finance leases, other operating expenses rose. This increase was due mainly to higher maintenance costs and to write-downs on receivables.

*Financial result*
As of 31 March 2010 the financial result stood at -€ 2.9 million, an improvement on the previous year's -€ 3.4 million. The effect of finance leases in the first nine months of financial year 2009/2010 was € 505,000 and reduced the current year's nine-month financial result accordingly.

**Miscellaneous disclosures**
*Earnings per share*
At the Annual General Meeting on 12 December 2008, it was resolved to redivide the share capital, split the shares from their original total of 12,150,000 into 24,300,000 no-par-value shares and revise § 4 (1) of the articles of association. The revised articles of association were entered in the Commercial Register on 5 February 2009. The share split has not yet been implemented on the stock market.

Basic earnings per share as of 31 March 2010 were -€0.12 on the basis of 12,150,000 shares or -€ 0.06 on the basis of 24,300,000 shares (31 March 2009: -€ 0.25 on the basis of 12,150,000 shares or -€ 0.12 on the basis of 24,300,000 shares).

There is no difference between diluted and basic earnings per share since no other potential share rights have been issued.

*Dividend paid*
No dividend was paid in the first nine months of financial year 2009/2010 (previous year: € 3.0 million).

*Contingent liabilities or contingent claims*
There have been no changes compared with the last consolidated financial statements to 30 June 2009. As of 31 March 2010 there were no material commitments or risks that are not covered by provisions.

*Relationships with related persons and companies*
Business relationships between all the companies included in the consolidated financial statements are eliminated in their entirety in those consolidated financial statements. Relations with related persons and companies are based on the same terms and conditions as relations between third parties.

Business transactions between the Marseille Group companies and related persons and companies are as follows:

All in all, trade receivables and receivables arising from loans to the Marseille family and its related companies amount to € 12.1 million (30 June 2009: € 12.5 million), while liabilities total € 10.4 million (30 June 2009: € 5.7 million). The increase in liabilities compared with 30 June 2009 was due in particular to a € 4.0 million loan extended to Mr Marseille in the third quarter of 2009/2010.

The Marseille Group acquired € 6.9 million (financial year 2008/2009: € 9.0 million) in goods, services and assets from related persons and companies. The Marseille-Kliniken Group provided goods and services totalling € 0.5 million (financial year 2008/2009: € 1.5 million) to related persons and companies during the reporting period.

*Events after the balance sheet date*
The Marseille-Kliniken Group has sold all of its rehabilitation clinic operations to discontinue its rehabilitation segment. Completion of the sale is subject to approval by the Annual General Meeting of Karlsruher Sanatorium AG and by the lessors. These approvals are to be secured by the beginning of May 2010.

This transaction affects the operational subsidiaries of Karlsruher Sanatorium AG, a Marseille-Kliniken AG subsidiary. They are Gotthard-Schettler-Klinik GmbH, REHA-Klinik Sigmund Weil GmbH, Fachklinik für psychische Erkrankungen Ortenau GmbH, Klinik Bad Herrenalb GmbH, Psychosomatische Fachklinik Schömberg GmbH and Psychosomatische Fachklinik Gengenbach GmbH. Marseille-Kliniken AG has also sold its subsidiaries Algos Fachklinik Bad Klosterlausnitz GmbH, Sport- und Rehabilitationszentrum Harz GmbH and Teufelsbad Fachklinik Blankenburg GmbH.

Conclusion of the transaction will result in a significant book profit for the Marseille-Kliniken Group in the lower double-digit million euro region. The contracting parties agreed not to disclose the exact purchase price.

In addition, an insolvency proceedings application was submitted on 21 April 2010 for the Marseille Group company St. Nikolaus-Hospital Büren GmbH.

Berlin, Germany, 29 April 2010

| Ulrich Marseille<br>Chairman of the<br>Management Board | Claus Dobrowolski<br>CFO | Axel Regenhardt<br>CIO |
|---|---|---|

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