Report on the 1st 9 months of the year

1. July 2006 to 31. March 2007

Project development skills maximise success

MARSEILLE-KLINIKEN AG

Summary of the first 9 months

1. July 2006 to 31. March 2007

		06/07	05/06	Change in %
Results				
Total sales*	€ m	168.4	156.9	7.3
EBITDAR**	€ m	49.9	43.0	16.0
EBITDA**	€ m	23.7	26.3	-10.0
EBIT **	€ m	16.7	15.9	5.0
EBIT margin**	%	10.3	10.3	0.2
EBT **	€ m	12.0	5.8	108.0
EBT margin**	%	7.4	3.7	98.5
Net income	€ m	2.8	8.6	-68.1
RoS	%	5.7	4.3	31.2
DVFA/SG result	€ m	9.2	6.7	37.5
Gross cash flow**	€ m	17.0	13.3	-33.1
Balance sheet				
Fixed assets	€ m	227.1	283.0	-19.6
Investments	€ m	9.3	-104.2	-100.0
Shareholders' equity***	€ m	66.3	68.2	-2.1
Equity ratio	%	22.1	20.3	9.6
Other key indicators				
Employees	Number on 31.03.07	5,154	4,916	4.8
Facilities	Number	63	61	3.8
Bed capacity	Number on 31.03.07	8,765	8,564	2.3
Occupancy rate****	%	89.9	88.6	1.5

* *Including change in the level of building work in progress and other own work capitalised*
** *Including DVFA/SG adjustment items*
*** *Including 73.6% special items for allocated investment expenses*
**** *Excluding facilities that started operation of which in 05/06: Dresden and Hennigsdorf of which in 06/07: Hamburg, Düsseldorf and Berlin-Kreuzberg*

Main Group figures (IFRS)

Highlights

- disproportionately high earnings growth thanks to successful turnaround of the rehabilitation division
- nursing care division reports growing revenue and earnings

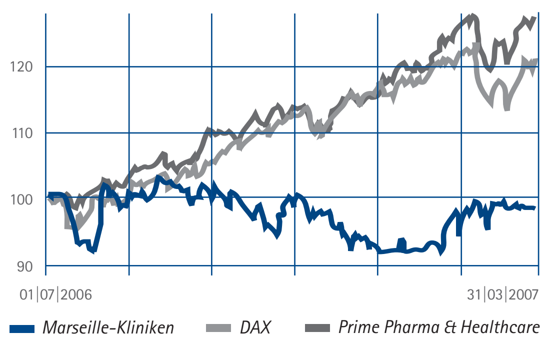
Dear shareholders and friends of the company,

After finally succeeding in launching the health reform with great effort but little courage, politicians now face their next health policy feat, namely the subject of nursing care insurance. While it is the youngest arm among social insurance systems, according to the experts it is also the one most urgently in need of reform. Health minister Ulla Schmidt has announced plans to finalize the reform by mid-2008. She is most probably aware that the coalition faces an arduous task in this regard. Foundations that have cracked only a few years after their establishment are hardly suitable as the basis for extension work. Moreover, there is a line of conflict between the coalition that is comparable to the health reform as such. The Christian Union parties plan to separate the nursing care risk from labour costs and propose a lump sum irrespective of income levels in addition to the nursing care contribution. The Social Democrats (SPD) strictly oppose a per-capita lump sum premium and want to raise the contribution level instead, and call upon private insurers to draw on their substantial financial reserves.

The debate surrounding nursing care insurance received additional impetus from the findings of a study we commissioned by TNS Emnid, an opinion poll institute. The report on the situation of those affected and their relatives gives rise to some concern. For one thing, far more people in Germany are in need of nursing care than are officially registered. 20% of all Germans have a case involving nursing care in their families, which is equivalent to 4.5 million households. Almost three-quarters of these patients are being nursed at home, while two-thirds of relatives giving nursing care feel neglected by the state and society in general. One third of the nursing-care cases do not go to a home because insufficient money is available. However, numerous private homes are not suitable for providing nursing care. The money from nursing care insurance is only sufficient for conversion work on homes amongst one third of all nursing care cases. Among those surveyed aged 50 and over, there is a substantial gap between current needs and reality. More than half are dissatisfied with old-age nursing care in Germany. The fact that persons in need of nursing care do not only require medical but also personal care is obvious to 94% but only 42% believe that this is indeed what is being done. The criteria at the top of the list, namely "well-trained personnel" and "quality of nursing care", are viewed with skepticism across the board. Only 53% are satisfied with the level of care, only 52% with the training of personnel, and only 46% with the general quality of nursing care.

Development of the Marseille-Kliniken share price

indexed, 1. July 2006 = 100 ISIN: DE0007783003
Security Identification No: 778300



There is no doubt that there is need for action as far as old-age nursing care is concerned. Many persons affected and their relatives are being left alone with their decisions. For this reason, we urgently call for greater transparency and more competition. The government would be well advised to introduce a certification process around 10,000 nursing care homes in line with the model used for certifying hospitals with the KTQ seal. The past audits by the medical service of the health insurance sector and home supervisors are hardly efficient, non-homogeneous and not available to the persons affected, particularly when it comes to making qualitative assessments of various institutions.

Moreover, politicians will have a second chance within the scope of the forthcoming reform of nursing care insurance to show courage in breaking down the structures of a command economy. There is sufficient money available, but it is sadly misspent. In old-age nursing care, each and every service is paid for, irrespective of whether its quality is good or poor.

The topic of quality, dear shareholders, that has quite rightly moved to centre stage, is playing straight into our hands. We are often asked to give our opinion on the state of old-age nursing care in Germany - a sign that we enjoy a strong reputation as far as quality is concerned. Quality and the need to secure the latter are central elements of our business model. Consistent compliance with high quality standards over time is absolutely indispensable for an operator of a nursing care facility. In recent years, we invested a great deal of time and money in complex IT systems to enable us to control all business processes. We canvas our residents and their next of kin on a regular basis using anonymized

questionnaires, operate nursing care risk controlling in electronic format and conduct own quality audits based on the standard of quality checks performed by the medical services of the healthcare funds. The results of the quality audits and of the surveys taken among relatives of residents are discussed with the home advisory councils and presented at events held for the residents' next of kin. In training our staff, we use state-of-the-art technologies available on the market. The introduction of eLearning is exemplary in our industry. The system installed throughout the Group ensures that employees take the courses planned for them in their working environment and that our quality requirements are also implemented in daily practice.

In the context of quality and quality assurance, specialization in age-related illnesses is part and parcel of our facilities. The classical general old-age home that merely provides sustenance and hygiene has outlived its usefulness. Specialization as a unique selling point is becoming increasingly important as a success factor in achieving optimum occupancy of the homes. This applies in particular to the close proximity of special-purpose hospitals. Moving their patients into nursing homes calls for a great deal of specialist expertise that must follow on seamlessly from the medical attention given in the clinic. A showcase in point is our new AMARITA building in central Hamburg. It is linked via a tunnel to the Marienkrankenhaus in close proximity and is specialized in innovative chip concepts for patients suffering from dementia and for treatment of patients with locked-in syndrome.

The consistently high quality standard in all our homes is a key success factor to us. A further guarantor of success is our positioning in the product category. By virtue of a classification into 2-, 3- and 4-star homes as regards interior decorating and design, we differ quite substantially from what is generally available on the market. We can provide high-quality nursing care and service for virtually any budget and can guarantee accommodation in line with patients' own wishes and financial capabilities. By offering supervised housing and integrated nursing care concepts such as the specialist clinic in Büren and the concept of a nursing care clinic, we cover virtually all the services required by the older generation.

The segmentation of our product offering takes account of future financing possibilities based on nursing care insurance, pension as well as additional grants paid by social insurance funds and the anticipated demand structure, reflecting various income classes and strata of society, with varying requirements with regard to equipment, the range of services and interior design. By differentiating the portfolio of our facilities according to star-based standards, we are increasingly also opening our facilities to senior citizens who draw below-average pensions. The strategically important launch into the 2-star category has given us the reputation of implementing the "Aldi" concept. This image is no reflection of reality. Neither do we save on personnel, nor are we reducing our offer to a core assortment. On the other hand, we are in favour of optimum value for money! A more correct reflection is the concept of hotel chains, which categorize their hotels according to price classes amid uniform quality standards and operate them under their own brand names. The difference in remuneration is attributable to the location and equipment of each home.

We are absolutely certain that the nursing care market will need a more favourably priced range of services in future. The political parameter laid down of accommodating all senior citizens in single rooms is remote from reality because it simply is unaffordable. The lever for a price-related differentiation of the range of services lies in the field of real estate. Among the statutory parameters for nursing care benefits and the hotel service, only the cost segment associated with real estate holds the promise of discernible savings. In the process, limitations in terms of equipment have no impact on the quality of nursing care. The personnel and nursing management at Marseille-Kliniken are always the same.

We perceive substantial pent-up demand in the largely unoccupied 2-star segment. In our assessment, dear shareholders, supervised housing will develop into a copious source of further growth for the Marseille-Kliniken Group. Our entry into this market niche is highly promising. In Halle (Saxony-Anhalt), since mid-2005 we have been offering 756 favourably priced apartments in three building complexes, and the residents are taken care of by a visiting nursing care service acquired by us. In the Kreuzberg district of Berlin, we established a facility with 160 beds only for Turkish customers, with continually rising occupancy figures. A further 130-bed facility is to follow in the Berlin area in the summer of this year. We are confident of our ability to find further suitable properties on the real-estate market which will be suitable for conversion into nursing care facilities.

The launch into the supervised housing segment is accelerating our expansion in our core field of activity, old-age nursing care. By the end of this fiscal year, we will have more than 9,000 beds in the nursing care division. We are increasingly approaching our target of achieving a capacity of 12,000 beds by 2008. New locations are being prepared in Meerbusch (150 beds), in Düsseldorf and Oberhausen (80 beds each) and in Bremerhaven (200 beds). Moreover, we are in the process of converting 100 beds of the rehabilitation clinic Schömberg into a nursing care clinic. Concrete negotiations are under way for the establishment of supervised housing in other locations.

The Schömberg clinic in the northern Black Forest, with 229 beds to date, is one of the bigger clinics in the field of rehabilitation. The capacity utilization problems particularly with these clinics for psychosomatic illnesses have caused Schömberg to become a long-term problem as far as the rehabilitation division is concerned. The fluctuating rehabilitation market means that clinics of this size are deprived of the basis for full capacity utilization. Splitting the facility into a nursing care and a rehabilitation unit is expected to bring about a final turnaround of the location. Generally speaking, after completion of the conversion work in Schömberg in summer this year, the restructuring process in the rehabilitation division has now been concluded. The foundations for an improved performance have been laid. Capacity utilization of the nine clinics still being operated is constantly recovering. In the traditionally poor months of January, February and March, it was above the level recorded in the 3rd quarter of 2005/2006.

Despite all the streamlining progress made and the positive outlook particularly for psychosomatic indications, the rehabilitation sector in the Group will never again extend beyond being a mere niche activity. We have clearly opted in favour of the nursing care division to improve growth and earnings. For this reason, we are intensifying our activities to sell the operations and/or real estate of this division, either gradually or in one fell swoop. A further portfolio for a sale-and-leaseback transaction is currently being prepared, including two rehabilitation clinic locations.

The trend relating to our key operating figures for the first nine months of fiscal 2006/2007 is in line with our expectations. The old-age nursing care division is growing and constantly gaining profitability, and the rehabilitation division has been returned to a secure footing. Operating revenue in the months from July 2006 to March 2007 was up by 4.8%, to € 161.4 million; in the nursing care segment, it rose by 4.2%, to € 123.8 million, and in the rehabilitation division by 6.6%, to € 37.6 million. The available beds in the Group were occupied to an extent of 89.9% (previous year: 88.6%). The capacity utilization quota in the old-age nursing care division was in the region of 92.8% (previous year: 91.7%), and in the rehabilitation division around 75.8% (previous year: 74.9%). DVFA Group earnings are solely fueled by the nursing care division. Earnings improved by € 2.5 million, to € 9.2 million; in the nursing care division, they were up by € 0.3 million, or 2.7%, to reach € 10.3 million. In the rehabilitation division, the loss declined to € 1.1 million (previous year: -€ 3.4 million). The Group reported a profit for the year of € 2.8 million (previous year: € 8.6 million, including income from sale-and-leaseback transactions).

The price trend of Marseille-Kliniken stock reflects our solid business model that facilitates convenient planning. The share price, which hovered within a bandwidth of

€ 13.97 to € 15.74 throughout the year, constantly moved at a level of € 13.97 to € 15.15 in the third quarter of 2006/2007. It was encouraging to note that our shares managed to escape the stock market turmoil in March. The decision by the Marseille family to reduce its share from 75% to 60%, increasing the free float to 40% by selling 15% of its shares, met with a positive reception on the capital market. We have registered brisk interest especially among investors abroad, for whom the price-earnings ratio of Marseille stock is favourable compared with other foreign healthcare providers listed on the stock markets. The majority of shares in the free float are already in the hands of international investors who increasingly want to take a long-term stake in Marseille-Kliniken.

Our expectations for fiscal 2006/2007 as a whole are positive, and the forecast made at the beginning of the year requires no cutbacks whatsoever after nine months that have meanwhile elapsed. We anticipate a substantial increase in revenue and earnings with disproportionately higher growth. The market for old-age nursing care is crisis-proof, and we are very well prepared for reform-related changes in the healthcare system thanks to our strategy of differentiating between 2, 3 and 4-star facilities. Nursing care is neither prescribed nor ordered. When the event occurs, help simply must be provided. This is our mission. We underpin this mandate with the principles of customer proximity, economy and social responsibility. Acting in a social and economic context represents no contradiction to us, but a basic essential for sustained growth for the benefit of the people in need of nursing care, of our employees and our capital providers alike. The establishment of a new provident fund is also viewed in this context. Marseille-Kliniken AG and Allianz Pensionskasse AG, market leader among the deregulated pension funds, established the provident fund Soziale Dienste e.V. in Munich, making a key contribution to company old-age pension schemes on the German nursing care market in doing so. With this new concept, a pension fund originated for the employees of our company. Moreover, the provident fund is also open for other companies to join if they are engaged in the field of nursing care. Employees and employers contribute an equal share to the pension fund. In the event of a pension being drawn, the fund enables an increase in statutory pension claims by up to 40 per cent. In doing so, we offer our workforce a crisis-proof, highly effective supplement to their state pension impacted by uncertainties. This partnership-like model shows our interest in a long-term commitment of our employees, who are the decisive success factor to us as service providers.

Your company, dear shareholders, is in good condition and actively engaged on all fronts. We wish to thank you for the confidence you have placed in us and will not relent in our efforts to keep gaining it in future too. Furthermore, we wish to thank our employees, who characterize the face of our company outside in the market. Their great expertise and proven willingness to take care of our residents and patients deserve our recognition.

Sincerely,

Axel Hölzer, Chairman of the Management Board

Germany's economy recording sustained growth

Germany's economic growth became steadier in early 2007. Economic analysts expect real growth of 2.4% both this year and next. Strong economic performance and high tax revenues will allow Germany to dispense with new borrowing in 2007. This year's public-sector deficit of 0.6% of GDP is likely to drop to zero next year. This uptrend is also revitalizing the labor market to a marked degree. For the first time since 2001, the number of unemployed (approx. 3.8 million) will dip below the 4 million mark again, and the unemployment rate will be down to 8.7% from 10.6% in the previous year.

Regionally, growth is particularly high in Bavaria and Baden-Württemberg. In these regions, export-intensive enterprises sparked the domestic economy. In contrast, eastern Germany continues to lag behind despite robust industrial growth. Apart from the export sector, the upturn has now also spread to most domestic industry segments. Lower energy prices and rising employment are underpinning consumption. The increase in value added tax has not led to an excessive upsurge in prices as yet since many companies have not passed on the higher tax to their consumers. Nevertheless, the increase has already left its first mark on the economic landscape. Economists believe that growth without additional fiscal burdens could be up by roughly 0.5% this year.

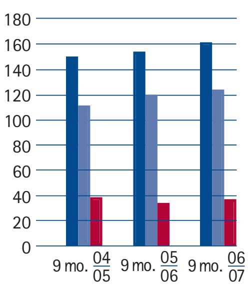
Perpetual reform process

The "Act for the Enhancement of Competition in Statutory Health insurance" (SHI Competition Enhancement Act) came into force on 1. April 2007. Experts' opinions differ on the question whether this reform will do more harm than good. The majority of experts believe that the healthcare reform fails to meet its most important objective, namely ensuring sustained compatibility between financing German healthcare insurance on the one hand and growth and employment on the other. The compromise negotiated in the coalition government negates the political guideline that rising healthcare expenditure should no longer

Group Nursing Rehabilitation

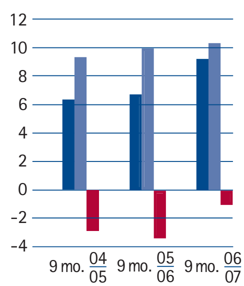
Operating sales by segments

in € m



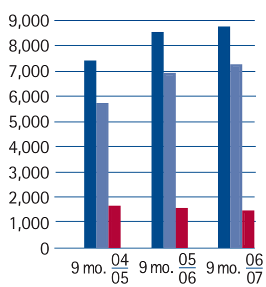
DVFA result by segments (IAS)

in € m



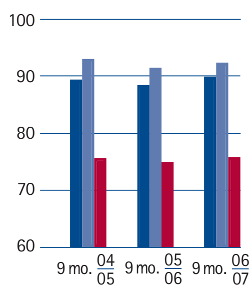
Bed capacity by segments

on average



Occupancy rate by segments

in %



result in higher wage-related contributions. As in the past, financing depends primarily on wage-related contributions, borne in equal parts by employees and employers. The statutory healthcare system is unable to satisfy rising demand for healthcare benefits. Statutory health insurance patients will increasingly need to take out supplementary private health insurance to receive the treatment they desire. Virtually all economists view the newly introduced mandatory public health insurance as a positive strategy. It is intended to prevent exploitation of a society based on principles of solidarity.

The next challenge politicians are facing is the nursing care reform, which is no less difficult than the healthcare reform. Introduced only about 12 years ago, nursing care insurance, already failing to meet the changing and growing demands of the insured, is likely to face steadily growing demands over the next several years. On the one hand, the number of people less and less able to master their lives alone is growing and, on the other, the number of families willing and able to take care of dependents is dwindling. Politicians do not dispute the fact that this insurance cannot survive in the long term without a demographic reserve fund that might be able to cushion any increase in contribution rates. The point at issue is how such a fund is to be financed and by whom it should be monitored and run. In view of the fact that opinions differ profoundly on this question, experts recommend not to rush such a reform and to reach an agreement based on the lowest common denominator. The time pressure in accomplishing a fundamental reform has declined. Thanks to the strong economy and rising employment figures, the financial situation of this insurance has improved compared with previous years.

The healthcare market as a whole remains a market characterized by robust growth. According to the German Federal Bureau of Statistics, per-capita spending of each German resident amounted to € 2,900 in 2005. Total healthcare expenditure rose by € 5.6 billion, or 2.4%, to € 239.4 billion, corresponding to 10.7% of Gross Domestic Product. At € 135.9 billion, the statutory health insurance sector was the major health insurance funding body. Almost every second euro was spent on outpatient care facilities, particularly in medical centers (€ 35.2 billion) and pharmacies (€ 34.8 billion). Germans spent € 87.4 billion in in-patient and partly in-patient care facilities, € 62.1 billion of which was accounted for by hospitals and € 18.1 billion by nursing care facilities.

Marseille-Kliniken well on track for a positive future

The figures for the first nine months of fiscal 2006/2007 project the steady ongoing development of the Company. Revenue and earnings performed well, the occupancy rate in nursing facilities for the elderly is far above the sector average. The core business of nursing care is expanding rapidly. The segmentation of the product into 2-, 3- and 4-star homes has proved to be successful and the new concepts such as "supervised housing", nursing and specialized clinics hold the promise of additional growth potential. The 2-star homes are moving to the forefront of the growth strategy. Due to an expected increase in deductibles of those affected as well as rising charges of social welfare funds, the market needs a more favorably priced offer. The demand is immense. Restructuring of the rehabilitation division has largely been completed and the foundations have been laid for more stable development. The Company is making an effort to complete the intended sale of the division, either wholly or in part.

The following figures for the first nine months of fiscal 2006/2007 (ending on June 30) as well as those for the same period in the previous year were determined in accordance with IFRS and are based on the consolidated financial statements for the last two financial years, audited in accordance with these accounting standards for the first time.

Further increase in operating revenue

Group revenue in the first nine months of fiscal 2006/2007 (1. July 2006 to 31. March 2007) rose to € 168.4 million. This is equivalent to a 7.3% year-on-year increase, or € 11.5 million. Own work capitalized relating to building projects in the amount of € 6.8 million is included in this figure. In particular, this involved the building projects in Berlin-Kreuzberg and Potsdam. The Company managed to increase its operating revenue to € 161.4 million, which corresponds to 4.8% growth, or € 7.3 million. The nursing care division contributed € 5.0 million (4.2%) to this positive result, due to higher capacity utilization and increased bed capacity. Due to improved capacity utilization division and the specialist clinic, revenue rehabilitation division increased from € 35.3 million to € 37.6 million (6.6%).

In the period under review, a total of 63 facilities were operated: 53 nursing facilities, 9 rehabilitation clinics and one specialist clinic. A new addition is the Turkish nursing facility in the Kreuzberg district of Berlin in February. Bed capacity in the nursing division increased from 6,995 to 7,287 beds as at 31. March 2007, due to the opening of retirement homes in Hamburg (January 2006) and Düsseldorf (May 2006) and most recently in Berlin-Kreuzberg (February 2007) as well as the renovation of those at the Leipzig - Am Kirschberg location. The total number of beds in the rehabilitation division decreased from 1,569 to 1,478. The closure of the Reinerzau location at the end of 2005 was offset by the takeover of the specialist clinic in Büren (January 2006).

As at 31. March 2007, the Group had a total of 8,765 beds (previous year: 8,564). This means that on average, the number of beds increased by 201 in the first nine months year-on-year. The Group's occupancy rate reached 89.9% (previous year: 88.6 %). The increase by 1.3 percentage points is attributable to intensified marketing activities in tandem with specialization at selected locations in the nursing care and to the rehabilitation division.

Nursing care division growing

The nursing division continues to show growth and profitability. Revenue increased by 5.0 € million and DVFA earnings rose to € 10.3 million (previous year: € 10.0 million). The main DVFA adjustments relate to start-up expenses for the property of the AMARITA facility in Hamburg (336 beds), amounting to € 2.5 million. Thanks to the conclusion of cooperation agreements with Marienkrankenhaus for integrated care of patients as well as the introduction of a ward for patients with locked-in syndrome and specialization in dementia-related illnesses by means of the chip concept at the beginning of the 3rd quarter, it was possible to boost the average occupancy figure already in the 3rd quarter from 72 beds to 91 beds (end-March: 107 in absolute terms; end-April: 125 in absolute terms).

We assume that occupancy of this home will accelerate; at full capacity utilization, it will generate € 13 million in revenue.

Moreover, start-up costs for the facility in Berlin - Kreuzberg, amounting to € 0.5 million, have been incurred as well as interest expenses in connection with a loan disbursed that was covered by the same amount in cash (€ 0.5 million). Excluding start-up facilities, the average bed occupancy rate was 92.8% (previous year: 91.7%), which constitutes a further improvement of the occupancy rate. According to a study conducted by HSH Nordbank at the end of 2006, the average occupancy rate of in-patient nursing facilities amounts to 90%.

Rehabilitation division continues to see positive trend

In spite of a capacity reduction in the rehabilitation division to 1,478 beds, revenue rose by € 2.3 million, from € 35.3 million to € 37.6 million. This is mainly attributable to the specialist clinic in Büren and the higher occupancy rate. At -€ 1.1 million, DVFA earnings are up on the previous-year figure of -€ 3.4 million. DVFA adjustments particularly include shutdown costs and subsequent lay-off welfare charges of € 1.0 million for the former Waldkirch and Reinerzau clinics as well as start-up expenses of € 0.7 million for the specialist clinic in Büren. For the locations that have been closed down, alternative scenarios and other uses are currently being studied as well as sale in the open market. The year-on-year increase in capacity utilization of the clinics from 74.9% to 75.8% demonstrates a strong performance and development in a positive direction, despite weaker third-quarter results. One major weak area in occupancy is the clinic for psychosomatic illnesses in Schömberg, where part of the bed capacity (96 beds) will be converted into a nursing clinic by summer of this year. This measure will result in a sustained improvement at this location.

DVFA earnings per share continue to rise

Profitability of the nursing care division has improved, chiefly due to higher capacity utilization, systematic marketing activities and specialization. Growth will be boosted further by the addition of new locations. The losses of the rehabilitation division have decreased year-on-year. At € 9.2 million, DVFA Group earnings are up on the previous year level by a total of € 2.5 million. Aggregate DVFA earnings per share of € 0.76 are € 0.21 up on the pre-year figure of € 0.55. With earnings of

€ 10.3 million, the nursing division contributes to this trend, which translates into earnings per share of € 0.85, € 0.02 up on the previous year. At -€ 0.09, DVFA earnings per share in the rehabilitation division improved by an encouraging € 0.19.

Adjusted for DVFA/SG, EBITDAR increased from € 43.0 million to € 49.9 million. Due to higher rental expenditure vis-à-vis reduced depreciation and interest expenses resulting from property transactions, EBITDA decreased from € 26.3 million to € 23.7 million and EBIT increased from € 15.9 million to € 16.7 million. The revenue-related EBIT margin was 10.3%, as in the previous year, and the EBITDA margin decreased from 17.1% to 14.7% year-on-year. At 30.9%, the EBITDAR margin is up on the pre-year level of 27.9%.

Adjusted EBT provide a better measure of economic performance since the changes in the refinancing structures are not taken into account. Adjusted EBT amount to € 12.0 million in the quarter under review after € 5.8 million in the pre-year period, with a margin of 7.4% and 3.7% respectively, clearly demonstrating that the company has developed successfully.

Unadjusted EBITDAR of € 44.7 million (-€ 6.4 million), EBITDA of € 17.5 million (-€ 16.8 million) and EBIT of € 10.2 million (-€ 13.2 million) as well as unadjusted EBT of € 4.0 million (-€ 8.4 million) and consolidated net income before minority interests of € 2.8 million (-€ 5.8 million) decreased on account of non-recurring effects on earnings from the property transactions in the same period of the previous year. This will be offset by higher start-up losses at our expansion facilities, which will be reduced and eliminated permanently by gradual optimization of the occupancy rate.

Financial debt ratio

The Group's net debt increased from € 94.3 million to € 111.6 million. The financial debt ratio as the ratio of long-term liabilities due to banks to the balance-sheet total rose from 26.7% to 36.4%. The changes in these key ratios were largely determined by the sale-and lease-back transactions effected.

The positive investment rate (€ 9.3 million) remains at the targeted level. Against the backdrop of the property transaction, it was in negative territory (€ 104.2 million) in the pre-year period.

Adjusted for DVFA/SG figures, gross cash flow, at € 17.0 million, is up by € 3.7 million year-on-year.

Equity as at the balance-sheet closing date on 31. March 2007, decreased by € 1.9 million, from € 68.2 million to € 66.3 million. Equity of the previous year was adjusted following the complete conversion to IFRS accounting standards, according to which the previous year's financial statements were prepared. The equity ratio rose by 1.8 percentage points, to 22.1%.

Share price

The price of the Marseille-Kliniken share ranged between € 13.97 and € 15.74 in the months from July 2006 to March 2007. The share closed at € 15.00 on 31. March 2007. The positive trend continued significantly in April. The closing price on 30. April 2007 was € 16.51.

Prospects

As already announced in the Annual Report for fiscal 2005/2006, for the year as a whole we plan on generating disproportionately high revenue and, accordingly, earnings growth year-on-year. The positive occupancy trend that has already materialized in our portfolio facilities, particularly in the nursing care division and is set to continue in the 4th quarter will have a positive impact on earnings since this will essentially result in cost degression effects. In addition to the typical seasonal influences, there is also a timing effect between the introduction of specialization at selected locations and the extension of distribution activities and successful occupancy figures. Beyond this, the increasing capacity utilization expected for the expansion facilities in Hamburg and Berlin-Kreuzberg will contribute an additional surge in revenues in fiscal 2006/2007.

The growth costs associated with the takeover and integration as well as the opening of new facilities are being countered by a continual improvement in occupancy figures and profitability of the portfolio facilities in the nursing care division, thus resulting in a positive impact on earnings. In the rehabilitation division, we expect the substantial improvement already initiated in terms of earnings to continue. In the 4th quarter, we expect the occupancy level to be higher than up to the time of writing in the period under review.

Marseille-Kliniken AG balance sheets

at 31. March 2007 and 31. March 2006

Group	31.03.07 in € '000	31.03.06 in € '000
Intangible assets	33,237	32,968
Tangible assets	189,131	242,230
Financial assets	4,721	7,850
Receivables and liquid funds	20,180	20,524
Other assets	53,198	33,082
Balance sheet total	**300,467**	**336,654**
Shareholders' equity *	66,342	68,227
Pension provisions	17,394	17,335
Other provisions	36,122	22,126
Financial debt	116,442	98,079
Other liabilities	84,417	130,887
Balance sheet total	**300,467**	**336,654**

** including 73.6% special items for allocated investment expenses*

Financial calendar

for the 2006/2007 financial year

Annual report 2006/2007	October 2007
Report on the 1st quarter	8. November 2007
Annual General Meeting	December 2007

Profit and loss accounts

for the period from 1. July 2006 to 31. March 2007 and the figures for the previous year

Group	31.03.07 in € '000	31.03.06 in € '000	Change in %
Sales from Group operations	161,428	154,088	4.8
Nursing division sales	123,803	118,788	4.2
Rehabilitation division sales	37,625	35,300	6.6
EBITDAR	44,703	51,074	-12.5
EBITDA	17,499	34,313	-49.0
Depreciation	-7,308	-10,923	-33.1
EBIT	10,191	23,390	-56.4
Interest balance	-6,227	-10,960	-43.2
EBT	3,964	12,430	-68.1
DVFA result	9,171	6,671	37.5
	in €	in €	
DVFA earnings per share nursing	0.85	0.83	2.7
DVFA earnings per share rehabilitation	-0.09	-0.28	66.5

Share information

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

Statements of cash flow*

for the period from 1. July 2006 to 31. March 2007 and the figures for the previous year

Group	9 months 31.03.07 in € '000	9 months 31.03.06 in € '000
Net Group income	2,752	8,637
Expenditure/income with no effect on payment	8,130	12,088
Decrease/increase in assets and liabilities	-15,885	-19,094
Cash flow from investment activities	-9,337	104,224
Cash flow from financing activities	-13,051	-96,053
Decrease/increase in liquid funds	-27,391	9,802

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

Imprint

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The report on the 1st 9 months is published in German and English and is available on request from Marseille-Kliniken AG, Corporate Communications.

Marseille-Kliniken AG balance sheets (IFRS)

for the period from 1. July 2006 to 31. March 2007 and the figures for the previous year

	9 months 31.03.2007 € '000	Annual accounts 30.06.2006 € '000	9 months 31.03.2006 € '000
Assets			
Current assets			
Liquid funds	4,854	32,245	3,812
Securities held as current assets	67	0	101
Trade receivables	15,326	13,631	10,714
Inventories	14,283	2,216	2,289
Tax reimbursement claim	2,028	1,553	0
Deferred charges, prepaid expenses and other assets	17,745	22,752	36,690
Total current assets	**54,303**	**72,397**	**53,606**
Non-current assets			
Tangible assets	189,131	195,527	235,371
Intangible assets	4,593	4,143	3,668
Goodwill	28,644	28,452	29,300
Property held as financial investments	9,709	9,709	0
Financial assets	4,721	5,200	7,850
Deferred tax assets	9,366	7,208	0
Total non-current assets	**246,164**	**250,239**	**276,189**
Total long-term assets	0	0	0
Total assets	**300,467**	**322,636**	**329,795**
Shareholders' equity and liabilities			
Current liabilities			
Short-term debt and current portion of long-term debt	7,111	12,397	9,888
Trade payables	4,763	8,329	7,082
Provisions	15,872	11,273	22,126
Other current liabilities	19,742	30,700	24,147
Total current liabilities	**47,487**	**62,699**	**63,243**
Non-current liabilities			
Long-term debt	109,331	117,096	88,191
Allocated investment grants	49,836	51,122	45,475
Pension commitments	17,394	17,570	17,335
Others	26,506	24,598	66,605
Deferred taxes	20,250	20,407	
Total non-current liabilities	**223,317**	**230,793**	**238,066**
Shareholders' equity			
Subscribed capital	31,100	31,100	31,100
Capital reserve	15,887	15,887	15,887
Revenue reserves	627	627	1,282
Treasury shares	0	0	0
Accumulated losses	-18,261	-19,153	-20,361
Minority interests	310	683	578
Total shareholders' equity	**29,663**	**29,144**	**28,486**
Debt in direct connection with long-term assets held for sale	0	0	0
Total shareholders' equity and liabilities	**300,467**	**322,636**	**329,795**

Profit and loss accounts (IFRS)

for the period from 1. July 2006 to 31. March 2007 and the figures for the previous year

	Quarterly report		Accumulated period	
	01.01.07 to 31.03.07 € '000	01.01.06 to 31.03.2006 € '000	01.07.06 to 31.03.07 € '000	01.07.05 to 31.03.06 € '000
Sales	53,605	50,767	161,461	154,088
Other operating income	1,497	5,999	6,984	19,606
Changes in the level of finished products and products in progress	774	1,358	196	2,811
Other own work capitalised	1,602	-145	6,730	0
Cost of materials / cost of purchased services	-9,058	-8,913	-26,085	-22,703
Personnel expenses	-27,780	-26,936	-84,710	-81,298
Depreciation of tangible (and intangible) assets	-2,347	-5,287	-7,308	-10,923
Depreciation of goodwill	0	0	0	0
Other operating expenses	-16,259	-12,252	-47,077	-38,191
EBIT	**2,033**	**4,590**	**10,190**	**23,390**
Interest income/expenses	-1,826	-4,541	-6,227	-10,960
Earnings before tax (and minority interests)	**207**	**49**	**3,963**	**12,430**
Taxes on income and earnings	-23	-114	-1,059	-3,598
Other taxes	-19	-80	-152	-195
Earnings before minority interests	**165**	**-145**	**2,752**	**8,637**
Minority interests	327	-904	373	-690
Net income	**492**	**-1,049**	**3,125**	**7,947**

Statement of changes in shareholders' equity

for the period from 1. July 2006 to 31. March 2007 and the figures for the previous year

	Subscribed capital € '000	Capital reserve € '000	Revenue reserves € '000	Group earnings € '000	Minority interests € '000	Total € '000
01.07.2005	31,100	15,887	1,336	-24,138	-111	24,074
Treasury shares	0	0	-54	0	0	-54
Sale of own shares	0	0	54	0	0	54
Distribution of profits	0	0	0	-4,860	0	-4,860
Earnings for the period	0	0	0	8,637	690	9,327
31.03.2006	**31,100**	**15,887**	**1,336**	**-20,361**	**578**	**28,540**

	Subscribed capital € '000	Capital reserve € '000	Revenue reserves € '000	Group earnings € '000	Minority interests € '000	Total € '000
01.07.2006	31,100	15,887	627	-19,153	683	29,144
Distribution of profits	0	0	0	-2,233	0	-2,233
Earnings for the period	0	0	0	3,125	-373	2,752
31.03.2007	**31,100**	**15,887**	**627**	**-18,261**	**310**	**29,663**

Notes

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

The quarterly accounts compiled by Marseille-Kliniken AG comply with the standards currently issued by the International Accounting Standards Board (IASB) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC, previously SIC).

Method of presentation

The quarterly accounts have been prepared in accordance with IAS 34 (minimum features of an interim report).

The following procedure has also been adopted on the basis of the meeting held by the working party about German IAS corporate accounting (FN - IDW No. 1/2002, pages 67 ff.). Taking into account the purpose of quarterly reporting as an information instrument based on the company and Group annual accounts and in accordance with IAS 1.91, it is necessary in the opinion of the working party in order to present an accurate and true picture of the asset situation, financial position and profitability of the company compiling the accounts in accordance with the IAS to include information about the accounting and valuation methods applied in the first IAS quarterly report above and beyond the requirements of the IAS 34.

Particular mention needs to be made in this context of the options offered by the IAS that have been exercised as well as of the accounting and valuation methods applied that differ from the accounting and valuation methods which were applied in the company and Group annual accounts that preceded the IAS quarterly report.

Where the accounting and valuation methods applied in the IAS quarterly report and the company and Group annual accounts are identical, reference to the explanatory notes provided in the company and Group annual accounts appears to be sufficient.

Accounting and valuation methods

The same accounting and valuation methods as in the last Group annual accounts for the period that ended on 30.06.2006 have been applied in the quarterly accounts. A detailed description of these methods was published in the notes to the Marseille-Kliniken AG annual report 2005/2006.

In addition to the following explanatory information about selected points in the notes at 31.03.2007, we refer to the notes to the Group annual accounts at 30.06.2006 (IAS 34.15).

Explanatory information about selected points in the notes

Companies consolidated

Owing to the business activities of the Marseille-Kliniken AG Group in the first nine months of 2006/2007, the companies consolidated in accordance with IAS 27.12 extended to include Türk Huzur Evi Pflegeeinrichtung Berlin-Kreuzberg gGmbH, which had not been the case in the consolidation perimeter as at 30. June 2006. This resulted in an increase in capitalized goodwill to EUR 28,644,000.

Miscellaneous notes

The "non-amortisation approach" introduced in accordance with IFRS 3 for goodwill has to be applied to all company mergers that are made from 31. March 2004 onwards. From the 2003/2004 financial year onwards and for the current financial year, advantage has been taken of the rule about retrospective application according to IFRS 3.85 ("Limited Retrospective Application") and scheduled depreciation according to IAS 22 (revised in 1998) has been suspended.

In the first nine months of 2006/2007, the inventories item of the current assets includes land for resale. Appropriate reclassification to the assets available for sale item with the corresponding item on the equity and liabilities side is carried out in accordance with IFRS 5 when the conditions specified in IFRS 5.7 can be assumed to be highly probable.

The non-current assets include property held as financial investments as defined in IAS 40 for the first time in the course of the year. The accounting and valuation decisions were taken by Marseille-Kliniken AG at the end of the 2005/2006 financial year. Zero entries are therefore required accordingly in the previous year. The same applies essentially to the deferred taxes too.

The miscellaneous non-current liabilities item includes on the one hand the financial lease liabilities and on the other hand the deferred tax liabilities.

In accordance with the editorial correction made at 30. June 2006, the special items for investment grants have been renamed allocated investment grants. The allocated investment grants of EUR 49,836,000 are released in results according to the useful life of the assets funded.

The effect this will have on increasing shareholders' equity in future minus the relevant tax on income amounts to EUR 36,692,000. The shareholders' equity plus the special items for allocated investment grants that increase shareholders' equity therefore amount to EUR 66,355,000.

IAS 27.33 states that the minority interests must be shown as an individual shareholders' equity item in the Group balance sheets separately from the shareholders' equity of the parent company. Minority interests in Group earnings must be indicated separately too.

This procedure was followed accordingly in the statement of changes in shareholders' equity.

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