Report on the 1st half of the year

01. July 2007 to 31. December 2007

MARSEILLE-KLINIKEN AG

Summary of the first half of the year

01. July 2007 to 31. December 2007

		07/08	06/07	Change in %
Results				
Total performance*	€m	117.1	112.4	4.2
EBITDAR**	€m	31.5	33.1	-4.9
EBITDA**	€m	14.0	17.0	-18.0
EBIT**	€m	10.0	12.3	-18.7
EBIT margin**	%	8.9	11.4	-21.8
EBT**	€m	7.7	8.8	-12.6
EBT margin**	%	6.9	8.2	-15.9
Net income	€m	12.1	2.6	360.1
RoS	%	5.9	6.5	-9.3
DVFA/SG result	€m	6.6	7.0	-5.7
Gross cash flow**	€m	2.4	11.2	-78.6
Balance sheet				
Fixed assets	€m	189.6	230.1	-17.6
Investments	€m	3.5	1.3	168.7
Shareholders' equity***	€m	84.5	66.5	27.1
Equity ratio	%	33.8	22.1	52.7
Other key indicators				
Employees on the qualifying date	Number	5,388	5,176	4.1
Facilities	Number	65	62	4.0
Bed capacity on the qualifying date	Number	8,899	8,612	3.3
Occupancy rate****	%	92.5	89.7	3.2

* 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
- Break-even result in the rehabilitation division
- Equity ratio up to more than 33%

Dear shareholders and friends of the company,

Nursing care is the fastest-growing area of the German health system and will continue to be so. The most recent figures from the 2007 nursing home rating report compiled by RWI Essen confirm this fact very clearly. The proportion of the overall health market accounted for by professional nursing care in homes or outpatient service providers has increased from 8.7% in 1995 to 10.5% or € 25.2 billion in the meantime. A total of about 2.1 million people require nursing care; 678,000 of them live in homes, 472,000 are looked after by outpatient service providers and 980,000 are nursed by their relatives. The number of nursing homes has increased by 17.7% to 10,424 facilities since 1999, while the number of nursing beds has grown by 12% to 757,000. The upward trend is continuing and demand is still increasing.

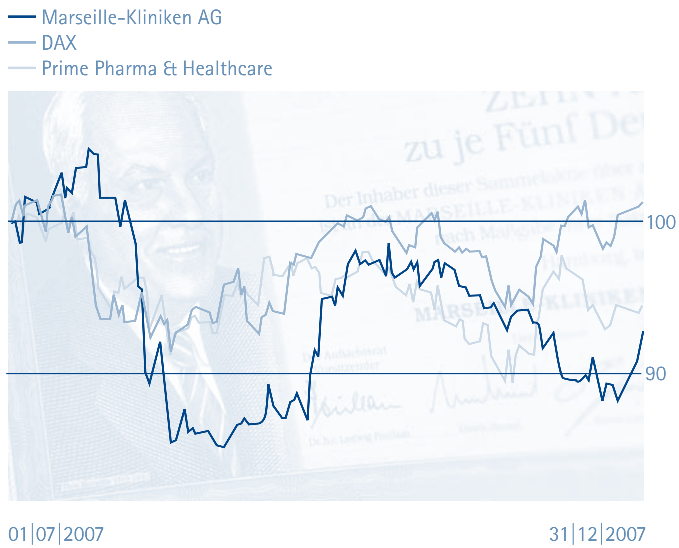
Larger and larger volumes are not, however, a guarantee that all market players will operate successfully. In spite of the tremendous growth potential, the market for nursing care for the elderly has become more difficult. The average occupancy rate at homes has stayed almost unchanged since 1999 at about 88% and it is in fact significantly lower than this at facilities run by private operators. The financial situation at every eighth home is so bad that there is a danger of bankruptcy. The poor occupancy rates are attributable, on the one hand, to the political decision to give preference to outpatient care over inpatient care and, on the other hand, to increasingly intensive competition on the nursing care market. People in need of nursing care are no longer willing simply to be "assigned" to a home nowadays. They demand high-quality services in line with their financial resources. They are customers rather than applicants; they want to be convinced rather than "allocated". The pressure on nursing home operators is also being increased by the tougher requirements made by the state on the quality of nursing care provided. The legally prescribed implementation of a quality management system backed by integrated software systems represents a practically impossible challenge for many facilities and is helping to speed up the concentration and consolidation process.

Marseille-Kliniken AG is in a comfortable position on this market, which is growing but has an unstable structure at the same time. We have been quick to identify the most important trends on the market and have made the strategic moves to respond to them effectively. Our average occupancy rate in the nursing division is 6 percentage points higher than the market average and is as much as 7 percentage points higher in East Germany. We are working on reaching full occupancy of the facilities at all the locations, which corresponds in practice to an occupancy rate of roughly 97%. The progress we are making at major new locations is significant. Our 4-star home in Hamburg-Mitte is attracting new residents on an ongoing basis, as is the second senior citizen's residential home in Düsseldorf, which has a high proportion of single rooms. We have fine-tuned the concept for our facility in Berlin-Kreuzberg, which is open exclusively to residents with Turkish roots, in order to overcome existing hesitation on the part of potential customers. This includes the addition to our range of outpatient nursing care services, which we are providing together with a partner. In our efforts to optimise the occupancy rates at our homes, we are benefitting in general from the strategic approach of specialising them on common disorders encountered in old age rather than marketing them as standard products.

The progressive improvement in the occupancy rate of existing facilities is going hand in hand with a steady increase in our capacities, in order to be able to cover the additional demand in all segments of the market for nursing care for the elderly. Three facilities with a total of 310 beds were opened in the first half

Development of the Marseille-Kliniken share price

indexed, 01. July 2007 = 100



of 2007/2008. Apart from Düsseldorf II, these facilities are an assisted living project in Potsdam and the new nursing clinic at the Schömberg location in the north of the Black Forest. This new facility with 100 beds has been created by dividing the Schömberg clinic up into a nursing clinic and a rehabilitation clinic. The facilities planned in Meerbusch (150 beds), Oberhausen (80 beds) and Bremerhaven (200 beds) are being completed on schedule. Our portfolio also includes a number of projects that are being implemented to optimise our assisted living concept. We are expecting several locations to start operation in the course of this calendar year.

The emphasis we are placing on the largely new market segment for assisted living is a response to the process of market differentiation, that primarily relates to the residential quality of the homes and reflects the differences in income levels and social classes. At the top end of the prosperity scale, there is increasing demand for high-quality facilities from customers who want to enjoy the amenities and convenience to which they are accustomed in old age too and who can afford to pay for them as well. On the other hand, demand is growing for facilities designed for people with lower incomes, who in many cases are only able to finance life in a home with the help of welfare benefits. The 3-star segment, which has dominated the market up to now, is coming under pressure between these poles. About 80% of the total capacity that is available is accounted for by this segment, which is characterised by less than 50% single rooms and large contributions to the costs made by the welfare authorities. The players in this segment are facing increasing pressure - from competitors and on margins - while nursing care rates remain stagnant due to low inflation rates. With the segmentation of our range into 4-, 3- and 2-star homes and special emphases at both ends, we provide a comprehensive selection of differently priced support and care services for everyone who is in need of nursing care, which is based on various alternatives: inpatient care, short-term and daytime care, outpatient care, nursing care for the handicapped, assisted living and a nursing clinic.

Classification of the facilities by the hotel system with respect to building quality while maintaining consistently high standards in nursing care and other services, combined with specialisation in the type of nursing care provided, are unique features that we back with modern marketing activities. Quality management, quality assurance and personnel development are further issues of importance to us that are not on the agenda throughout the industry. Headlines along the lines of "money pocketed and nursed to death" have triggered off an extensive public debate about the quality of nursing care. We do not have any catching-up to do in the area of quality and the management of it. For years now, we have been making large investments in our integrated quality management system, which is based on IT structures, via which we can control all the business operations and which is not matched anywhere in the nursing care industry. We are the first private nursing home operator to issue a quality award to the best homes and we identify the homes in question in the Internet. The assessment process incorporates, on the one hand, the results of the questionnaires distributed regularly to relatives and, on the other hand, the outcome of the internal quality reviews that are based on the criteria specified by the medical service departments of the health insurance funds (MDK). We are satisfying the demands we have regularly made ourselves for transparency in nursing care and for the establishment of official nursing care checks by compiling the first Group quality report for 2007, which we will be presenting to the public soon. It is only possible to provide such a comprehensive insight into quality management in general and the quality of structures, processes and results in particular from a position of strength. In the report, we will be documenting what quality standards are implemented at the company, how theory and practice are combined and what results not only the internal reviews by the quality managers but also the external checks made by the MDK have produced.

Quality assurance is closely linked to basic and advanced training of personnel - starting right at the bottom of the company and going all the way up to the management positions. We set standards in the industry here too. The Marseille Academy is the heart of our personnel development programme. The training centre incorporates a school that prepares apprentices interested in learning about how to provide nursing care to the elderly for deployment as qualified nurses, nursing service supervisors and facility managers. At the present time, we are training 250 young people at our facilities. On 1. January this year, we extended the programme to include 80 more nursing care apprentices per year. In view of the lack of personnel available on the market to provide professional nursing care for the elderly, we plan to train new staff internally ourselves in line with our own particular requirements.

Another innovative move is the realignment of our training processes by introducing e-learning. The system which has been introduced throughout the Group guarantees that employees are able to complete the courses planned for them in their own working environment and that our quality requirements are met in practice. Since the beginning of this year, we have supplemented the e-learning programme by a bonus model that provides rewards for good performance. The basis for performance appraisal is a point system that is based 80% on the results of the e-learning tests which have to be taken and 20% on a personal assessment by the employee's superior. The bonus, which is determined by the number of points achieved, ranges from two additional days' holiday per year to a special payment amounting to 10% of the person's annual salary. Our aim with this model is to give staff an attractive incentive, to encourage them and to strengthen their loyalty to us. We have increased our appeal as an employer by establishing a company old-age pension scheme into which the employer and the employee pay identical amounts. 50% of all staff have decided to join the pension fund since July 2007.

We can report that further progress has been made in the rehabilitation operations, which are not depressing our results any longer this year and present no apparent major risks at the operational level any more following optimisation of the balance sheet by selling the properties. The rehabilitation division accounts for less than 15% of our total bed capacities in the meantime. We have reduced the division to a sound core consisting of only nine clinics, including the acute hospital in Büren. The medical management of the clinics has been reorganised and the core portfolio has been optimised. The occupancy rate at the individual clinics has been improved and the overall occupancy rate increased to an adequate level of 89% in the first half of the year. The strong recovery is due in particular to the development at the four psychosomatic clinics, where the occupancy rate has increased substantially as the situation on the employment market has eased. This also applies to the Schömberg clinic, which has made large losses in the past but has already succeeded in reducing its losses considerably by turning part of its capacity into a nursing clinic. The somatic clinics are benefitting from a growing need for cardiological, orthopaedic and oncological rehabilitation services as well as from a reduction in the time patients spend at acute hospitals. We are continuing to pursue the goal of finding a partner or buyer to operate the rehabilitation clinics. We are no longer under pressure to come up with a prompt solution, however.

The main figures about the operations in the first six months of the 2007/2008 financial year developed essentially in line with our plans. The nursing division is growing and is generating steadily increasing profits, while the rehabilitation operations have reached break-even point. Group operating sales in the months of July to December 2007 were up 4.0% at € 112.1 million; they were 6.1% higher in the nursing division at € 86.8 million and totalled € 25.3 million in the rehabilitation division. The beds available in the Group were occupied 92.5% of the time; this represents an improvement of 2.8 percentage points over the same period the previous year. The occupancy rate in the nursing operations was 93.6% (previous year: 92.6%), compared with 89.1 per cent (previous year: 77.4%) in the rehabilitation operations excluding the acute hospital in Büren. The Group DVFA result after adjustment to eliminate start-up costs at nursing homes and shutdown costs at rehabilitation facilities was € 0.4 million lower than in the same period the previous year (€ 7.0 million) at € 6.6 million. It was attributable to the nursing division but was not depressed any more by the rehabilitation division. Whereas the rehabilitation division succeeded in reaching break-even (an improvement in earnings of € 0.6 million), earnings in the nursing division were down € 1.0 million. The reasons for this were planned expenditure in the quality management field with the aim of making further improvements in occupancy and advance maintenance measures totalling € 0.7 million. The impact of energy cost increases also amounted to € 0.5 million. This was mainly temporary, since about 60% were attributable to the lower average temperatures in the same period the previous year and thus to higher consumption. Net Group income was € 12.1 million, which was € 9.5 million higher than in the previous year (€ 2.6 million).

Our sound business model and our market position are not, unfortunately, reflected appropriately in the development of the Marseille-Kliniken share price at the present time. The share was affected by the turbulence on the international finance markets and ended 2007 considerably below its high of € 18.05. It came under further pressure in January 2008 due to the general weakness of the markets and particularly of minor stocks. There is no fundamental reason for the low price. Our market has potential and the necessary foundations for appropriate participation in growth have been laid. There is, on the other hand, relatively little that we can do to counter unpredictable stock market trends. Our response is not to bury our head in the sand, however; instead of this, we continue to seek and maintain contact with the capital markets and investors. We are confident that there will be a positive trend again in due course - but not today and probably not tomorrow either.

We have committed ourselves to four strategic objectives. In our core business of inpatient nursing care for the elderly, we intend to become market and cost leader among the players organised as private companies. We aim in addition to continue strengthening our financial position. Our goal is an increase in the return on capital employed from the current level of almost 12% to more than 15%. The equity ratio is already more than 30% (31. December 2007: 33.8 %). We plan to improve our position as quality leader and establish Marseille-Kliniken as an unmistakable brand on the market for high-quality nursing care for the elderly. And, finally, we aim to find an appropriate way to dispose of our investment in the rehabilitation field. The successful turnaround is giving us the scope to screen the market thoroughly and to opt for a solution that is advantageous for both partners.

The sales and earnings development in the first half of 2007/2008 confirms that your company is continuing to grow. We are expecting this development to accelerate throughout the year. Consistency is the basis for the confidence which you place in us and for which we express our thanks. We need your support to do our job properly. We would like to thank the residents at our facilities and their relatives, who honour us by choosing Marseille-Kliniken. Our special thanks go to our staff, who put the company's high quality standards into practice, who demonstrate impressive professional and social skills in looking after our residents and patients and who carry out their demanding profession with enthusiasm.

Your

Axel Hölzer, Chairman of the Management Board

German economy faces a downswing

The upswing in the German economy continued in 2007, although growth was not quite as strong as in 2006. According to initial estimates, the gross domestic product increased by 2.5%, which was therefore 0.4 percentage points lower than in the previous year. The large increase in the VAT rate depressed the economy but did not interrupt the powerful upward trend. The growing risks in the second half of the year did not derail the economy either. Private consumption, which accounts for about two thirds of total demand, was the dominant factor on the demand side. It more than made up for stagnant expenditure on consumption by the public sector. Export trade as the balance of the increases in exports and imports made a slightly negative contribution to growth. Although exports recorded further growth in real terms of almost 13%, imports increased fast too.

The turbulence on the finance markets, the development of the euro exchange rate and the increase in the oil price have led to a considerably more sober mood in early 2008. According to economic research experts, a recession in the United States is the biggest risk to the German economy. Although the emerging newly industrialised countries and oil states will continue to grow strongly, import demand from them could only compensate at best for some of the potentially large reduction in American orders. The predictions for 2008 assume an economic downtrend but not a slump. The growth forecasts range between 1.7% and 1.9%. The reduction in unemployment is likely to continue at a slower speed. Just under 3.5 million unemployed appear to be realistic.

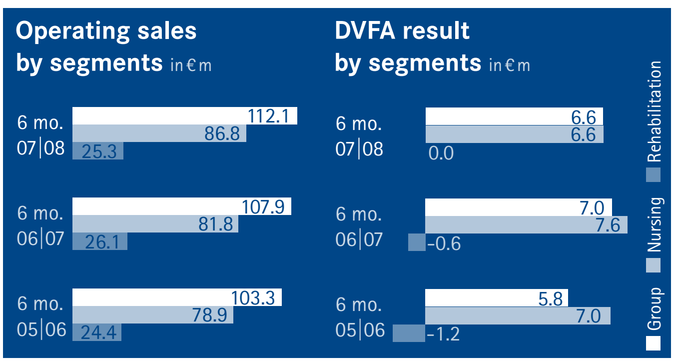
Health is very important to the Germans

The health sector is continuing to grow faster than the economy as a whole. Deutsche Bank estimates in a survey that health expenditure will be increasing from almost 11% of the gross domestic product at the present time to 12% by 2015. The industry is bigger than the car and electrical industries with almost 4.3 million employees. Beauty and fitness are the main growth drivers. All social classes are willing to pay more for better health and a better appearance. The strongest demand is coming in this context from older people, who want to look and feel younger longer.

The reforms in the health system remain controversial. With respect to the health reform that came into force on 1. April 2007, there are large differences of opinion about the "health fund", which is supposed to be introduced in 2009. According to the health insurance companies, contributions - which the government will be specifying in future - will be increasing to more than 15%. It is also uncertain how the planned financial compensation between the health insurance companies is to be arranged in the fund. In the partial reform of the nursing care insurance system, which is restricted largely to increased and dynamised benefits, criticism focusses on the "nursing care bases" proposed by the German Ministry of Health, 4,000 of which are supposed to be established all over Germany and at which people in need of nursing care and their relatives can obtain advice. There are no supporters of these bases among the experts. According to the critics, the establishment of bases will lead to more bureaucracy and high additional costs. They claim that it is already possible to obtain comprehensive advice now, under existing law. The issue of the long-term funding of the statutory nursing care insurance system continues to be deferred.

Marseille-Kliniken continues to operate successfully

The main figures for the first six months of the 2007/2008 financial year confirm the successful continuation of Marseille-Kliniken AG's expansion strategy. Sales increased again and the occupancy rate at the facilities improved in both the nursing division and the rehabilitation division. Market and cost leadership remains the major strategic goal in nursing care for the elderly. Marseille-Kliniken's prominent position is being strengthened by the lead it holds in the quality management field. Segmentation of the range into 4- 3- and 2-star homes is another unique

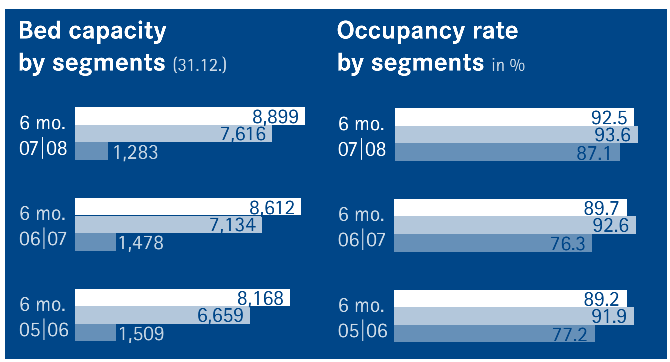


feature in the industry. The hotel concept classifies the facilities in price groups for different building standards on the basis of consistent quality factors. This takes account of the differences in demand structure due to income and expectations. Marseille-Kliniken considers that there is tremendous growth potential with the 2-star homes and the assisted living concept in particular. Restructuring of the rehabilitation division has been largely completed and the remaining nine clinics are operating on a more and more sound basis. It is primarily the four psychosomatic clinics that are benefitting from the recovery of the employment market; their occupancy rates have reached an adequate level again. The Management Board stands by its decision to sell the clinic operations gradually or at one go. Strategically speaking, the division is of secondary importance to Marseille-Kliniken.

The following figures for the first six months of the 2007/2008 financial year (1. July 2007 to 31. December 2007) and those for the same period the previous year have been compiled on the basis of the IAS/IFRS international accounting standards.

Further increase in operating sales

Total Group performance without the other operating income increased to € 117.1 million in the 1st half of the 2007/2008 financial year (01.07.2007 to 31.12.2007), which corresponds to growth of 4.2% or € 4.7 million over the previous year. The other own work capitalised relates to the Group's building projects and amounted to € 6.4 million in the period under review. Group operating sales were € 4.2 million higher than in the same period the previous year (€ 107.9 million) at € 112.1 million. The increase was made exclusively in the nursing division, which reached



sales of €86.8 million (€5.0 million or 6.1% higher than the previous year's level of €81.8 million). This was due to the further improvement in the occupancy rate at the existing facilities and the increase in occupancy of the new bed capacities at the additional facilities. The rehabilitation division achieved sales of €25.3 million, which were therefore €0.8 million lower than the sales in the same period the previous year - when the bed capacity was higher. The reason for this decrease is the clinic in Bad König, which was no longer occupied in the period under review so that the sales generated in the same period the previous year were not recorded this year.

The company operated 65 facilities on 31.12.2007; 56 nursing homes, 8 rehabilitation clinics and 1 hospital. The opening of the senior citizens' residential homes in Berlin (February 2007) and Potsdam (September 2007), the conversion of part of the rehabilitation clinic in Schömberg into a nursing clinic (September 2007) and, most recently, the opening of the facility in Düsseldorf (October 2007) led to an increase in bed capacity of 482 to 7,616 in the nursing division on 31. December 2007. 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. December 2007 (previous year: 8,612 beds). The occupancy rate (excluding facilities that started operation) was 92.5% (previous year: 89.7%). The increase is attributable to the concerted intensification of the marketing activities combined with specialisation at selected nursing locations as well as to the increase in the occupancy rates at the rehabilitation clinics as modern, state-of-the-art treatment concepts have been introduced to a greater extent.

Nursing operations are growing

There was another increase in sales in the nursing division of €5.0 million or 6.1%. The DVFA result amounted to €6.6 million after €7.6 million in the first half of the previous year. 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 (+ €1.5 million), for the facility in Berlin-Kreuzberg (+ €0.9 million), for Potsdam, Düsseldorf II, Schömberg (+ €1.3 million) and for newly established outpatient nursing care services (+ €0.4 million) were also included. The decrease in earnings over the first half of the previous year is attributable primarily to higher energy, maintenance, advertising and quality management expenses. Excluding the facilities that started operation, the occupancy rate was higher than the previous year's level of 92.6% at 93.6%. This is the result of a varied range of specialised treatment and the intensified efforts made in our marketing activities.

Success in rehabilitation

1,283 beds were available on 31. December 2007. Sales of €25.3 million were generated with them. Discontinuation of occupancy at the oncological clinic in Bad König still led overall to a reduction in sales in spite of an occupancy rate of 89.1% at the rehabilitation clinics in the past six months (previous year: 77.4%). The 8 active rehabilitation clinics 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 occupancy rates, the overall occupancy rate also developed very positively to 87.1% after 76.3% in the same period the previous year. A break-even DVFA result was achieved, following a loss of €0.6 million in the first half of the previous year. This figure includes not only the DVFA adjustments in connection with the locations in Bad König, Bad Oeynhausen, Waldkirch and Reinerzau (€2.3 million) but also 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. The profit made from the Schömberg sale (- €8.0 million) was also included. Higher energy and maintenance costs than in the previous year had a negative impact on the rehabilitation division as well.

DVFA earnings per share

In spite of the further increase in occupancy in the nursing division and the rehabilitation division, the DVFA result decreased to €6.6 million from €7.0 million in the same period the previous year. The cumulated DVFA earnings per share of €0.54 were €0.04 lower than the previous year's figure of €0.58. The nursing division contributed a result of €6.6 million and earnings per share of €0.55 to this total, following €7.6 million and

€ 0.63 in the previous year. A break-even DVFA result was achieved in the rehabilitation division after a loss of € 0.05 per share in the previous year.

After DVFA/SG adjustments, EBITDAR amounted to € 31.5 million after € 33.1 million in the previous year. EBITDA decreased from € 17.0 million to € 14.0 million and EBIT went down from € 12.3 million to € 10.0 million. The EBIT margin in relation to sales was 8.9% after 11.4% and the EBITDA margin reached 12.4% after 15.8% in the same period the previous year. The EBITDAR margin amounted to 28.1% after 30.7% in the same period the previous year.

The adjusted EBT totalled € 7.7 million in the quarter under review after € 8.8 million in the same period the previous year. The EBT margin therefore decreased from 8.2% to 6.9%.

The unadjusted key figures changed as follows: EBITDAR to € 36.9 million (+ € 5.5 million), EBITDA to € 16.8 million (+ € 3.7 million), EBIT to € 12.5 million (+ € 4.4 million) and unadjusted EBT to € 9.0 million (+ € 5.2 million). Net Group income before minority interests amounted to € 12.1 million after € 2.6 million in the same period the previous year. The deferred tax assets and liabilities as per 30.06.2007 were adjusted appropriately due to the 2008 company tax reform, which led to tax income of € 4.9 million. Net income amounted to € 7.2 million if this non-recurring item is disregarded.

Equity ratio more than 33%

The shareholders' equity improved by € 18.0 million, from € 66.5 million to € 84.5 million on 31. December 2007. The equity ratio went up from 22.1% to 33.8%. 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 € 108.4 million on 31.12.2006 to € 66.4 million on 31.12.2007. The ratio of financial debt (long-term bank loans) to the balance sheet total decreased from 32.7% to 14.9%. The development of these indicators was determined to a large extent by the completion of the third sale-and-leaseback transaction.

Following adjustments for DVFA/SG items, gross cash flow was lower than in the first half of the previous year (€ 11.2 million) at € 2.4 million.

Drop in the share price

The price of the Marseille-Kliniken share ranged between € 14.20 and € 18.05 in the months of July to December 2007. The share was unable to avoid completely the impact of the uncertain financial market environment due to the mortgage crisis in the USA and closed at a price of € 15.11 on 28. December 2007. The market environment continued to deteriorate after this, depressing the Marseille-Kliniken AG share price too. The final price on 1. February 2008 was € 12.21.

Prospects

We are maintaining our sales and earnings forecast for the 2007/2008 financial year as a whole. We are expecting total sales of € 240 million, EBIT of € 24 million and earnings after tax of € 18 million. The positive development in occupancy at the existing facilities in the nursing division will be continuing, since the specialisation programme that has already been implemented successfully and our verifiable quality management system are giving us a competitive edge. An improvement in occupancy rates at the existing additional facilities over the first quarter and the same period the previous year will in particular be leading to substantial sales growth and reductions in start-up losses there. Three new homes with a total of 310 beds (in Potsdam, Schömberg and Düsseldorf) started operation in the second quarter, which therefore depressed second-quarter results considerably. Further locations are already at the construction stage and we are expecting further bed growth in the development of the assisted living operations too.

The rehabilitation division has achieved the planned turnaround and has been reduced to a viable core as far as the capacities are concerned. It can be estimated after the first half of the year that earnings from the rehabilitation operations will not be depressing Group figures any more in the current financial year. 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 present uncertainty on the finance markets has ended.

Balance sheets at 31.12.2007 and 31.12.2006

Group	31.12.07 in €'000	31.12.06 in €'000
Intangible assets	33,365	32,149
Property, plant and equipment	150,748	192,535
Other non-current assets	5,488	24,153
Inventories	10,896	9,993
Cash	7,320	5,021
Other current assets	42,273	36,672
Balance sheet total	**250,090**	**300,523**
Equity*	84,505	66,493
Pension provisions	18,268	17,410
Non-current financial debt	37,185	98,440
Other non-current debt	41,726	59,032
Current financial debt	36,561	14,952
Other current debt	31,845	44,196
Balance sheet total	**250,090**	**300,523**

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

Statements of cash flow*

Group	6 months 2007|2008 in €'000	6 months 2006|2007 in €'000
Net Group income	12,157	2,587
Expenditure/income with no effect on payment	-9,058	4,421
Decrease/increase in assets and liabilities	35,039	-14,266
Cash flow from investment activities	10,216	-1,310
Cash flow from financing activities	-50,794	-18,656
Decrease/increase in liquid funds	-2,439	-27,224

* 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	112,120	107,856	4.0
Nursing division sales	86,759	81,778	6.1
Rehabilitation division sales	25,362	26,078	-2.7
EBITDAR	36,950	31,395	17.7
EBITDA	16,786	13,117	28.0
Depreciation	-4,237	-4,961	-14.6
EBIT	12,549	8,156	53.8
Interest balance	-3,521	-4,401	-20.0
EBT	9,027	3,755	140.4
DVFA result	6,609	7,010	-5.7
DVFA earnings per share/nursing in €	0.55	0.63	-13.1
DVFA earnings per share/rehabilitation in €	0.00	-0.05	-97.8

Financial calender

HPS health care conference Frankfurt	17 April 2008
Report on the 3rd quarter	8 May 2008
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 half 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

	1st quarter 31.12.2007 in € '000	Annual report 30.06.2007 in € '000	Comparative quarter 31.12.2006 in € '000
Assets			
Non-current assets			
Intangible assets	33,365	33,596	32,149
Property, plant & equipment	150,748	152,445	192,535
Investment property	0	0	9,709
Other long-term assets	3,093	3,118	5,422
Deferred tax assets	2,395	4,374	9,022
	189,601	**193,533**	**248,837**
Current assets			
Inventories	10,896	9,496	9,993
Accounts receivables	12,839	12,628	16,982
Other receivables, other assets	26,322	76,017	18,137
Tax receivables	3,112	3,410	1,553
Cash on hand, bank balances	7,320	9,758	5,021
Non-current assets held for sale	0	4,226	0
	60,489	115,535	51,686
Total assets	**250,090**	**309,067**	**300,523**

Shareholder's equity			
Capital stock	31,100	31,100	31,100
Capital reserve	15,887	15,887	15,887
Revenue reserve	627	627	1,011
Treasury stock	-420	-63	-384
Consolidated loss	-4,661	-13,739	-18,753
Minority status	984	942	637
	43,518	**34,754**	**29,498**
Non-current liabilities			
Deferred benefits from public authorities	48,693	49,510	50,265
Long-term interest bearing loan	37,185	87,165	98,440
Provisions, accruals for pensions	18,268	18,268	17,410
Deferred tax liabilities	10,604	17,011	17,165
Other long-term liabilities	23,416	23,934	28,597
	138,166	**195,887**	**211,877**
Current liabilities			
Short-term interest bearing loan	36,561	33,982	14,952
Other provisions	13,386	15,270	15,201
Trade payables	5,924	10,158	5,786
Accrued taxes	1,586	1,380	3,435
Other short-term liabilities	10,949	17,636	19,774
	68,407	**78,426**	**59,148**
Total equity and liabilities	**250,090**	**309,067**	**300,523**

Marseille-Kliniken AG consolidated statement of equity movements

01.07.2006 to 31.12.2006	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	-2,232,774.00	0.00	0.00	0.00	-2,232,774.00
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	2,632,594.69	0.00	2,632,594.69	-45,648.93	2,586,945.76
Balance on 31.12.2006	31,100,000.00	15,887,038.24	627,105.53	-18,753,411.72	0.00	28,860,732.05	637,144.36	29,497,876.41

Marseille-Kliniken AG consolidated statement of equity movements

01.07.2007 to 31.12.2007	Capital stock €	Capital reserve €	Revenue reserve €	Consolidated loss €	Treasury stock €	Shares Marseille-Kliniken AG €	Minorities Minority interest €	Consolidated Group Total equity €
Balance on 01.07.2007	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	- 357,007.93	-357,007.93	0.00	-357,007.93
Dividends paid	0.00	0.00	0.00	-3,036,304.20	0.00	-3,036,304.20	0.00	-3,036,304.20
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	12,114,456.45	0.00	12,114,456.45	42,899.41	12,157,355.86
Balance on 31.12.2007	31,100,000.00	15,887,038.24	627,105.53	-4,660,657.74	- 420,037.93	42,533,448.10	984,428.56	43,517,876.66

Marseille-Kliniken AG profit and loss accounts

	Current quarter 01.10.07 to 31.12.07 in € '000	Six-month total 01.07.07 to 31.12.07 in € '000	Same quarter the previous year 01.10.06 to 31.12.06 in € '000	Six-month total 01.07.06 to 31.12.06 in € '000
Revenues	57,257	112,120	55,099	107,856
Change in inventories of finished goods and work in progress	-1,181	-1,424	-1,043	-578
Company-produced additions to plant and equipment	1,740	6,381	1,482	5,128
Other operating income	10,375	12,716	3,867	5,487
Total revenues	**68,191**	**129,793**	**59,405**	**117,893**
Cost of materials/draw benefits expenses	9,426	19,677	8,158	17,027
Personnel expenses	30,099	58,103	29,146	56,930
Depreciation and amortisation	2,234	4,237	2,578	4,961
Other operating expense	18,131	35,113	15,386	30,818
Earnings before interest and taxes (EBIT)	**8,300**	**12,662**	**4,137**	**8,157**
Interest income	122	235	496	496
Interest expenses	1,732	3,756	2,963	4,897
Earnings before taxes (EBT) (and minority interests)	**6,691**	**9,141**	**1,670**	**3,756**
Tax expenses	1,290	-3,130	491	1,036
Other taxes	59	113	86	133
Net profit after taxes (EAT)	**5,342**	**12,157**	**1,093**	**2,587**
Minority interests	-180	-43	-114	46
Net profit for the quarter	**5,162**	**12,114**	**979**	**2,633**
Undiluted profit per share	0.42 €	1.00 €	0.08 €	0.22 €

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 half 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 31.12.2007, 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.

Inventories

The increase of € 1.4 million in inventories in the first half of the year was attributable essentially to building and site development costs.

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.

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.

Treasury shares

In the first half of the financial year, Marseille-Kliniken AG acquired a total on balance of another 22,500 of its own shares for an average price of € 15.73 by making purchases and sales. The overall number of treasury shares held by Marseille-Kliniken AG on 31.12.2007 amounted to 26,702 with an average price of € 15.73.

The amount of the share capital accounted for by the treasury shares on 31.12.2007 totalled € 68,348.33, which corresponds to about 0.22% of the share capital.

Miscellaneous notes

The deferred investment grants of € 48.7 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 € 41.3 million (84.175%) on 31.12.2007 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).