Report on the 1st 9 months of the year

01. July 2007 to 31. March 2008

MARSEILLE-KLINIKEN AG

Summary of the first 9 months

01. July 2007 to 31. March 2008

		07|08	06|07	Change in %
Results				
Total performance*	€m	179.8	168.4	6.8
EBITDAR**	€m	45.9	49.9	-8.0
EBITDA**	€m	18.4	23.7	-22.5
EBIT**	€m	12.5	16.7	-25.0
EBIT margin**	%	7.3	10.3	-29.0
EBT**	€m	9.7	12.0	-19.5
EBT margin**	%	5.7	7.4	-23.9
Net income	€m	10.4	2.8	279.2
RoS	%	4.3	5.7	-24.3
DVFA/SG result	€m	7.4	9.2	-19.9
Gross cash flow**	€m	3,5	17.0	-79.3
Balance sheet				
Fixed assets	€m	195.6	227.1	-13.9
Investments	€m	8.6	9.3	-8.1
Shareholders' equity***	€m	82.2	66.3	23,9
Equity ratio	%	32.6	22.1	47.5
Other key indicators				
Employees on the qualifying date	Number	5,340	5,154	4.0
Facilities	Number	65	63	2.0
Bed capacity on the qualifying date	Number	8,899	8,765	2.0
Occupancy rate****	%	92.5	89.9	2.9

* Excluding other operating income
** Including DVFA/SG adjustment items
*** Including 84.2% special item for deferred investment grants (previous year: 73.6%)
**** Excluding facilities that started operation
of which in 06/07: Hamburg and Düsseldorf
of which in 07/08: Potsdam, Hamburg, Schömberg, Düsseldorf II, Türk Bakim Evi

Main Group figures (IAS)

Highlights

| Nursing division continues to grow

| Quality campaign

| Positive result in the rehabilitation division

Dear shareholders and friends of the company,
Making sure that old people enjoy as decent an environment as possible at German nursing facilities continues to be a central issue in the debate about health policy. It is fuelled at regular intervals by reports about maltreatment, fraud and inhuman behaviour at nursing homes. Claus Fussek from the forum for the improvement of the situation of people in need of nursing care, one of the most vocal critics of the German nursing care market, has made a frontal attack on large areas of the industry in his latest book "Im Netzwerk der Pflegemafia" ("In the fangs of the nursing mafia"). Our company is mentioned in the book too. The nursing facilities are described as being professionally managed. He says that the facilities are among the best-run in Germany where capability, organisational efficiency and management are concerned. He is right in many of the points he criticises, but some of the demands he makes are exaggerated.

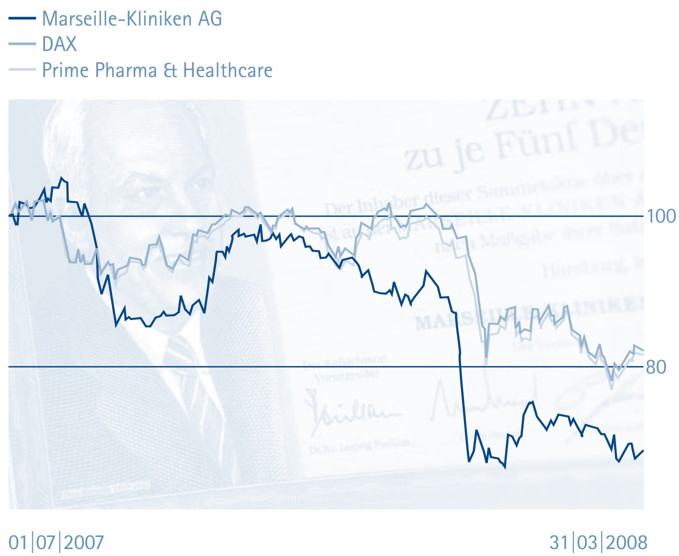
There is, however, no dispute at all about the fact that almost everyone who starts to need nursing care and help is unsure of himself and feels that there is a lack of sound advice. The impression is that society is abandoning people in a highly vulnerable condition. In a country where all goods and services provided are subject to strict quality criteria, it is difficult to understand why there are no consistent test methods for assessing the quality of nursing care for the elderly. The medical service departments of the health insurance funds (MDK) and the home supervisory authorities in the individual states only check the roughly 10,400 nursing homes in Germany on a random basis and then keep the results to themselves as well.

We are not merely aware of this deplorable situation; we implement an active company policy that is helping to solve these problems. We make large investments in a Group quality management system and we document our quality activities. We know from the survey carried out on our behalf by TNS Emnid at the end of April that almost 90 per cent of the relatives of people in need of nursing care would like there to be official procedure for testing the quality of nursing care ("TÜV"). They demand disclosure of the facts and data about all homes. Marseille-Kliniken has initiated the campaign for transparency that is needed in this context by publishing the first Group quality report by a company with national operations in the nursing care industry. The quality report about our facilities is the first comprehensive attempt to create transparent nursing homes. The aim is for our existing and prospective customers to be able to understand how the individual homes are equipped, what services are provided and how high the quality of nursing care is.

The overall performance of our facilities is good, as is demonstrated by the assessments graded using the school system that are based on internal auditing procedures and interviews with relatives. According to the internal evaluation system, 33 facilities are in the highest range (grade one) and only two are classified in the grade three category. The residents' relatives give the homes an average grade of 2.2. All in all, 30 of the 54 facilities reviewed were given an overall grade of better than 2 and therefore received the Group's own eqs.-Institut award. A comprehensive examination is made in this context of all aspects of structural, process and performance quality. Trained quality managers ask detailed questions about the implementation of nursing plans and nursing inspections, about how nursing reports are kept and about how nursing risks are dealt with and they review personal hygiene, bedding, nutrition, fluid intake and room cleanliness.

There is not in our opinion any justification in claiming that the quality report is not objective because of a lack of external controls. On the one hand, the internal quality checks are based on the auditing guidelines followed by the medical service departments of the health insurance funds (MDK), supplemented by specifications made by the company's internal quality management department. On the other hand, we are subject to regular external controls. In 2007 alone, we had 16 visits from the MDK, while the home

Development of the Marseille-Kliniken share price
indexed, 01. July 2007 = 100



supervisory authorities came to our facilities 49 times and we reviewed individual cases with about 700 MDK representatives when there were changes in the level of nursing care required by our home residents. A survey published by the German MDK in September 2007 shows that no non-profit or public operator is checked as often as we are. We do not want to dispense with external controls; on the contrary: we consider them to be an essential feature of a comprehensive, independent control system. We are convinced that optimum quality monitoring consists of an annual check by the home supervisory authorities and the MDK combined with an ongoing internal quality assurance process that is rounded off by the external "TÜV" certification we have been pushing for. External TÜV certification of our company will probably have been completed by the end of 2008.

It goes without saying that quality assurance does not happen by itself and is not free of charge. It is put into practice by people. So it is only logical that our quality campaign involves extensive activities at the personnel level. The provision of particularly high-quality service by qualified, regularly instructed and motivated staff is based on three principles: training and encouragement; secure jobs and attractive social benefits; performance-based pay components for all employees, with an additional incentive for particularly successful staff. In view of the shortage of suitable personnel on the employment market for professional nursing care for the elderly, we aim to train our future staff internally in line with our own particular requirements, planning their careers at the company in liaison with them. The Marseille Academy is at the heart of the personnel development system. It integrates a college that focusses on nursing care for the elderly and trains people to become qualified nurses, nursing service managers and facility managers. At the beginning of this year, we increased our training programme by 80 additional apprentices per year in the nursing care field. This means that we are training a total of more than 300 young people at our facilities.

The core element of our innovative system of basic and advanced personnel training is conversion of the training processes to professional e-learning with the SAP Learning Solution. It puts us in a position to implement central specifications reliably and to make sure that all employees have the same level of expertise. Staff at all the facilities can complete courses and take online tests flexibly at their own pace via a teaching portal. Following the introduction of e-learning, staff are committed by their employment contract to complete specific courses. All employees receive 30 minutes of ongoing training per week and complete 10 courses per year by taking a test. Since the beginning of this year, we have combined the e-learning programme with a bonus scheme involving rewards for good performance. It is part of an extensive programme to encourage staff and strengthen their loyalty to us. We have been successful in expanding company old-age pension provision, which can lead to additional pension rights equivalent to 30 per cent of the amount received from the state pension scheme. We make incentive payments to facility managers and nursing service managers and give annual bonuses to the best skilled and semi-skilled nursing staff at each facility.

What was in the meantime the fourth opinion poll we commissioned from TNS Emnid to investigate the situation in the nursing care field in Germany supports our call for "transparent nursing homes". The list of criteria on which the choice of a suitable nursing facility is based is topped by well-trained personnel, high-quality nursing care and comprehensive personal attention. There is strong approval for the introduction of "TÜV" certification of nursing care. About nine out of ten people polled would like nursing homes to be certified in this way by independent institutes.

Nursing care for the elderly continues to be the sector of the health system that is expanding fastest. By 2020, about 24 million people over the age of 60 will be living in Germany. A viable market is not a matter of course even so. The reform of the nursing care insurance system that is taking effect in the middle of the year is just a first step towards getting exploding costs and quality problems under control. The reform is in actual fact increasing the services and payments made by the nursing care insurance funds and is burdening contributors with new costs, without creating sound foundations for financing this underfunded area of the social security system. No independent expert shares the view expressed by health politicians that the increase of 0.25 percentage point in contributions will guarantee funding until 2015. The gradual increase in nursing care rates, levels 1 and 2 of which are, incidentally, being excluded in completely inpatient nursing care by 2015, will be consumed by inflation. Taking the inflation rate into consideration, the nursing rates today are lower than they were in 1996. This development is hitting operators of standard facilities – which represent 80% of the total capacity – particularly hard. Less than 50% of the rooms they provide are single rooms and they are kept alive by large top-up payments from the welfare authorities. The players in this segment are suffering from increasing competitive and margin pressure as a result of stagnant nursing care rates. The legally prescribed implementation of quality management procedures based on integrated software systems is an additional financial threat to many facilities.

These fundamental issues challenging the nursing care industry demand our attention too and are naturally having an impact on our operations as well. However, we were quick to anticipate the changes on the market and modified our business model at an early stage. We are implementing a moderate, yield-oriented growth policy in nursing care for the elderly, we are steadily reducing overhead costs by generating further growth and, above all, we have a service structure that meets the market requirements. People in Germany, for whom financial provision for nursing care for themselves or their parents is becoming an increasingly heavy burden, need to be able to choose between nursing facilities with different price ranges. Expressed in hotel categories, most homes in Germany are standard 3-star facilities. They are on their way out. What are needed are a variety of "hotel" categories to fit every pocket. The market is growing particularly fast at both ends. On the one hand, the 4-star hotels with a large proportion of individual rooms for people who have made large financial provision for their old age and, on the other hand, 2-star hotels consisting mainly of double rooms for people with small pensions. The emphasis we are putting on the largely neglected assisted living segment takes account of this increasingly heterogeneous market. The classification of our facilities by the hotel system with respect to the building standards while maintaining consistently high quality levels in nursing care and hotel services combined at the same time with concentration on specific areas of nursing care is not matched in a similar way by any competitor at the present time.

In the nursing division, we are gradually coming closer to reaching our objective of full capacity utilisation at the facilities, which in practice means an occupancy rate of about 95%. The progress we are making at both our existing and new facilities is encouraging. The response to the 4-star home in the centre of Hamburg is good, while it is proving to be no problem to fill the second senior citizens' residential home in Düsseldorf (which has a large proportion of single rooms). Acceptance of the concept behind the facility in Berlin-Kreuzberg, which is open exclusively to residents with a Turkish background, is increasing. We are co-operating in Berlin with outpatient service providers and Charité University Hospital with the particular aim of reaching the relatives of the immigrants concerned. There are also positive trends at the nursing clinic that was opened in the first half of 2007/2008 at the Schömberg location and in the assisted living project in Potsdam. We are expecting to reach full occupancy in Potsdam as early as the summer. The facilities in Meerbusch (150 beds), Oberhausen (80 beds) and Bremerhaven (200 beds) will be coming into operation in the new 2008/2009 financial year.

The positive development in the rehabilitation operations continued in the 3rd quarter. This division has achieved a sustained turnaround and is not depressing the Group's operations any more in this financial year. Occupancy has improved considerably at both the four psychosomatic clinics and the five somatic clinics. On average over the year, we will be reaching an occupancy rate of about 90% compared with 77% in the previous year. On the basis of the successful turnaround, we still intend to dispose of the rehabilitation division by selling the business operations as soon as the uncertainty on the financial markets has been overcome.

The main figures about the operations in the first nine months of the 2007/2008 financial year that ends on 30. June were influenced by positive and negative special factors. The nursing division is growing profitably, while there is an uptrend in the rehabilitation operations. Group operating sales in the months of July 2007 to March 2008 increased by 5.7% to € 170.6 million; they were 7.2% higher in the nursing division at € 132.7 million and were up 0.9% at € 37.9 million in the rehabilitation division in spite of the reduction in capacity. The beds available in the Group were occupied 92.5% of the time; this represents an improvement of 2.6 percentage points over the previous year. The occupancy rate in the nursing operations was 93.4% (previous year: 92.8%), compared with 89.2% (previous year: 76.8%) in the rehabilitation operations excluding the acute hospital in Büren. Earnings before interest and tax (EBIT) increased by € 2.4 million to € 12.6 million. Net Group income was € 10.4 million, which was € 7.3 million higher than in the previous year.

The Group DVFA result after adjustment to eliminate start-up losses, shutdown costs and profits from property sales was € 1.8 million lower than in the previous year at € 7.4 million. The nursing division contributed € 6.6 million of the result, while € 0.8 million came from the rehabilitation division. The reasons for the substantial reduction in the result generated by the nursing operations were:

- Higher energy costs than in the previous year (volumes and prices)
- Large non-recurring expenditure on the comprehensive introduction of e-learning for our 2,700 nursing staff and costs incurred to establish the quality management system throughout our Group
- Higher advertising expenditure to fill our facilities and higher maintenance costs.

Most of these expenses are non-recurring and will not be continuing to depress earnings in the nursing division in future.

The development of the Marseille-Kliniken share price was unsatisfactory in the 3rd quarter. The share was under constant pressure due to the general weakness of the markets and particularly of minor stocks. Since the substantial reduction in January, the share price has remained in the € 11.00 to € 12.00 range at low trading levels. The fundamental trend continues to be good, however, and the analysts remain confident in us. We are maintaining contact with our investors irrespective of the chaos on the finance markets. We are certain that the share price will return to a level that is a realistic reflection of the company's potential.

There has been no change in our strategic objectives. In nursing care for the elderly, we intend to expand the position as market, cost and quality leader among the private operators of nursing facilities. We are making good progress in the establishment of Marseille-Kliniken as an unmistakable brand on the market for high-quality nursing care for the elderly. We aim to strengthen our financial position and equity basis too. And, finally, we have decided to dispose of the rehabilitation operations. We are correcting our sales forecast for the 2007/2008 financial year by € 7.0 million to € 233 million. But we are continuing to work on the assumption of EBIT of € 24 million and after-tax earnings of € 18 million.

We would like to express our thanks to you, our shareholders, for your loyalty to the company and assure you that we will be continuing to do everything in our power in future to justify your trust. We would like to thank the residents and patients at our facilities and their relatives, who show their recognition for our work by choosing Marseille-Kliniken. Our thanks also go to our staff, whose impressive social and professional skills determine the company's reputation on the market. The enthusiasm and warmth they demonstrate in carrying out their demanding nursing assignments deserve great respect.

Your

Axel Hölzer, Chairman of the Management Board

German economy proves to be robust

The international finance crisis has not slowed down the speed at which the German economy is growing to any major extent so far. The economy started 2008 with great momentum. The increase in production in the winter was higher than in the autumn of 2007. Economists are expecting private consumption to expand rapidly in the course of the year. The reasons given for this are higher employment and increases in real earnings. The inflation rate, which exceeded the 3% mark again for the first time in April 2008, is likely to amount to 2.6% for the year as a whole. The economic experts are also working on the assumption that the employment market will be developing surprisingly well. A reduction of about 500,000 in the number of unemployed to 3.2 million is expected, for example. In spite of higher wage increases, the experts are even forecasting an annual figure of below three million in 2009 – for the first time since 1991. There is criticism in the business community about the abandonment of reforms on the employment market. Politicians' advocacy of larger wage increases, so that employees benefit from the upswing more emphatically, is also controversial. No mention is made in this context of the fact that the number of people in employment has increased by about 1.5 million since 2005.

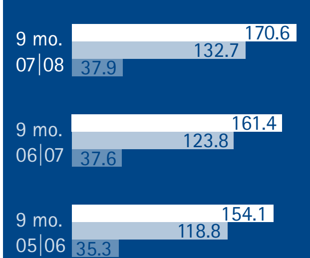
The development of the world economy in future depends to a large extent on how the economy in the USA continues to develop. In their spring report, the research institutes predict neither a serious recession in the USA nor a global economic slump. The dynamic advances that are still being made in the newly industrialised countries are said to be guaranteeing a high degree of stability. For 2008, the researchers are forecasting growth of 2.7% in the global gross domestic product and an increase of about 5% in world trade. The growth rates in 2009 are expected to be considerably higher again. The growth estimated for Germany amounts to 1.6%.

Makeshift reforms in the health system

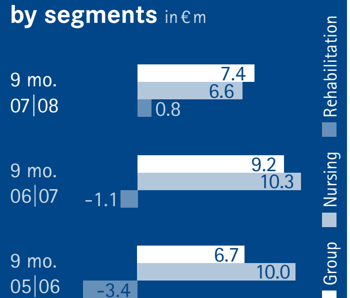
There continues to be controversy about the reforms in the health system. Criticism of the health reform that took effect on 1. April 2007 focusses on the health fund that is supposed to be introduced in 2009. Protests are coming from all sides of the political spectrum as well as from the health insurance funds. It is, however, considered to be improbable that the German chancellor and the Ministry of Health will agree to a postponement, let alone a revision of the entire concept. The law designed to optimise the nursing care insurance system is to come into force on 1. July. The law stipulates an expansion of the services provided as well as an increase in the premiums paid to fund these additional services. In the dispute about inclusion of the private nursing care insurance providers, the coalition was unable to agree on the introduction of "capital-based elements to cover demographic developments". In future, the nursing care insurance funds are, however, allowed to arrange additional private nursing care insurance cover for the people insured with them. The rates paid for the three levels of nursing care are being increased for the first time since the insurance system was introduced in 1995. This is being done in three stages in 2008, 2010 and 2012. Money will only be paid for people requiring the most intensive nursing care (nursing care level 3) at completely inpatient facilities in future.

More than 2 million people who need nursing care and/or are suffering from memory disorders, relatives who care for them and nursing service providers will be benefitting from the reform of the nursing care insurance system. All of them can hope to receive greater support as well as a little more money in the next few years. The law is bad news for many million inhabitants of Germany who pay into the system and might start to need nursing care in two, three or four decades. The search for a solution for the long-term funding of the state nursing care insurance system has been postponed. This is very significant, because the time left to make the transformation that is still possible at the moment from a contribution-based nursing care insurance system to a capital-based system is getting shorter and shorter from year to year because of increasingly exacting demands that are being made on the nursing care insurance funds. The opportunity to exercise this option – which is the best of all the possible solutions – will probably be lost if nothing is done before 2015.

Operating sales by segments in € m



DVFA result by segments in € m

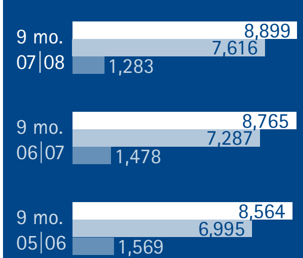


Stable development at Marseille-Kliniken

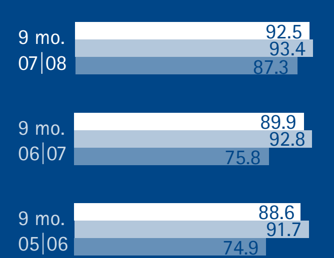
The main figures about the operations in the first nine months of the 2007/2008 financial year (which ends on 30. June) confirm that the company is continuing to develop stably. Sales, earnings and the occupancy rate in the rehabilitation operations correspond largely to expectations, whereas sales and earnings in the nursing operations did not quite reach our targets due to delays in the start-up of additional facilities and special charges. Marseille-Kliniken is establishing itself as the market and cost leader among the private operators in the core business of nursing care for the elderly. The lead we hold in the areas of quality and assurance of it as well as in personnel development has increased. The publication of what is the first Group quality report in Germany is a milestone in the nursing industry. The hotel concept classifies the range of 4-, 3- and 2-star homes in price groups for different building standards on the basis of consistent quality standards. Segmentation of the range corresponds to the demand, which is based on income and requirements. The focus is on the two ends of the spectrum – 4-star and 2-star homes, including assisted living. Marseille-Kliniken is acting as a pioneer in this segment. The turnaround exercise in the rehabilitation division has been completed successfully. This division does not have any strategic importance any more. The Management Board stands by its decision to sell the business operations gradually or at one go. In view of the crisis on the financial markets, no negotiations are being held at the present time, however.

The following figures for the first nine months of the 2007/2008 financial year (which ends on 30. June) and those for the same period the previous year have been compiled on the basis of the IAS/IFRS international accounting standards.

Bed capacity by segments



Occupancy rate by segments in %



Increase in operating sales

Total Group performance without the other operating income reached € 179.8 million in the first nine months of the 2007/2008 financial year (01.07.2007 to 31.03.2008). This is an increase of € 11.4 million or 6.8% over the same period the previous year. The other own work capitalised included in this amounted to € 10.2 million and relates to the Group's building projects. Operating sales totalled € 170.6 million after € 161.4 million in the previous year. This corresponds to growth of € 9.2 million or 5.7%, which is attributable almost entirely to the nursing division. The increase there was € 8.9 million (7.2%) due to higher occupancy and larger nursing bed capacity. Sales in the rehabilitation division increased from € 37.6 million to € 37.9 million (0.9%) thanks to a higher occupancy rate at the rehabilitation clinics.

At the end of the 9-month period covered here that ended on 31.03.2008, a total of 65 facilities were being operated: 56 nursing homes, 8 rehabilitation clinics and 1 hospital. New additions since 31.03.2007 were the senior citizens' residential home in Potsdam (September 2007), the nursing clinic in Schömberg following conversion of some of the rehabilitation clinic (September 2007) and the facility in Düsseldorf (October 2007). The bed capacity in the nursing division therefore increased from 7,287 to 7,616 on 31.03.2008. The number of beds in the rehabilitation division decreased from 1,478 to 1,283.

The Group had a total of 8,899 beds on 31.03.2008 (previous year: 8,765). The Group occupancy rate (excluding facilities that started operation) was 92.5% (previous year: 89.9%). The increase of 2.6 percentage points is attributable to the specialisation of our homes, external certification and systematic quality management as well as the intensified marketing activities.

Further growth in the nursing division

The nursing division remains committed to sales growth. Sales reached € 132.7 million and were therefore € 8.9 million higher than in the same period the previous year. While the existing facilities increased their sales by € 3.8 million to € 125.1 million (previous year: € 121.3 million), our new facilities achieved sales growth to € 7.6 million (previous year: € 2.5 million). The DVFA result amounted to € 6.6 million (previous year: € 10.3 million). The main DVFA adjustments related to the effects of the 2008 company tax reform, which have to be taken into consideration for the first time in the 2007/2008 financial year, on the deferred tax assets and liabilities of - € 3.5 million in the financial statements as per 30.06.2007. Start-up expenses incurred for the AMARITA facility in Hamburg (+ € 1.2 million), for the facility in Berlin-Kreuzberg (+ € 1.3 million), for Potsdam, Düsseldorf II, Schömberg (+ € 1.5 million) and for the establishment of various new outpatient nursing care services at five locations (+ € 0.5 million) were also included.
The reasons for the substantial reduction in the result generated by the nursing operations were:

- Higher energy costs than in the previous year (volumes and prices)
- Large non-recurring expenditure on the comprehensive introduction of e-learning for our 2,700 nursing staff and costs incurred to establish the quality management system throughout our Group
- Higher advertising expenditure to fill our facilities and higher maintenance costs.

Most of these expenses are non-recurring and will not therefore be continuing to depress earnings in the nursing division in future.

Excluding the facilities that started operation, the occupancy rate was higher than the previous year's level of 92.8% at 93.4%. This is more than 5% higher than the national average.

Positive development in the rehabilitation division

Sales in the rehabilitation division increased from € 37.6 million to € 37.9 million, in spite of the reduction of 195 in bed capacity to 1,283. The occupancy rate of 89.2% at the 8 active rehabilitation clinics in the past 9 months (previous year: 76.8%) had the effect that sales were higher in spite of the traditionally poorer 3rd quarter and the elimination of the oncological clinic in Bad König. The 8 active rehabilitation clinics alone succeeded in increasing sales by 6%. If the acute clinic in Büren, the income of which is determined by what is known as the case mix combined with the relevant basic rates per case and the aim of which is to minimise the time patients stay there, is taken into consideration in assessment of the capacity utilisation level, the overall occupancy rate rose to 87.3% after 75.8% in the same period the previous year. A positive DVFA result was now achieved (€ 0.8 million) following a loss of € 1.1 million in the same period the previous year. The main DVFA adjustments made here relate to the locations shut down in Bad König, Bad Oeynhausen, Waldkirch and Reinerzau (+ € 3.5 million). The effects of the 2008 company tax reform, which have to be taken into consideration for the first time in the 2007/2008 financial year, on the deferred tax assets and liabilities (- € 1.4 million) in the financial statements as per 30.06.2007, were also included. The profit made from the Schömberg sale depressed the DVFA result as well (- € 6.8 million). Higher energy and maintenance costs than in the previous year had a negative impact on the rehabilitation division too.

Key company figures improved

All the key company figures improved as follows: EBITDAR to € 51.0 million (+ € 6.3 million, 14.2%), EBITDA to € 19.0 million (+ € 1.5 million, 8.5%), EBIT to € 12.6 million (+ € 2.4 million, 24.1%) and EBT to € 8.1 million (+ € 4.1 million, 103.7%). Net Group income after minority interests amounted to € 10.4 million after € 3.1 million in the same period the previous year. Earnings per share increased by € 0.60 to € 0.86.

The result of € 7.4 million after adjustment for DVFA/SG items was lower than the € 9.2 million reached in the same period the previous year because of the above-mentioned special charges in the nursing division. The cumulated DVFA earnings per share of € 0.60 were € 0.16 lower than the previous year's figure of € 0.76. The DVFA result in the nursing division amounted to € 6.6 million after € 10.3 million in the same period the previous year, while the earnings per share here were € 0.54 after € 0.85 in the previous year. Positive DVFA earnings per share of € 0.06 were generated in the rehabilitation division after a loss of € 0.09 per share in the previous year.

After DVFA/SG adjustments, EBITDAR amounted to € 45.9 million after € 49.9 million in the previous year. EBITDA decreased from € 23.7 million to € 18.4 million and EBIT went down from € 16.7 million to € 12.5 million. The EBIT margin in relation to sales was 7.3% after 10.3% and the EBITDA margin reached 10.8% after 14.7% in the same period the previous year. The EBITDAR margin amounted to 26.9% after 30.9% in the same period the previous year.

The adjusted EBT totalled € 9.7 million in the quarter under review after € 12.0 million in the same period the previous year. The EBT margin therefore decreased from 7.4% to 5.7%.

The shareholders' equity improved by € 15.9 million, from € 66.3 million to € 82.2 million on 31. March 2008. The equity ratio went up from 22.1% to 32.6%. Due to the 2008 company tax reform, 84.175% (previously 73.625%) of the special item for deferred investment grants were taken into account in this context.

There was a further reduction in the net financial debt of the Group from € 111.6 million on 31.03.2007 to € 69.8 million on 31.03.2008. The ratio of financial debt (long-term bank loans) to the balance sheet total decreased from 36.4% to 14.4%. The development of these indicators was determined to a large extent by the completion of the sale-and-leaseback transactions.

Following adjustments for DVFA/SG items, gross cash flow was lower than in the first 9 months of the previous year (€ 17.0 million) at € 3.5 million.

Drop in the share price

The price of the Marseille-Kliniken share ranged between € 11.50 and € 18.05 in the months of July 2007 to March 2008. The share was unable to avoid the impact of the uncertain financial market environment due to the mortgage crisis and fears of a recession in the USA and closed at a price of € 11.88 on 31. March 2008. The final price on 29. April 2008 was € 10.87.

Prospects

We are correcting our sales forecast for the 2007/2008 financial year as a whole by € 7.0 million to annual sales of € 233.0 million. Delays in filling our additional nursing facilities are the main reason for this. We are maintaining the forecast for EBIT of € 24.0 million and after-tax earnings of € 18.0 million. The positive development at the existing facilities in the nursing division will be continuing and we will be making further progress in the specialisation programme that has already been implemented successfully. The further improvement in occupancy rates at the existing additional facilities over both the first three quarters of the current financial year and the previous year will also be leading to substantial reductions in start-up losses there.

Further locations are at the construction phase and we are expecting further bed growth in the development of the assisted living operations too, which means that capacity will be increasing again in the next financial year.

The rehabilitation division has achieved the planned turnaround and has been reduced to a viable core as far as the capacities are concerned. The earnings generated in the rehabilitation operations will not be depressing Group figures any more in the current financial year. This is being confirmed at the present time by such factors as the further increase in the occupancy rate in April. On the basis of this positive market development, we intend to dispose of the segment by selling part or all of the business operations as soon as the general conditions on the finance markets have stabilised.

Balance sheets at 31.03.2008 and 31.03.2007

Group	31.03.08 in €'000	31.03.07 in €'000
Intangible assets	33,052	33,237
Property, plant and equipment	159,460	189,131
Other non-current assets	6,548	23,796
Inventories	5,190	14,283
Cash	5,642	4,921
Other current assets	42,308	35,099
Balance sheet total	**252,200**	**300,467**
Equity*	82,231	66,342
Pension provisions	18,268	17,394
Non-current financial debt	36,359	109,331
Other non-current debt	41,397	59,913
Current financial debt	39,077	7,111
Other current debt	34,868	40,376
Balance sheet total	**252,200**	**300,467**

* Including 84.2% (previous year 73.6%) special item for deferred investment grants

Statements of cash flow*

Group	9 months 2007|2008 in €'000	9 months 2006|2007 in €'000
Net Group income	10,354	2,752
Expenditure/income with no effect on payment	-8,326	8,130
Decrease/increase in assets and liabilities	38,170	-15,885
Cash flow from investment activities	4,914	-9,337
Cash flow from financing activities	-49,228	-13,051
Decrease/increase in liquid funds	-4,117	-27,391

* In accordance with the format that has to be submitted to Deutsche Börse AG on a quarterly basis too

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

Profit and loss accounts for the first half of the year (IAS)

Group	2007|2008 in €'000	2006|2007 in €'000	Change in %
Sales from Group operations	170,627	161,428	5.7
Nursing division sales	132,663	123,803	7.2
Rehabilitation division sales	37,964	37,625	0.9
EBITDAR	51,038	44,703	14.2
EBITDA	18,982	17,499	8.5
Depreciation	-6,333	-7,308	-13.3
EBIT	12,649	10,191	24.1
Interest balance	-4,573	-6,227	-26.6
EBT	8,076	3,964	103.7
DVFA result	7,342	9,171	-19.9
DVFA earnings per share/nursing in €	0.54	0.85	-36.3
DVFA earnings per share/rehabilitation in €	0.06	-0.09	-170.1

Financial calender

CB Seydler conference Frankfurt	6 to 8 May 2008
Annual Report 2007|2008	October 2008
Report on the 1st quarter 2008|2009	10 November 2008
Annual General Meeting	4 December 2008

Imprint

Publisher: Marseille-Kliniken AG
Contact: Axel Hölzer, CEO
Internet: www.marseille-kliniken.de
The report on the 1st 9 months of the year is published in German and English and is available on request from Marseille-Kliniken AG, Corporate Communications.

Marseille-Kliniken AG balance sheet

	Current quarter 31.03.2008 in € '000	Annual report 30.06.2007 in € '000	Comparative quarter 31.03.2007 in € '000
Assets			
Non-current assets			
Intangible assets	33,052	33,596	33,237
Property, plant & equipment	159,460	152,445	189,131
Investment property	0	0	9,709
Other long-term assets	3,088	3,118	4,721
Deferred tax assets	3,460	4,374	9,366
	199,060	**193,533**	**246,164**
Current assets			
Inventories	5,190	9,496	14,283
Accounts receivables	12,551	12,628	15,326
Other receivables, other assets	26,383	76,017	17,745
Tax receivables	3,374	3,410	2,028
Cash on hand, bank balances	5,642	9,758	4,921
Non-current assets held for sale	0	4,226	0
	53,140	115,535	54,303
Total assets	**252,200**	**309,067**	**300,467**

Shareholder's equity			
Capital stock	31,100	31,100	31,100
Capital reserve	15,887	15,887	15,887
Revenue reserve	627	627	627
Treasury stock	-544	-63	0
Consolidated loss	-6,339	-13,739	-18,261
Minority status	860	942	310
	41,590	**34,754**	**29,663**
Non-current liabilities			
Deferred benefits from public authorities	48,281	49,510	49,836
Long-term interest bearing loan	36,359	87,165	109,331
Provisions, accruals for pensions	18,268	18,268	17,394
Deferred tax liabilities	10,605	17,011	20,250
Other long-term liabilities	23,151	23,934	26,506
	136,664	**195,887**	**223,317**
Current liabilities			
Short-term interest bearing loan	39,077	33,982	7,111
Other provisions	15,339	15,270	15,872
Trade payables	6,379	10,158	4,763
Accrued taxes	1,407	1,380	3,435
Other short-term liabilities	11,743	17,636	16,306
	73,946	**78,426**	**47,487**
Total equity and liabilities	**252,200**	**309,067**	**300,467**

Marseille-Kliniken AG consolidated statement of equity movements

01.07.2006 to 31.03.2007	Capital stock €	Capital reserve €	Revenue reserve €	Consolidated loss €	Treasury stock €	Shares Marseille-Kliniken AG €	Minorities Minority interest €	Consolidated Group Total equity €
Balance on 01.07.2006	31,100,000.00	15,887,038.24	627,105.53	-19,153,232.41	0.00	28,460,911.36	682,793.29	29,143,704.65
Purchase of own shares	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividends paid	0.00	0.00	0.00	- 2,232,697.15	0.00	- 2,232,697.15	0.00	- 2,232,697.15
Other changes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated result 1st quarter	0.00	0.00	0.00	3,124,929.56	0.00	3,124,929.56	- 373,207.00	2,751,722.56
Balance on 31.03.2007	31,100,000.00	15,887,038.24	627,105.53	- 18,261, 000.00	0.00	29,353,143.77	309,586.29	29,662,730.06

Marseille-Kliniken AG consolidated statement of equity movements

01.07.2007 to 31.03.2008	Capital stock €	Capital reserve €	Revenue reserve €	Consolidated loss €	Treasury stock €	Shares Marseille-Kliniken AG €	Minorities Minority interest €	Consolidated Group Total equity €
Balance on 01.07.2007	31,100.000.00	15,887,038.24	627,105.53	- 13,738,809.99	- 63,030.00	33,812,303.78	941,529.15	34,753,832.93
Purchase of own shares	0.00	0.00	0.00	0.00	- 481,146.91	- 481,146.91	0.00	- 481,146.91
Dividends paid	0.00	0.00	0.00	- 3,036,302.77	0.00	- 3,036,302.77	0.00	- 3,036,302.77
Other changes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Consolidated result 1st quarter	0.00	0.00	0.00	10,435,810.55	0.00	10,435,810.55	- 81,871.56	10,353,938.99
Balance on 31.03.2008	31,100.000.00	15,887,038.24	627,105.53	- 6,339,302.21	- 544,176.91	40,730,664.65	859,657.59	41,590,322.24

Marseille-Kliniken AG profit and loss accounts

	Current quarter 01.01.08 to 31.03.08 in € '000	Cumulative reporting period 01.07.07 to 31.03.08 in € '000	Same quarter the previous year 01.01.07 to 31.03.07 in € '000	Cumulative previous year 01.07.06 to 31.03.07 in € '000
Revenues	58,506	170,627	53,605	161,461
Change in inventories of finished goods and work in progress	402	-1,022	774	196
Company-produced additions to plant and equipment	3,850	10,230	1,602	6,730
Other operating income	3,134	15,849	1,497	6,984
Total revenues	**65,892**	**195,685**	**57,478**	**175,371**
Cost of materials/draw benefits expenses	10,402	30,079	9,058	26,085
Personnel expenses	30,784	88,888	27,780	84,710
Depreciation and amortisation	2,095	6,333	2,347	7,308
Other operating expense	22,481	57,594	16,259	47,077
Earnings before interest and taxes (EBIT)	**129**	**12,791**	**2,033**	**10,190**
Interest income	435	670	162	807
Interest expenses	1,486	5,243	1,988	7,033
Earnings before taxes (EBT) (and minority interests)	**-922**	**8,218**	**207**	**3,963**
Tax expenses	852	-2,277	23	1,059
Other taxes	29	142	19	152
Net profit after taxes (EAT)	**-1,803**	**10,354**	**165**	**2,752**
Minority interests	125	82	-5	373
Net profit for the quarter	**-1,679**	**10,436**	**160**	**3,125**
Undiluted profit per share	-0.14 €	0.86 €	0.01 €	0.26 €

IFRS notes

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

The interim report compiled by Marseille-Kliniken AG and the consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) that were in force on the balance sheet date and that have to be applied in the EU, taking into consideration the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the regulations of commercial law in accordance with § 315a Paragraph 1 of the German Commercial Code (HGB) that also have to be observed. As stipulated by IAS 34.8, the interim report includes the balance sheets, profit and loss accounts, statement of equity movements, abbreviated statements of cash flow and explanatory information about selected points in the notes.

Accounting and valuation methods

The same accounting and valuation methods as in the last consolidated financial statements for the period that ended on 30.06.2007 have been applied in the accounts for the first nine months of the year. A detailed description of these methods was published in the notes to the Marseille-Kliniken AG annual report 2006/2007. In addition to the following explanatory information about selected points in the notes about the period that ended on 31.03.2008, we refer to the notes to the consolidated financial statements for the period that ended on 30.06.2007 (IAS 34.15).

Companies consolidated

Between 30.06.2007 and 1.12.2007, Medina Belzig GmbH, Nuthetal, was added to the companies consolidated by Marseille-Kliniken AG in accordance with IAS 27.12.

Deferred taxes

The upper house of the German parliament passed a resolution approving the 2008 Company Tax Reform Act at its 835th meeting on 6. July 2007. The reduction in the corporation tax rate from 25% to 15% had considerable impact on deferred taxes at Marseille-Kliniken AG in the first quarter of the financial year, which now have to be determined (including reunification tax) on the basis of 15.825% instead of 26.375%, as in the past. At Group level, this reduction in the tax rate had an effect on deferred tax liabilities totalling income of about € 4.1 million and on deferred tax assets totalling expenses of € 1.9 million. At the individual company level, there was a positive impact on earnings of € 2.4 million at Marseille-Kliniken AG and of € 0.3 million at Karlsruher Sanatorium AG.

Property, plant and equipment

The property, plant and equipment item increased by € 8.7 million over 31.12.2007. The increase is attributable primarily to reclassification of the site in Potsdam from inventories to property, plant and equipment (€ 5.2 million). Apart from this, there were additions to the construction in progress item because of extensions to the upper floors at Medina Belzig GmbH (€ 1.6 million) and the new building in Bremerhaven (€ 1.6 million).

Inventories

The reduction of € 5.7 million in inventories in the 3rd quarter is attributable essentially to reclassification of the site in Potsdam from inventories to property, plant and equipment (€ 5.2 million).

Miscellaneous receivables

The miscellaneous receivables with an original total of € 57.9 million attributable to the SALB (sale-and-leaseback) transaction of 29. June 2007 that were shown in the consolidated financial statements for the period that ended on 30.06.2007 decreased by € 45.9 million to an initial € 12.0 million on 31.12.2007 due to receipts of payment in the first half of the financial year. Payment of the remaining amount is due on 31.03.2008. The remaining payment was made before the quarterly financial statements as per 31.03.2008 were prepared.

Financial debt

Thanks to special repayments made following the receipt of payment from the SALB (sale-and-leaseback) transaction of 29. June 2007, financial debt decreased by € 47.4 million, from € 121.1 million to € 73.7 million. There were no special repayments in the 3rd quarter of the financial year.

Treasury shares

In the first nine months of the financial year, Marseille-Kliniken AG acquired a total on balance of another 31,333 of its own shares for an average price of € 15.52 by making purchases and sales. The overall number of treasury shares held by Marseille-Kliniken AG on 31.12.2008 amounted to 35,535 with an average price of € 15.31.

The amount of the share capital accounted for by the treasury shares on 31.03.2008 totalled € 90,957.90, which corresponds to about 0.29% of the share capital.

Miscellaneous notes

The deferred investment grants of € 48.3 million (30.06.2007: € 49.5 million) are being released in earnings in accordance with the useful life of the assets for which the grants were made.

The effect this will have on increasing equity in future minus the relevant tax on income increased from € 36.5 million (73.625%) on 30.06.2007 to € 40.6 million (84.175%) on 31.03.2008 because of the 2008 Company Tax Reform Act.

MARSEILLE-KLINIKEN AG

Management
Alte Jakobstrasse 79/80 • 10179 Berlin • Germany
Tel. +49 (0)30 24 632 400 • Fax +49 (0)30 24 632 401

Administration
Sportallee 1 • 22335 Hamburg • Germany
Tel. +49 (0)40 514 590 • Fax +49 (0)40 514 597 09
www.marseille-kliniken.de • info@marseille-kliniken.com

If you have any questions about the company
or would like to receive further information,
just phone us free of charge (0800 / 47 47 200).