Better if we are there



Report on the 1st half of the year
1. July 2004 to 31. December 2004

MARSEILLE-KLINIKEN AG

Summary of the first six months

1. July 2004 to 31. December 2004

		04 | 05	03 | 04	Change in %
Results				
Operating sales *	€ m	102.4	102.1	0.3
EBITDAR **	€ m	30.3	29.4	3.0
EBITDA **	€ m	21.1	21.5	-2.0
EBIT **	€ m	13.6	13.9	-2.3
EBIT margin **	%	13.4	13.7	-2.7
Net income	€ m	3.6	4.1	-10.5
RoS	%	5.2	4.8	6.8
DVFA/SG result	€ m	5.2	4.9	7.0
Gross cash flow **	€ m	12.5	12.6	-0.3
Balance sheet				
Fixed assets	€ m	357.7	368.9	-3.0
Investments	€ m	5.0	4.1	23.7
Shareholders' equity ***	€ m	67.4	75.0	-10.1
Equity ratio	%	16.8	17.9	-5.9
Other key indicators				
Employees	Number on 31.12.2004	4,494	4,386	2.5
Facilities	Number	58	58	0.0
Bed capacity	Average number	7,442	7,455	-0.2
Occupancy rate	%	89.6	91.4	-3.5

* Including change in the level of building work in progress and other own work capitalised
** Including DVFA/SG correction items
*** Including 73.6% special items with an equity portion

Main Group figures (IFRS)

Highlights

- Profitable sales and earnings growth in the core nursing division
- DVFA result increased to € 5.2 million
- Positive development of the share price

Dear shareholders and friends of the company,

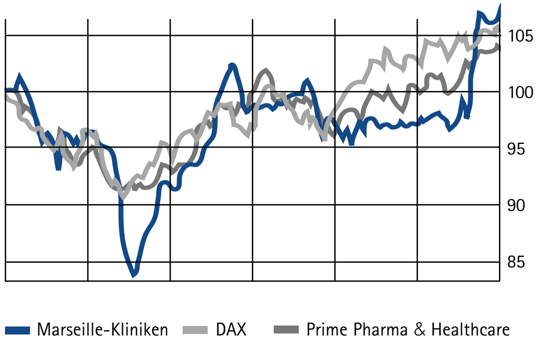
The first half of 2004/2005 marks a turning point for your company. The sale-and-leaseback contract concluded in December 2004 with the General Electric subsidiary GE Commercial Finance, which covers the sale and long-term leaseback of twelve properties in the nursing division portfolio, enables us to concentrate on facility operation and paves the way for expansive development of the company. This transaction is of great significance to Marseille-Kliniken and has important ramifications. It also demonstrates that we are implementing our strategy systematically.

Optimisation of our property portfolio and restructuring of the rehabilitation division are the issues that dominated the first half of 2004/2005. We are devoting particularly close attention to our problem child, the rehabilitation operations. We know the problems that the current economic and employment market situation are causing at our psychosomatic clinics and will eliminate them by taking active restructuring measures. In view of the continued expansion of our core nursing division, the economic importance of the rehabilitation operations is decreasing as far as the development of Group sales and earnings is concerned. We are nevertheless doing everything in our power not only to manage our core nursing division profitably but also to run the rehabilitation business at a profit. We have learned from our experience with crises in the rehabilitation operations in the past and are certain that we will come out of the present difficult phase stronger than before.

The transaction with GE Commercial Finance has many different facets. The action taken here is in line with current trends. The market for nursing care for the elderly is going through a process of change on an international scale. Four companies have changed hands in recent months in Great Britain alone. We consider that the view we have stated on regular occasions - that the senior citizens' property market is an enormous, growing business with good opportunities and low risk - is being confirmed. The preconditions for success are, on the one hand, high quality and, on the other hand, a business model that is based on long-term profitability rather than

Development of the Marseille-Kliniken share price

indexed, 1. July 2004 = 100
ISIN: DE0007783003 WKN: 778300



short-term profit-taking. The fact that our contract partner GE Healthcare Financial Services has acquired a portfolio from our company in its first transaction in Europe is evidence of how attractive Marseille-Kliniken is. We are growing profitably, have the necessary critical mass, operate transparently and are the only private company in the nursing care sector that has obtained a rating from an international rating agency. The transaction is opening numerous doors and is focussing attention on alternatives to classic bank financing. Professional investors from abroad have for the first time recognised the growth potential of the German market for nursing care for the elderly. GE has not only assets worth billions but also in-depth market know-how. Their expertise will encourage other investors to take a close look at our company and is boosting our efforts to finance the expansion strategy via the sale-and-leaseback system.

The transaction with a volume of about € 100 million eliminates the few remaining weak points in our business model. The property portfolio is now divided up half and half into owned and leased facilities - as is the case with our international competitors - and has thus reached a balance that is the yardstick for future growth. The transaction is helping to reduce debt considerably, is enabling the balance sheet to be improved as planned with no effect on earnings while upping the equity ratio and is increasing our financial scope for expansion of the nursing division.

We are taking internal action to eliminate the weak point of our operations in the rehabilitation division. Our aim is to return to an occupancy rate at the clinics that guarantees a positive contribution to earnings in the long term while maintaining our high quality standards. We are combining facilities, reducing both personnel and non-personnel costs, developing new treatment concepts and fields and occupying market niches by providing special programmes. The restructuring exercise is being carried out primarily at the five psychosomatic clinics. Essentially, we will be concentrating in future on the two large Schömberg and Gengenbach (Kinzigtal) clinics. We have already initiated appropriate measures. The Reinerzau facility was closed in October last year and the treatment programmes have been moved to the Schömberg location. As far as the Bad Herrenalb location is concerned, a transfer to Schömberg is also planned, with subsequent use of the property as a nursing home. Bad Schönborn and Waldkirch were turned into nursing facilities successfully at the end of the 90s. The activities to reduce personnel and non-personnel costs have been started and are producing initial success, although patience is required. We are continuing to pursue the goal of cutting costs significantly. At the somatic clinics, where the occupancy rate in the first half of the year was generally satisfactory at about 90%, we are concentrating on co-operation agreements with regional hospitals in the context of the introduction of the system of lump-sum payments per case. We intend to exploit the potential for improvement at the problematic interfaces (acute hospital - rehabilitation clinic - funding organisation) by optimising patient control. We have been registering ground under our feet again in the rehabilitation operations in recent weeks. The occupancy rate since December has been higher than in the previous year and our plans. There are signs of a slight recovery on the market in general.

The current market situation is reflected in the figures for the first half of 2004/2005, which cover the months of July to December 2004. Group sales increased slightly by 0.3% to € 102.4 million, with growth only being generated in the nursing division. Sales in this division were up 3.6%, whereas they decreased by 7.4% in the rehabilitation division. The occupancy rate in the Group as a whole was 89.6%. The beds in the nursing division were occupied 93.8% of the time, while the figure in the rehabilitation division was 76.3%; this represents a reduction of 2.5% points over the figures for the same period in the previous year. The Group DVFA result improved from € 4.9 million in the same period the previous year to € 5.2 million. The increase of € 1.1 million in nursing division profits to € 6.9 million is offset by a higher loss of € 1.7 million in the rehabilitation division.

Marseille-Kliniken satisfies all the conditions for a further sound, sustained development of the company. The nursing operations are growing fast and generate high profits. The weakness of the rehabilitation operations is manageable and the downward trend appears to have been stopped by the development in the 2nd quarter and at the beginning of the 3rd quarter. In the medium term, we will be returning to profit and will be structuring the division in such a way that the risks of setbacks for market reasons are minimal.

We are receiving signals from the capital markets that we are on the right track. The share has participated disproportionately well in the positive stock market trend and has developed considerably better than all the indices. The increase is significant by comparison with those of our competitors who have a stock market listing. The interest shown in our company by investors is growing steadily and is leading to higher share liquidity. This increase in liquidity is making the share attractive for bigger investors again too. Prompt, consistent and credible reporting is important to us, in order to emphasise our long-term success factors and to make our company transparent. The volume of our shares traded every day has almost doubled, due not least of all to extensive investor relations activities.

We are in no doubt that Marseille-Kliniken has a successful future ahead of it. This applies not only to the 2004/2005 financial year but also to the long term. In the nursing division, four more facilities with about 800 beds are in the process of being launched; their locations in Hennigsdorf near Berlin, Düsseldorf, Dresden and Hamburg guarantee that they will be filled relatively quickly. There are signs of consolidation in the rehabilitation division. All in all, we are working on the assumption that the current financial year will bring sales growth and a disproportionately large improvement in the DVFA result.

As a company that carries a great deal of responsibility for its residents who need nursing care as well as for its financial backers, we will continue to do our job for the benefit of both sides. On behalf of the Management Board, I would like to thank you for the confidence you have placed in us. Our thanks also go to our employees for their commitment, for the impressive social and professional skills they contribute to our company and for the considerate way in which they deal with the people at our facilities.

Your

Axel Hölzer
Chairman of the Management Board

German economy is growing again

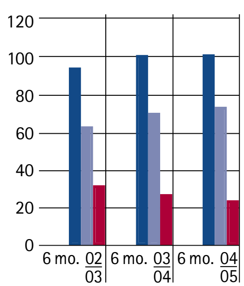
Following a phase of stagnation that lasted almost three years, the German economy grew by 1.7% in real terms in 2004. This growth was driven by exports, which increased by 8%. The economic recovery cannot disguise the fact that the German economy is still suffering from structural weaknesses and is one of the backmarkers on international ranking lists. Unemployment continues to be a central problem. The export-driven growth has not yet affected the employment market. The unemployment rate rose from 9.1% to 9.3% and was therefore higher than at any time since 1997. Economists have their doubts whether the hope that the economic recovery will strengthen and broaden in 2005 will be fulfilled. The experts are working on the assumption that export trade will weaken because of the high oil price and the strong euro and that domestic growth cannot be stimulated without a fundamental improvement in the general economic conditions.

Unsettled health market

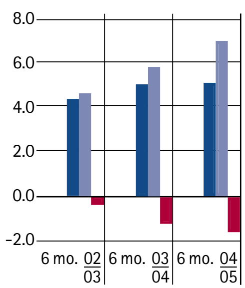
Although the legislation to modernise the statutory health insurance funds that came into force in 2004 has led to substantial initial reductions in the funds' costs, it has not stabilised the health market. It is in particular the case that the political objective of combining the cost-cutting process with decreasing contributions has not yet been reached. A fundamental reform of the health system will only be possible in the long run by opening it up to more market and more competition. The same is true of the unavoidable reform of the nursing care insurance system. The legislation that the government has enacted in order to satisfy the demands of the German constitution to improve the treatment of families is only a first step. It puts the childless in a worse position rather than improving the situation of large families.

Group
Nursing
Rehabilitation

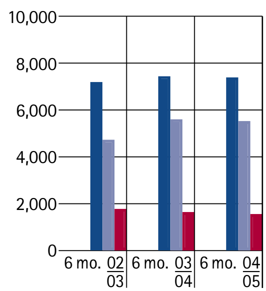
Operating sales
by segments
in € m



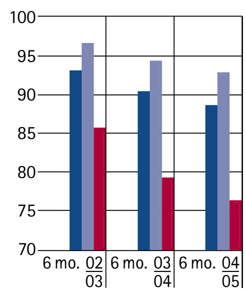
DVFA result
by segments
in € m



Bed capacity
by segments
on average



Occupancy rate
by segments
in %



Stable development by Marseille-Kliniken

A development that was observed throughout the 2003/2004 financial year continued in the 1st half of 2004/2005. The operations in the area of nursing care for the elderly are growing and highly profitable, whereas the rehabilitation division is going through a difficult period. The business operations at the rehabilitation clinics are being depressed primarily by the inadequate occupancy rates at the psychosomatic clinics. The key sales, earnings and occupancy figures for the first six months of the new financial year are influenced by this development. Nursing care for the elderly remains the growth market for the Marseille-Kliniken Group.

The following figures for the first six months of the 2004/2005 financial year and those for the previous year have been compiled in accordance with the international accounting standards (IAS/IFRS).

Small increase in operating sales

Group sales in the first six months of the 2004/2005 financial year (01.07. to 31.12.2004) increased by 0.3% to € 102.4 million by comparison with the same period the previous year. Sales from Group operations went up by 0.4% to € 101.4 million. The increase is attributable solely to the nursing division: the sales growth of € 2.6 million to € 75.4 million (3.6%) in nursing care for the elderly more than made up for the shortfall of € 2.1 million to € 26.1 million (7.4%) in the rehabilitation operations.

In the first half of 2004/2005, which covers the months of July to December 2004, Marseille-Kliniken operated 58 facilities: 47 nursing homes and 11 rehabilitation clinics. The operations in the rehabilitation division are in the process of being restructured. Due to the inclusion in full of the facilities that started up in the previous year, capacity in the nursing division increased on average from 5,683 to 5,727 beds. The number of beds at the 11 rehabilitation clinics decreased from 1,772 to 1,715.

The Group has an average total of 7,442 beds; this corresponds to a reduction of 13 beds by comparison with the previous year. The Group occupancy rate decreased slightly by one percentage point to 89.6% because of poor capacity utilisation at the rehabilitation clinics.

Profitable growth in the nursing division

The nursing division continues to be the source of growth and profitability in the Group. The sales and earnings potential remains high. The DVFA result improved to a disproportionately large extent by € 1.1 million to € 6.9 million on the back of a sales increase of € 2.6 million. The beds were occupied 90.7% of the time on average. The fact that the occupancy rate was 1.0% point higher than in the previous year is attributable to increasing acceptance of the new facilities. The new facilities in Montabaur and Landshut developed towards the capacity utilisation levels that are normal in the Group and are having a positive impact on the occupancy rate. The nursing division will be creating an even broader basis for positive acceptance of the high-quality facilities. Excluding the facilities that started operation, an occupancy rate of 93.8% was reached. The slight decrease of 0.7% is due to the remodelling projects in Belzig and Cottbus, where it was not possible to exploit the full capacity.

Radical changes in the rehabilitation division

The figures in the rehabilitation division were lower than in the previous year. The occupancy rate decreased from 78.8% to 76.3%, while the DVFA result was down by € 0.8 million and was substantially negative at - € 1.7 million, which continues to be an unsatisfactory situation. Since an improvement in the basic economic data cannot be expected in the short term, we have initiated further restructuring measures. They involve, on the one hand, optimised cost management for personnel and non-personnel costs at the somatic clinics which are in a fundamentally sound position (90% occupancy in the first half of the year) while maintaining the quality standards and, on the other hand, realignment of the operations at the clinic locations where the occupancy rate is low. The Waldkirch location is establishing itself increasingly with its concept of the combination of preventive medicine with a stay at a health resort. Capacity utilisation at the five psychosomatic clinics was improved slightly to 67.1% (1st quarter of 04/05: 62.0%). The action taken, such as the transfer of the Reinerzau location to Schömberg with effect from 1. October 2004, is already starting to take effect; the transfer of the Bad Herrenalb treatment programmes to Schömberg will be following by the middle of the year. The property in Bad Herrenalb will be used as a nursing facility in future.

Improvement in the DVFA result

The shortfall in the earnings of the rehabilitation division was more than made up for by the high profitability of the nursing division. The Group DVFA result increased by € 0.3 million to € 5.2 million. The cumulated DVFA earnings per share of € 0.43 were € 0.03 higher than in the previous year. The profit of € 6.9 million generated by the nursing division was € 1.1 million higher and corresponds to DVFA earnings per share of € 0.57 (previous year: € 0.47). Earnings per share in the rehabilitation division were a negative € 0.14. Group earnings before tax decreased from € 5.3 million to € 4.6 million and the Group net income amounted to € 3.6 million (previous year: € 4.1 million).

EBITDAR, the most accurate indicator of profitability, were marginally higher than in the previous year at € 28.1 million.

EBITDA decreased by € 1.2 million to € 19.0 million, while EBIT dropped by € 0.9 million to € 11.7 million. The rental expenditure for the facilities that started operation which was incurred by comparison with the previous year was the main reason for this. The reduction in the EBIT and EBITDA margins in relation to sales (after DVFA/SG adjustments) was due to the unsatisfactory occupancy rate that was again recorded in the rehabilitation division and to non-recurring costs for remodelling measures at the facilities (Cottbus and Belzig). The EBIT margin fell from 13.7% to 13.4% and the EBITDA margin from 21.3% to 20.8%. There was an upward trend in the EBITDAR margin, which improved from 29.1% to 29.8%. The adjusted margins are still among the very best in our peer group by international standards.

Investments in the nursing division

Investments of € 5.0 million were made in the period under review. The funds were used primarily to build the new facility in Hennigsdorf near Berlin as well as to finance the remodelling projects at the Belzig and Cottbus facilities, for which subsidies have been received; both of these projects will be completed this year.

The shareholders' equity was € 7.6 million lower at € 67.4 million on 31. December 2004. This was due to the unscheduled depreciation charges made in the rehabilitation division on 30. June 2004. The equity ratio decreased by 1.1% points to 16.8% (increase over the previous quarter: + 0.5% points). The HGB shareholders' equity amounted to € 69.6 million, which corresponds to 18.8% of the balance sheet total.

Following adjustment for DVFA/SG items, gross cash flow was only slightly lower than the level reported in the previous year at € 12.5 million. The financial debts of the Group went down from € 234.0 million to € 224.8 million. The ratio of financial debts (long-term bank loans) to the balance sheet total decreased from 55.6% to 50.1%. A further reduction has been made in the financial debts and the debt ratio in the course of the new financial year.

Positive development of the share price

The price of the Marseille-Kliniken share ranged between € 7.80 and € 8.85 in the months of October to December 2004. The final price of the share on 31. December 2004 was € 8.85. The share price developed more positively than other indices, such as the DAX and Prime Pharma & Healthcare PI. The upward price trend continued in January 2005. The high of € 10.30 was reached on 24. January.

With confidence into the second half of the year

Our overall assumptions for the 2004/2005 financial year are sales growth and a further improvement in earnings. Our confidence is based to a large extent on the strength and continued profitable growth of the core nursing division. Steady progress is being made in integration of the new facilities and this is having a positive impact on earnings. It is not possible to foresee when the rehabilitation operations will no longer be depressed by the poor general economic conditions. The restructuring measures that have been initiated are starting to take effect, but will not enable us to return to profit yet in the current financial year.

Statements of cash flow according to IFRS

for the period from 1. July 2004 to 31. December 2004
and the figures for the previous year

Group	6 months 04 I 05 in € '000	6 months 03 I 04 in € '000
Net Group income	3,634	4,062
Expenditure / income with no effect on payment	6,517	7,224
Decrease in assets and liabilities	-4,852	-5,065
Cash flow from investment activities	-5,020	-4,058
Cash flow from financing activities	-2,499	-1,163
Decrease / increase in liquid funds	-2,200	1,000

Share information

Security identification no. (WKN)	778300
ISIN	DE0007783003
Stock exchange code	MKA.ETR
Trading locations	Frankfurt a. M., Hamburg
Designated sponsor	Seydler AG

Financial calendar

Event for analysts Frankfurt a.M.	20. April 2005
Report on the 3rd quarter	9. May 2005
End of the financial year	30. June 2005
2004/2005 Annual Report	October 2005
Report on the 1st quarter of 2005/2006	8. November 2005
106th Annual General Meeting	7. December 2005

Imprint

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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.

Balancesheets of Marseille-Kliniken AG according to IFRS

for the period from 1. July 2004 to 31. December 2004 and the figures for the previous year

	6 Months 31.12.04	Annual accounts 30.06.04	6 Months 31.12.03
Assets	**EUR '000**	**EUR '000**	**EUR '000**
Short-term assets			
Liquid funds	1,696	1,791	1,051
Securities held as current assets	101	101	101
Trade accounts receivable	12,418	12,991	13,213
Inventories	2,897	1,626	2,800
Tax reimbursement claim	3,397	3,397	2,600
Deferred charges, prepaid expenses and other assets	22,600	20,795	32,073
Total short-term assets	43,109	40,701	51,838
Long-term assets			
Tangible assets	332,646	333,496	342,277
Intangible assets	3,659	4,459	4,312
Goodwill	18,793	18,820	19,935
Financial assets	2,588	2,615	1,580
Financial assets held at equity	0	0	871
Total long-term assets	357,686	359,390	368,975
Total assets	**400,795**	**400,091**	**420,813**
Shareholders' equity and liabilities			
Short-term liabilities			
Short-term debt and current portion of long-term debt	23,792	21,668	25,930
Trade accounts payable	5,331	10,733	11,693
Provisions	24,809	24,116	20,150
Other short-term liabilities	9,551	9,141	14,018
Total short-term liabilities	63,483	65,658	71,791
Long-term liabilities			
Long-term debt	201,021	202,789	208,064
Special fixed asset items	46,483	43,228	42,498
Pension commitments	17,432	17,402	17,074
Others	39,345	41,369	38,307
Total long-term liabilities	304,281	304,788	305,943
Minority interests	-108	37	611
Shareholders' equity			
Subscribed capital	31,100	31,100	31,100
Capital reserve	15,887	15,887	15,887
Revenue reserves	243	243	243
Own shares	995	954	584
Retained earnings / accumulated losses	-15,086	-18,576	-5,346
Total shareholders' equity	33,139	29,608	42,468
Total shareholders' equity and liabilities	**400,795**	**400,091**	**420,813**

Profit and loss account according to IFRS

for the period from 1. July 2004 to 31. December 2004 and the figures for the previous year

	Quarterly report		Accumulated period	
	01.10.04 31.12.04 EUR '000	01.10.03 31.12.03 EUR '000	01.07.04 31.12.04 EUR '000	01.07.03 31.12.03 EUR '000
Sales	50,646	49,701	101,446	101,001
Other operating income	2,402	2,371	3,544	3,416
Changes in the level of finished products and products in progress	0	0	0	0
Other own work capitalised	740	765	972	1,120
Cost of materials / cost of purchased services	-8,177	-7,156	-14,684	-13,622
Personnel expenses	-25,552	-25,491	-52,168	-51,809
Depreciation of tangible (and intangible) assets	-3,713	-3,822	-7,280	-7,607
Depreciation of goodwill	0	0	0	0
Other operating expenses	-11,497	-10,967	-20,151	-19,869
Others	0	0	0	0
EBIT	**4,849**	**5,401**	**11,679**	**12,630**
Interest income / expenses	-3,591	-3,636	-7,113	-7,290
Income from participating interests	0	75	0	75
Income / expenses from financial assets held at equity	0	-62	0	-136
Exchange rate gains / losses	0	0	0	0
Other income / expenses	0	0	0	0
Earnings before tax (and minority interests)	**1,258**	**1,778**	**4,566**	**5,279**
Taxes on income and earnings	-333	-482	-763	-1,062
Other taxes	-91	-100	-169	-155
Extraordinary income / expenses	0	0	0	0
Earnings before minority interest	**834**	**1,196**	**3,634**	**4,062**
Minority interests	-283	129	-144	194
Net income / loss	**551**	**1,325**	**3,490**	**4,256**

Statement of changes in shareholders' equity according to IFRS

for the period from 1. July 2004 to 31. December 2004
and the figures for the previous year

	Subscribed capital EUR '000	Capital reserve EUR '000	Revenue reserves EUR '000	Group result EUR '000	Total EUR '000
01.07.03	31,100	15,887	827	-4,779	43,035
Net income for the period	0	0	0	-4,823	-4,823
Distribution of profits	0	0	0	4,256	4,256
31.12.2003	31,100	15,887	827	-5,346	42,468

	Subscribed capital EUR '000	Capital reserve EUR '000	Revenue reserves EUR '000	Group result EUR '000	Total EUR '000
01.07.2004	31,100	15,887	1,197	-18,576	29,608
Subsequent valuation/carried forward	0	0	41	0	41
Net income for the period	0	0	0	3,490	3,490
31.12.2004	31,100	15,887	1,238	-15,086	33,139

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 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 prepared under commercial law 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 prepared under commercial law are identical, reference to the explanatory notes provided in the company and Group annual accounts prepared under commercial law appears to be adequate.

Accounting and valuation methods

The same accounting and valuation methods as in the last Group annual accounts for the period that ended on 30.06.2004 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 2003/2004.

The following statements relate in particular to changes at 31.12.2004. We refer to the notes to the Group annual accounts at 30.06.2004 with respect to explanations that are not presented (IAS 34.15).

Explanatory information about selected points in the notes

Companies consolidated

In contrast to the HGB (German Commercial Code), the following companies are also consolidated in accordance with the IAS:

- TD Trump Deutschland AG (at equity)

Where companies are included in the accounts as associated companies by the equity method, IAS 28.22 only allows write-downs up to a maximum of the book value of the participating interest. The posting of losses above and beyond the book value is neutralised in accordance with the IAS 28 accounting method.

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. For the 2003/2004 financial year 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.

According to the IAS (SIC 16.4), the own shares shown in current assets under commercial law are offset against the corresponding revenue reserves for own shares. This rule is no longer being applied from the 2004/2005 financial year onwards, because the company does not hold any of its own shares as defined in this regulation.

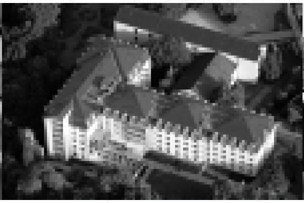
Another major difference between the HGB and the IAS relates to the accounting of eight leasing contracts for land and buildings. According to IAS 17, all of these contracts satisfy the conditions of finance leases.

The leased buildings have therefore been stated as assets of EUR 43,883,000 in the Group accounts at 31. December 2004 in accordance with IAS 17.12 and liabilities to the lessors of the same amount have been included.

According to IAS 17, the profits from the sale are treated as "deferred income" and the profit from the sale of the fixed assets is therefore released in results over the duration of the leasing contract.

IAS 1.66 states that the minority interests must be shown as a separate item in the balance sheet, so they do not form part of the shareholders' equity.

The special items for investment subsidies and grants for fixed assets of EUR 46,483,000 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 34,223,000. The shareholders' equity plus the special items for investment subsidies and grants that increase shareholders' equity therefore amount to EUR 67,362,000.



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