Annual Report 2008|2009

EXTERNAL CERTIFICATION

Marseille-Kliniken AG now
has DIN EN ISO 9001:2008
certification for the entire Group

SALES

Finding new ways to attract
customers as quality leader

MARSEILLE-KLINIKEN AG

Certified Quality Management System
BSi
Management
Systems
Certificate No.:
FS 545982/9013D
DIN EN ISO 9001:2008

Main Group figures (IFRS)

		2008|2009	2007|2008 1)	Change in %
Results				
Operating sales	€ m	235.5	228.1	3.2
EBITDAR *	€ m	55.2	62.6	-11.8
EBITDA *	€ m	15.7	26.7	-41.2
EBIT *	€ m	6.8	17.8	-61.8
EBIT margin *	%	3.1	7.8	-60.3
Net income	€ m	-13.5	13.7	-198.5
ROS *	%	0.7	5.1	-86.3
DVFA/SG result	€ m	1.6	11.1	-85.6
Gross cash flow *	€ m	9.4	12.2	-23.0
Balance sheet				
Fixed assets	€ m	179.1	178.7	0.2
Investments	€ m	12.4	17.2	-27.9
Shareholders' equity **	€ m	62.6	82.5	-24.1
Equity ratio	%	27.6	34.2	-19.3
Return on equity ***	%	2.6	13.5	-81.0
Financial debt	€ m	84.0	82.6	1.7
Financial ratio	%	37.1	34.2	8.5
Per capita sales	€ '000	56.6	56.1	0.9
Other key indicators				
Total dividend	€ m	0.0	3.0	-100.0
Dividend per share	€	0.0	0.25	-100.0
DVFA/SG result per share *****	€	0.13	0.92	-85.7
Employees	Average number	5,535	5,309	4.3
Facilities	Number	67	65	3.1
Bed capacity ****	Number on 30.06.09	9,085	8,899	2.1
Occupancy rate ****	%	92.5	92.4	0.1

* taking DVFA/SG adjustment items into account

** including 84.2 % (previous year: 84.2 %) special items with an equity portion

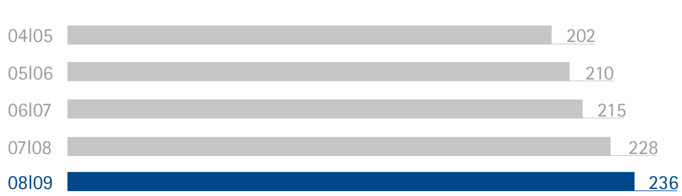
*** DVFA result/Group shareholders' equity

**** excluding the facilities that started operation (Hamburg, Türk Bakim Evi, Schömberg, Meerbusch, Medina Belzig, acute hospital in Büren)

***** Taking into account the stock split that has not been made on the stock market yet

1) The figures quoted for the previous year are the adjusted figures. Further details about this can be found in the Notes.

Operating sales in € m



DVFA result in € m

Mission statement

People age. Nature decides when they are no longer able to organise their lives without the help of others. **Marseille-Kliniken has been there for these people throughout Germany for more than 25 years now.** It is our mission to enable them to enjoy as pleasant and decent an environment as possible during this final stage of their lives.

We generate consistently profitable growth, because we are firmly committed to **our principles of customer orientation, economic viability and social responsibility**. We set standards in the areas of nursing care for the elderly, medical rehabilitation and acute hospital treatment by providing innovative and specialised programmes. High-quality, flexible facilities and **staff with impressive professional and personal skills** guarantee the company a sound future. The aim of our compelling strategy is cost and quality leadership.

Segments

		2008|2009	2007|2008 [1]
Sales	€ m	180.6	174.7
DVFA result	€ m	3.2	7.1
Employees	Average number	3,294	3,148
Facilities	Number	58	56
Bed capacity	Number on 30.06.2009	7,756	7,616
Nursing days	Million	2.5	2.4
Occupancy rate *	%	92.3	93.3

* excluding the facilities that started operation

Nursing care

The nursing division is responsible for all the operations associated with nursing care for the elderly and handicapped. People in need of nursing care receive personal attention and skilled care in a comfortable home at 58 different facilities. Special nursing concepts take specific account of the needs of the residents.

		2008|2009	2007|2008 [1]
Sales	€ m	53.9	52.1
DVFA result	€ m	-1.6	4.0
Employees	Average number	631	628
Clinics	Number	9	9
Bed capacity	Number on 30.06.2009	1,329	1,283
Cases treated	'000	17.5	16.5
Occupancy rate	%	93.3	90.4

Rehabilitation | acute hospital treatment

The division consists of eight psychosomatic and somatic rehabilitation clinics and one hospital. The patients are treated by modern, state-of-the-art concepts, with the focus on the following areas: psychosomatics, cardiology, orthopaedics and oncology.

		2008|2009	2007|2008 [1]
Sales	€ m	63.9	59.8
Employees	Average number	1,610	1,533

Services

The Marseille-Kliniken AG service companies make sure the residents and their relatives receive optimum catering, housekeeping and laundry services. They are an essential feature of our medical concepts.

1) The figures quoted for the previous year are the adjusted figures.
Further details about this can be found in the Notes.

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Highlights

The past year at a glance

Nursing care

Two facilities are opened

The Meerbusch senior citizens' residential home and Medina Meerbusch are opened in Meerbusch on 1 July 2008. Highly qualified personnel look after the needs of elderly people, particularly dementia patients, at both facilities, which are located in an upmarket catchment area. The official opening of the new senior citizens' residential home in Oberhausen on 21 and 22 August 2009 is preceded by an open day in mid-July. Many visitors make sure before the facility has even opened officially that all the amenities of a modern nursing home are combined here with a high standard of living. The home is based on the concept of activating care. This includes physiotherapeutic programmes, occupational therapy and speech therapy.

Nursing care

Building bridges by building a tunnel

Marienkrankenhaus Catholic Hospital and the AMARITA facility in the centre of Hamburg are adopting new approaches in the provision of medical treatment: since August 2008, a 24-metre tunnel has connected the two neighbouring sites. This project between a non-profit hospital and a private nursing facility – which is unique in Hamburg so far – simplifies operations for the personal and optimises medical treatment for the residents of the AMARITA home. The underground connection makes it possible to reach the hospital from the senior citizens' residential home easily without a bed or a wheelchair. In addition to this, there is no need for costly standard transport by ambulance when residents require medical treatment.

Marseille-Kliniken AG

"Nursing quality day" – open-doors approach to nursing care

At the first "Nursing quality day" in Germany, that is held on 13 June 2009, numerous relatives and visitors inform themselves at 58 nursing facilities about Marseille-Kliniken AG's programme, services and philosophy. The top issues at the "Nursing quality day" are the demand for an official nursing care control system and multi-level quality management. The visitors experience what nursing care means in practice and find out how the nursing services provided to the residents day in, day out are reviewed and analysed centrally. Management Board Chairman Axel Hölzer: "It would be a welcome development if 'Nursing quality day' became an established feature of the industry and if further nursing providers joined in the project with the aim of increasing quality."

Nursing care

Presentation of the 2008 nursing science prize

Elisabeth Höwler, a nursing instruction graduate, receives Marseille-Kliniken AG's nursing science prize worth € 7,500 at the "Nursing 2009" congress held in Berlin on 23 January 2009. She wins the prize for her master's thesis "Challenging conduct by patients in inpatient nursing care undergoing behavioural changes due to dementia, from the point of view of nursing staff – practical experiences and strategies". In her thesis, Ms Höwler investigates what personal and environmental factors have a favourable or unfavourable effect on the nursing care provided to dementia patients. On the basis of this analysis, indications are given of how nursing staff can cope with these difficult situations.

Pflegewissenschaftlicher Förderpreis 2008

Marseille-Kliniken AG

Crowds of shareholders

About 150 shareholders, who represent some 70% of the share capital, come to Ludwig Erhard Haus in Berlin on 12 December 2008 for the 109th Annual General Meeting to inform themselves personally about the 2007/2008 financial year and the company's future prospects. Axel Hölzer, the Management Board Chairman, gives a positive outlook and raises hopes of a medium-term recovery in the share price. Sales and earnings increased again in the year under review. The Annual General Meeting approves the payment of a dividend of € 0.25 per ordinary share.

Nursing care

Quality thanks to verifiable training

In the context of the project about the voluntary registration of nursing professionals, Marseille-Kliniken AG signs about 1,400 of its trained nursing staff up for the scheme. The company pays the initial registration fee of € 15. The voluntary registration scheme involves a commitment to obtain regular training, for which every individual nurse receives points. Everyone involved benefits from registration, which started in 2003 and which covers about 10,000 trained staff at the moment: purposeful training leads to higher nursing quality, gives employees qualifications that are verifiable at any time and makes them more attractive to employers. The latter can in turn determine exactly what a nurse can do and what training level he or she has reached. After they have registered voluntarily, staff can collect training points via the weekly e-learning units and can document clearly that they are increasing their know-how on a regular basis and are therefore staying up to date. The voluntary registration applies for an initial period of two years and then has to be extended by the nurses themselves or a new application has to be submitted.

Marseille-Kliniken AG

The second quality report

With the publication of the second comprehensive Group quality report, Marseille-Kliniken continues its active "transparent nursing home" strategy in the 2008/2009 financial year and helps as a result to maximise transparency on the German nursing market. On the basis of various internal audit procedures and interviews with relatives, a total of 58 facilities go through regular quality control processes. The second quality report updates the information and thus enables ongoing comparisons to be made of the structures, processes and results of the extensive quality management system. With the evaluation of nursing risk lists and nursing problem lists and of the frequency of certain nursing problems, additional parameters are included in the report that help to optimise nursing quality even more.

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External Group certification completed

Marseille-Kliniken AG is the first national nursing home operator in Germany to carry out DIN EN ISO 9001:2008 certification of the entire Group. All 58 nursing facilities, the service companies and the corporate headquarters are included in this exercise. Following a one-year preparation process, certification is completed successfully in March 2009. Marseille-Kliniken chooses DIN EN ISO 9001:2008, since it is the most well-known certification option in the world. It demonstrates the high standards achieved in the quality management system implemented by the Group. The audit of the entire organisation made by an independent institute confirms that the focus is on the residents' requirements and that high-quality nursing care is guaranteed.

> “Marseille-Kliniken has a strong market position and a sound future, because it implements a coherent business model, because is flexible and innovative and because it has high-quality personnel.”

Axel Hölzer, Chairman of the Management Board of Marseille-Kliniken AG, talking to quality managers.

Dear shareholders and friends of the company,

One of the worst years ever suffered by the world economy lies behind us. And it is still unclear even to experts in the summer of 2009 when a sustained economic recovery will occur. Your company is operating in relatively calm waters in the midst of collapsing finance markets and the global recession, however. If there had ever been any need of confirmation of our claim that Marseille-Kliniken AG is in a growing market that is largely unaffected by general economic developments, then this confirmation was provided at the end of the 2008/2009 financial year. We have felt practically no effects of the economic slump so far and cannot see any major risks for the new financial year either. Nature dictates that we get older and decides if and when we need nursing care – and it has laws of its own that are independent of the ups and downs of the global economy. It goes without saying that we do not live in an entirely different world. The recession is creating additional problems that have an impact on us too. For example, the fact that rising unemployment is increasing the financial pressure on the social security systems enormously so that they are in danger of collapsing.

When we look back on our 2008/2009 financial year, we have to admit that the results we are reporting are poor at first glance. This first glance needs to be put into perspective, however. On the one hand, the poorer performance is mainly attributable not to operating problems but to high extraordinary income in the previous year which was not repeated in the year under review. In addition to this, we incurred considerably higher expenditure than in the previous year in the business operations as well, due in particular to large increases in the costs of energy and external personnel that will not be continuing in this form. On the other hand, it reflects a temporary situation in which additional expenses have been incurred to safeguard the future of the company. The only thing that counts as far as the successful ongoing development of your company is concerned is that we have a sophisticated business model with manageable risks. Our strength is based on the fact that we recognised market changes early on and have adapted our operations accordingly. We are playing a leading role in practically all the developments on the nursing market. This encourages us to predict that we will be making significant improvements to our sales and earnings in the coming months and years. In view of decreasing start-up losses at the new facilities, rising occupancy and massive cost cuts, we are working on the assumption that earnings will already be increasing substantially in the new financial year.

We do, however, have our doubts whether our optimism applies to the future valuation of the company in the short term too. The Marseille-Kliniken share price plummeted to a temporary low of just under € 4 from its high of more than € 18 in July 2007 and has not made a sustained recovery so far either. A crisis-proof business, sound market positioning and a manageable risk portfolio do not appear to be criteria that are convincing enough to reverse the stock market trend. All we can do is wait for a change in the overall conditions and hope that the capital markets return to a realistic valuation of our company.

Our strategic objectives are as straightforward and promising as ever. As far as nursing care for the elderly is concerned, we are committed to the goal of assuming the position of market and cost leader among the players organised as private companies. We already hold this position where quality is involved. We intend to continue strengthening this position. In the past two years, we have reported to you in detail about our efforts and successes in this field. Our quality management system and the public documentation of our quality standards are benchmarks in the industry. We are in practice years ahead of the requirements that are being made to an increasing extent by the political community since it woke up to the abuse that has been revealed. In March 2009, all the nursing facilities and the Group headquarters (with its subsidiaries) obtained joint DIN EN ISO 9001:2008 certification. All the rehabilitation clinics have an external certificate too. With our external certification, we hold a unique position in Germany among the private nursing companies that operate nationally.

Since experience has shown that quality can only be achieved in nursing care with well-trained, highly motivated staff who are willing and able to learn, we have extended our quality campaign to include the personnel sector. We provide a number of additional benefits and offer extra provision for old age via the pension fund that was established in 2007. The Group’s own eqs.-Institut develops new quality concepts in co-operation with the scientific community. While the Marseille Academy as the Group's central training provider is fine-tuning a blended learning concept that is unique in the industry. In this concept, 80% of the training courses are completed as e-learning units, whereas only 20% still require personal presence. We combine the e-learning programme with a bonus scheme that rewards good performances too.

Personnel policy is in general developing into a second central issue in the nursing industry alongside quality. This is attributable, on the one hand, to the almost complete lack of trained staff available on the employment market and, on the other hand, to the new debate about a minimum wage. The bill about a national minimum wage for unqualified nursing staff has already been passed and the commission appointed to introduce it will be negotiating the size of the minimum wage as well as the length of holidays and the question of holiday pay before the end of this year. We consider minimum wages to be sensible and are able to comply with them without any difficulty too. We do, however, warn against setting the minimum wage too high and, above all, as a blanket rule. Since the nursing care rates in East Germany are about 20% lower than in West Germany, a uniform minimum wage is out of the question. The new employers' association that has been established by the major private nursing companies together with the German association of private social service providers has in the meantime negotiated a collective agreement with two smaller unions which includes a minimum wage of € 8.50 in West Germany and € 7.50 in East Germany from January 2010 onwards. You can read in the "Market" section what the dangers of an excessively high minimum wage are.

Quality achieved by staff is a crucial key to success in the increasingly difficult nursing business. Competition is fierce, because nursing care is not prescribed like a medical drug; instead of this, elderly people and their relatives demand high-quality, affordable services and expect to be offered honest, verifiable alternatives. Structured sales channels, advertising to attract customers, transparency and corporate openness are vital in order to optimise occupancy. In view of our marketing activities, the 2008/2009 financial year deserves to be summarised by the phrase "focus on marketing". We have started to advertise regularly, to organise national events, to hold open days at all the facilities and to develop close relationships to such multipliers as acute hospitals. We are coming out of our facility "shell", are approaching our customers and are inviting them to visit us. We can see from the large increase in contracts about short-term nursing care just what effect this open approach has. We have been the first provider to identify the trend towards this type of short-term care and are advertising it. The occupancy rates at our facilities, that are considerably higher than the market average, demonstrate that the increasing turnover at the facilities which is associated with the expansion of short-term nursing care can be controlled via purposeful marketing.

Our varied and specialised range reflects differences in expectations, income and social class. It is no longer possible to satisfy the market's current requirements with one kind of facility as an all-round standard product. Segmentation into 4-, 3- and 2-star homes supplemented by assisted living creates a comprehensive range of care and treatment at different prices for everyone who needs nursing care, with only the quality of the nursing and the services provided remaining identical. The market, which is growing primarily at both ends, has responded to this segmentation as if it had been waiting for it. About 22% of our total capacity is currently accounted for by each of the two segments of 4-star homes, which only offer single rooms, and 2-star homes, which consist mainly of double rooms. Expansion of the 2-star segment in the assisted living field is becoming an increasingly important feature of our growth strategy. In the coming three years, we are planning to add a further 3,000 beds at seven locations to our existing operations in Halle and Potsdam. Assisted living is a product that has a positive image and the response to it is good. The misgivings that many people have about inpatient homes do not apply to assisted living concepts, while the latter are a genuine option for the nursing care insurance funds to reduce the tremendous pressure on costs. We are aware of the fact that there are black sheep in the assisted living field, which abuse the undefined legal status. The Marseille-Kliniken brand will help us to establish assisted living as a sensible addition to professional inpatient nursing care for the elderly.

Our occupancy rates in the core nursing business show that we performed better than the market in the 2008/2009 financial year too. The occupancy rate at our established facilities amounted to 92.3%, while it was 89.1% if the new facilities are included. The average occupancy rate on the market as a whole decreased, on the other hand, and was a good 5 percentage points lower than our Group at less than 87%. The lead we hold over the private sector of the market, that is responsible for almost all of the capacity increases in the industry, is even larger. The average occupancy rate of all the private players is 84%. The response to our newly opened facilities is good and the start-up losses are decreasing steadily. Of the two „problem children" in the portfolio, the AMARITA facility in the centre of Hamburg is developing essentially in line with our expectations. Although the Türk Bakim Evi facility in Berlin is making progress, a final breakthrough has still not been made yet.

A sustained turnaround has been achieved in the rehabilitation division. The occupancy rate was substantially higher than in the previous year and there are no signs as yet of decreasing demand because of the crisis. Average occupancy is at the high level of 93,3% and positive earnings are being generated. In spite of the success that has been achieved, it continues to be our intention to sell the division in parts or as a whole. We are waiting until the capital markets have returned to normal.

We are gaining initial experience in implementation of our plan to enter associated areas of operation in the health care market. We are reviewing offers for general acute hospitals and take part in tenders. What we are primarily aiming to do is to safeguard our locations and round off their programmes. We are not focussed on 100% takeovers; instead of this, we aim to acquire minority interests of 25.1% and conclude management contracts. The increasing integration of services in the acute and nursing fields is leading to synergy benefits, exploitation of which strengthens our profitability.

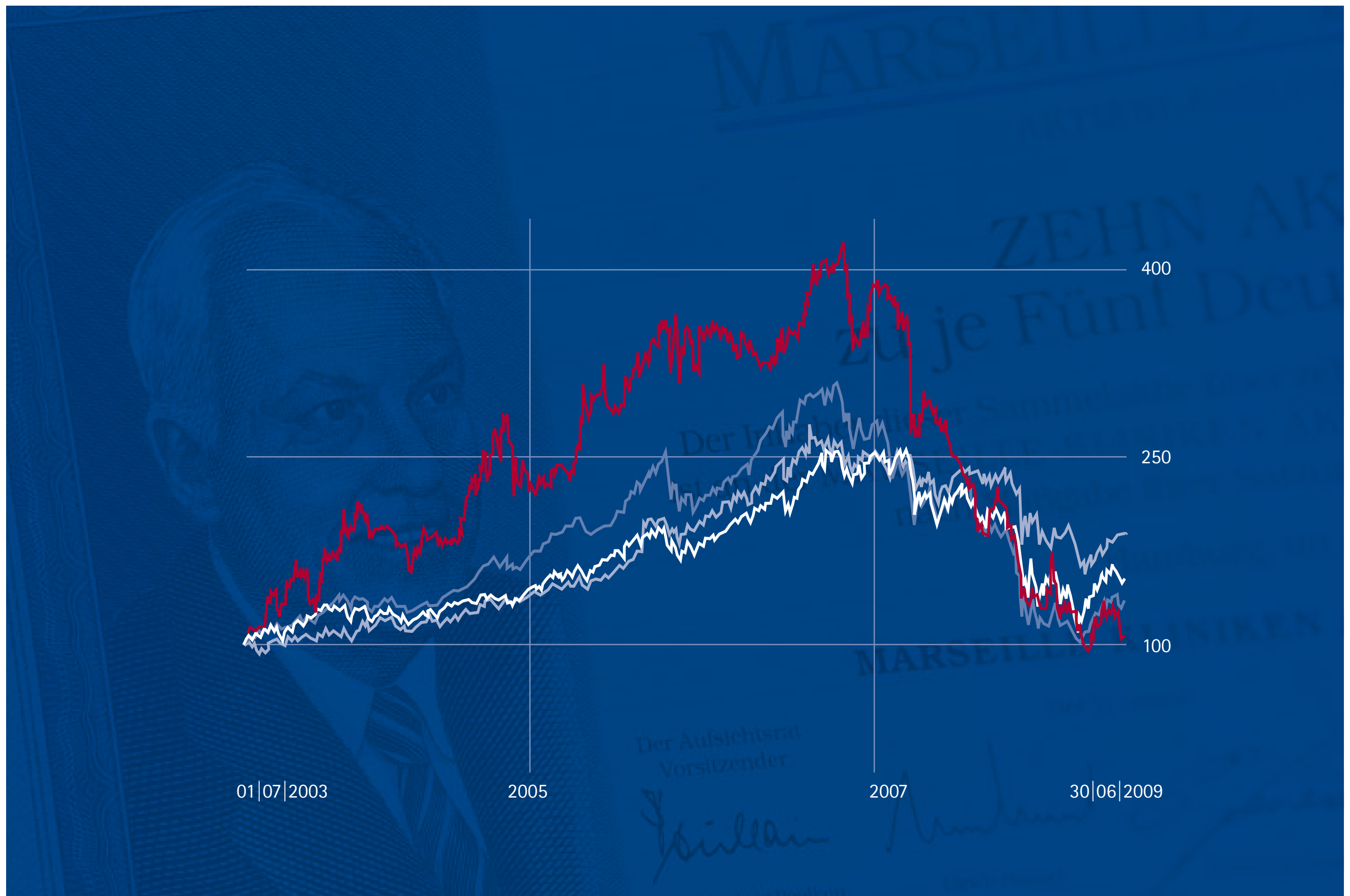
Targets are set in order to reach them. The more ambitious they are, the harder one has to work. The plans we have made are demanding but achievable. Our virtual nursing care group with optimum capacity of 12,000 beds is close to being created. The foundations have been laid for the planned growth of 6.5% per year and the disproportionately large improvement in the operating results. Fast progress is being made in exploitation of cost-cutting and efficiency potential as well as in sustained improvement of corporate financial resources – thanks to the steady and careful reviews made of all the primary and secondary processes. Earnings in the new financial year will be boosted by cuts in costs of at least € 7 million. In spite of the results generated in 2008/2009, our targets remain unchanged: 15% for the return on capital employed (ROCE) and 30% for the equity ratio.

No company ever reaches a point where it does not need to develop any more. There is always something that requires adjustment, optimisation, restructuring. Companies are living organisms. You as our shareholders are involved in a company that has tremendous momentum: Marseille-Kliniken has a strong market position and a sound future, because it implements a coherent business model, because it is flexible and innovative and because it has high-quality personnel. The company's staff put our mission into practice and represent Marseille-Kliniken AG's face to the market with their impressive professional and personal skills. They do a demanding job and the way they do it deserves our thanks and respect. We would like to thank our shareholders for the confidence they place in us – and which we constantly try to justify. Our thanks also go to the residents at our facilities and their relatives, who acknowledge the quality of our performance by choosing Marseille-Kliniken.

Your

Axel Hölzer,
Chairman of the Management Board

Scope for improvement in the price level



Marseille-Kliniken share price development indexed, 1 July 2003 = 100

Marseille-Kliniken AG
DAX
Prime Pharma & Healthcare
SDAX

Share price development

	30.06.09	30.06.08	Change in %
Marseille share	€ 4.60	€ 8.50	-45.9
DAX	4,808.6	6,418.3	-25.1
CDAX	415.1	580.4	-28.5
Prime All Share	1,750.2	2,435.4	-28.1
Classic All Share	1,935.1	3,022.4	-36.0
GEX	1,327.4	1,858.9	-28.6
Prime Pharma & Healthcare	1,436.5	1,802.2	-20.3

The price of the Marseille-Kliniken AG share decreased substantially in the 2008/2009 financial year.
Although the company was not adversely affected to any significant extent by the current economic slump – in either its short-term operations or its long-term strategic planning – investors were very reluctant to buy the Marseille share in recent months.

The share price went down by a total of 45.9% in the year under review. This development was attributable to some extent to the fact that Marseille-Kliniken AG's major shareholders included Anglo-Saxon institutional investors in the past. Since the funds concerned in many cases needed to obtain liquidity at short notice due to reductions in the credit lines granted to them by their banks, they often disposed of holdings without paying any attention to the developments in the business operations and long-term prospects of the companies in question. This put pressure on the Marseille-Kliniken AG share too, particularly in view of the fact that the general reluctance to invest on the capital markets meant there was little demand from buyers. The result was a lower share price.

The Management Board of Marseille-Kliniken AG is of the opinion that the share price correction during the past financial year was unnecessarily large. The company is continuing to expand its market position in a fiercely competitive environment and is creating the basis for the exploitation of considerable sales and earnings potential in the coming years. The management therefore thinks that the chances of the share price returning to a higher level are good as the stock markets return to normal.

Environment

In the course of Marseille-Kliniken AG's 2008/2009 financial year, the problems that were initially encountered on the US property market gradually spread to more and more sectors of the real economy all over the world.
A global recession that many business experts consider to be the severest economic slump since the Second World War developed steadily as a result. This was of course reflected on the capital markets too. After Deutsche Börse's central index DAX ended trading on the last day of the past financial year (30 June 2008) on 6,418.32 points, it lost a considerable amount in value from the autumn of 2008 onwards in particular, dropping 42.9% to its low of 3,666.41 points on 6 March 2009. Although share prices started to recover after this, the losses made beforehand were only compensated for to some extent. The DAX closed on 4,808.64 points when trading ended on 30 June 2009, which meant that it lost 25.1% of its value in the period under review.

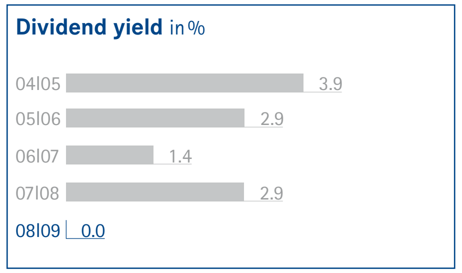
The Marseille-Kliniken AG share maintained a steady upward trend for several years, which temporarily drove the share price to a level of more than € 18.00 in mid-2007. This meant that the stock market followed the sound development of the company for a lengthy period of time and brought the shareholders regular share price increases.

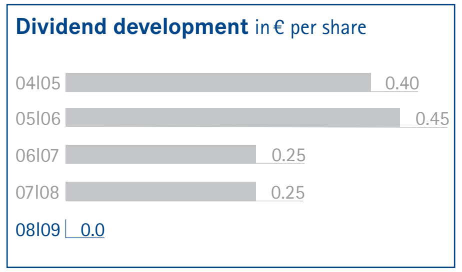
This picture changed when the current financial and economic crisis began in the summer of 2007. Like numerous other second-tier shares, including the main shares in Marseille-Kliniken AG's peer group, the Marseille share was strongly affected by the reluctance of many potential investors to commit themselves. The trading of just a few shares by sellers was sufficient to depress the price of the share even more.

This development continued in the 2008/2009 financial year. XETRA trading of the Marseille-Kliniken AG share began at € 8.50 on 1 July 2008. The share price developed slightly positively to start with and the share reached its high for the year of € 9.84 on both 8 and 14 August 2008. During this phase, the share developed much more positively than all the relevant reference indices.

The share was unable to resist the severe stock market slump in the autumn of 2008, however. The share price dropped to below € 5.50 for a short time by the end of November and again in early December. Demand for the Marseille share from buyers did not start to increase again until later in December 2008. The share price level increased substantially during the month and the share ended the calendar year at € 7.30 on 30 December 2008.

The start of the new year put a stop to the temporary high of the Marseille share and the share price decreased again slightly. It finally reached its low for the period under review at a level of € 3.80 on 1 April 2009. Although the share price then rallied again to approach the € 6.00 mark, it was unable to break through this barrier. This means that the share followed the trend that health care shares in particular failed to profit from the general market recovery in the spring and summer of 2009. The share was priced at € 4.60 when trading closed at the end of the 2008/2009 financial year on 30 June 2009.





Main figures about the share

		08/09	07/08 [1]
Net income	€ m	-13.5	13.7
DVFA/SG result	€ m	1.6	11.1
Gross cash flow	€ m	9.4	12.2
Dividend per share	€	0.0	0.25
Dividend yield (net)*	%	0.0	2.9
Total amount distributed (net)	€ m	0.0	3.0
Highest share price	€	9.84	18.05
Lowest share price	€	3.80	8.20
Year-end share price	€	4.60	8.50
Price-to-earnings ratio		-4.1	7.5
Market capitalisation*	€ m	55.9	103.3
Number of shares**	Million	12.15	12.15

The Management Board of Marseille-Kliniken AG is convinced that the share does not reflect the true value of the company realistically at its current share price level. The slump in the share price is particularly inexplicable in view of the facts that the fundamental development of the company's operations continues to be good and that the distinctive features of the business model are high plannability and manageable risks. Although the company was hardly affected at all by the current economic crisis in its sales and earnings development, the share still lost more value than the shares of many other companies. So far, the Marseille share has not succeeded in participating in the relative recovery of the markets following the low in March 2009 either. In view of this, we think that there is pent-up demand and that there are good chances that the Marseille share will return to an appropriate level in relation to other listed companies in future.

Free float

There was no change in the free float in the 2008/2009 financial year. 40% of the Marseille-Kliniken AG shares continue to be available for trading. Perfectly adequate share fungibility is therefore guaranteed.

Coverage

Banks and analysts demonstrate keen interest in the Marseille-Kliniken AG share. In spite of the reduction in the stock market value, the number of institutes with analysts who evaluate and comment on the Marseille share regularly has remained constant at nine. This guarantees a high profile for the company within the financial community. Reports about Marseille-Kliniken AG have appeared regularly in the relevant business and financial press too.

Most of the analysts express positive expectations about the future development of the share price in their recommendations. Five of the current studies and reports give "buy" or "add" recommendations, for example. Three analysts give the share "neutral" or "hold" recommendations, while only one bank advises "sell". Positive mention is made in the studies of such features as the good position the company holds in the nursing care market and the plannability of the business model.

Market capitalisation and trading volume

Due to the share price development, the market capitalisation of Marseille-Kliniken AG decreased from € 103.3 million to € 55.9 million in the year under review. The last time that the company had such a low stock market value was in 2003. In view of the expansion of the business operations since then, which is not being reflected in the share price any longer, the Management Board does not think that the company is valued appropriately at the current share price level.

As a result of widespread stock market uncertainty and the reluctance to invest associated with this, the Marseille share trading volume decreased in the 2008/2009 financial year too. The average number of the shares traded daily at all German stock exchanges dropped from 8,885 in the previous year to 6,908 in the year under review.

Dividend

The Management Board and Supervisory Board will be proposing to the Annual General Meeting that the profit is carried forward to new account.

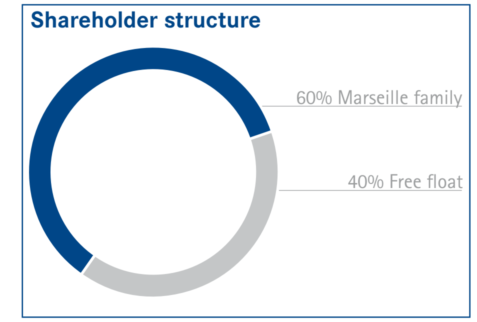
1) The figures quoted for the previous year are the adjusted figures. Further details about this can be found in the Notes.
* on 30.06.
** Taking into account the stock split that has not been made on the stock market yet

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

Financial calendar for the 09/10 financial year

Press conference about the annual result	Beginning of November 2009
Report on the 1st quarter	10 November 2009
Analysts' conference	10 November 2009
Annual General Meeting	18 December 2009
Report on the 2nd quarter	8 February 2010
Report on the 3rd quarter	10 May 2010
Annual report 2009/2010	October 2010
Annual General Meeting	December 2010



Stock split

The stock split that was approved at the last Annual General Meeting is being implemented in the 2009/2010 financial year.
This will involve the division of old shares into a larger number of new shares, which will increase share turnover and guarantee better tradability. The share will become more attractive to investors as a result. In order to rule out a change in the market capitalisation of the company before and after the exercise, adjustment will be made via the share price in accordance with the split ratio of old to new shares.

Marseille-Kliniken AG intends to made a stock split with a ratio of old to new shares of 1:2. For shareholders, this means that they will be receiving one further share for each existing share. The exercise will not have any effect on the dividend payment, because the dividend amount that is distributed relates to the same share capital as before the stock split.

Investor relations

Marseille-Kliniken AG is committed to providing the public with detailed explanations of the current business situation and the long-term success factors. The investor relations management gives high priority to prompt, regular and credible reporting, with the open provision of information to all market players at the same time in accordance with fair disclosure rules. The transparency campaign is supported every year by a Standard & Poor's rating, with BB-global being one of the best in the industry.

In addition to this, it goes without saying for Marseille-Kliniken to issue a statement of compliance with the German Corporate Governance Code and to commission a well-known auditing firm to audit the financial statements. Marseille-Kliniken AG informs its shareholders and the general public in detail about many different issues relating to the company in its annual report. In addition to such mandatory contents as the consolidated annual accounts and the management report, the annual report includes a number of articles about selected developments that have taken place within the company or the relevant market environment. The Marseille-Kliniken AG annual report has already won awards in the past for its successful, exemplary and convincingly visualised financial communications.

Marseille-Kliniken AG stayed in active contact with capital market players in the period under review too. A large number of interesting talks were held with decision-makers from the financial community in spite of the very difficult stock market environment. There was a lively exchange of information with various current and potential investors from Germany and other countries at events held for investors and analysts as well as at roadshows in Hamburg, Frankfurt am Main, London and Paris. Marseille-Kliniken AG was presented in this context, with an explanation of the potential of an investment in the company's shares. The positive impression of Marseille-Kliniken AG in the financial community was maintained by these events, in spite of the significant reduction in the share price. The company also continues to give high priority to dialogue with its small shareholders, to whom it is always available for questions and suggestions. It remains very important to Marseille-Kliniken AG to achieve a satisfactory return on its shareholders' investment and to increase corporate value. The company will be doing everything in its power to satisfy the very exacting demands made on capital market communication in future as well.

Marseille-Kliniken AG provides up-to-the-minute information about the latest events and developments in the business figures on its website. Investors who are interested have an opportunity to download and look at company presentations, reports and studies by many of the analysts covering us. Anyone who is interested receives all the latest information that is published by the company directly via e-mail on request. A detailed shareholders' report, which provides information about the current development of the business, is also sent to all the shareholders by post every quarter. Anyone who would like to contact the company personally can reach capable staff via the toll-free telephone number 0800 – 47 47 200. The committed investor relations team is available to answer the questions any market players may have.

Corporate Governance Code

For Marseille-Kliniken AG, corporate governance means responsible and transparent company management and control by the Management Board and the Supervisory Board. The Management Board and the Supervisory Board consider corporate governance to be an element of company management that focusses on a sustained increase in corporate value - in the interests of all shareholders.

With this in mind, the Management Board informs the Supervisory Board and its Chairman regularly, promptly and comprehensively about corporate planning, business development, company strategy, the risk situation, risk management and compliance. The rules of procedure for the Management Board specify that major business transactions require the approval of the Supervisory Board.

The shareholders are kept informed about the development of the business at regular intervals via the annual reports and quarterly reports and can find the main dates in the financial calendar in the Internet. At the Annual General Meeting, the shareholders can have their voting rights exercised by company proxies too, so they do not have to appear personally.

In the compensation paid to the members of the Management Board, no use is made of stock options or similar arrangements that often lack transparency. The compensation paid to the members of the Management Board is set at an appropriate level by the Supervisory Board on the basis of a performance appraisal. One of the criteria that determine the size and appropriateness of the compensation is the overall development of the company. The compensation received by the members of the Management Board is published individually.

The compensation paid to the Supervisory Board is based directly on the articles of association and includes not only fixed compensation but also a variable element that is based directly on the legal regulations in § 113 of the German Companies Act (AktG).

It has been arranged with the auditor that he presents immediate reports about all the findings and incidents of material significance as far as the assignments of the Supervisory Board are concerned and that he explicitly confirms his independent position as auditor to the Supervisory Board. The auditor also submits an extensive report about the results of his audit at the meeting held by the Supervisory Board to review the annual accounts.

The following compliance statement issued by Marseille-Kliniken AG has been made available to the shareholders on a permanent basis at www.marseille-kliniken.de, the company website, too.

Statement of compliance with the German Corporate Governance Code

The German Corporate Governance Code that was published by the German Ministry of Justice in the official section of the electronic federal bulletin includes a number of recommendations and suggestions in addition to legal regulations. The Management Board and the Supervisory Board of Marseille-Kliniken AG state in accordance with § 161 of the AktG that the company has observed the recommendations made by the "Government Commission / German Corporate Governance Code" as amended on 6 June 2008 since it submitted its last compliance statement in October 2008, with the exception of the following points:

Invitation to the General Meeting, proxies

The annual report and the invitation to the General Meeting, which includes the agenda, are published on the company website. Further documents that have to be provided are sent to the shareholders on request. The invitation, the annual report and the other documents that have to be provided are not sent using electronic channels.

Co-operation between the Management Board and the Supervisory Board

The company has taken out a D&O insurance policy for the Management Board and the Supervisory Board that does not include a deductible.

Management Board: composition and compensation

In line with the recommendations of the Government Commission, the compensation paid to the members of the Management Board consists of fixed and variable components in the form of a bonus. The size of the bonus is linked to success targets agreed individually with each member of the Management Board. Stock options and comparable arrangements for variable compensation have not been agreed with the members of the Management Board. Since no stock option plans or comparable arrangements for variable compensation have been agreed, there is no need to provide information about the compensation system on the website or in the annual report, while the Chairman of the Supervisory Board is not required to give the General Meeting any explanations either.

Supervisory Board: tasks and responsibilities

At the present time, the Supervisory Board does not consider a fixed age limit for members of the Management Board of the company to be necessary. The members of the Management Board are appointed for a maximum period of five years. The Supervisory Board takes decisions about reappointments in each individual case. The age of a member of the Management Board is only one of several criteria the Supervisory Board takes into account in its decision-making process here.

Supervisory Board: formation of committees

The Finance Committee discusses and handles issues relating to accounting, risk management and compliance, the necessary independence required of the auditor, the issuing of the audit mandate, the determination of auditing focal points and the fee agreement; a separate Audit Committee has not been set up by the Supervisory Board for this purpose.

Supervisory Board: composition and compensation

The fixed and variable components of the compensation paid to the members of the Supervisory Board are based on the company's articles of association. The variable component of the compensation paid to the members of the Supervisory Board complies with the legal regulations in § 113 Paragraph 3 of the AktG. An individualised breakdown of the compensation, including its additional components, is not provided.

Transparency

Information about the shares held by the Chairman of the Supervisory Board, Mr Ulrich Marseille, are published on the website of the German financial services supervisory authorities - BAFIN - (www.bafin.de) in accordance with § 21 of the German Securities Trading Act. Additional individualised information about the shares held by the Chairman of the Supervisory Board and a breakdown of the total shareholdings of members of the Management Board and the Supervisory Board are not given in the notes to the annual accounts or this report.

Reporting

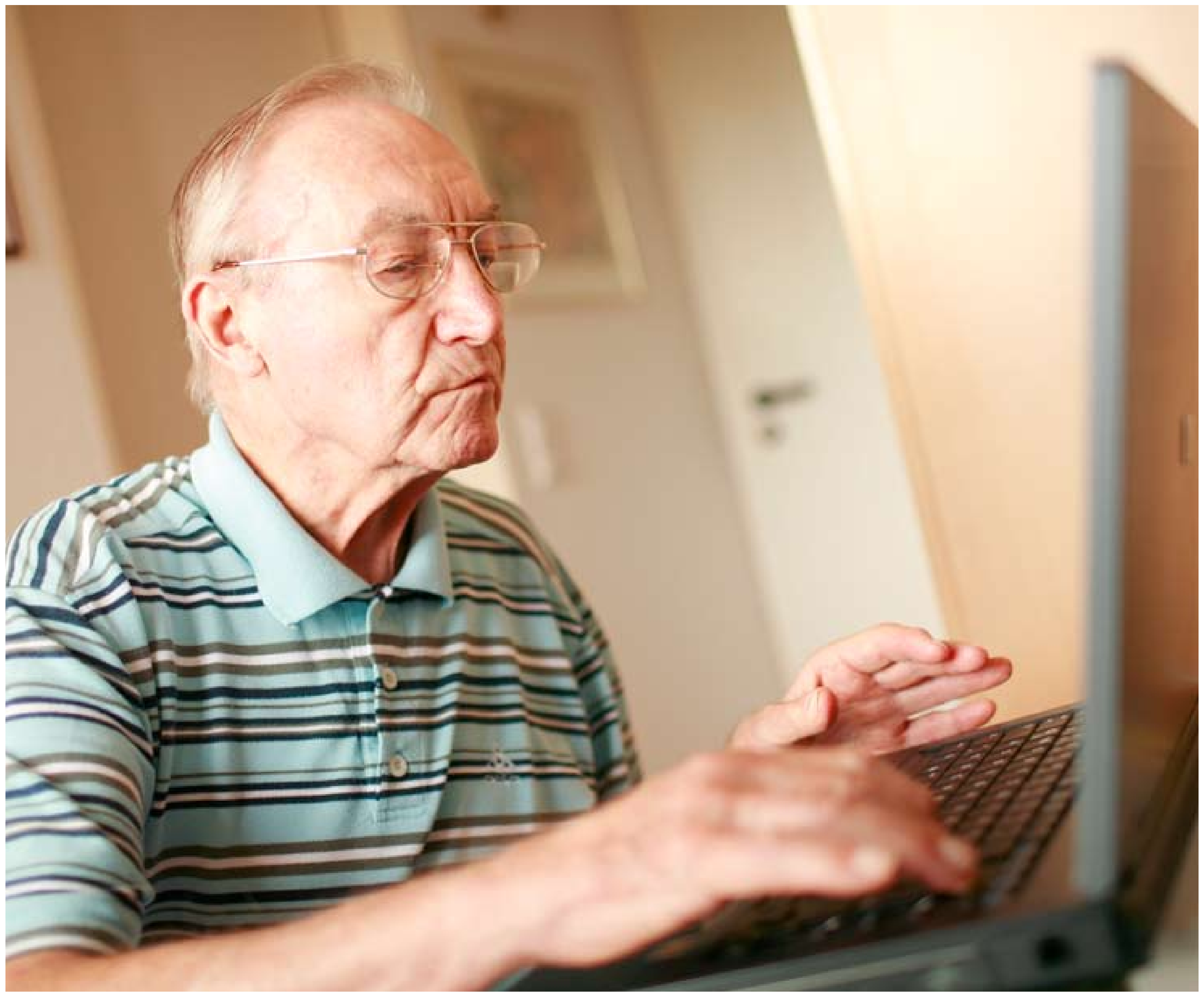
In accordance with the Deutsche Börse regulations, the consolidated financial statements are published within four months of the end of the financial year and not within 90 days.

Berlin, September 2009

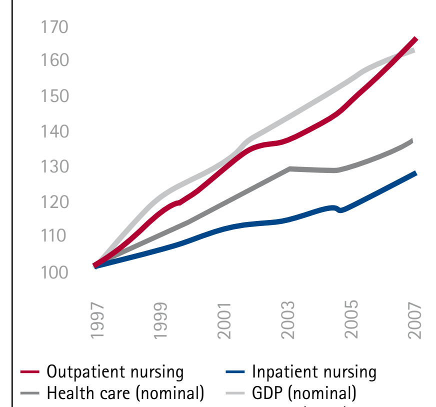
Marseille-Kliniken Aktiengesellschaft

The Management Board   The Supervisory Board

Health care in Germany – a growing but problematic market

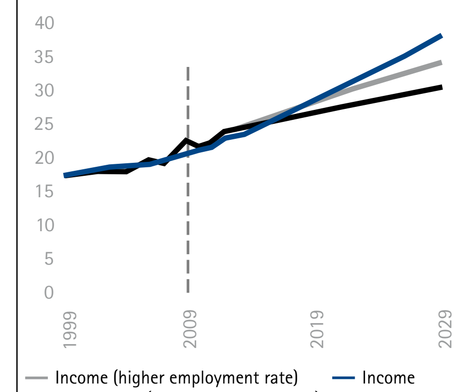


Nursing expenditure compared with health care (1997 = 100 %)



Source: German statistical authorities (2009); ADMED; HCB; RWI analysis

Financial development of the social nursing care insurance system in € billion (actual prices)



Source: German statistical authorities (2009); ADMED; HCB; RWI analysis

The global recession, that is leading to sharp declines in almost all areas of business, has had practically no impact on the German health system so far.
Health care and nursing care for the elderly are governed by the laws of nature rather than by the ups and downs of national economies. No-one can stop people getting older and since society considers health to be a major factor in determination of the quality of life, the health system is only affected by economic fluctuations to a minor extent. The desire to maintain and improve health, which is the driving force behind rapid advances in medical treatment, guarantees steady growth rates year in, year out.

Economic crisis is encouraging debate

The economic crisis will be leaving its mark on the health system.
The credit squeeze alone, which started some time ago and is now intensifying, could eliminate any scope hospitals still have to make investments, which are vital to keep up with medical progress. Sound hospital funding was already difficult before the crisis began and has led to an enormous investment backlog. The system of dual financing by health insurance funds and the German states that has applied up to now could have to be abandoned faster than expected as a result of the economic downswing. The loss of hundreds of thousands of jobs that require social security payments to be made is in addition likely to have serious consequences for the health care market and the contribution-based social security systems that fund it. The crisis is accelerating the trend towards an insurance system that is only able to finance a kind of basic service. Special economic stimulus programmes introduced by the federal government, the German Hospital Funding Reform Act and the increase in remuneration for outpatient treatment are indications that the political community has realised how important the health care industry is. The investment backlog in almost all areas of the health system cannot be eliminated by this, however. On the contrary: additional intervention by the state is more likely to delay the solution of problems and hinder necessary developments. Experts therefore expect that the severe recession will fuel the debate about the ongoing need for a reform of the German health system even more.

There is always strong demand for health care

The most recent figures published by the German statistical authorities for 2007 demonstrate the tremendous importance of the health system for the German economy.
The Germans spent more money than ever before on health care in 2007: almost € 253 billion. The increase over the previous year was 3.2% or, in absolute figures, € 7.8 billion. Following a temporary interruption due to the 2003/2004 health reform, health expenses therefore rose for the third time in succession. On average, every individual German spent € 3,070 on health care. This record is put into perspective to some extent when it is compared with the Gross Domestic Product (GDP). Since the GDP has also grown year by year, the proportion of it that is accounted for by health care expenses has remained at a consistent level of somewhat more than 10% for several years. In the context of the current recession, which is affecting the health care market to a disproportionately small extent by comparison with the economy as a whole, there is likely to be a considerable increase in the proportion of GDP accounted for by health care expenditure in 2008 and 2009, however. Far more than half of the health expenses (€ 145 billion) are paid by the statutory health insurance funds. The private health insurance companies paid € 24 billion. Half of the money went to outpatient recipients like doctor's practices or chemist's shops. Hospitals received about a quarter. Expenditure on nursing and therapeutic services reached almost € 60 billion. The biggest increase in expenditure was in the preventive health protection field, where 9% more was spent (€ 10 billion). The health care market is in addition one of the few job drivers that has not lost momentum yet. About 4.5 million people have jobs at hospitals, doctor's practices, nursing homes, rehabilitation clinics, chemist's shops and pharmaceutical companies and this number is increasing steadily.

New market structures are being established

For years now, developments on the health care market have been driven by three trends that are intensifying all the time.
Fast progress is, first of all, being made in the concentration process. The increasing pressure on service providers to cut costs and improve performance is making, stand-alone facilities obsolescent models that have no chance of survival in the long run. Medical progress and the steady reduction in the length of inpatient stays are, secondly, making closer co-operation at all levels of the health system essential. Stronger integration of the services is becoming apparent primarily in the acute hospital, nursing care and rehabilitation fields. Co-operation

Expanding world health care market

Demographic developments and medical progress are generating rising sales and new jobs not only in Germany but also in other countries. The OECD is working on the assumption that the sales of about USD 3,000 billion generated on the international health markets today will be increasing to USD 7,000 billion by 2015. In the globalisation era, there is still substantial growth potential for the German health care industry in the internationalisation of this business. German companies already hold strong positions on the world markets for medical technology and pharmaceuticals.

German health care facilities still lack appeal for foreign patients, on the other hand. The situation is changing, however. Large university hospitals like UKE in Hamburg are carrying out active marketing campaigns outside Germany in the meantime. The USA are by far the biggest and most expensive health care market. Expenditure there reached about USD 2,400 billion in 2008, which represents 17% of the gross domestic product. Unless effective reforms are implemented, experts expect an increase to USD 4,300 billion or 20% of GDP by 2017.

and integration are being facilitated by new legal rules, which enable such solutions as the establishment of medical treatment centres. The number of medical treatment centres in Germany has in the meantime probably increased to about 1,250, at which more than 5,500 doctors practice. What are known as health clusters, at which different institutions like health insurance funds, hospitals, doctors, medical technology manufacturers and pharmaceutical companies co-operate, act as catalysts for innovation-driven and efficient medical technology that can be introduced faster. More than 20 clusters with firm structures that promote sustained exploitation of the existing growth potential and aim to optimise medical treatment are operating on the market. The most important trend to many experts is, finally, the increasing capitalisation of the health care market. Elimination of the present investment backlog depends on the existence of private company structures that combine sustained profitability with professional management systems. The market requires private capital to fund growth, because the public sector is able neither to make the urgently needed investments at facilities nor to absorb the losses made at their homes. There are estimates that about half of the hospital and nursing market will already consist of companies with a stock market listing in 2015.

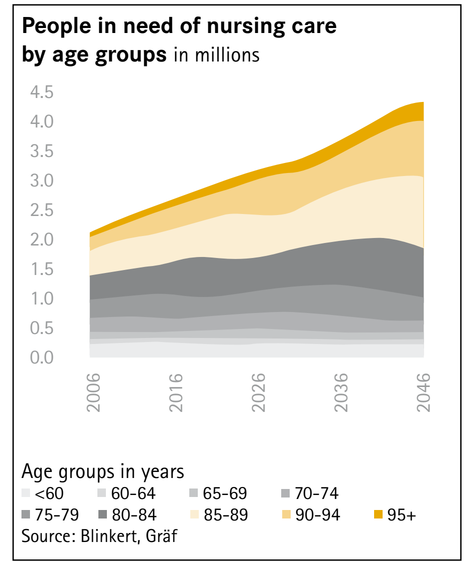
Development of the hospital market is a good example

Developments in the acute hospital field demonstrate most clearly the process of radical change in the German health system.
Cost pressure is causing more and more hospitals severe problems. Treatment is becoming increasingly expensive and the health insurance funds are reimbursing the costs of fewer and fewer services. With rising personnel and non-personnel costs, many hospitals lack the financial resources to invest in urgently needed modernisation measures and medical technology. Experts estimate that the investment backlog in the acute hospital field amounts to more than € 50 billion. And this figure is increasing by € 3 to 4 billion every year. The economic slump is intensifying a situation that was already very difficult, because decreasing tax income means that the local authorities cannot pay the losses made by public facilities or make funds available to raise efficiency. This development is making it painfully obvious that the principle of dual funding used in Germany tends to obstruct efficiency improvements in hospital operations rather than promoting them. While the health insurance funds are responsible for financing normal hospital operations, the local authorities are required to provide funding for the infrastructure. In recent years, there have been large cuts in these funds in state hospital planning. It would be sensible to convert the dual system to a monistic concept, in which the health insurance funds pay not only the operating costs but also the investment costs. Up to now, the political barriers to such a major change in approach have still been too high.

The desolate situation in the acute hospital field is leading to a radical consolidation process that already started some time ago. More and more hospitals are in danger of going bankrupt, on the one hand. The number of hospitals in Germany has decreased by about 13% to about 2,082 in the past 15 years. It is probable that further closures and mergers will mean that only 1,700 will be left by 2020. Costs are, on the other hand, exploding in spite of the drop in the number of hospitals and beds. Hospital expenditure increased by 60% from a good € 37 billion in 1991 to almost € 60 billion by the end of 2007. The consequences of this are that about 40% of all hospitals are currently operating at a loss and that almost 30% of them face severe financial problems.

Stabilisation by private capital

Health economists doubt that public hospitals (32% of the overall market) and the non-profit facilities (38%) can be put on a sound long-term footing by means of mergers, joint solutions, co-operation arrangements, rationalisation and specialisation.
In the medium term, it will only be possible to stabilise the market structures effectively via the inflow of private capital. A wave of privatisation is developing on the market, which will be affecting the university hospitals as well and in which foreign investors will be involved to an increasing extent too. Private operators currently account for about 30% of the total number of hospitals, led by four major hospital groups with sales of over € 7 billion. Private hospitals are more flexible in the exploitation of alternative sources of funds as well as in the prompt implementation of efficient turnaround



The Germans are sceptical

The Germans do not rate the health reform highly either. More than half of them think that medical treatment will deteriorate as a result of the reform. Only 5% expect an improvement, while 41% anticipate no changes. These figures from a representative poll carried out by Forschungsgruppe Wahlen relate to the three quarters of all the people questioned who had already heard something about the fund. Their interpretation is that the fund is a cost control instrument, which is automatically associated with worse treatment.

concepts. The usual political and trade union resistance to privatisation will not stop advantage being taken of these benefits either.

Health reform remains a controversial issue

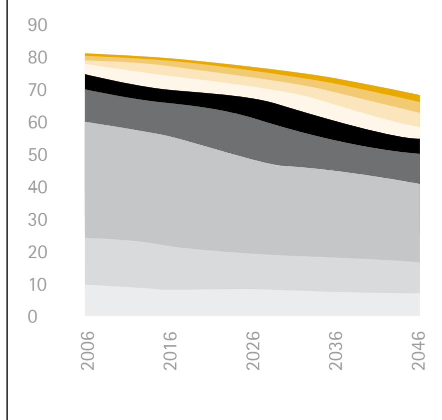
Where the health system is concerned, it seems to be almost inevitable that the next reform is prepared as soon as the previous one takes effect.
It is certainly true of the law to strengthen competition in the statutory health insurance system that came into force on 1 April 2007. And the description “after the reform is before the reform” is particularly apt in the case of the “health fund” which was introduced at the beginning of 2009 and about the sense and effectiveness of which there have been the greatest disputes. The fund means that more than € 150 billion in contributions are being distributed by new rules. It is no longer the case that the statutory health insurance funds specify contribution levels; instead of this, the roughly 71 million people insured pay the same contribution, which the federal government decides once a year via a legal regulation. The contribution level of 15.5% initially stipulated by the government for 2009 was reduced to 14.9% from 1 July 2009 onwards as part of the second economic stimulus package. All the income from contributions goes into the new fund, which distributes the money to the roughly 200 statutory health insurance funds. The fund is also receiving a grant from taxes, which is to reach about € 14 billion by 2016.

The Ministry of Health, which is responsible for the fund, thinks that it is on the right, logical track with the law and bases this conviction on the following reasoning. Financing of the statutory health insurance fund system was being put on new and more just foundations by the introduction of the fund and the new morbidity-oriented compensation for structural risks. The health insurance funds received an age- and risk-adjusted contribution from the fund for the people insured with them and differences in income structures between the insurance funds were compensated for completely. Competition, which was limited in the past largely to the contribution rate, had been switched to rival offers for provision of the best treatment for the insured. The health insurance funds now had a fair basis for competition about good quality and good service. As a result, they needed more than ever before to look after the people insured with them and their individual requirements. Competition was also being strengthened in the contractual system between health insurance funds and service providers.

Targets are not being met

Most health economists consider this to be wishful thinking.
What is indisputable is the fundamental conviction that the law fails to reach the goal of separating rising health expenses from wages and salaries in future. Funding is still based on the contribution principle, which is not viable in the long term in view of demographic developments. The experts think that the reform has three crucial shortcomings. It was wrong, first of all, to take away the rival health insurance funds’ financial autonomy and thus to eliminate all the flexibility to assume individual responsibility within the system. Nationalisation on the income side had extensive consequences, because every decision by the government to specify contributions became a political issue. It was dubious, secondly, to replace regionally negotiated prices by uniform national prices without an interim period. This meant that highly complex contractual systems which had developed over decades were standardised overnight. There was another questionable side to the health fund, finally. Under the system chosen for the fund, fair competition is only possible if the spending side of the health insurance funds is standardised at national level too, i.e. if the existing price differences in the remuneration systems that are specific to the individual health insurance funds and regions are eliminated. From the point of view of supply policy, this would be the opposite of the contractual flexibility that is being demanded by everyone involved, however.

The market for nursing care for the elderly in a process of demographic and social change



Population development in thousands

Age groups in years
0 – 14 | 15 – 29 | 30 – 59 | 60 – 69 | 70 – 74 | 75 – 79 | 80 – 84 | 85 – 89 | 90+

Source: German statistical authorities

Like all the industrialised countries in the world, Germany is ageing – in three different respects: absolutely, relatively and with respect to the increase in the number of extremely old people.
Germany needs more and more nursing care at the same time, because the age structure of the population is changing. The proportion of elderly people is increasing, while the proportion of younger people is decreasing. These changes are affecting the provision of nursing care to those in need of it and will have an impact on the nursing arrangements available to them, chosen by them and imposed on them. It depends on demographic and social factors how many people who require nursing care have to be looked after, but it also depends on the same factors how many carers will be available and who they will be.

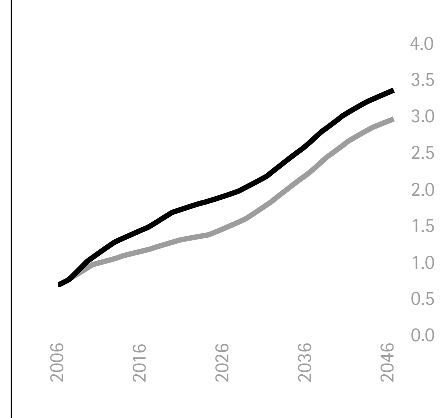
Demand for nursing care will be continuing to grow

Guaranteeing humane nursing care in line with the requirements represents a tremendous challenge to state and society as well as to every individual person. People continue to want to live in a familiar individual environment they have chosen themselves even when they are very old.
At the end of 2007, 2.25 million or 2.7% of the inhabitants of Germany needed nursing care as defined in the Nursing Care Insurance Act and were receiving financial support from the statutory nursing care insurance system. 2.03 million or 90% of them were accounted for by the social nursing care insurance scheme. Almost 67% of them are cared for at home by relatives and/or outpatient nursing service providers, whereas a good 670,000 people receive inpatient nursing care. The number of people in need of nursing care will be increasing substantially in the decades ahead due to demographic changes. The population of Germany will probably be decreasing by about ten million by 2050. The number of people receiving benefits is likely to at least double at the same time. It could even rise to more than five million, unless medical progress finds a way to stop the spread of senile dementia.

Specialisation is the concept of the future

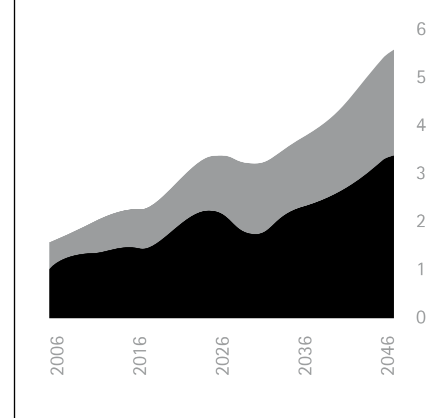
The huge increase in the number of people needing nursing care in the coming years will go hand in hand with fast growth in demand for new sources of such nursing care.
At the moment, there are a good 11,000 nursing homes for a total of almost 800,000 residents in addition to the roughly 11,500 outpatient nursing service providers. About 310,000 new beds will be required by 2020. About 250,000 of the existing beds need to be modernised as well, because many of the existing facilities neither comply with the minimum building regulations nor meet the conditions for specialisation on concepts for dementia or coma patients, for addiction problems or for palliative treatment. The growing demand, the development of new forms of treatment and the modernisation of existing facilities will create the need for investments of about € 50 billion in the industry up to 2020, which the German states and local authorities will be unable to finance. As is the case in the acute hospital field, private sources will be funding most of the investments in nursing care for the elderly. Expansion of the competition organised in the form of private companies will be at the expense of both the public operators and the non-profit operators. At the same time as this, the wheat will be separating from the chaff in the private sector. Homes with a cost structure that does not satisfy modern requirements are likely to be taken over by competitors or leave the market. Costs, quality, investment and funding resources, service programmes and location are factors that determine success.

Classic nursing homes are considered to be the last resort for decent nursing care for the elderly. Very few people enter a nursing facility voluntarily and with positive expectations. For cost reasons alone, the political community prefers the option of nursing care at home or via outpatient service providers and is trying to steer demand in this direction by offering financial incentives and the right for employees to take time off to provide nursing care. The conflict between wishful thinking and reality is growing all the time, however. It is already becoming increasingly difficult to provide nursing care at home. And this trend will be intensifying when people without a traditional family background start to require nursing care. After all, four of every ten inhabitants of Germany are living in a single-person household today. The classic reservoir of people who are able to provide nursing care at home is decreasing too, because the number of older and mainly female employees is still rising – with the support of the political community and society in general. It is uncertain whether new social networks can compensate for the loss of classic family structures.



People in need of inpatient nursing care
in millions

Demographic and social change
Only demographic change
Source: Blinkert, Gräf



Development in the number of over 85s
in millions

85-89 years
90+ years
Source: Destatis

Blend of nursing care options is required

The growing demand for admission to homes, which is increasing nursing care costs, is leading to substantial changes in the nursing environment.
The rigid distinctions between outpatient and inpatient nursing care are being replaced by a more flexible range of residential and care alternatives. What is necessary is a creative blend of nursing care options, including expansion not only of outpatient services but also of facilities for short-term and daytime nursing care and assisted living. There is a need for segmentation of nursing care supply according to the requirements for another reason too. The statutory nursing care insurance system only provides partial cover, so that additional private individual provision is necessary too. This will be the case to an increasing extent in future. An inpatient bed in nursing care level 3, including room and board as well as the contribution to investment costs, already costs an average of about € 3,000 in Germany today. After deduction of the payment made by the nursing care insurance system, a deductible remains which exceeds the standard pension that an average earner in West Germany receives after paying contributions for 45 years by about € 500 per month. This gap will be increasing steadily in the coming years, even if the benefits paid by the nursing care insurance system are raised.

In view of this, the market requires supply options that take account of the large income differences in German society. The segmentation of the nursing care market is in line with general economic developments and relates primarily to home furnishing. At the top end of the prosperity scale, there is demand for high-quality facilities from people who want to maintain the luxurious standard of living they are accustomed to in old age and are able to afford the cost too. At the bottom end of the income scale, there is growing demand for facilities for people with small pensions who are only able to finance life at a home with the help of social security benefits. The importance of the assisted living segment of the market – which is still neglected to a large extent – is growing in this context. A model calculation for nursing care level 2 shows that assisted living is about 30% less expensive than inpatient nursing care and that the personal contribution which is not paid by the nursing care insurance system is below the current average pension level.

Basis for a major nursing care reform

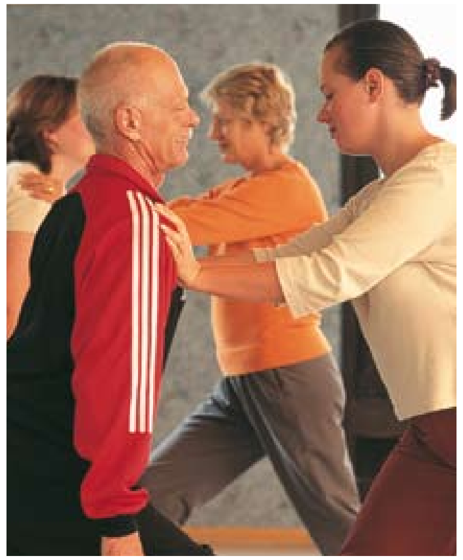
Health politicians are planning another fundamental reform of the statutory nursing care insurance system during the term of the next parliament.
The reform is to focus on a revision of the concept of how need for nursing care is defined. Up to now, people have only had a right to payments by the nursing care insurance funds if they are no longer in a physical condition to carry out such everyday tasks as personal care on their own. Classification in one of the three nursing care levels is determined exclusively by the time needed to provide assistance. Right from the start, this has led to the criticism that the nursing care insurance system only enables carers to feed and clean patients on the basis of strict time specifications. It was not until the most recent nursing care reform was introduced that there has been a small amount of additional help for dementia patients outside the existing system for the assessment of care needs. According to the proposal made by a scientific advisory board that was appointed two years ago, the basis for determination of the help that is required in future is no longer to be the time needed to provide care; instead of this, the yardstick is to be the degree of independence in day-to-day life. Priority is to be given in evaluation to how well the people concerned are able to care for themselves, how effectively they adhere to the treatment prescribed, how restricted they are in their activities and perception, how they cope with everyday life and how mobile they are. The three nursing care levels are then to be replaced by five degrees of need. According to calculations by the advisory board, the plans would cost the insurance funds between € 200 million and almost € 4 billion more every year. With expenditure of a good € 18 billion, this would represent an increase of more than 20%. It is still unclear how the additional benefits would be financed. The trade unions have announced the solution they advocate: the nursing care insurance system should be transformed into standard insurance for the entire population as quickly as possible. The federal Ministry of Health supports this view.

Supply bottlenecks because of minimum wages?

The decision has been taken that a national minimum wage is to be introduced for unqualified nursing staff. The Minister of Labour has appointed a commission to specify the size of the minimum wage as well as the length of holidays and the question of holiday pay. The minimum wage issue has entered a new dimension with the establishment of a new employers' association. Major private nursing companies (Casa Reha, Cura, Curanum AG, Kursana, Marseille-Kliniken AG, Phönix Seniorenzentren, Pro Seniore, Vitanas) have formed an alliance with the German association of private providers of social services (bpa) in this organisation. The new employers' association has in the meantime concluded a collective agreement with two smaller unions that stipulates a minimum wage of € 8.50 in West Germany and € 7.50 in East Germany from January 2010 onwards.

In "Pflegeheim Rating Report 2009 – Konsolidierung voraus!" compiled by RWI, ADMED GmbH and HCB GmbH, the possible consequences of an excessively high uniform minimum wage are outlined. A minimum wage of about € 9.89 per hour that is being demanded by the ver.di trade union would primarily lead to a deterioration in the situation of providers in East Germany, private and outpatient service providers. The medium-term consequences would be an increase in the risk of insolvency and the partial withdrawal of private capital. By 2020, a supply gap of about 100,000 beds would be likely in the inpatient sector and of 160,000 people in outpatient capacity. The results would be waiting lists and rising prices. In this case, people who need nursing care would face costs of at least € 250 million.

The rehabilitation market is not being affected by the crisis yet



Inpatient rehabilitation with a market volume of about € 7.7 billion continues to make a major contribution to the system of basic medical treatment.
Although the prescription of rehabilitation measures is subject to economic fluctuations, the economic crisis has not yet had any impact on applications for and approvals of rehabilitation treatment.

Good prospects for the rehabilitation market

There is an increasing emphasis in the psychosomatic field on treatment to maintain patients' ability to work.
The somatic field is dominated mainly by follow-up medical treatment, which is growing at the expense of general medical treatment. All the forecast models indicate a substantial increase in the number of medical rehabilitation cases. The German old-age pension system is expecting the number of cases in its area of operation alone to go up 9% by 2011; this means that the high rehabilitation level of the years 2000 and 2001 would be reached again. RWI Essen is working on the assumption of an increase of some 13% in rehabilitation cases by 2020. The extent to which the higher demand will impact the occupancy rate at the rehabilitation clinics depends, on the one hand, on the disorder and, on the other hand, on how consolidation in the industry progresses. If the shake-out process that has begun in the industry leads to the closure of further clinics, there is likely to be a considerable improvement in occupancy rates in the rehabilitation division.

Rehabilitation is benefitting from a number of different factors

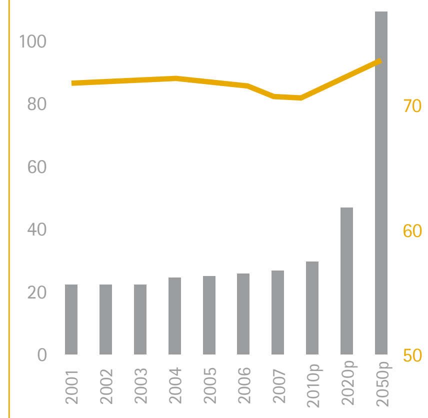
The positive outlook in the rehabilitation sector is based on a number of different factors. On the one hand, patients are leaving hospital after a shorter time in what is often a poorer state of health and require further and follow-up treatment at rehabilitation clinics.
This development is related to the introduction of a lump-sum payment system in the acute sector, which is leading to a noticeable reduction in the length of time patients stay at hospitals. With DRGs having a fixed value, the number of cases determines hospital income and not the number of days spent at the hospital. The process of increasingly short hospital stays that began at the end of the 90s has accelerated considerably since lump-sum payments per case were introduced in 2004/2005. The number of rehabilitation patients who come directly from hospital is rising steadily. Whereas only 8% of all rehabilitation patients came straight from hospital in 1991, estimates indicate that this figure will be increasing to a good 77% in 2010 and will reach almost 100% as of 2020. This would mean that 15% of all patients will be transferred to a rehabilitation facility following inpatient treatment at an acute hospital in future. The figures were 1% in 1991 and about 4% in 2007. The rehabilitation market is growing because of demographic developments too. Although the drop in population that is anticipated would in itself lead to a reduction in the number of cases, the population breakdown is changing at the same time. The number of elderly people will be continuing to increase fast in the next few decades and will be stimulating demand for medical rehabilitation. The outpatient treatment options for elderly people who are less mobile and are frequently multimorbid are very limited. Two additional factors are that life expectancy is on the increase and that the retirement age is being raised to 67 years. There is, finally, an increasing lack of skilled staff in the German economy. Rehabilitation plays an important role in enabling employees to go on working. Rehabilitation providers need to develop efficient, high-quality programmes in response to all these developments.

Consolidation is continuing

The increasing integration of rehabilitation in acute inpatient treatment concepts makes high medical skills essential in subsequent rehabilitation programmes.
The range of treatment provided in the completely or partly outpatient sector needs to be expanded too, while close relationships to acute hospitals have to be developed in order to maximise value for money. These adaptation processes require financial resources, flexibility and efficient management. Successful operators will need to satisfy the following criteria: a blend of outpatient and inpatient programmes, of private and public funding organisations, of patient sources (acute hospitals, outpatient facilities and patients who take the initiative themselves), a specialised range of services, locations close to patients' homes and to hospitals, sound cost structures and an ability to invest. Most of the providers who can demonstrate that they fulfil these criteria will be players organised as private companies. Experts estimate that the proportion of rehabilitation providers accounted for by private companies will be increasing to about 80% by 2020.
The most important players on this private market will be a few large groups that operate nationally.

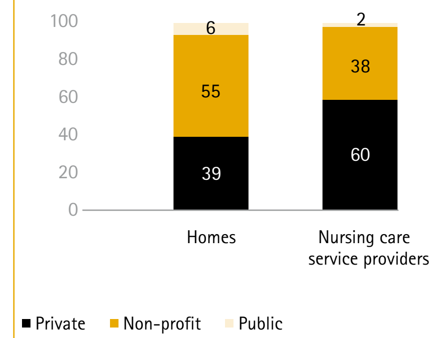
Responding to the trends in the core business of nursing care for the elderly

Percentage of inpatient nursing care is stagnating in %



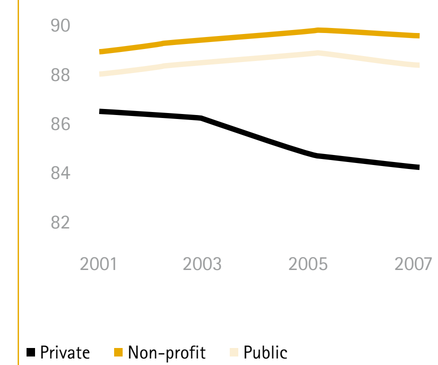
Source: BMG; HPS© forecast

Breakdown of nursing homes and service providers by operator in %, 2007



Source: German statistical authorities (2008), research data centre of the German states (2009), all homes, ADMED/HCB/RWI Essen

Nursing home occupancy rate by operator in %



Source: Research data centre of the German states (2009), all homes, ADMED/HCB/RWI Essen

Marseille-Kliniken AG is one of the leading providers of inpatient nursing care for the elderly that are organised as private companies. We have an innovative approach and a sound future on the market, growing steadily, operating profitably and about to reach an optimum size.
Our corporate philosophy is based on the principles of customer orientation, economic viability and social responsibility. Our mission is to enable elderly people and those who require nursing care to enjoy a pleasant and decent environment during the final stage of their lives and to give them the feeling of independence for as long as possible.

Consumer instead of patient

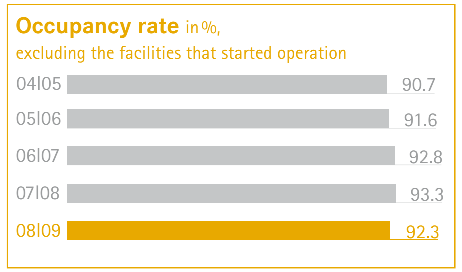
Our strategy takes account of the fact that the importance and perception of health have change tremendously in recent years.
Health is far more than the absence of illness. It is the central core that determines the quality of a person's life. This broadening of the concept of health is blurring the distinctions between the market for the treatment of illness and the market for health care. Health care and nursing care for the elderly in particular are turning into consumer goods. Residents at nursing facilities and their relatives are becoming customers who are more aware and critical in reviewing alternatives and choosing options. We have to respond to these changes in the conditions. The challenge is to provide services even more efficiently in view of the rising costs and to make sure that customers can still afford them.

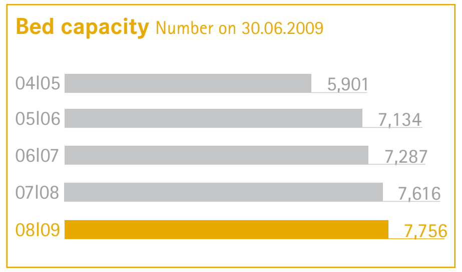
Individually customised programmes

Economic and social differences in living conditions mean that it is not possible for all sectors of the population to make individual provision for old age or to pay for a high standard of living when nursing care is required.
Our strategy is therefore focussing to an increasing extent on concepts that take account of our customers' different expectations and financial resources. In addition to steady improvements in efficiency, we are implementing a clear strategy of differentiation between 2-star standards and higher 4-star standards. The only distinguishing feature is residential comfort. The same high nursing and service quality standards are maintained at all the facilities. The residents and their relatives are always the centre of attention – as self-assured customers who demand necessary services and high quality standards that depend on their personal economic situation. This is in line with the way they have lived their whole lives. With the 2-star homes and the assisted living concept as well as with integrated treatment concepts involving medical clinics, nursing clinics and medical treatment centres, we cover practically all the needs people have at an advanced age. Our focus on 4-star homes, which only have single rooms, and 2-star homes, where the accommodation is mostly in double rooms, corresponds to the market requirements. We have about 22% of our total capacity in each of these two segments.

Assisted living has a positive image

Expansion of the 2-star segment in the assisted living field remains a central element of our growth strategy.
We are planning to increase the capacities in this sector to 3,000 beds at seven different locations in the coming three years. Two residential complexes with a capacity of 887 beds were in operation at the end of the financial year. Demand for affordable nursing care is high, so the assisted living concept will establish itself successfully. The model guarantees a decent, self-determined life combined with affordable nursing care. It has a more positive image than inpatient nursing care, because the residents have flats 20 to 25 square metres in size that are designed for old people to live in with their own furniture and they can request nursing services as and when they need them. Outpatient nursing care services to which we contribute our experience and quality standards are available at all the locations. Appropriate nursing care that goes beyond the legal requirements is provided as a result. We are certain that this form of residential living will establish itself as an independent, dynamic area of our operations.





The 60th nursing facility – AMARITA Bremerhaven – under construction.

Good occupancy rate at the facilities

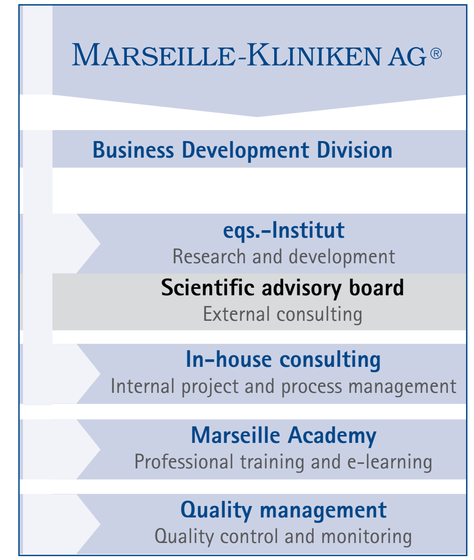
The nursing division strengthened its leading market position in the year under review. At the end of the financial year, it had 58 locations and a total capacity of 7,756 beds. The emphasis was on efforts to optimise occupancy at the facilities, to reduce start-up losses at the new facilities and to exploit cost-cutting potential at all levels. We reached these objectives. The average occupancy rate at the established facilities was 92.3%, which was far better than the industry as a whole (less than 87%, private operators 84%). The occupancy rate was 89.1% if the new facilities are included. There was a good overall response to the newly opened facilities, which steadily reduced their start-up losses. The facilities in Meerbusch that opened in July 2008 are operating profitably. The assisted living homes have established them on the market successfully. The residential facility in Halle, which has been in operation for quite a long time now, and the Josephinen residential facility in Potsdam are almost completely full. The Türk Bakim Evi nursing facility in Berlin, which only has Turkish residents, is making progress but continues to be a weak point. In spite of very keen interest, many relatives are still reluctant to put their parents in other people's hands. We have in the meantime carried out specialisation measures at the facility, implementing a residential group concept in order to satisfy even better the desire of both residents and relatives for more intensive contact and to eliminate more of the existing misgivings. Of the locations in Oberhausen, Bremerhaven, Eberswalde and Waldkirch with a total of 970 beds for which contracts have been concluded, the opening of the senior citizens' residential home in Oberhausen and of the nursing clinic in Waldkirch planned for 2008/2009 has been delayed because of specifications made by the authorities. Oberhausen and the Waldkirch nursing clinic started operation in August 2009. The operative capacity only increased by 190 beds in the 2008/2009 financial year as a result of these delays.

Short-term nursing care is an occupancy driver

The bed occupancy level at the established facilities is approaching our target of 95%, which counts in practice as full capacity utilisation.
The progress is attributable primarily to substantial sales efforts. We have done further fine-tuning of the sales structures, intensified advertising and made the company more transparent and open. In addition to this, we were very quick to recognise a growing trend towards short-term nursing care, approaching potential customers specifically about it. This nursing option is proving to be an occupancy driver. More than 3,000 short-term guests take advantage of the nursing care services provided at our facilities every year. Many of these guests experience an improvement in their quality of life during their stay. Capable nursing care, new social contacts and a variety of different events make sure that every third guest who comes for short-term care remains at the facility for full-time nursing care at the end of the short stay. The intensification of advertising for short-term nursing care generated an increase of 35% in applications for short-term nursing care in the first half of 2009. The larger number of cases and the good impression our facilities made on the guests led to the addition of more than 200 full-time residents within a few months.

Quality remains the central key to success

The increasingly loud public debate about demographic developments and whether social services can be afforded has made nursing care for the elderly an issue of greater and greater interest to the public in recent years.
The demand from funding organisations for transparent and economic provision of services, the increasingly exacting regulations introduced by the government and, last but not least, customers' higher expectations necessitate major improvements in quality in all areas of the health system in future.



Organisational structure of the Group-wide quality development operations.

Well prepared for challenging times

Marseille-Kliniken AG was quick to respond to the current challenges faced by the health system and is in practice years ahead of the steadily increased demands made by the political community.
The extensive quality management system is based first of all on successful implementation of the quality policy. What is involved here is, on the one hand, systematisation, but also and above all constant improvement of all the services and processes throughout the Group. The quality management system is documented in a separate, integrated process management system, in which all the business processes of the company as well as the entire organisation are recorded. The objective is continuous improvement of the quality of the company's processes and performance. The efficiency of individual organisational units and their service processes are reviewed systematically on a regular basis to make sure this objective is reached. Staff steadily develop more advanced qualifications too, improving their social skills in caring for our residents.

Quality assurance by an innovative division

We have set up a separate division that is unique in the industry for the operative implementation of the specifications of the quality management system as well as for the central management and co-ordination of all the activities that promote and maintain quality.
About 30 members of staff work on achievement of the goals that have been set within the framework of the central Business Development Division. We invest about € 3.5 million a year in this division, which can be found nowhere else in the nursing care industry, maintaining our position of market leader for quality as a result. The corporate management is supported in addition by a scientific advisory board, the assignments of which are to help the company with all the strategic issues encountered on the health care and nursing market and to evaluate new nursing concepts.

External Group certification process completed

Marseille-Kliniken AG was also the first national nursing home operator in Germany to carry out DIN EN ISO 9001:2008 certification of the Group. This process covered all the nursing facilities, the service companies and the corporate headquarters.
Certification was completed successfully in March 2009 following a year of careful preparations in the individual areas. The audit was made by a team from BSI Management Systems Deutschland and took more than a month.

The 1.5 room flats give our residents plenty of space for assisted living.

Successful completion of the certification process confirms the advanced level reached by our quality management system. Comprehensive quality standards are essential to guarantee the provision of excellent care to the residents at our facilities. We had the entire organisation audited by an independent institute, in order to make sure that the focus is on the needs of the residents and that we can guarantee the provision of high-quality care. At the present time, there are not yet any legal regulations about certified quality management systems in nursing care for the elderly. We have anticipated the future legal requirements by establishing a comprehensive, legally sound internal quality management system. The purpose of our certified quality management system is to observe the rules and nursing standards and it applies equally to all the different areas and employees of the Group. Further aims of it are continuous improvement of nursing quality and efficiency, the identification and elimination of faults in good time, an increase in resident satisfaction at our facilities, ongoing optimisation of processes and structures and the strengthening of staff motivation by improving information and communication.

Quality report number two

We published the second Marseille-Kliniken AG quality report in April 2009. It follows on smoothly from the first quality report issued in 2008 and details the structures and the quality management systems with the relevant processes as well as the performance of the Marseille-Kliniken AG nursing facilities in their provision of care and other services.

The quality report presents relevant key figures from 58 inpatient nursing facilities of our company. The figures from the previous year are updated and new areas are covered. They provide more extensive data, primarily about performance quality, and give an even more in-depth insight into how quality is measured, evaluated and assured at Germany's leading listed operator of nursing facilities.

It is certainly the case that publication of the results of audits by the medical service departments of the health insurance funds (MDK), which is stipulated legally in the meantime, is an initial step towards greater transparency. However, we would like to take a decisive step further than these legal requirements and publish figures that we think are necessary in order to be able to make a comprehensive evaluation of the quality of the services provided by a facility that concentrates on nursing care for the elderly. In our opinion, they include the results of internal and external audits, information about staff training, the proportion of qualified staff, central results of our annual interviews with relatives and the frequency of nursing problems. In addition to these key figures, we give a comprehensive description of the structures and processes of the quality management system. Genuine transparency is only created if key figures are not just published but also explained.

A well-developed and structured quality management system is essential in order to present such a comprehensive picture of structures, processes and results. The key figures that our system produces on an ongoing basis permit constant monitoring of nursing quality and customer satisfaction. They make it possible as a result to react swiftly when nursing problems arise.

Building bridges – and a tunnel

Marseille-Kliniken AG holds great responsibility as a company that operates in the health care field.
We are part of society, which expects us to demonstrate commitment and transparency. We meet these requirements. Openness in both internal and external communication is a feature of our corporate culture.

Lively interaction concentrates the mind

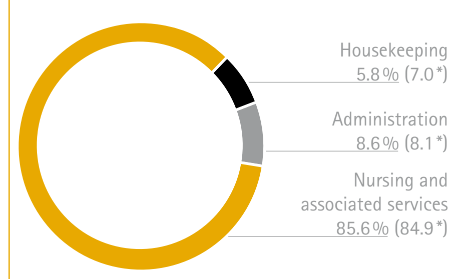
As a leading provider of nursing care for the elderly, we interact intensively with experts from the nursing and health care industry, with investors and shareholders, with the media and representatives of the cultural community.
Our aims are to concentrate on the essentials, to identify trends and developments at an early stage and to express our convictions clearly. Marseille-Kliniken was the first to call for an official nursing care control system, to describe conventional all-inclusive homes as an obsolescent model, to point out that the checks at the facilities by the medical service departments of the health insurance funds are inadequate and to warn that more and more elderly people will no longer be able to afford inpatient nursing care unless supply is diversified. We have established the 2-star sector and have developed assisted living as the concept of the future for this reason. The media appreciate our openness. We are in demand for interviews and we are invited to conferences, trade fairs and discussion panels about subjects like quality, social property or training.

The results of our corporate operations have benefits at a number of different levels. Society benefits, because we help to bear the economic costs of old age; the state benefits, because we pay taxes; investors benefit, because we make profits; employees benefit, because we create secure jobs; and, finally, we benefit ourselves, because we generate sound growth.

Pinpointing and taking opportunities

In integrated treatment concepts, it is standard practice to build bridges to connect different fields.
Following intensive discussion, the AMARITA senior citizens' residential home, which belongs to Marseille-Kliniken AG, and Marienkrankenhaus Catholic Hospital in Hamburg decided to build a tunnel. The 24-metre tunnel connects the two facilities that are located next to each other and symbolises the close co-operation between two institutions that belong to different organisations. The hospital is run by a non-profit organisation, whereas the nursing facility belongs to us – a company with a stock market listing.

Number of employees



* Figure for the previous year

The main objective of the project, in which the partners invested about € 320,000, is to improve the medical treatment provided to the residents at the nursing facility. Frequent hospital examinations are vital in many illnesses that are typical of or caused by old age. The tunnel connection makes work much easier, because it shortens the distances that have to be covered. The underground passageway is convenient to reach by lift at each of the facilities. For the safety of residents and patients, there is a fully automatic glass sliding door in the middle of the tunnel that has a camera surveillance and access control system.

Obvious advantages

Construction of the tunnel was preceded by the development of an extensive concept about co-operation between the two health care facilities.
Before a start was made on building the tunnel, the partners concluded a detailed co-operation contract to optimise medical treatment, that lays down rules about such areas as co-operation in the nursing field and quality assurance, delivering medical supplies to the senior citizens' residential facility and provision of emergency medical treatment by the hospital. Co-operation has also been arranged in the areas of physiotherapy and speech therapy. Although the contract is not a supply agreement as provided for by the social security code, it creates a de facto basis for integrated treatment.

The co-operation has advantages for everyone involved. Medical treatment is optimised for the residents, while transport to the therapy centre in the hospital is simplified and shortened. There is an important psychological aspect to the co-operation as well. It gives a feeling of security to know that a hospital is in the immediate vicinity and can be reached quickly. Patients of Marienkrankenhaus Hospital benefit from the underground passageway, because they can inform themselves about the services provided by the nursing facility without entering into any commitment. The restaurants and chapels of both facilities are open for joint use too.

Same quality standards essential

Smooth co-operation between a privately run facility and one operated by a non-profit organisation depends not only on an intensive, ongoing exchange of information but also on identical quality standards.
Both of the facilities therefore gave high priority to maintaining and testing consistent quality standards. The KTQ certification process is the basis for this. This independent quality mark is confirmation to both facilities that their internal quality management systems are co-ordinated with each other and meet the requirements. We and Marienkrankenhaus Hospital have committed ourselves to certification by the KTQ process for nursing care and completed the audit successfully.

"Quality and the customer"

Focus on marketing

Marseille-Kliniken AG sets standards in more ways than as quality leader alone. We are adopting approaches that are new to our industry in the marketing field as well, in order to attract the attention of potential customers to our broad range of high-quality services.

Invitation to visit senior citizens' residential homes

The demand from funding organisations for transparent and economic provision of services, the increasingly exacting regulations introduced by the government and, last but not least, customers' higher expectations make major improvements in quality necessary in all areas of the health system. It has been a long tradition at Marseille-Kliniken AG to give high priority to quality and assurance of it. We have invested about € 3 million p.a. in the development and optimisation of the internal quality management system over the last five years. We have assumed the same pioneering role that we play in the standardisation of quality where transparency is concerned too. As a private player, we have been active in encouraging public debate of the issue of quality in the provision of nursing care for the elderly. The annual publication of a Group quality report is setting standards in the industry. The report is at the same time the first comprehensive step towards the creation of "transparent nursing homes", something that we have been demanding. We want to show our residents and potential customers how our facilities are equipped, what programmes are available and how good the quality of nursing care is.

Transparency and customer orientation are vital elements of a strategic marketing and sales policy. In the past, nursing care for the elderly was something that required very little effort on the part of most providers. It was assumed that people who required nursing care were in need and would come knocking on the door of their own accord. All that had to be done was wait for them. This has changed fundamentally. There is fierce competition on the market in the meantime and people who used to be applicants have now become critical and vigilant customers. They demand high-quality, affordable services and expect sound and verifiable options. They need to be attracted in good time. "Nursing quality day", which we held for the first time on 13 June 2009, is another step towards the creation of "transparent nursing homes". All of the company's nursing homes opened their doors to interested visitors and experts on a Saturday. The event had been announced in advance via a media campaign in the national and local press as well as via special websites.

Open-doors approach to nursing care

To families with members who need nursing care, quality is an issue of decisive importance when they are choosing a suitable nursing facility. "Nursing quality day" aimed to present to the visitors the measures that guarantee consistently high nursing quality and make it transparent. Facility managers and nursing staff used film sequences and personal conversations to explain details about the current quality report, the interviews with relatives, the regular internal controls and certification of the homes. The visitors were told that centrally controlled quality staff audit the facilities at regular intervals. They heard at the same time that not only professional care provided in accordance with scientific findings but also and above all affectionate human relationships are important. On their tours of the homes, they were able to look behind the scenes of a nursing facility. Visitors were free to look at representative residential rooms as well as the community rooms. The cafeterias served coffee and cake, but also provided information about healthy meals that meet the requirements of the elderly. In the nursing care open-doors campaign, visitors found out how a nursing bed works, when and how a bedsore mattress is used or what exactly "snoezelen" means. Occupational therapists and nursing staff demonstrated exercises at the different facilities. The varied and informative programme was rounded off by a selection of food and drink.

Appointment of occupancy managers

Since it was established, Marseille-Kliniken AG has developed into a branch-based health care service provider with a large organisation to carry out its operations. Effective arrangements are essential for such an organisation. They include strategically focussed marketing that is managed centrally. Its primary assignments are to make our quality commitment transparent to end-users and multipliers and to communicate this commitment on the market as a unique feature of our operations. The simultaneous increase in supply and demand has led to intensive competition in the nursing field. In this context, marketing has to distinguish between the two core target groups: the relatives of potential new residents and the multipliers like acute hospitals. Their information requirements differ. In order to be able to make our marketing operations even more professional, we have created the position of occupancy manager for an initial selection of six individual regions. They assist the facility managers, so that the latter can concentrate on the core nursing care business. In addition to this, we will in the medium term be giving all the staff who are heavily involved in the acquisition of new customers sales training.

We are going out onto the streets

When they are looking for a nursing care provider, our two core target groups can choose from an extensive range of options offered by different providers and facilities that operate in the inpatient and outpatient nursing care field. The potential new residents and their relatives therefore need to be aware of our facilities and their services at all times, with targeted marketing campaigns being implemented to stand out from the competition. A more active approach to the target group is essential if the facility wants to make the short list and obtain new customers when nursing care becomes necessary. Street marketing, which is also known as direct marketing or dialogue marketing, is a particularly pragmatic marketing and sales instrument. It means reaching our core target groups by carrying out specific activities at the places where they frequently spend their time. We surprise our prospective customers by actively approaching and showing our interest in them. Street marketing includes activities like information stands at weekly markets, trips in a covered wagon or simply the distribution of flyers in a pedestrian precinct with an invitation to a specific event at the facilities. The primary aim of street marketing is to attract attention rather than to strengthen the company's image. It represents an innovative addition to all the other sales-oriented activities of the facilities, like "Nursing quality day" or "Healthy eating day".

One brand helps another

Strong brands belong together. This well-known principle of modern marketing is encouraging us to continue marketing-oriented co-operation with other brands on selling to the target group of 45+. Co-operation or partnerships are a major element of our current marketing mix. They work on the win-win principle, according to which both partners enjoy benefits in their respective target groups. Kneipp is the latest co-operation partner to join us alongside Premiere (now Sky) and Öger Tours. Kneipp is participating in various Marseille-Kliniken AG communication measures (e.g. via mailshots) and Kneipp products are being displayed appropriately when events are held at the nursing facilities.

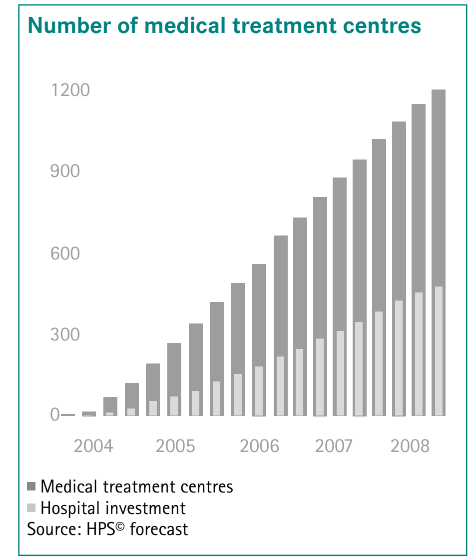
Turning prospective customers into residents

One of the basic preconditions for sales success of any kind is knowing about the demand. How many people are interested in a product or a service? What motivates and characterises these people?

Marseille-Kliniken AG has developed a very efficient customer / CRM (customer relationship management) database, in which the profiles of more than 20,000 potential customers are giving us a very specific insight into the demand situation in every region after only two years. In addition to information about how the prospective customer came into contact with us, his medical record and nursing care level, we track the history of every individual – from the initial contact to exploratory discussions, visits and the conclusion of a contract. An intelligent follow-up system makes sure that every prospective customer receives optimum attention. Clear description of regional demand and projection of the demand on a map showing the facilities guarantee efficient implementation of marketing activities.

The CRM database and the newly established sales controlling function are two strong foundations for the company's sales success in future. The definition of sales controlling for nursing facilities is a genuine innovation. We have specified key sales figures, with the help of which all the nursing facilities can be compared with each other. We are not only able to determine the sales success of every facility clearly; the intelligent data structure of the sales controlling system also makes it possible for us to identify and correct sporadic sales weaknesses of individual facilities effectively. Analyses of the demand in each region act as an early-warning system and already draw attention to possible drops in occupancy five to six weeks in advance. This leaves enough time to respond to the impending development by carrying out appropriate marketing and sales activities.

A new field: acute hospitals



The distinctions between nursing care, rehabilitation and acute hospital treatment are disappearing more and more in the German health system.
In response to steadily growing economic and political pressure, there will be an increasingly dynamic adaptation process in the next few years, which will drive the integration of nursing care, rehabilitation and outpatient / inpatient treatment. Marseille-Kliniken AG is preparing to participate successfully in this development – which appears to be irreversible – in its corporate operations.

Development into a system provider in the health care business

We have decided to take gradual steps to develop acute hospitals as an associated area of operation alongside the nursing division.
The aims are to establish a position as a regionally focussed provider and to exploit synergy potential between nursing facilities and the clinics. It is important to know in this context that people who should really be in hospital live at many nursing facilities – and vice-versa. We are planning to acquire an interest of at least 25.1% in one hospital per year. The precondition for this is that we exercise medical and economic control within the framework of a management contract. We were already on the short list for two hospitals in 2008. In both cases we were not in the final analysis willing to take over all the risks in our own portfolio.

If our plans are successful, we will be one of the pioneers in the integrated treatment field as well. Although integrated treatment is something that is regularly demanded in the German health system, the concepts for integration of this kind that have been implemented so far have not played a significant role in practice yet. The current trends on the German hospital market indicate that we have chosen the right time to launch our plan. Our goal is ambitious: in the next five to ten years, we intend to establish regional medical hubs and develop into a system provider in the health care business.

We entered the acute field for the first time successfully in 2006, when we took over St. Nikolaus Hospital in Büren / Westphalia. Since then, we have had several years of hospital management experience, which are facilitating our plan to extend our involvement in this market. The hospital has a department for internal medicine (including an intensive care unit) as well as an emergency room for acute cases and it is located next to our senior citizens' residential home in the town. We think that the advantages of close co-operation between the nursing home and the hospital are, on the one hand, the possibility of considerably better control for the good of the patients and, on the other hand, cost savings thanks to higher-quality treatment. We have at the same time established an initial health centre in Büren, the aim of which is to guarantee integrated treatment of the patients.

Problematic hospital market

The German hospital market is like an enormous building site at the moment. The market has a volume of about € 60 billion per year and is dominated by a large number of public hospitals, many of which operate inefficiently.
There are 2,087 hospitals in Germany at present; 667 of them are publicly owned, while 790 are non-profit clinics and 630 are private facilities. There is cause for concern in the private market. The four biggest German hospital groups account in the meantime for sales of more than € 7 billion, which represents a market share of almost 12%. Most of these groups are keen to continue their expansion programmes by making 100% takeovers, for which investments in the market of € 1 to 2 billion have been announced for the coming years. In view of this market structure alone, we think that we owe it to society to prevent the development of an even more extensive oligopoly on the hospital market by carrying out corporate activities of our own.

Urinary incontinence – the medical condition

Urinary incontinence is a common health problem that affects women more frequently than men. The development of an adequate infrastructure for treatment of the people suffering from it and the implementation of suitable prevention measures are hampered by the fact that urinary incontinence is a taboo in our culture and that sufferers experience social stigmatisation. This means that victims often lack the motivation to look for qualified medical help. Studies demonstrate that doctors too are frequently unaware of or ill-informed about the potential cure that can be achieved with appropriate treatment. A recent health report issued by the German government comes to the conclusion "... that many victims of incontinence do not receive any professional help. There are practically no prevention programmes" and that "... the importance of incontinence as a medical treatment problem is growing significantly due to the change in the age structure of the population and the increase in the risk factors associated with this".

Management know-how of private players is needed

Public sector debt, the huge investment backlog at hospitals and the deterioration in the financial situation of health insurance funds and social security organisations are likely to make sure that the privatisation process will speed up again once the 2009 elections are over.

Public owners have demonstrated many times in the past in particular that they lag far behind private and non-profit hospitals in performance management, which is the key factor that determines economic success. For this reason, hospitals from this market segment in particular will be coming onto the market again to an increasing extent from 2010 onwards. A wave of privatisation is about to start in the biggest market segment – non-profit hospitals – too, however. Non-profit clinics will face strong pressure, primarily because the DRG interim phase will be over at the end of this year.

We are noticing that the public operators are to an increasing extent looking for players on the market who are not focussed on 100% takeovers. Since the corporate cultures of the large hospital groups and the non-profit takeover candidates that are coming onto the market are not compatible, non-profit organisations will also prefer private partners whose strategy is not to make complete takeovers. Our strategic objective is to position ourselves in this market for minority interests in hospital operating organisations that will be developing in 2010. We are in addition working on concepts and strategies that enable interests to be acquired in the operation of non-profit hospitals.

We maintain constant contact with the leading hospital players and are always on the lookout for suitable investment projects, which we subject to a critical internal selection procedure in order to be able to invest purposefully in individual properties. Our entry strategy is governed primarily by long-term corporate thinking. Following the interest acquired in an initial hospital, we intend to establish a separate hospital group within five years. Our main interest in this context is in fields connected with old age, like oncology, geriatrics, joint replacement, diabetes and cardiovascular illnesses.

Special concepts are a convincing solution

Special methods of treatment and as comprehensive a range of health care options as possible are the factors that will decide the success of acute hospitals in future. Hospitals that are in a position to provide innovative courses of treatment will operate effectively on the market.

Healing of female incontinence

"More than five million people in Germany suffer from a weak bladder, a disorder that is known in medical terms as urinary incontinence. It can affect anyone – women and men, young and old.

Incontinence is one of the biggest taboos in our society even so. Unwillingness to talk about the subject leads to a lack of information and greater suffering for those affected. Only about 15% of them receive professional advice. Most of them keep it to themselves because they are ashamed: they suffer physically and emotionally, they start to withdraw from social life, they lose self-esteem and quality of life. The German Urological Society and the Professional Association of German Urologists want to change this. Because a weak bladder may be a secret but widespread disorder, but it is not something that simply has to be accepted; on the contrary: it can be healed very effectively in most cases!"

The quotation is from Professor Dr Margit Fisch, Director of the Urology Clinic at Hamburg Eppendorf University Hospital. For months now, Marseille-Kliniken AG has been holding advanced talks about the establishment of a centre for female health. The concept is related historically to the successful development of, for example, heart centres, which have led to successful new forms of treatment for the patients thanks to the interdisciplinary concentration on a single organ system and to the large number of cases treated as a result.

Tested worldwide for 30 years

The plans for the centre are based essentially on know-how acquired about a special concept for innovative new incontinence treatment.

Marseille-Kliniken AG's partner is the Australian Professor Dr Peter Petros, who has established the integral system for the treatment of female incontinence via gentle, minimally invasive surgical procedure with a more than 80% chance of healing all over the world. This diagnostic and treatment system has been optimised by Professor Petros on an ongoing basis over the past three decades and is used globally. The success achieved is attributable essentially to the anatomical system followed in the process: due to the minimally invasive addition of artificial ligaments in the floor of the female pelvis, changes to anatomical structures that cause incontinence are corrected back to their natural anatomical state, as a result of which stable healing occurs.

"Acute" – inpatient / outpatient

Our decision as a group operating in the nursing care field to participate in the health care integration process in order to safeguard and improve the medical treatment that our residents receive is attracting our attention to the development of medical treatment centres too.

Social legislation allows the establishment of a centre in which many doctors from different fields co-ordinate their activities to provide joint medical treatment in a systematically patient-friendly way. The total number of medical treatment centres and the number of medical treatment centres in which a hospital is involved as a backer are increasing steadily. For us, the doctors at such centres are the link between nursing care and outpatient / inpatient treatment. Our focus is therefore on both nursing quality and regional medical treatment quality. We are planning not only to create medical treatment centre structures of our own but also to participate in regional doctors' networks. We have established initial footholds in the hospital and medical treatment centre market with St. Nikolaus Hospital and with the medical treatment centre in Büren and the medical treatment centre on the campus of the Hennigsdorf senior citizens' residential home, which represent a good basis for further expansion in these two areas.

It is a central element of our long-term growth strategy to establish the regional locations as health centres, in order to produce quantitative performance quality in the regional competitive environment and thus be able to exert influence on organisational and medical developments in the region. As we understand them, the health centres include acute hospitals, nursing homes, assisted living facilities, medical treatment centres, GP centres and rehabilitation facilities. This strategy is in line with market requirements and will help to safeguard our future.

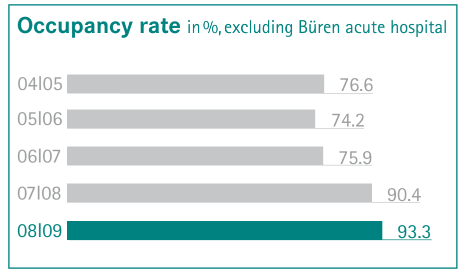
Successful turnaround

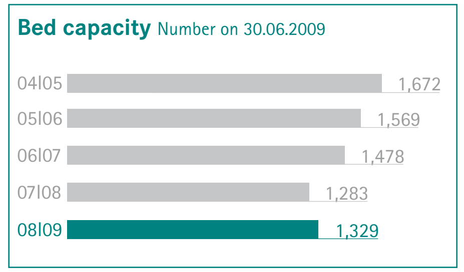
Inpatient rehabilitation within the Marseille-Kliniken Group is back on a sound footing. Rehabilitation market volume amounts to about € 7.7 billion, an increase of some 4% over the previous year. The positive development in demand for rehabilitation services is attributable to several different factors.

High occupancy and profitable operations

The psychosomatic clinics are benefitting from a positive development in applications to the pension insurance organisations, which fund rehabilitation for the working population and thus account for a considerable proportion of the market (about 36%). A striking feature here is the substantial increase in the number of patients who are unable to work. In addition to this, there is growing demand from company doctors or corporate medical services for psychosomatic rehabilitation services, in order to avoid the absence of employees because they are unable to work. Follow-up treatment is the factor that is dominating developments at the somatic clinics. The existing trend that follow-up treatment will be increasing at the expense of general methods of treatment has continued, as has growth in the admissions of patients for follow-up treatment after hospital stays. The system of lump-sum payments for hospital services is increasing the pressure on acute hospitals to release patients earlier. This is leading to more exacting requirements on and higher costs for rehabilitation providers, without there being any change in the length of inpatient stays. Forecasts indicate that follow-up treatment will probably rise to 100% by 2020, whereas the length of stays will at the same time decrease by about 20 to 25%.

We are working on the assumption that demand for inpatient and outpatient medical rehabilitation services will be remaining strong for a lengthy period of time. This assumption is based on a number of factors. Patients are getting older and rehabilitation at home is becoming more difficult because of the increasing number of single-person households. Elderly people suffer from illnesses that have many different causes and need more varied treatment. Programmes to avoid the need for nursing care or classification in higher care levels in the nursing care insurance system will be needed in future as well. Further cuts in the length of hospital stays is making follow-up treatment at rehabilitation clinics essential. The postponement of retirement to a higher age and the increasing shortage of skilled staff will make rehabilitation programmes necessary that help to maintain employees' ability to work.

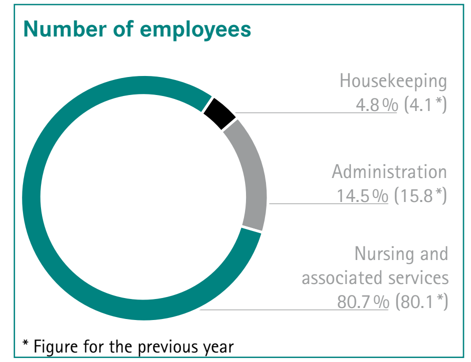




Higher occupancy than the industry average

The rehabilitation division in the Marseille-Kliniken Group has benefitted from the strong market recovery to an above-average extent.

The division has been reduced to a competitive core with a sound future, consisting now of eight rehabilitation clinics. Occupancy again increased against the general trend in the year under review, from 90.4% to an average of 93.3%, and was therefore 16 percentage points above the industry average. We reached what was almost full occupancy at the clinics in the second half of the financial year in particular. The high occupancy rate is leading to a significant improvement in the economic situation of the clinics. After the division returned to profit in the previous year, it improved earnings substantially in the year under review.



The whole of the Schömberg location – rehabilitation clinic and nursing clinic.

Relationship management a success factor

The success of the rehabilitation division is due, on the one hand, to active relationship management. Like in the nursing division, it is no longer possible simply to wait for patients in the rehabilitation division either.

We have centralised organisation of division sales and have intensified the relationships to the funding organisations. Specific projects have enabled us to create closer ties between not only the pension insurance organisations but also the health insurance funds and our clinics. The numerous projects that have been initiated will generate additional occupancy in the coming months. On the other hand, we have continued the process of specialisation at the psychosomatic clinics that was initiated in the past few years. The Gengenbach and Schömberg locations are examples of this. The range of treatment available in the Gengenbach pain programme, for which demand is high, has been extended by further sub-division into separate groups. The clinic is fully occupied at times and the waiting list is stable at a high level. The rehabilitation clinics are benefitting, finally, from the systematic optimisation of the quality management system. DIN EN ISO 9001:2000 certification has been obtained for the internal quality management system at all eight clinics. The system is a central element in corporate management of the clinics and acts as a Group-wide concept that regularly adapts the organisation and processes of the facilities to the changes in requirements. Since the rehabilitation clinics were established, we have taken deliberate steps - involving evaluation studies and the development of empirical routine monitoring processes - to create quality management structures based on key figures, with support being provided by the Group's own eqs.-Institut. All the clinics already satisfy the legally stipulated conditions for certification, which will be mandatory for all rehabilitation facilities when an interim period ends.

Schömberg an impressive model

The development of the Schömberg clinic is a good example of the successful turnaround achieved in the rehabilitation division.

The Schömberg location was our weakest point in the rehabilitation operations for years, with large financial burdens for the Group as a whole. Now the clinic is a success story.

The situation was bad: the processes of change in the rehabilitation market had made it impossible to utilise all the capacity of a clinic with almost 229 beds. A decision was finally taken to divide the location up, renting 100 beds to the Marseille-Kliniken AG nursing division and converting the beds into a nursing clinic. A specialisation process began at the rehabilitation clinic, which had been reduced to 119 beds, under the leadership of a new medical director. New courses of treatment were introduced for eating disorders and posttraumatic stress disorders. The concept for vocational reintegration was revised and revitalised. In order to implement the concept, the clinic management arranged co-operation with the vocational training institute run by the German pension insurance organisation in Baden-Württemberg and the orthopaedic clinic operated by the federal pension insurance organisation at the same location.

The activities proved to be successful so quickly that the reduced bed capacity was not sufficient to cope with the large increase in the number of applications. The rehabilitation clinic therefore rented some of the bed capacity back from the nursing clinic. The capacity was increased to 170 beds by taking over part of the building. The rehabilitation location in Schömberg, which was only able to fill an average of 85 of its 229 beds in 2006/2007, reached average occupancy of 144 patients over the year under review and currently has about 160 patients – with a consistently long waiting list.

Co-operation is the key

The development of the rehabilitation clinic is, on the one hand, convincing evidence of the importance of relationship management with the funding organisations.

Thanks to the new co-operation with the German pension insurance organisation in Baden-Württemberg, it has been possible to take advantage of the new treatment programme and the very good regional location of the clinic to obtain an occupancy commitment. It does, however, also demonstrate how important co-operation models with other service providers are, even when facilities owned by the pension insurance organisations themselves are involved, which are in competition with the private clinics. Co-operation with other players is part of the success story of the Schömberg clinic.

Services: our five companies

The service companies are a central feature of our medical and nursing concepts and make sure our customers enjoy optimum housekeeping services.
They relieve the facilities of specific individual assignments and give the staff freedom to concentrate of their core skills in nursing, rehabilitation and general care. The responsibilities they assume range from catering to cleaning and laundry supply to the residents. Their aim is to provide a quality of service that is similar to hotels. The comprehensive scope of the services is attributable to our strategic positioning as a branch-based provider of nursing care for the elderly and is not matched anywhere in the industry.

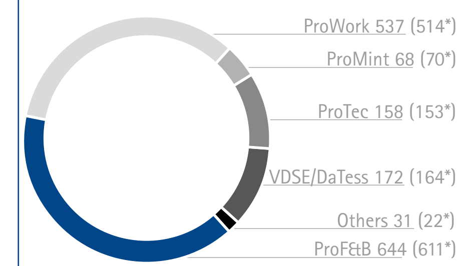
As a result of the steady growth of the Group, the companies focus almost exclusively on serving the facilities in the Group. Only at facilities that are not in the catchment area of our laundry because of infrastructure problems is laundry supply farmed out to third parties with regular quality checks being made. Five companies provide a complete range of services in the catering, cleaning, laundry, facility management and data processing fields.

PRO F&B®
GASTRONOMISCHE DIENSTLEISTUNG

The company was established in 1997 and provides a complete range of professional catering services.
Systematic concentration on quality and efficiency guarantee it a leading position on the market for social catering. In the 2008/2009 financial year, Pro F&B took over the responsibility for meeting the catering needs of the corporate headquarters for the first time and obtained ISO certification. Food price reductions that reached up to 15% in individual product groups were experienced in the year under review. This means that expenditure on food decreased by 2.0% - taking the increase in sales into consideration - while quality remained the same.

The quality of the meals served at the Marseille-Kliniken AG facilities is unusually good. This is reflected, among other things, by the small proportion of residents who suffer from malnutrition. At an average of 10% at our nursing facilities, it is considerably lower than the average in the industry of at least 20%. In order to make quality even better, eqs.-Institut has co-operated with Pro F&B and the central quality management department to develop the project "Optimisation of nutrition and liquid supply to our residents". Ms Arens-Azevedo from the Life Sciences Faculty at Hamburg University has given professional advice about this subject. The aim of the overall project is to reduce the malnutrition level even more and to develop reliable preventive measures to avoid this medical condition. An increase in the average Body Mass Index (BMI) level of the residents has already been made in the course of this project. In order to make further progress in achieving the goal of a healthy diet, Pro F&B has been giving staff training in dietary cooking since 2008. The initial participants have already completed half of the three-year training course.

Number of employees



* Figure for the previous year

Healthy eating day

In March 2009, Pro F&B held a "Healthy eating day" at the facilities parallel to the open day organised by the nursing division.
The aim was to make the facility kitchens transparent to the residents and their relatives. Dishes that appear regularly on the facility menus were prepared and served in "live cooking" style, while information and explanations were given about nutritional values and ingredients. The facility kitchens were open to the visitors too. There was a tremendous response to the guided tours of the kitchens, during which an insight was given into the ingredients used. Relatives were impressed by the flavour and benefits of the energy drinks they were able to try for themselves.

Open kitchen

In the spring of 2009, we at the same time launched the campaign "Open kitchen in the dining room and wards".
Our objectives with this campaign are, on the one hand, to satisfy our residents' increasingly exacting quality demands and, on the other hand, to allow the residents to experience the cooking process. After the necessary equipment like woks, pans and hotplates had been acquired, the food that was to be cooked was chosen, with the emphasis primarily on criteria such as freshness and fast cooking. By far the most successful recipe was a mildly spicy curry with chicken fillet.

The open kitchen approach documents the process of change to high-quality catering that can be provided in practice almost anywhere. Thanks to the presence of the chefs, who can be approached and talked to, it strengthens the contacts to the residents and their relatives. Production close to the residents also increases transparency and makes it easier to encourage the residents to try out dishes they do not know yet. Since the residents smell the food cooking and hear the sounds of it being prepared, eating becomes a real experience for them. It stimulates their imagination and appetite and increases well-being. Conversations with residents and relatives produce numerous suggestions for adding to the menu as well. Events of this kind are unique in the nursing industry.

ProWork®
DIENSTLEISTUNGEN

ProWork provides the cleaning services at the facilities. The skills demonstrated by the staff and the practical, modern equipment guarantee high hygiene and quality standards at all levels of the facilities.
The Group's corporate hygiene officer is linked directly to ProWork. The assignments of the ProWork staff go far beyond the responsibilities of a cleaning service provider alone. The people from ProWork are also important contacts and confidants for the residents. Moving to a nursing facility changes elderly people's lives fundamentally. Furnishing and caring for the part of their new environment that is their own private refuge are of vital importance to new residents.

In order to make further improvements in quality and personnel deployment, we converted the traditional standard cleaning system at 32 homes to the "interval cleaning" system in the year under review. "Interval cleaning" is regular cleaning involving different services but consistent cleaning cycles. The remaining senior citizens' residential homes are being converted to "interval cleaning" by the end of October 2009.

ProMint®
MIETWÄSCHEREI

The ProMint service group is responsible for laundry supply at Marseille-Kliniken AG.
ProMint's current laundry capacity is 9 tonnes per day. At the beginning of the year under review, a new 140 kg washing machine was installed, which was followed by a second machine with identical capacity at the beginning of the 2009/2010 financial year. ProMint focusses on gentle textile processing, premium laundry quality and minimisation of water and energy consumption. One of the major investments in the year under review was the acquisition of new work clothing. All of ProWork's staff at the senior citizens' residential homes can order the new work clothing from the "work clothing shop".

ProTec
DIENSTLEISTUNGSGESELLSCHAFT MBH

The company is responsible for facility management at all the Marseille-Kliniken AG facilities.
ProTec's portfolio consists of building and equipment maintenance and repair services as well as energy management operations. Systematic and capable energy management has a major impact on Group costs. So the company is responsible, on the one hand, for the inexpensive obtainment of energy sources. Optimum alignment of the property infrastructure and effective energy cost controlling aim, on the other hand, to contribute to optimisation of consumption and costs.

DaTess

DaTess is based in Pritzwalk and is responsible for the Group's payroll accounting operations as well as for the financial accounting required by the over 80 different companies with business operations in the Group.

Strategic personnel management

Marseille-Kliniken AG has been operating senior citizens' residential and nursing facilities throughout Germany for more than 25 years now. We have grown steadily and employ more than 5,500 staff in the nursing, rehabilitation, service and administration fields in the meantime.
Employees are a company's crucial asset on the service market in general, but this is particularly the case when health care services are involved. Provision of the best possible nursing and general care to our residents cannot be guaranteed without qualified and motivated staff. A great deal is expected of our employees. Not only as far as their day-to-day performance is concerned, but also with respect to their willingness to take part in regular training courses. We communicate this message loud and clear to our staff at all hierarchical levels. In return, we provide modern, safe jobs in which it is possible to enjoy great satisfaction by giving people high-quality service. We are creating new jobs and apprenticeships all the time as well.

Guaranteeing and facilitating a high quality level

Modern nursing professions are no longer conceivable without lifelong, self-controlled learning. Professional ongoing training of the nursing personnel in accordance with the latest scientific findings of nursing research is facilitated by the Group's own training centre, Marseille-Akademie GmbH.
The blended learning programme consists of more than 50 web-based training units designed to strengthen and increase nursing skills. Participation in advanced vocational training is stipulated in staff contracts. In line with the exacting requirements made on nursing personnel nowadays, we train our nursing staff about nursing standards as well as about issues relating to nursing management or facility organisation. The wide range of training courses and performance review options guarantees continuous improvement of nursing quality and consistent staff satisfaction. Our training programme also includes an extensive selection of external courses, from training to become a qualified nurse to obtainment of the skills needed to manage facilities. Trained nurses who want confirmation of their qualifications above and beyond the Group-wide training standards can obtain this confirmation by applying to a national forum for the registration of nursing professionals (RbP). In April 2009, we signed a co-operation agreement with RbP, in the context of which we support staff participation and pay the costs of initial registration.

Creating incentives, rewarding good performance

Further incentive systems were created in the year under review to motivate staff and to reward them for good performance.
We acknowledge excellent performances in the blended learning programme combined with a very good assessment from the relevant superior either by increasing holiday by up to two days or by upping salaries by up to 10% per year. Every facility is entitled and obliged to report their most talented qualified and unqualified nurses on the basis of facility size. These employees recent a talent bonus once a year in recognition of their performance and commitment.

For selected staff, we pay the costs of the nursing management course that can be completed at Hamburg Open University alongside normal work responsibilities, in order to prepare them for future nursing management assignments and to acquire the necessary qualifications. We co-operate with Hamburg University of Applied Sciences to enable our managers to acquire further qualifications by obtaining an MBA in social and health management at our expense.

The care we take of our staff is not limited to professional issues. Due to co-operation arrangements with INJOY fitness and wellness clubs, Kneipp and Sky, we are able to offer them better contractual conditions for their leisure activities. Our aim is to compensate for the typical stresses and strains encountered when working in nursing professions; we consider ourselves to be responsible for our employees' well-being.

Good prospects

The background to the impending shortage of trained staff in nursing care for the elderly is the radical process of demographic change in Germany in the coming years. Since the number of people in need of professional nursing care will be increasing rapidly, we are already starting a training campaign and are creating 240 new apprenticeships by 2011.
The focus in our new apprenticeships will be on the nursing field, although apprenticeships in the catering, housekeeping, hotel management and administration fields are another thrust of our training campaign. Our aim is to help to make sure that qualified nursing personnel is available in future and we advise the facilities about the recruitment of nursing staff. The emphasis in this advisory service is on

describing our intensively implemented quality management system, outlining the benefits we provide above and beyond the salaries we pay and highlighting the positive attitude to the professions involved in the provision of nursing care to the elderly.

We currently have 250 apprentices in the nursing, service and administration fields at more than 68 different locations; a further 25 young people will be starting their apprenticeships with us in the new financial year. They also benefit from our attractive pay system, in which good performance is rewarded. We pay up to a maximum of 20% more than the basic salary if good enough grades are achieved and they are matched by the assessment of practical skills too. In addition to this, the best apprentices each year receive a bonus. We guarantee a job within the Group to everyone who completes an apprenticeship successfully and has demonstrated that he or she is a suitable company employee.

Staff loyalty: challenge and encouragement

To us, appropriate qualifications, good working conditions and in-depth training are essential for longer-term employment in the nursing industry. We offer our apprentices who produce excellent performances opportunities to obtain advanced vocational training once they have completed their apprenticeship.
The Marseille-Kliniken AG career programme consists of eight career paths and is chosen individually. We support the company's employees in their professional development in the following areas: nursing service management, facility management, residential group management, gerontopsychiatric assistance, wound treatment assistance, nursing safety officer, safety officer for medical products and practical nursing care instructor. Certification as a Marseille nurse is another element in the drive to intensify staff loyalty. In this loyalty programme, nominated qualified nursing staff can have themselves certified as Marseille nurses in an internal Group exercise and can improve their pay by up to 10% on completing the process successfully. Certification of this kind facilitates further vocational training for the nurses concerned and creates an incentive and motivation to provide high-quality nursing services.

Staff surveys provide information

We carried out a survey of our staff between February and April 2009. All of the employees at the nursing facilities and all the other companies were asked about various aspects of their work and their satisfaction levels.
The aims of the survey were, on the one hand, to analyse how satisfied staff are with the work processes, with their superiors and with the fringe benefits and, on the other hand, to develop and implement measures to improve satisfaction. The analysis shows that the staff are satisfied primarily with the workplace atmosphere, their co-operation with colleagues and the opportunities offered by e-learning. They report deficits, on the other hand, in such areas as internal organisation and communication.

The employment market – a demanding assignment

The shortage of personnel in nursing care for the elderly, particularly at the management level, is becoming increasingly noticeable.
It is immensely difficult to find qualified personnel in some regions, e.g. in Baden-Württemberg. The reasons for this problem on the market are the prospect of a decreasing number of apprentices, inadequate financial rewards and a steady exodus of young people. It is an assignment and challenge for us to make sure the right number of staff of the right quality are available on a long-term basis. Internal promotions account for one third of our managers. Training of our staff is extremely important to us and we take concerted action to facilitate it. We provide supervision and coaching opportunities at selected locations, in order to increase professional and methodological management skills. Facility managers exchange their experiences at regular management meetings with a view to "learning from the best". We are compiling a personnel development concept with the motto "Personnel development: training and rewards", in order to be one of the best employers on the market. The aims of this concept are integration of employees in the company, promotion of career growth and staff loyalty.

Locations

Financial information

08|09

Management report and Group management report

Annual financial statements

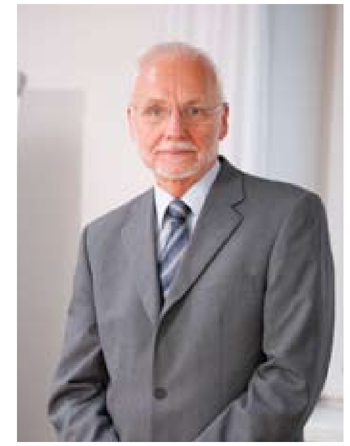
Report by the Supervisory Board

The Supervisory Board


Ulrich Marseille, Chairman


Hans-Hermann Tiedje


Mathias D. Kampmann


Dr. Peter Schneider


Prof. Dr. Matthias P. Schönermark


Uwe Bergheim

The Supervisory Board held a total of six meetings in the 2008/2009 financial year, at which it was informed in detail by the Management Board about the situation of the company and the Group as well as about the strategic alignment of them and monitored the conduct of the business by the Management Board, providing it with appropriate support and advice. On these occasions, the Management Board presented oral and written reports to the Supervisory Board in particular about such issues as corporate and Group planning, profitability and liquidity, the progress made in business operations, the situation of the company and the Group, risk management, compliance and the transactions that have considerable impact on profitability or liquidity. The members of the Management Board also reported to the Chairman of the Supervisory Board regularly about major business transactions, particularly those that required the approval of the Supervisory Board, outside the meetings. The Supervisory Board passed resolutions about these business transactions, including those that involved personnel issues, at its meetings. Due to the regular reports presented to the Chairman and other members of the Supervisory Board by the Management Board, the Supervisory Board was informed about all the activities and business transactions of major importance and involved in the decision-making processes in good time. All the members of the Supervisory Board attended the meetings of the Supervisory Board in the 2008/2009 financial year, with the exception of the meeting on 30 October 2008. Mr Uwe Bergheim had announced that he would not be attending this meeting and did not therefore vote at the meeting in person. He did, however, give his written approval of the motions. The finance committee formed by the Supervisory Board met twice in the 2008/2009 financial year. No conflicts of interest arose within the Supervisory Board in the past financial year with respect to members of the Supervisory Board.

The documents prepared by the Management Board about the 2007/2008 financial year were reviewed at the meetings of the Supervisory Board that were held on 13 and 30 October 2008. The Management Board outlined the main results, background facts and information with respect to the documents for the 2008/2009 financial year and answered the Supervisory Board's questions about them. One important point involved the explanations by the Management Board about the annual accounts for 2007/2008 and by the auditors about their audit report about the (Group) annual accounts and the (Group) management report for the 2007/2008 financial year, which was included in the Supervisory Board's discussion, as were comments and explanations given about it by the auditors. On completion of the review by the Supervisory Board, the annual accounts and the Group annual accounts for the 2007/2008 financial year were approved at the meeting held on 30 October 2008, as were the documents prepared by the Management Board for the Annual General Meeting in December 2008.

Expansion and acquisition activities by the Management Board in the hospital field were another important point at the meetings. In addition to this, the Supervisory Board was informed essentially about the developments in the nursing, rehabilitation, building & facility management and expansion operations and questions about them that were asked by the Supervisory Board were answered. Reports were also presented about individual legal transactions from the contracts and personnel fields that required approval, following which resolutions were passed.

The main issues at the meetings of the Supervisory Board on 11/12 December 2008 were the procedure for taking over shares in a clinic and the draft version of the new rules of procedure for the Management Board.

At its meeting on 27 February 2009, the Supervisory Board focussed on economic developments in the 2008/2009 financial year. The Management Board reported to the Supervisory Board and answered its questions about this subject. The Supervisory Board was also informed about the developments in the nursing, rehabilitation and acute hospital operations. Further points were reports about legal transactions that required approval, following which resolutions were passed.

At the meeting on 28 May 2009, the Supervisory Board discussed the budget, finance and investment plan for the 2009/2010 financial year that was submitted by the Management Board. Further points were information presented to the Supervisory Board by the Management Board about developments in the nursing, rehabilitation and expansion operations. The Supervisory Board received reports about legal transactions and personnel issues that required approval, following which resolutions were passed.

The Supervisory Board advised and monitored the Management Board in its conduct of the business on the basis of the oral and written reports presented by the Management Board, in accordance with the assignments stipulated for it by law and the articles of association. The lawfulness, propriety, appropriateness and economic viability of the conduct of the business by the Management Board were reviewed. This review included not only business activities that were already in progress but also future-oriented decisions and plans by the Management Board. Outside the meetings of the Supervisory Board, the activities by the Management Board in connection with specific business transactions were reviewed and advice was given by means of the inspection of company documents, books and other records by the members of the Supervisory Board on behalf of the Supervisory Board. The insights gained by the presiding committee of the Supervisory Board and the finance committee in this context were included in the reviews made by the Supervisory Board. All in all, nothing arose in the past financial year that would have made it necessary for the Supervisory Board to take any action above and beyond the measures outlined above.

The Marseille-Kliniken AG annual accounts, management report, Group annual accounts and Group management report compiled by the Management Board for the 2008/2009 financial year (including the bookkeeping records) were audited by the auditors chosen at the Annual General Meeting held on 12 December 2008, Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, at the request of the Supervisory Board. An unqualified certificate was issued, with the addition of an informative note. The Supervisory Board reviewed the annual accounts and the audit of them at the meetings held on 23 October 2009 and on 30 October 2009. The auditors took part in the Supervisory Board meeting to review the documents submitted by the Management Board and reported about the results of their audit.

The Management Board presented the main items in the accounts, commented on the management report and explained risks and liability issues as well as the expectations for the current financial year. The Management Board answered questions put to it about the documents by the Supervisory Board. The Supervisory Board approved the outcome of the audit by the auditors. The Supervisory Board shares the evaluation and assessment made by the Management Board in the management report. All in all, the Supervisory Board did not have any reason on the basis of its internal review in the context of the Supervisory Board meetings, including the audit reports by the auditors and the results achieved in the 2008/2009 financial year, to think that the documents submitted by the Management Board might be incomplete or incorrect or needed to be questioned for any other reasons. The Supervisory Board therefore had no objections to raise after it completed its review of the Marseille-Kliniken AG annual accounts, management report, Group annual accounts and Group management report for the 2008/2009 financial year. The Supervisory Board agreed with the results of the audit by the auditors. The Supervisory Board approved the annual and Group accounts prepared by the Management Board as per 30 June 2009 and accepted the proposal made by the Management Board for the appropriation of the profits for the 2008/2009 financial year.

The review of the documents submitted by the Management Board at the meeting held on 23 October 2009 included the report about relationships to affiliated companies compiled by the Management Board as stipulated by § 312 of the German Companies Act (AktG). The auditors audited the report by the Management Board too and informed the Supervisory Board about their findings. The auditors issued the following certificate about the report:

"Following our completion of a thorough audit and evaluation exercise, we confirm that

1. the factual information provided in the report is correct,
2. the contribution made by the company in the legal transactions outlined in the report was not unreasonably high."

Following the completion of its review, the Supervisory Board accepts the results of the audit by the auditors and declares that it has no objections to the statement made by the Management Board at the end of the report about the relationships to affiliated companies.

The Supervisory Board would like to express its thanks to the Management Board and all employees for their commitment and hard work in the 2008/2009 financial year.

Berlin, October 2009

Marseille-Kliniken Aktiengesellschaft
The Chairman of the Supervisory Board

Ulrich Marseille

Marseille-Kliniken Aktiengesellschaft, Berlin

Combined management report and Group management report for the financial year 2008/2009

The management report of Marseille-Kliniken AG has been combined with the Group management report of the Marseille-Kliniken Group pursuant to § 315 (3) of the German Commercial Code (HGB). The risks and opportunities open to Marseille-Kliniken AG as parent company are inseparable from those of the Group as a whole. This management report contains information which, unless otherwise specified, refers to the Group. Information about the situation of the parent company Marseille-Kliniken AG is contained in a separate section.

The consolidated financial statements of the Marseille-Kliniken Group are prepared in accordance with the International Financial Reporting Standards, while the individual financial statements of Marseille-Kliniken AG are prepared in accordance with the principles of the German Commercial Code (HGB) and the German Companies Act (AktG).

Highlights and overview of key Group indicators

On the whole, the financial year 2008/2009 was a difficult one for the Marseille-Kliniken Group. Although the Group continued to grow, there were expenses and one-off effects that put pressure on earnings. Revenues increased to € 235.5 million (previous year: € 228.1 million) and were within the forecast range for the third quarter. Compared with the previous year's balance sheet date, capacity in the nursing care area increased from 7,616 to 7,756 beds, while capacity in the rehabilitation division rose slightly from 1,283 to 1,329 places.

The operating result, adjusted for one-off effects, was at around its previous year's level, even though higher costs burdened it to a degree that was greater than expected. In the reporting year, in contrast to the previous years, there were only negative extraordinary expenses and no positive extraordinary effects.

Group net profit, after taxes and minority shareholdings, was negative at € -13.5 million. In the previous year the corresponding figure was still as much as € 13.7 million, including sale proceeds from pre-tax transactions amounting to € 20.7 million. If the share split - which has not yet taken place - is taken into consideration, earnings per share amounted to € -0.56 (previous year: € 0.57). Based on the original number of 12,150,000 no par value shares, earnings per share amounted to € -1.12 (previous year: € 1.13). However, net cash assets developed in a distinctly less negative fashion at € -4.8 million than earnings ultimately did.

The occupancy rate for the beds provided in the Group came to 92.5 %, compared with 92.4 % in the previous year. With 67 facilities and an average of 5,535 employees, the Marseille-Kliniken Group is a leading listed company operating on the inpatient healthcare market in Germany.

Business operations and strategy

Group organisation and control

Marseille-Kliniken AG has been listed on the stock exchanges in Frankfurt and Hamburg since 1996. The subsidiaries in the nursing, rehabilitation and services divisions are run primarily in the legal form of private limited companies (GmbH) as autonomous legal entities in connection with Marseille-Kliniken AG as parent company. Each of these subsidiaries is allocated to the nursing, rehabilitation or services division. These three divisions comprise the Group's reporting segments for International Financial Reporting Standards (IFRS) purposes. They are managed by independent department heads and supported and monitored by centralised service providers for human resources, finance and controlling, accounting, taxes, information technology, organisational management and marketing. External revenues are earned almost exclusively by the nursing and rehabilitation divisions. The services division generates intra-Group revenues with the other two divisions.

The completion of integrated networking of all information and decision-making processes on a Group-wide basis allows for effective and efficient management. The Group's regularly revised strategic plans constitute the basis of the planning and controlling systems. These take into account and harmonise the expected influence of market development, the latest information technology and the Group's financial possibilities. Plans are normally made for a period of up to five years, but budget planning is made in detail for the following financial year. The budget sets targets for monthly reporting on the asset situation, financial position and profitability of each individual company in the Group and for the Group as a whole. Monthly reports also include wide-ranging controlling data such as key performance indicators, capacity utilisation, qualitative data, and detailed information for ensuring proper control of business and so that risks of failing to attain strategic corporate targets will be recognised even where they are not immediately clear from the figures. These reports provide important information and form the basis for decision-making by the Management Board and the Supervisory Board.

The Supervisory Board advises the Management Board about company management and works closely with the Management Board for the benefit of the company. The Supervisory Board and Management Board liaise to agree on and specify the strategy. The Supervisory Board monitors the Management Board's compliance with legal requirements and regulations, with the company's articles of association and with the recommendations of the German Corporate Governance Code and is involved in all important decisions. The Supervisory Board and the Management Board have issued a statement of compliance with the recommendations of the Federal Commission for the German Corporate Governance Code in accordance with § 161 of the German Companies Act (AktG) and made this available permanently to shareholders on the company's website at www.marseille-kliniken.de

Marseille-Kliniken Group strategy

The focus of our business is on sustaining qualitative growth whilst increasing our earnings base.

Our goal is to establish Marseille-Kliniken as a distinctive brand on the nursing care market which is associated with the success factors of quality, customer orientation, economic viability, marketability and flexibility.

The issue of quality and ensuring quality is already a central element of our business model. Business operations are controlled centrally for all the company's subdivisions with the assistance of specialised IT solutions. The same also applies to training for our employees, which is provided by computer-assisted training programmes (e-learning), allows our employees to carry out the training needed in their areas of responsibility and enables us to meet quality standards in practice. The Group's own Marseille Academy and the eqs.-Institut provide ongoing training for employees. Quality-oriented and forward-looking staff development remains one of the company's most urgent strategic goals. It improves the attractiveness of a career providing nursing care for the elderly and secures availability of qualified personnel. Employee qualification allows us to further develop the specialisations necessary for treating age-related illnesses in our facilities so that we can meet demand and the requirements of our facilities' above-average occupancy.

Categorisation of our product into two-, three- and four-star facilities, based on the amenities offered by the various establishments, allows us to meet the future financial needs of a variety of income categories. We can offer high quality nursing care and excellent service to anyone, regardless of his or her personal income situation.

The new facilities in Meerbusch (150 beds) and Belzig (40 beds) joined the network in the financial year 2008/2009. Although the opening of new facilities in Oberhausen and Waldkirch, with 80 beds apiece, and in Bremerhaven with 200 beds had been planned, these will not be opened until the next financial year. We intend to put our redundant properties back into operation by converting them.

We intend to pursue a strategically important course of action in the two-star segment, as this is precisely where we see considerable pent-up demand. We see considerable growth potential in the assisted living segment which this includes. The success of our practical implementation can be seen in Halle, where we have been providing nursing services to 756 competitively priced apartments in three complexes since mid-2005. In Potsdam, a year after the facilities were opened, an average occupancy rate of 87.6 % was achieved in the financial year ended. Over the next few years we are going to expand our assisted living capacity by up to 3,000 residential units.

We have slightly increased capacity in the rehabilitation division to a total of 1,329 dedicated beds (previous year: 1,283), and the turnaround has been completed. Our goal with regard to the portfolio of eight rehabilitation clinic facilities is still to transfer the operations of these individual clinics and the remaining two operational facilities as soon as the general conditions on the financial markets have shown an appropriate improvement. After the last successful sale-and-leaseback transactions, the breakdown of the Group's property portfolio as of the balance sheet date amounted to about 22 % owned and 78 % leased beds which, by international standards, is a healthy proportion.

We are currently implementing alternative concepts with renewable fuels to counter the Group-wide negative effect of rising energy costs. We intend to counter the increase in other costs by improving our purchasing activities and making targeted savings in personnel and material costs.

We take on the competition in the "old", or western German, federal states with the help of high quality standards, specialisation and staff development. Competition is regional in nature and is not marked by market dominance of individual operators. The major challenge for the future is the financial weakness of the system. The resources available to the nursing care insurance companies, falling pensions and the financial situation in the public sector mean that nursing care rates can be raised only minimally, despite significant increases in energy and food costs. This means that it is more important than ever to combat falling margins with optimum occupancy and effective cost management.

On 1 July 2008 the German government brought the German Nursing Care Reform Act (Pflegeweiterentwicklungsgesetz) into force. This law creates opportunities from the networking of integrative service concepts. Issues such as outpatient/inpatient care, rehabilitation, medical centres and acute medicine are to be reorganised in future years to provide integrated solutions designed to meet the needs of consumers. The implementation of some of these concepts in various pilot programmes will give us a head start on a rapidly developing market.

General economic conditions

The recession has hit rock bottom

Although the mood in the German economy has improved slightly as of mid-2009, a sober observation reveals that the situation remains as desolate as ever. In the winter of 2008, gross domestic product (GDP) was 3.8 % down on the previous quarter. Following the contraction of 2.2 % in the autumn of last year, this was the biggest downturn in the German economy for 80 years. Compared with the first quarter of 2008 – the last positive quarter before the recession – German economic output in the winter of 2008 fell by almost 7 %. The second quarter of 2009, too, brought a painful decrease of around 1 %, but this seems to indicate that the downturn has been checked.

The brighter early indicators, such as that of the Ifo Institute for Economic Research's business climate index, the ZEW Barometer, which is close to the stock markets, and the EU Commission's monthly survey of companies, encouraged hopes of a turnaround during the summer. The stock markets, too, rose sharply between March and June. Many observers remain sceptical, however. The level of incoming orders remains low. The overall level of orders is one third down on the previous year. Companies operating in manufacturing industry have a capacity utilisation level of only around 70 %. Export demand and investment, in particular, have declined steeply. In the first quarter of 2009, exports fell by 9.7 % in real terms, while imports were down by 5.4 %. The year-on-year comparison reveals the full extent of the desolation: in April, exports were 25 % below their previous year's level in real terms, while imports were down by just over 20 %. Investment fell by almost 8 % during the winter, with procurement of machines, equipment and vehicles down by more than 16 %, but construction investment only 2.6 % lower.

Consumer demand is having a stabilising effect. The private consumption climate remains buoyant. Consumers are benefiting from the lower inflation rate. The relatively moderate increase in unemployment as of mid-2009, too, has helped to stabilise the public mood. In June the unemployment rate was 8.1 %, or just over 3.4 million in absolute terms. If the number of unemployed reaches 4 million by the end of the year, as forecast, economic researchers expect the consumer climate to deteriorate markedly.

No end to the crisis will be in sight until the export motor starts up again. Although exports increased by 7 % in the second quarter of 2009, those in important industries such as mechanical engineering and automobiles remained moribund. Few experts believe that there will be a robust recovery in the global economy any time soon. Only the economic data currently being reported by China and India give real cause for hope. The outlook for North America, the second most important foreign market for German companies after Europe, is less positive. For the European region, the European Central Bank expects to see a sluggish recovery from mid-2010 onwards. The risk of further setbacks remains in the financial sector. The banking crisis could flare up again if more corporate loans are defaulted on in a sustained recession. Against this backdrop, the hoped-for recovery remains fragile.

The German health care market

The next reform is just around the corner

The health care market is a guarantor of growth in the German economy. The health care sector provides work for 4.4 million people, in other words one ninth of all the jobs in Germany. At present, moreover, there are no indications that the positive trend might come to an end. As in the difficult economic years between 2001 and 2005, the health care sector is proving to be resistant to crises. Many experts believe that the health care sector can even have a stabilising effect on the economy as a whole. According to the German Federal Statistical Office, spending on health reached a record level in 2007. All in all, the Germans spent almost € 253 billion; this was 3.2 % or, in absolute terms, € 7.8 billion more than in the previous year. This means that on average, each German spent € 3,070 on his or her health. This record result can be qualified a little when one compares it with gross domestic product (GDP). As GDP has likewise increased from year to year, the proportion accounted for by spending on health care has remained constant at a little over 10 % for several years now. Against the backdrop of the current recession, which is affecting the health care market only to a limited degree, the proportion of GDP claimed by health care spending in 2008 and 2009 is likely to show a pronounced increase. Well over half of this spending, € 145 billion to be precise, is covered by the compulsory health insurance funds. The private health insurance funds paid € 24 billion. Half of these funds were received by outpatient facilities such as doctors' surgeries and chemists. Almost a quarter went to hospitals. Spending on nursing care and therapeutic services came to just under € 60 billion.

What happens on the market is determined by three trends that are growing more pronounced from year to year. Firstly, the concentration process is continuing. The enormous cost and performance pressure means that stand-alone facilities have practically no chance of survival any more. Secondly, medical progress and shorter periods of inpatient treatment are necessitating closer interlocking in all the segments of the health care market. Co-operation and the integration of services are required, particularly in acute treatment hospitals and in nursing care and rehabilitation. Integration is being facilitated by new statutory provisions which, among other things, make it easier to establish medical treatment centres. In addition, there is an accelerating development of what are known as health clusters, in which major market players join forces at organisational level. Ultimately, this market is characterised by a pronounced shift towards privatisation. The health care market depends on private capital to fund growth. The public sector is neither in a position to provide the necessary investment in health care facilities nor capable of absorbing the losses made by those facilities. In the hospitals segment alone there is an investment backlog of around € 50 billion which, say experts, can be cleared only by private commercial structures.

As far as reform policy is concerned, the debate is dominated by the introduction of the health fund. The fund, which was set up on 1 January 2009, provides a new set of regulations for the allocation of contributions. All contributions which were previously paid to the statutory health insurance funds are now being collected in the central fund and distributed to the statutory funds according to specific criteria. The standardised contribution was set at 15.5 % for the time being by the Federal Government and reduced to 14.9 % as part of the second economic stimulus package. The health care reform in general, and the central health care fund in particular, remain a controversial topic. They fail in their aim of ensuring that rising costs for health services will not result in the deduction of higher contributions from wages and salaries. The system's financing will continue to be based on the allocation principle. Experts, moreover, regard it as a major error that health insurance funds on a competitive market are having their financial autonomy taken from them, thereby eliminating every last trace of independent flexibility from the system. The nationalisation of the revenue side will have far-reaching consequences. Every fixing of contributions by the state creates a political issue of the first order. It is becoming apparent that the reform itself will have to be reformed, and this can be done now that the German parliamentary elections have taken place.

In the nursing care area, the enactment of the law on the further development of nursing care insurance as of 1 July 2008 is to be followed by another fundamental reform. The goal is to discard the present system of care timed by minutes and improve the care of the increasing number of dementia sufferers. A commission appointed in 2006 has elaborated new criteria for establishing the need for care and tested them successfully in trials. The defining factor is now to be the degree of independence rather than the amount of time required for nursing care. This means that services will also be provided to those who are not entitled at present and have no bodily impairments. The core of the reform is the switch from the present three levels of care, measured by the level of care intensity, to five „levels of need". These are designed to cover everything from low impairment of independence to the most serious impairments with special care needs. How well the individuals in question can look after themselves, the extent to which they adhere to the prescribed therapies, how strongly their behaviour and perception are impaired, how they handle everyday life and how mobile they are, are all assessed. The nursing care funds and care associations have reacted positively. The new notion of nursing care, they say, marks the end of spartan „fed and cleaned" care and takes account of the need for social involvement. The advisory council estimates that the reform, which could not be enacted in this parliamentary session due to lack of time, will cost the nursing care funds between € 200 million and just under € 4 billion in additional funds each year. With current spending totalling just over € 18 billion, this would correspond to a cost increase of more than 20 %. Where the money is supposed to come from has not yet been established.

Profitability of the Marseille-Kliniken Group

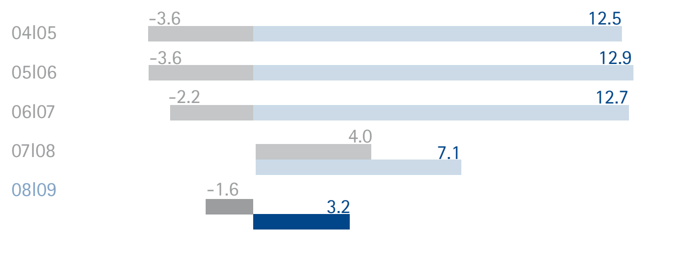
The previous year's figures had to be adjusted in the positions depreciation and amortisation, other operating expenses and interest expenses due to subsequent capitalisations of finance lease agreements. In the previous year, additionally, there was a reclassification from other operating income to cost of materials and from changes in inventories to revenues. For further explanatory notes on this subject, please see the information in the notes under "Balance sheet adjustment" Accordingly, the previous year's figures shown reflect the adjusted figures. The forecast figure of € 5.0 million for earnings before interest and taxes (EBIT) was not achieved. This, however, did not include certain one-off effects totalling € 6.4 million (we refer to the explanatory notes under item "Exceptional factors"). Group EBIT amounted to € -6.8 million.

The reasons for this are diverse and essentially concern write-downs of assets, personnel expenses, energy costs, maintenance and costs incurred in lost court cases. In contrast to the previous years, moreover, there was no positive non-recurring income from the sale of property and shareholdings (€ 20.7 million in 2007/2008).

Revenues

The Group's operating revenues in the financial year 2008/2009 increased to € 235.5 million (previous year: € 228.1 million). This represents an increase of 3.2% or €7.4 million. Of this growth, €0.8 million was accounted for by the existing facilities, €5.1 million by the expansion facilities and €1.8 million by the rehabilitation division. External service revenues were €0.3 million lower.

DVFA result by divisions in €m



Bed capacity as of 30 June 2009 was 9,085 in 67 facilities. As of the previous year's balance sheet date, 8,899 beds were available in 65 facilities. This takes account of an increase of 190 in bed capacity in the nursing care division through the opening of new facilities in Meerbusch and Belzig. Capacity in the rehabilitation division increased by 46 beds due to the use of additional beds in Schömberg. The capacity utilisation rate in the Group was slightly above its previous year's level at 92.5%.

Own work capitalised in the Group
In the previous year, own work capitalised refers to new software developed by the Group. In the reporting year, there was no own work capitalised.

Other operating income
Other operating income amounted to €10.4 million. In the previous year, the corresponding figure was €31.8 million. This substantial reduction resulted from the property disposals that had been made in the previous year. These included the sale of properties, including one in Schömberg, for a profit of €8.6 million and the disposal of six properties in the nursing care division to IMMAC Holding AG, Hamburg, and RP & C International/ Public Service Properties Investments Ltd., London, for a total of €11.4 million. In the previous year, moreover, a sum of €0.7 million from the sale of Held Bau Projekt Steuerungsgesellschaft mbH was not included in the figures. The remaining other operating income was below its previous year's level at some €0.7 million.

Group earnings
Total Group earnings amounted to €246.0 million (previous year: €260.0 million). If the income from disposals in the previous year, as explained above in relation to other operating income (€20.7 million), is excluded, Group earnings in the previous year were €239.3 million. Calculated in this way, Group earnings increased by €6.7 million, or 2.8%, in the financial year ended.

Expenses
At €32.5 million, the cost of materials is €3.1 million, or 10.5%, higher than in the previous year. Expenses for raw materials, consumables and supplies have increased by €2.5 million to €28.1 million as against the previous year (€25.6 million). The main reason for this development was an increase of €2.1 million in energy costs. In connection with this it must be noted that heating oil costs alone increased by €1.4 million, not least because of a heating oil hedging transaction that was entered into and resulted in a loss of €0.7 million. The cost of purchased services increased from €3.8 million to €4.4 million due to greater utilisation of external services.

Personnel expenses increased by €5.0 million to €124.4 million, mainly because of higher revenues and the fact that new facilities were put into operation. The average number of employees in the financial year 2008/2009 was 5,535, compared with 5,309 in the previous year.

Amortisation and depreciation of intangible assets and property, plant and equipment respectively amounted to €10.4 million, compared with €9.8 million in the previous year.

Other operating expenses increased from €78.8 million in the previous year to €84.3 million. This includes an increase in rental and lease expenses from €41.6 million in the previous year to €46.9 million. The reason for this is to be found in the sale-and-leaseback transactions that were conducted in recent financial years, which led entirely to rental expenses in the financial year ended. Other significant cost increases were incurred with external staff costs and staff procurement costs, which exceeded their previous year's figure by €1.7 million. In the financial year ended, moreover, provisions for bad debts amounting to €3.7 million had to be set up, compared with €1.5 million in the previous year. This figure also includes a provision amounting to €1.0 million for a claim against the Trump Organisation. Legal and consulting costs moved in the opposite direction, falling by €1.0 million to €6.3 million. Aside from the above, other operating expenses decreased by €2.2 million altogether compared with the previous year.

Exceptional factors that had a negative impact on the operating result
Group earnings before tax amounted to €-10.9 million (previous year: €16.7 million). In contrast to the previous years, earnings were not influenced by any positive exceptional factors from the sale of property or other assets. Negative exceptional effects, on the other hand, were in our opinion caused essentially by costs from value adjustments, lost legal disputes and start-up costs for various facilities.

In detail:

- €8.6 million in initial and start-up costs for facilities such as the AMARITA facility in Hamburg (€3.0 million), the Türk Bakim Evi facility in Kreuzberg, Berlin (€1.4 million), the new facilities in Meerbusch (€1.5 million), the new Pflegeklinik Schömberg (€0.7 million), Allgemeine soziale Dienstleistungen gGmbH (€0.5 million), Medina Belzig (€0.4 million), MVZ Hennigsdorf (€0.1 million) and initial costs for the facilities in Waldkirch, Oberhausen und Bremerhaven (€0.4 million) which are to be opened in 2009/2010. To this can be added the costs incurred with the Group's expansion endeavours in the acute treatment hospitals segment (€0.6 million).

In the previous year, on the other hand, initial and start-up costs amounted to €7.4 million.

- €7.9 million in extraordinary expenses and losses, primarily as a result of the impairment test for assets (€3.0 million), for ongoing expenses incurred at the currently redundant facilities in Waldkirch, Reinerzau and Bad Oeynhausen (€1.5 million), expenses from lost legal disputes (€1.2 million), expenses incurred for the external audit (€1.2 million) and other expenses (€1.0 million).

In the previous year, this block of extraordinary expenses amounted to €9.7 million.

In addition, the previous year's figure included €19.6 million in countervailing earnings from transactions with property.

All in all, the exceptional factors amounted to €16.5 million (previous year: €-2.5 million). This means that earnings, before taxes and these exceptional factors, amounted to €5.6 million (previous year: €14.2 million).

Operating result and key performance figures
EBITDAR, including other taxes, fell from €73.8 million to €50.6 million and EBITDA from €32.3 million to €3.6 million. EBIT, including other taxes, decreased from €22.5 million in the previous year to €-6.8 million. EBT amounted to €-12.1 million, compared with €16.5 million in the previous year. The reasons for this can be found in the aforementioned explanatory notes on the earnings position. The previous year's key figures were influenced in particular by asset disposal gains on transactions totalling €20.7 million. Without this transaction income, the comparable EBITDAR figure in the previous year amounted to €53.1 million and is €2.5 million lower in the reporting year. The comparable EBIT figure from the previous year was €1.8 million, compared with €-6.8 million in the reporting year.

The EBITDAR margin was 21.5%, compared with 31.4% in the previous year; the EBITDA margin of 1.5% is substantially lower than its previous year's figure of 13.7%; and the EBIT margin fell sharply from 9.5% to -2.9%.

Financial results
The financial result is €-5.3 million, an improvement of €0.6 million compared with the previous year's figure of €-5.9 million. The reason for this is the reduction in financial debt arising from the repayment of loans following property transactions in the previous year. Results were burdened additionally by the fact that the external tax audit for the period 2001 to 2004 made it necessary to set aside interest on subsequent tax payments in the amount of €0.6 million.

Tax expenses
At €1.5 million, income taxes were below their previous year's level of €3.3 million. The reasons for this are, firstly, the Group's poor overall result and, in a contrary development, the further provisions that were necessitated by the completion of the external tax audit for the period from 2001 to 2004. Other taxes increased by €0.9 million, also as a result of the aforementioned tax audit.

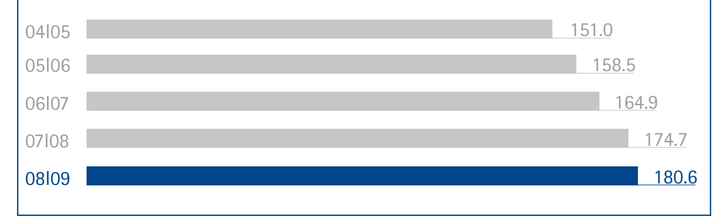
Group net profit/loss
After taxes of €2.7 million, there was a Group net loss for the year amounting to €-13.6 million (previous year: €13.2 million) before minority shareholdings and to €-13.5 million (previous year: €13.7 million) after minority shareholdings.

Earnings per share / Dividend
Earnings per share amounted to €-0.56 (previous year: €0.57). This figure takes into account the share split which was resolved by the Annual General Meeting on 12 December 2008 and entered in the Commercial Register on 5 February 2009 but which has not yet been implemented on the stock market. This split increases the number of no par value shares from 12,150,000 originally to 24,300,000. Based on the original number of 12,150,000 no par value shares, earnings per share amounted to €-1.12 (previous year: €1.13). The Management Board and the Supervisory Board will recommend to the Annual General Meeting that no dividend be paid (previous year: € 0.25) and that the net profit of Marseille-Kliniken AG be carried forward.

Profitability of the divisions
Nursing care segment
In the care for the elderly segment, the capacity increase has made progress and revenues have been further increased. The new facilities opened in Meerbusch and Belzig and the new product area of two-star comfort for assisted living and inpatient care for the elderly in Potsdam confirms our growth expectations for the future. Available bed capacity increased to 7,756 beds (previous year: 7,616 beds).

At 92.3%, occupancy in the existing facilities was below its previous year's level of 93.3%. In the expansion facilities the occupancy rate was 57.4%, compared with 47.6% in the previous year. The two segments combined achieved an occupancy rate of 89.1%, compared with 89.3% in the previous year. Revenues in the nursing division increased by €5.9 million to €180.6 million (previous year: €174.7 million).

Nursing division sales in €m



Despite the cooperative arrangement with the neighbouring Marienkrankenhaus, the AMARITA Hamburg-Mitte facility, with a bed capacity of 336 nursing care places, has not achieved the positive results trends that we expected from the inauguration of a persistent vegetative state ward and dementia care unit using the secure yet resident-friendly chip concept quality-optimised by Marseille-Kliniken AG.

The two-star residential facility in Kreuzberg, Berlin, which was opened in February 2007 and specialises in the religious and cultural needs of customers of Turkish origin, has further improved its occupancy rate and increased its revenues. Even though earnings remain well short of break-even level, the facility's loss has been considerably reduced.

The facilities in Meerbusch were delayed in joining the network, with the result that the losses in 2008/2009 were greater than expected after all. We are nevertheless satisfied with the trend in occupancy now and are expecting a correspondingly high contribution to earnings in 2009/2010, particularly since break-even point was reached in the first quarter of 2009/2010.

The performance of the new nursing care facilities in Schömberg and Belzig is likewise unsatisfactory and is putting a great deal of pressure on earnings. The initial costs for Oberhausen, Bremerhaven and Pflegeklinik Waldkirch, none of which can be opened before 2009/2010, resulted in further loss contributions.

As well as the higher losses incurred in the expansions in the nursing care segment, the statements made in explanation of the Group's earnings position also refer mainly to the nursing care segment. Neither is there, as had been the case in the previous year, income of €5.8 million in the segment from property transactions. This led to what was only a slightly positive figure for earnings before tax, compared with the previous year.

Rehabilitation segment

In the rehabilitation segment as a whole, there was a pleasing increase in revenues to € 53.9 million (previous year: € 52.1 million). This is all the more remarkable because the acute treatment hospital in Büren suffered a considerable decrease in its revenues and results. Capacity in the segment totalled 1,329 beds. The occupancy rate in the rehabilitation clinics in the financial year was 93.3 % compared with 90.4 % in the previous year. We still intend to sell the rehabilitation clinics. Whether such a sale can be realised within one year cannot be estimated with sufficient certainty against the backdrop of the current financial crisis. In contrast to the previous year, however, the segment result is negative overall. The main reason for this is that in the previous year, a non-recurring effect from the sale of properties, including one in Schömberg, amounting to € 8.6 million was included in the figures, lease payments in relation to Fachklinik IA GmbH in the financial year 2008/2009 had to be paid and a write-down had to be made for the redundant property in Blankenburg.

Rehabilitation division sales in € m

The possibilities of acquiring acute treatment hospitals in Germany were examined in the financial year 2008/2009. All in all, few clinics were for sale in the period in question as a result of, in particular, the upcoming state and national (Bundestag) elections. In our opinion these were being offered for excessively high prices, and as a result we could see no prospects for sustained profitability. Against this market backdrop, a prolongation of the time-limited contract of the Management Board member Mr Gardosch was not expedient.

Services segment

This segment is not only an important part of the Group's growth strategy of improving the whole supply chain, but also critical to our quality strategy. Its activities are based on the principle of providing our customers with a wide-ranging spectrum of hotel-style services to reduce pressure on our facilities. This frees up employees to concentrate on their core competencies in the areas of nursing care, rehabilitation and assistance. The services division remains an integral part of our medical strategy and secures optimum coverage of the home needs of our customers.

Services division sales in Mio. €

We have continued to concentrate on the enhancement and monitoring of and compliance with our quality standards, which are pioneering in our sector. Our corporate organisation is reliant on transparency and information networks and consists of a comprehensive quality management system based on central, uniform quality control for daily operations, regular audits and constructive complaint processes. We have also been the first nationally operating company to publish a Group-wide quality report.

Safeguarding defined high standards of quality for the purchasing and sourcing of goods and services secures us a competitive advantage.

The service companies Pro F&B, ProMint, ProWork and ProTec provide an excellent complement of services based on the quality standards of the parent company, Marseille-Kliniken AG. Held Bau Consulting, our hitherto project management company, was sold to DL Holding GmbH, a related company, in the reporting year. Our strategic orientation of advancing growth in outpatient care in assisted living facilities had prompted us to sell the company. Any construction activities which the Group may require in the future will be contracted out to external providers.

With its training and occupational development academies (Marseille Academy, eqs.-Institut), Marseille-Kliniken AG fulfils its high quality standards by providing staff training at the highest professional level and in a manner that is always oriented to the latest scientific developments.

VDSE and DaTess are in charge of providing centralised control and monitoring functions and integrated IT networks for the whole Group. They make it possible for the Marseille-Kliniken AG Group to offer transparency of information and decision-making at all times.

The services segment generates revenues almost entirely with Group companies. In the reporting year, it posted external revenues of € 1.0 million (previous year: € 1.3 million). The segment's result, in contrast to the previous year, was not influenced positively by the substantial sum of € 5.6 million earned with property sales. In addition, contracts between the service companies and the facilities and rehabilitation clinics were adjusted to the detriment of the segment result. Other largely adverse effects on the result were caused by provisions for bad debts, a loss from SWAP transactions, costs incurred in the acquisition endeavours in the hospitals segment and the increase in tax provisions as a result of the external tax audit that was completed for the period from 2001 to 2004.

Assets situation of the Group

The previous year's figures had to be adjusted essentially because of the capitalisation of finance lease contracts, the removal of assets from the accounts and reporting adjustments. As a result, the balance sheet total increased by € 2.1 million. For further explanatory notes on this subject, please see the information in the notes under "Balance sheet adjustment" Accordingly, the figures shown for the previous year reflect the adjusted figures.

The number of companies included in the Group consolidation in the financial year was 133. The insolvent company Fachklinik IA GmbH, Bad König, was removed from the consolidated entity. This resulted in income of € 0.5 million. However, there were no further significant effects on the asset situation, financial position and profitability of the Group as a result of changes to the group of consolidated companies.

Non-current assets totalled € 179.9 million as of 30 June 2009 and were unchanged from the previous year. Unlike in previous years, there were no property sales in the financial year. Intangible assets increased by € 0.3 million and other financial assets by € 0.3 million. Property, plant and equipment fell by € 0.1 million. Similarly, deferred tax assets are € 0.4 million lower than in the previous year.

Current assets amounted to € 46.7 million, which represents a decrease of € 14.7 million compared with the previous year. Inventories were € 0.2 million lower than in the previous year. Trade receivables decreased by € 0.7 million. All in all, other receivables were € 9.3 million lower than in the previous year. The principal reason for this was the receipt of € 5.6 million from IMMAC Holding AG, Hamburg, from the previous year's property transaction. Other factors were additional value adjustments of € 2.2 million, a decrease of € 0.4 million in prepaid expenses, and a reduction of € 0.5 million in subsidy receivables. The loan of € 4.5 million granted to Mr Ulrich Marseille in the previous year, offset against the purchase price for the outpatient nursing service for assisted living in Gera which had been earmarked for acquisition in the financial year 2008/2009, was not settled because the condition for the acquisition - that the company being acquired should break even - was not satisfied. The purchase price of € 0.8 million due from the sale of Held Bau Consulting Projekt Steuerungsgesellschaft mbH was settled as agreed as of 31 December 2009. Cash and cash equivalents decreased from € 14.4 million to € 9.6 million.

Balance sheet equity amounted to € 25.2 million (previous year: € 42.5 million). Equity plus 84.2 % (previous year: 84.2 %) of deferred investment subsidies amounted to € 62.6 million, compared with € 82.5 million in the previous year. The ratio was 27.6 %, compared with 34.2 % in the previous year. Non-current loan capital accounted for 52.4 % (previous year: 51.8 %) of the balance sheet total. If 15.8 % (previous year: 15.8 %) of the deferred investment subsidies are taken into account, the proportion is 35.9 % (previous year: 35.2 %). Non-current liabilities have decreased from € 124.9 million to € 118.7 million. The reasons for this are to be found in the reduction in non-current liabilities to banks, the decrease in deferred investment subsidies and the reduction in deferred tax liabilities that resulted from the release of reserves at individual company level amounting to € 3.9 million pursuant to § 6b of the Income Tax Act (EStG). Current liabilities have increased by € 8.9 million, from € 73.8 million in the previous year to € 82.7 million. This results from the increases of € 6.4 million in trade payables, € 2.9 million in current financial debt, € 1.8 million in other current liabilities and € 0.1 million in current tax liabilities. On the other hand, there were reductions of € 2.3 million in provisions.

All in all, the assets position has changed in such a way that due to the belated capitalisation of the finance lease contracts, the asset side of the balance sheet total increased by € 5.1 million in property, plant and equipment, of which € 3.4 million was included in the previous year. Accordingly, adjustments to non-current and current financial debt were made on the liabilities side. The most significant developments on the assets side were the reductions in other receivables and cash. The principal developments on the liabilities side were the increases in trade payables and current financial debt. Equity decreased in accordance with the substantial loss.

Financial position of the Group

Financing

The Group will use either its own financial resources to cover the necessary financing for its expansion in new facilities or work in conjunction with property investors from whom the new facilities are to be leased long-term. In addition to this, there are short- and long-term credit lines with several financial institutions independent of one another. The Group's current account credit lines amount to € 25.5 million (previous year: € 25.4 million). Of this amount, € 23.3 million had been utilised by the balance sheet date. There is an additional credit facility for acquisitions amounting to € 4.5 million, which was utilised in full.

Despite the Group's loss of € -13.5 million, the development of net cash assets was considerably less negative at € -4.8 million. Trade payables increased in the financial year ended because the company standardised and increased payment periods with the most significant suppliers with the objective of further optimising financing costs. Since the sale of Held Bau Consulting Projekt Steuerungsgesellschaft mbH in the previous year, moreover, the liabilities from current trade transactions with this company in the amount of € 2.3 million must henceforth be included additionally in the Group's trade payables.

In respect of the four current account credit lines granted by the four commercial banks, one bank will reduce its facility from € 10.0 million to € 5.0 million as of 31 December 2009 with the result that all the banks will then have the same commitment.

Thanks to an anticipated positive cash flow in the financial year 2009/2010 due to a positive trend in occupancy, decreasing start-up losses, clear effects of cost reductions that have already been initiated, and the planned partial or full sale of all eight rehabilitation clinics and the opening up of further sources of finance, there is sufficient potential to counteracting this development.

Net financial debts as of 30 June 2009 amounted to € 74.3 million, compared with € 68.1 million in the previous year.

Cash flow statement € '000	30.06.09 € '000	30.06.08 [1] € '000
Earnings before interests and taxes (EBIT)	**-6,803**	**22,473**
Financial results	0	0
Tax expenses	0	0
Operating result	**-6,803**	**22,473**
Non-cash item outgo/income	12,316	2,281
Taxes on income	-2,044	-3,606
Other changes in the cash flow from operating activities	171	-8,143
Decrease/increase assets/liabilities	3,674	-17,428
Net cash flow from investing activities	-409	61,891
Net cash flow from financing activities	-11,707	-52,793
Decrease (previous year: increase) monetary equivalents	**-4,802**	**4,675**
Increase/decrease of cash and cash equivalents	-4,802	4,675
Cash and cash equivalents at 01.07.08	14,433	9,758
Cash and cash equivalents at 30.06.09	**9,631**	**14,433**
The composion of cash and cash equivalents	9,631	14,433

1) The figures quoted for the previous year are the adjusted figures. Further details about this can be found in the Notes.

Cash flow

The previous year's cash flow statement has been adjusted. Essentially, this had a positive impact on cash flow from investment activity and a negative impact on cash flow from operating activity. The backdrop to this was the correct presentation of the property transactions that took place last year and the adjustment necessitated by the capitalisation of finance lease contracts. Further details can be found in item "Balance sheet adjustments" in the notes.

Cash flow from operating activity amounted to € 7.3 million. The principal reason for this is the change in net current assets. Cash flow from investment activity was negative at € -0.4 million because there were investments in intangible assets, expansion, outdoor facilities and factory and office equipment. Cash flow from financing activity amounted to € -11.7 million as a result of redemptions of loan obligations, interest paid and dividend payments.

The total result is a net inflow in the amount of € 4.8 million.

Group investments

The bulk of investment volume by Marseille-Kliniken AG was in the nursing care division. All in all, investments in intangible assets (€ 2.3 million) and property, plant and equipment (€ 10.1 million) amounted to € 12.4 million. The most significant additions to tangible assets were the properties and the facilities under construction in Waldkirch, Eberswalde, Gengenbach and Koppenbergs Hof (€ 3.5 million). The disposals concern, first and foremost, the plot in Willstätt-Sand (€ 0.2 million) and factory and office equipment (€ 0.2 million).

Research and development

No health care company can survive in the long term unless it keeps pace with, or even pioneers, the rapid and challenging developments in the medical field. That is what makes research so important for Marseille-Kliniken AG.

Today more than ever, nursing care for the elderly needs to be provided on a sound scientific basis. This area still needs to be optimised in many geographical areas and it is still rare for scientific research to be translated into practice. Accordingly, universities will have to carry out research in this area that is both scientifically sound and practically viable. Marseille-Kliniken AG would like to make its contribution to supporting such pioneering research.

Research results have particular priority for the company as far as the development of new treatment and facility concepts for the benefit of residents and patients is concerned.

In this context, for example, an IT-supported security concept for nursing care residences has been developed and implemented. A special identity card is available at select locations to allow visitors, in particular, to see their relatives in the care facility even outside of normal visiting hours.

The establishment of the Marseille Academy was a further milestone for Marseille-Kliniken AG. The academy guarantees that new findings and guidelines are implemented quickly. This means precise communication, training and qualification of the staff. This in turn allows the Marseille Academy to optimise its information and know-how management in the Group and facilitates consistent quality of training for all employees so that the current requirements of the health care market can be met.

The full integration of our e-learning system ensures that employees throughout the Group can undertake courses in their areas of responsibility and implement our quality requirements in practice.

Other factors affecting earnings

Quality and product offensive

With its leading quality concept, its brand strategy and its product expansion and differentiation, Marseille-Kliniken AG has created a unique marketing and service mix on the German nursing care market which is crucial to the further dynamic and profitable growth of the Marseille-Kliniken Group, and continues to increase the satisfaction of its customers and business partners with its performance and reliability. We have also published our first Group-wide quality report, which is based on internal audits in accordance with the guidelines of the MDK (Medical Review Board of the German Statutory Health Insurance Funds) and the results of surveys carried out with patients' relatives. Our decision to bring attention to the problem of quality in nursing homes will be of benefit to us. We have had the structures and processes of our quality management system certified externally. As part of a pilot project, three facilities have received the "KTQ" care certificate which stands for cooperation, transparency and quality in the health care sector. In March 2009, all of our care facilities, as well as the corporate head office with its subsidiaries, were collectively certified in accordance with DIN EN ISO 9001:2008, which gives us a unique selling point in Germany among private providers operating on a nationwide basis.

Customer acquisition and support

The permanent expansion of our selling activities is supported with targeted, high-visibility and customer-oriented multichannel pitches. Successful liaison and cooperation with local companies, service providers and public authorities and, last but not least, the exemplary dedication and professionalism of our employees all play an important part in the acquisition of new customers and the provision of customer care.

The centralised analysis and control of all sales activities by our customer relationship management (CRM) unit provides all involved parties within the company with the information they need to measure and improve quality and performance on an ongoing basis.

Procurement

By bundling the Group's purchasing activities, our quality-oriented procurement generates advantages throughout the Group which have a direct impact on corporate results, partly by absorbing general price increases. This applies to the purchasing of consumable supplies, capital goods, consumer durables and perishables, and also to services in food and beverages, laundry, cleaning and maintenance, energy and facility management, and service and administrative functions. We nevertheless see further potential in this area which could be generated within the framework of cost reductions.

Suppliers are selected in accordance with strict quality and commercial standards, with the services being provided by Group companies themselves or by suitable business partners.

Employees

As of 30 June 2009, the Group employed 5,553 employees (previous year: 5,295). Our employees' expertise and their identification with our Group play a crucial part in our success.

The Marseille Academy offers all employees the chance to take part in training programmes and seminars based on a "blended learning" concept. Our e-learning tool uses SAP Learning Solutions to support the administration and implementation of all training procedures. Our priority in this area is to inspire and motivate employees. Each employee can book training programmes either in special e-learning rooms at the facilities or on his or her own workplace PC. Tests taken at the end of the training course validate its successful completion and exceptional performance can also be rewarded.

The concept provides employees with the incentive to further their qualifications for the benefit of the company. It guarantees the company high potential employees and a lasting safeguard of quality in the company's facilities and corporate processes. We promote ongoing education, training and skill enhancement for our employees. Our pay is above average and we also offer additional performance-based incentive schemes.

Marseille-Kliniken AG has set up a superannuation fund with Allianz Pensionskasse AG to create a pension fund for all its employees. The employees and the employer pay equal contributions into this pension fund. The pension scheme enables employees to increase their statutory pension rights by up to 30 per cent. In this way, Marseille-Kliniken AG offers its employees a crisis-proof and highly effective addition to their state pension entitlements. This model demonstrates our interest in the long-term loyalty of our employees, which is the crucial success factor for us as service providers.

Individual financial statements of Marseille-Kliniken AG

Marseille-Kliniken AG has its registered office in Berlin and is the listed parent company of the Marseille-Kliniken Group. The Management Board of Marseille-Kliniken AG also manages the Marseille-Kliniken Group.

The annual financial statements of Marseille-Kliniken AG are prepared in accordance with requirements of the German Commercial Code (HGB) and the German Companies Act (AktG) and provide the basis for calculation of the dividend. Marseille-Kliniken AG's revenues amounted to € 16.9 million, € 0.6 million below the previous year's level of € 17.5 million. As in the previous year, these result from nursing care facilities.

Other operating income fell from € 31.0 million to € 24.9 million. In the previous year, income of € 5.6 million resulting from the transfer of purchase options for six properties was included. Also reported in the previous year were reversals of special accounts with reserve characteristics (§ 6b of the Income Tax Act (EStG)) amounting to € 4.0 million with effect on income. In the reporting year, € 1.6 million was reversed with effect on income.

The cost of materials again rose, this time by € 0.6 million to its current level of € 5.5 million (previous year: € 4.9 million). This results from a heating oil hedge transaction that was concluded and produced a loss of € 0.7 million.

Personnel expenses have increased over the previous year by € 0.3 million to € 9.5 million (previous year: € 9.8 million).

Depreciation and amortisation of fixed assets and property, plant and equipment respectively increased over the previous year from € 0.6 million to € 0.8 million. This results from the capitalisation at € 1.2 million of an intangible asset for a concept for constructing a specialised incontinence centre; this is being amortised over a period of three years.

Depreciation and amortisation of current assets amounted to € 2.5 million (previous year: € 4.1 million). These included provisions for the claims against the Trump Organisation, New York, in the amount of € 1.0 million, claims against St. Nikolaus Hospital Büren GmbH and Allgemeine soziale Dienstleistungen GmbH amounting to a combined total of € 0.5 million, and claims totalling € 0.6 million against WCM AG. In the previous year, the amortisation referred mainly to claims against AMARITA Hamburg-Mitte PLUS GmbH and Senioren-Wohnpark Montabaur GmbH.

Other operating expenses increased from € 32.2 million in the previous year to € 33.5 million. Rental and leasing expenses and property taxes increased by € 0.9 million. Legal and consulting costs increased by € 0.4 million and external personnel expenses by € 0.5 million. The combined total for other expenses has decreased.

The financial result of € 10.3 million (previous year: € 8.7 million) is derived from investment income of € 1.0 million (previous year: € 1.2 million), the net difference between income from profit-sharing agreements and expenses from assumption of losses in the amount of € 10.4 million (previous year: € 15.5 million) and from the balance from interest income and expenses in the amount of € -0.7 million (previous year: € 0.5 million). Under income from profit-sharing agreements, it should be noted that this also include the release from special accounts with reserve characteristics set aside for tax purposes in previous years (§ 6b of the Income Tax Act (EStG)) € 1.5 million from Algos Fachklinik Bad Klosterlausnitz GmbH. The previous year's figures included income from releases such as these in the amount of € 5.5 million relating to Senioren-Wohnpark Hennigsdorf GmbH and Senioren-Wohnpark Bad Langensalza GmbH. The financial result for the reporting year also includes write-downs of securities reported under current assets amounting to € 0.4 million. This was caused by the write-down of treasury shares as of the balance sheet date. In the previous year, amortisation of financial assets totalled € 8.5 million. This was due mainly to the necessary write-down of the investment in Karlsruher-Sanatorium-AG in the amount of € 7.1 million. In the previous year, a further write-down of € 0.6 million was carried out on the investment in VDSE GmbH. The investment in Senioren Wohnpark Aschersleben GmbH, too, had to be adjusted downwards by € 0.3 million in the previous year.

In the individual financial statements, results from ordinary activities amounted to € 0.3 million (previous year: € 5.6 million). As in the previous year, the positive result was due not least to the reversal of special accounts with reserve characteristics (pursuant to § 6b of the Income Tax Act (EStG)) totalling € 3.1 million (previous year: € 9.5 million).

The taxes on income and other taxes in the reporting year include amounts not related to the period in question totalling € 1.3 million which were set aside because of the external tax audit.

The net loss for the year of the AG amounts to € -2.1 million (previous year: net profit € 3.9 million).

The company does not plan to pay a dividend (previous year: € 0.25) but instead to carry the net profit of Marseille-Kliniken AG forward.

Marseille-Kliniken AG's fixed assets have not changed significantly. In connection with this, it is worth mentioning the addition to intangible assets represented by the capitalisation, amounting to € 1.2 million, of the concept for constructing a specialised incontinence centre, which is being amortised over three years. Total fixed assets amounted to € 97.7 million (previous year: € 96.1 million).

Receivables and other assets include claims of € 77.3 million (previous year: € 85.6 million) from affiliated companies. Amortisations with a combined total of € 0.5 million were carried out on receivables from Allgemeine soziale Dienstleistungen GmbH and St. Nikolaus Hospital Büren GmbH. Other assets amounted to € 13.0 million (previous year: € 19.4 million). Other assets in the previous year included the receivable of € 5.6 million from the transfer of purchase options amounting to € 5.6 million, which was paid in August 2008. As of the balance sheet date 30 June 2009, this figure still contains € 4.5 million that was granted as a loan to Mr Ulrich Marseille in the previous year and is scheduled to be offset against the purchase price for the outpatient nursing service for assisted living in Gera. The purchase, however, was not completed in the financial year 2008/2009. In addition, the purchase price receivable amounting to € 0.8 million owed by DL-Holding GmbH, a related company, from the sale of Held Bau Consulting Projekt Steuerungsgesellschaft mbH has not yet been settled. The settlement is scheduled for 31 December 2009 at the latest, as agreed. There are also receivables of € 1.5 million owed by the tax authorities. The receivable from the Trump Organisation has been reduced from € 1.0 million to € 0.5 million for amortisation-related reasons.

Working capital had decreased by € 0.8 million to € 3.2 million (previous year: € 4.0 million) as of the balance sheet date. The negative net liquidity, or working capital less liabilities to banks, increased from € -42.9 million in the previous year to € -43.6 million.

As in the previous year, provisions for pension obligations amounted to € 0.5 million. Other provisions are composed of provisions for taxes in the amount of € 7.9 million (previous year: € 6.5 million) and other provisions in the amount of € 2.8 million (previous year: € 4.1 million). The tax provision contains a provision amounting to € 2.9 million that was formed for an external tax audit for the years from 2001 to 2004. In the other provisions, the sum of € 0.7 million was reversed with effect on income because the reasons for the risks that were covered by this provision no longer apply.

Liabilities include liabilities to banks in the amount of € 46.8 million (previous year: € 46.9 million). Trade payables are € 1.6 million higher than in the previous year at € 2.2 million. Other liabilities essentially include € 77.6 million (previous year: € 86.9 million) in liabilities to affiliated companies.

Total assets amount to € 192.6 million (previous year: € 206.5 million), with 73.4 % (previous year: 71.9 %) of this sum being financed by loans. The loans consist mainly of provisions of € 11.1 million (previous year: € 11.0 million) and liabilities of € 129.7 million (previous year: € 137.0 million).

Risks to which Marseille-Kliniken AG is exposed in its individual financial statements are that the remaining carrying amount of the investment in Karlsruher-Sanatorium-AG amounting to € 33.0 million depends on how far the underlying plans of the subsidiaries of KASANAG succeed in reaching their targets (or in the event of the subsidiaries being sold, the extent to which the sale price justifies the reported value) and the degree to which the milestone plans drawn up for KASANAG's redundant properties can be implemented. With regard to this, we also refer to our explanatory notes in the section "Strategic risks and risk situation of the Group".

As of the balance sheet date 30 June 2009 the company had receivables from affiliated companies of € 77.3 million and liabilities to affiliated companies of € 77.6 million. These include receivables of € 43.6 million and liabilities of € 48.7 million relating to companies with which controlling agreements and profit transfer agreements have been concluded. As far as the receivables from affiliated companies are concerned, in particular from AMARITA Hamburg-Mitte PLUS GmbH (€ 10,262,000), VDSE - Verwaltungsdienstleister sozialer Einrichtungen GmbH, with which there is a profit transfer agreement in place (€ 5,248,000), Fachklinik Blankenburg GmbH, with which there is a profit transfer agreement in place (€ 4,651,000), Senioren-Wohnpark Montabaur GmbH (€ 4,192,000), Türk Bakim Evi Pflegeeinrichtung Berlin-Kreuzberg gGmbH (€ 3,796,000), Marseille-Akademie GmbH, with which there is a profit transfer agreement in place (€ 3,581,000), Betrium 49 Vermögensverwaltungs GmbH (€ 2,452,000), Allgemeine soziale Dienstleistungen gGmbH (€ 1,951,000) and St. Nikolaus Hospital Büren GmbH (€ 948,000), these will be regarded as recoverable only if the plans for these companies can be realised.

In the Trump legal dispute we still believe that our chances of success are high and see no reason to make a full value adjustment.

Group risk report

Risk management system

Marseille-Kliniken's commercial activities expose it to various risks which are inseparable from those activities. Our principle of risk limitation is that we expose ourselves only to risks which are manageable within the recognised methods and systems of our organisation.

Our central risk management system is rooted in our organisational manual and the relevant risks are brought together in a risk map which is regularly updated so that the Management Board is informed regularly about the status and development of existing risks. In addition, the central management and the controlling division guarantee the timely availability and evaluation of information on the Marseille-Kliniken AG Group's asset situation, financial position and profitability with relevance for decision-making. A detailed, multi-stage, IT-supported planning and control system includes the implementation and realisation of, and adherence to, standardised risk policy principles. The integrated Group-wide reporting system ensures that all risk-relevant data and case facts supply the decision-makers with accurate and prompt information at all times. It shows the degree of adherence to targets at all times and functions as an early warning system for changes relating to revenues, costs, quality and market competitiveness.

There are specialist departments whose additional focal point is to deal with legally relevant regulations.

Risk management is therefore an integral part of company management and is integrated into all business processes.

External and sector risks

The economic situation remains unchanged and is marked by increasing dynamism of competition, market consolidation and increasing quality demands by residents, patients and legislators. This causes the occupancy risk to increase. There are also calls for a quality seal for care facilities.

The legal requirement of having qualified employees in our facilities can lead to an increase in labour costs, as finding qualified personnel remains a persistent problem. We promote human resources measures to bind high quality employees to our company. We cultivate the ongoing education, training and skill enhancement of our employees, also in order to realise our special concepts. Our pay is above average and we also offer additional performance-based incentive schemes.

The issue of the minimum wage will affect our Group, too. We regard minimum wages as sensible. The resultant increase in costs will be manageable for our Group.

Economic performance risks

Risks arising from nursing care, treatment and quality of supervision care are minimised on an ongoing basis through the development and training of our employees based on the latest scientific knowledge and methods.

In addition, the constant improvement and development of state-of-the-art IT-supported systems enjoys high priority.

Surveys of relatives' opinions and audits by our central quality management unit in the facilities allow us to form an opinion about the services provided and how they have been perceived. We have published our first Group-wide quality report, which is based on internal audits in accordance with the guidelines of the MDK (Medical Review Board of the German Statutory Health Insurance Funds) and the results of surveys carried out with patients' relatives. Furthermore, we have had the structures and processes of our quality management system certified externally. As part of a pilot project, three facilities have received the „KTQ" care certificate which stands for cooperation, transparency and quality in the health care sector. In March 2009, all of our care facilities, as well as the corporate head office with its subsidiaries, were collectively certified in accordance with DIN EN ISO 9001:2008.

The introduction of an internal Group complaint management system and an intensification of cooperation with local advisory committees in the individual facilities and the Group advisory board are bringing about a continuous improvement process by implementing customers' wishes.

In order to implement our quality requirements in practice, our employees receive constant training in our facilities. We support this by means of our Group-wide e-learning courses offered by the Marseille Academy.

Financial risks

Safeguarding the Group's liquidity is a major priority for us. Thanks to permanent monitoring of our liquidity and rolling liquidity planning, we are able to assess risky decisions correctly and thereby largely prevent unforeseen capital requirements from occurring.

Liquidity, commodity (oil) and interest risks are subject to active treasury management and are controlled and secured centrally. Details of the risk management objectives and methods can be seen in the notes to this report.

The turmoil on the international financial markets can lead to a more restrictive credit policy by banks and other financial institutions. At the moment we can still see financing activity by banks and institutional investors on the nursing care market. As for the future, we are preparing for a squeeze on credit as a result of growing pressure on the banks' capital resources. We are countering this risk actively by holding in-depth discussions with our financial partners and by identifying possible hedging instruments or scope for selling assets without any adverse effect on our business operations.

According to our current overall risk estimate, the Marseille-Kliniken Group is not facing any risks from the cost reduction programmes introduced by the Management Board or from the steps that have been initiated to reduce losses in the expansion facilities that can significantly affect its asset situation, financial position and profitability. A sale of the rehabilitation clinics would lead to a considerable improvement in the financial situation.

The company is expecting a distinctly positive cash flow, after redemptions and taxes, in the financial year 2009/2010. This can be used to service planned investments. Assuming that some or all of the existing rehabilitation clinics are sold and further sources of financing are opened up, no significant risks to the fulfilment of our planning assumptions can currently be ascertained.

Legal risks

Risks for Marseille-Kliniken AG from legislative changes to the social security system are minimal. There are continual attempts to stabilise the financial position of the health and nursing care systems by legislative means, but the economic effects of changes in the law have been minimised by the political framework – for example the health care reform which has become law. The reform of German federalism will lead to a differentiation in the laws governing the facilities by the individual federal states, making the situation more complex.

The introduction of the nursing care insurance system was viewed positively by all groups in society. However, the reform enacted in mid-2008 is controversial among experts but will not lead to any impairment in Marseille-Kliniken AG's comfortable estimation of its risks.

Should there be any changes to the legal framework at federal level in Germany, we are convinced that our orientation toward customers and efficiency will maintain our leading position in the competitive environment.

In order to cover risks, decisions and the organisation of business processes are normally made on the basis of comprehensive legal and tax advice.

Individual companies in the Marseille-Kliniken Group are involved in both active and passive legal disputes. The prospects of success in most of these are considered to be sound. In the Fachklinik IA GmbH, Bad König, case several disputes are being heard together by the Regional Court (Landgericht) in Darmstadt. It concerns a contractual obligation to operate even though an expert report has demonstrated that economic operation is not possible. The lessor was presented with an alternative concept, but it was rejected. On this basis, the lease was ended by extraordinary termination on 30 June 2008. On 13 October 2008, Fachklinik IA GmbH filed for insolvency on the grounds of its impending defaulting. In view of the lease, the receiver in insolvency made use of his special termination right as of 31 May 2009. In the financial year 2008/2009, KASANAG paid a monthly flat-rate lease in return for a bank guarantee from the creditor on the basis of a non-binding provisional judgment. In view of the different termination dates and the unresolved question of KASANAG's liability, it can be assumed that there will be a settlement in the last quarter of 2009. Given that the lease payments were already made and are currently still being paid, a provision that we regard as adequate to cover risks was set up. In the legal dispute regarding the Trump case, we regarded it as commercially prudent to make a valuation allowance for the sum of € 1.0 million, even though in the pending proceedings at the court of administration in Berlin the matter has not progressed at all compared with the previous year. We still see good prospects of success.

The completed external tax audit for the years 2001 to 2004 is likely to lead to a subsequent payment for the Group amounting to some € 2.9 million, which we have taken into account with a provision of this amount as of 30 June 2009. If any subsequent payments for the years thereafter come to our attention, these will be included in the provision as well.

We estimate that any utilisation arising from existing letters of comfort will be low.

Other risks

Careful use of resources is a matter of course for Marseille-Kliniken AG. Water, electricity, gas and oil are used as energy sources on a strictly consumption-oriented basis. Special machines and environmentally friendly washing agents are used in laundry operations. Dishwashers are optimised to run in accordance with specific requirements and to minimise the consumption of dishwashing liquid. In most cases, the reusable packaging system is utilised.

The strict separation of waste, the use of energy-efficient technologies and the selection of building materials with minimum impact on health are further examples of environmentally sound management.

In the event of further price increases, for example in the energy sector, Marseille-Kliniken AG is well equipped to maintain its position on a competitive market.

Strategic risks and risk situation of the Group
Marseille-Kliniken AG is the first company on the inpatient nursing care market to secure a rating from the international rating agency Standard & Poor's (S&P).

Marseille-Kliniken AG was rated most recently with the S&P rating "B+" in March 2009.

The eight rehabilitation clinics had a positive result overall in this financial year. This indicates that the turnaround has been completed. The property assets of the eight rehabilitation clinics still amounted to € 8.1 million as of 30 June 2009, consisting of the active rehabilitation clinics in Zell and Bad Herrenalb. These figures are to be regarded as recoverable.

Current occupancy rates in our operating rehabilitation clinics at the beginning of the financial year 2009/2010 are over 92%, and therefore the estimated occupancy rate for the forthcoming financial year seems realistic. Due to the improved development of business in all the clinics in the financial year 2008/2009 and existing budgetary plans for the next few years, we see no reason to doubt the intrinsic value of this division.

There are plans to convert the three redundant rehabilitation facilities at Reinerzau, Bad Oeynhausen and Blankenburg with a carrying amount totalling € 12.1 million, into, respectively, a therapy centre, a nursing care clinic and, in Blankenburg, a medical treatment centre plus outpatient rehabilitation and assisted living. The relevant concepts, plus milestone planning, have been drawn up. As long as no negative results emerge from our market and demand analyses, we see no substantial risks in this restructuring. The shutdown in Blankenburg alone necessitated value reductions amounting to € 0.4 million. The intrinsic value of the land and buildings as of 30 June 2009 was audited using appropriate planning assumptions and impairment tests. In the previous year, an external report was obtained as confirmation. The redundant property in Waldkirch am Kandel (carrying amount: € 3.5 million) is being converted into a nursing care clinic. The first floors were opened in September 2009. The discounted cash flow in connection with the impairment test was discounted using a discount rate (WACC) of 6.43 %. The intrinsic value of the assets in the rehabilitation division is dependent on the valuations used in budgetary planning.

With regard to Onkologische Fachklinik IA GmbH in Bad König, we refer to the explanatory remarks in the section on legal risks. We have set aside provisions which we regard as sufficient to cover any ensuing legal dispute in this area.

We are countering a possible decline in occupancy at our nursing care facilities by further improving the qualification level of our staff and by further advancing the high quality of the care itself. In addition, we have further increased our degree of specialisation in age-related clinical pictures in our facilities in order to meet demand and keep occupancy rates in our facilities at an appropriate level. Our objective in this area continues to be a very high occupancy level in all our existing care facilities. However, there is always the risk that there may be temporarily low occupancy in some of our facilities.

Despite its collaboration with the Marienkrankenhaus hospital, the specialist areas introduced in the treatment of dementia patients and those in a persistent vegetative state (PVS), and our intensified marketing activities, our facility in Angerstraße, Hamburg, has not yet achieved the desired results. Although its average occupancy rate of 62.1 % in the previous year increased to 70.5 % in the reporting year, further efforts will be necessary to improve the situation and generate the planned level of revenues so that we can expect the turnaround in the financial year 2009/2010. The focal points of the activities there are, in particular, the reduction in the number of expensive staff hired temporarily as a result of conditions on the Hamburg labour market, the conclusion of agreements on higher nursing care charges for special indications, and the increased implementation of supplementary services.

The Türk Bakim Evi facility in Berlin has likewise increased its occupancy rate over the previous year from 21.0 % to 34.3 %. There are still problems of acceptance, however, and we are therefore working on concepts for leading this facility, too, to a break-even situation. The concepts include, in particular, the introduction of living group models that will be completed when the new financial year begins. We are expecting the integration into the facility's everyday routine of family members not dependent on care to significantly advance our facility's level of acceptance.

In our experience, expansion can bring with it the risk that we will not attain the forecast occupancy rates as quickly as planned, with the result that break-even point at the facility in question is postponed and the year of opening is burdened with higher losses than originally planned. One example of this was the opening of our facility in Meerbusch in the financial year 2008/2009, which did not achieve the forecast occupancy at the planned speed up to 30 June 2009. By August 2009, however, the facility had nearly reached break-even point.

With regard to the profitability of the Group as a whole, the cost structure, in addition to the expansions, is becoming increasingly significant. Although the Group's major objective continues to be an above-average performance in the nursing care field, the financial year ended showed that even more stringent cost management will be necessary if the aforementioned revenue risks are to be absorbed with a view to making further Group growth profitable.

Events after the end of the financial year
There were no significant events after the end of the financial year 2008/2009 which could affect the situation as detailed in the consolidated financial statements or could have significant effects on the business operations of Marseille-Kliniken AG or the Group.

Developments in the months of July and August 2009 confirm our expectations that results will improve significantly over the previous year as a result of the positive occupancy trend in the existing and expansion facilities, the stable occupancy in the rehabilitation segment and the realisation of the cost reduction measures that have been initiated. We are assuming that this positive trend will continue in the current financial year 2009/2010.

Remuneration report
The remuneration report for the financial year 2008/2009, which sets out the basis for remuneration of the Management Board and the Supervisory Board, is published in the notes to these annual financial statements.

Affiliated companies report by the Management Board
The Management Board, in accordance with § 312 of the German Companies Act (AktG), has prepared a report on the relationships with all the affiliated companies for the financial year 2008/2009. In accordance with § 312 of the German Companies Act (AktG), the report was submitted to the auditor for examination. The report ends with the following declaration by the Management Board:

"The Management Board of Marseille-Kliniken AG declares that Marseille-Kliniken AG, Berlin, under the circumstances that were known to it at the time when the legal transactions were conducted or the measures implemented or omitted, received an appropriate consideration for every legal transaction and was not disadvantaged by the implementation or omission of certain measures within the scope of the legal transactions and measures specified in the affiliated companies report".

The auditors did not raise any objections to the report.

Statements made pursuant to § 315(4) of the German Commercial Code (HGB)
Composition of subscribed capital
At the Annual General Meeting on 12 December 2008, it was resolved to redivide the share capital, split the shares from their original total of 12,150,000 into 24,300,000 no par value shares and revise § 4 (1) of the articles of association. The revised articles of association were entered in the Commercial Register on 5 February 2009. The share split has not yet been implemented on the stock market.

As of 30 June 2009, the subscribed capital of Marseille-Kliniken AG amounted to € 31,100,000.00, divided into 24,300,000 no par value bearer shares. The shares are fully paid up. Each share has one vote.

Limitations affecting voting rights or the transfer of shares
The registered shares of Marseille-Kliniken AG do not have restricted transferability. We are not aware of any other limitations affecting voting rights or the transfer of shares.

Investments exceeding more than 10 % of voting rights
The founding shareholder and Chairman of the Supervisory Board Mr Ulrich Marseille and his wife Estella-Maria Marseille hold 60 % of the share capital of Marseille-Kliniken AG. In accordance with the German Securities Trading Act (WpHG), every investor who exceeds or falls below certain levels of voting rights through acquisition, sale or in some other way must notify us and the German Federal Financial Supervisory Authority of this. The lowest threshold requiring such notification is 3 %. We are not aware of any other direct or indirect shareholding which exceeds the 10 % voting rights threshold.

Shares with special control rights
No shareholder of Marseille-Kliniken AG is authorised by the articles of association to place members on the Supervisory Board. In addition, no shares with special control rights have been issued.

Type of voting controls where employees hold capital share but do not exercise their control rights directly
Like any other shareholders, employees who hold shares in Marseille-Kliniken AG may exert their control rights directly in accordance with legal stipulations and the articles of association. There are no limitations on voting rights for shares held by employees of Marseille-Kliniken AG.

Regulations about the appointment and termination of members of the Management Board
In accordance with the articles of association of Marseille-Kliniken AG, the Management Board consists of one or more members, whose number shall be determined by the Supervisory Board and who may each be appointed by the Supervisory Board for a period of up to five years in accordance with § 84 of the German Companies Act (AktG). If the Management Board consists of several members, the Supervisory Board may appoint one member of the Management Board as Chairman of the Management Board. It can also appoint deputy Management Board members. The appointments to the Management Board require a simple majority of the Supervisory Board. Where there is a tie, the vote of the Chairman of the Supervisory Board at the applicable meeting shall be decisive. Appointment to the Management Board may be terminated by the Supervisory Board in accordance with § 84 of the German Companies Act (AktG) if there is a good and valid cause. If a required member of the Management Board has not been appointed the court may, in urgent circumstances, appoint a member to the Management Board pursuant to § 85 of the German Companies Act (AktG) if an involved party files a request to this effect.

Regulations regarding amendments to the articles of association
Any amendment to the articles of association requires a resolution of the Annual General Meeting (§ 179 of the German Companies Act (AktG)). Pursuant to § 9 of the articles of association and § 179 of the German Companies Act (AktG), the Supervisory Board may resolve to amend or supplement the articles of association in a manner that refers only to formal procedures. Unless the law requires otherwise, resolutions of the Annual General Meeting may be made with a simple majority of votes cast and, for increases in capital, a simple majority of the capital (§ 15 (2)). Pursuant to § 181 (3) of the German Companies Act (AktG), changes to the articles of association do not become valid until they are registered in the Commercial Register.

Authority of the Management Board to issue shares or to buy back shares
Pursuant to § 4 of the articles of association of Marseille-Kliniken AG, the Management Board is authorised with the approval of the Supervisory Board to increase share capital up to 11 December 2013 by issuing new bearer shares in return for cash and/or capital contributions in one or more tranches up to a total of € 3.11 million (authorised capital). In the process, the shareholders must as a matter of principle be granted a subscription right. The new shares can also be acquired by one or more financial institutions specified by the Management Board, together with the obligation to offer them to the shareholders (indirect subscription right). With the approval of the Supervisory Board, furthermore, the Management Board is authorised to determine the scope of share rights, the details of the capital increase and the terms of issuance, especially the issue amount. It is also authorised to exclude the subscription rights of shareholders in certain cases. Further details can be found in § 4 (5/6/7) of the articles of association.

At the Annual General Meeting held on 12 December 2008, the Management Board was authorised to acquire and dispose of treasury shares to the exclusion of the shareholders' subscription right. The authorisation is limited to 18 months until 12 June 2010 and to a maximum of 10 % of the share capital. The time limit applies to the point in time when the shares are purchased, but not to period after this time when the shares are held. Purchases made for the purpose of trading in treasury shares and for ongoing price management are not authorised. The authorisation can be exercised for all or part of the shareholdings, and exercised on one or more occasions, either by Group companies or by third parties acting on their behalf or on behalf of their legal successors in title. The shares can be purchased on the stock market or by means of a public offer. If the shares are acquired on the stock market, the nominal value paid for the shares by the company (excluding incidental costs) may be no more than 10 % more or less than the average price of the company's shares in the Xetra closing auction (or a comparable successor system) on the Frankfurt Stock Exchange during the last five trading days before the shares were bought. If the shares are acquired by means of a public purchase offer made to all shareholders or a public call to submit such an offer, the purchase price offered or the marginal values of the price range per share (excluding incidental costs) may be no more than 15 % more or less than the average price of the company's shares in the Xetra closing auction (or a comparable successor system) during the last five trading days before the day when the offer is announced publicly or when the call is made to submit a purchase offer. If, after a public offer has been announced or a public call has been made to submit a purchase offer, there are substantial deviations in the authoritative price, the offer, or the call to submit such an offer, can be adjusted as required. In this case, the price will be adjusted to the average price of the company's shares in the Xetra closing auction (or a comparable successor system) during the last five trading days before the public announcement. If the offer is oversubscribed or if, in the event of a call to submit such an offer, not all of several offers of equal value are accepted, acceptance must be carried out proportionately. A preferential acceptance of small numbers of no par value shares up to 100 tendered shares per shareholder can be provided for. The public offer or the call to submit such an offer can provide for further terms and conditions.

The Management Board, subject to the approval of the Supervisory Board, was authorised to resell shares of the company which are acquired on the basis of the above authorisation, to the exclusion of the shareholders' subscription rights, in a way other than via the stock exchange or by making an offer to all the shareholders if the payable cash selling price is not substantially lower than the market price of the shares. The number of the shares sold in this way, together with the number of the new shares which are issued during the term of this authorisation from authorised capital after the exclusion of subscription rights in accordance with § 186 (3) no. 4 of the German Companies Act (AktG), and the number of shares which could come into being as a result of the exercise of (any) option and/or conversion rights or the fulfilment of conversion obligations arising from option and/or conversion rights and/or participation rights which are issued during the term of this authorisation after the exclusion of subscription rights in accordance with § 186 (3) no. 4 of the German Companies Act (AktG) may not exceed 10% of the share capital either at the time of their becoming effective, or at the time of this authorisation being exercised, or as counterperformance to third parties within the framework of the acquisition of or merger with companies or of the acquisition of shareholdings in companies.

The Management Board, subject to the approval of the Supervisory Board, was authorised to either wholly or partly buy back shares that were acquired on the basis of the above authorisation without this buy-back or its implementation requiring a further resolution of the Annual General Meeting. The buy-back leads to an increase in the proportion of other shares in the share capital. In derogation of the above, the Management Board can stipulate that the share capital is not reduced and that instead, the proportion of other shares shall increase in accordance with § 8 (3) of the German Companies Act (AktG). In such cases, the Management Board is authorised to adjust the indication of the number of shares in the articles of association.

All the authorisations described above can be exercised by the company in their entirety or in partial amounts, on one or several occasions, and to serve one or more purposes. The authorisations – with the exception of the authorisation to withdraw treasury shares from circulation – can also be exercised by third parties for the company's account.

The articles of association do not contain any provision which authorises the Management Board to buy back shares in a takeover situation.

Significant agreements which are subject to a change of control in the event of a takeover bid

There are no significant agreements which are subject to a change of control in the event of a takeover bid.

Compensation agreements in the event of a takeover bid

No agreements have been concluded with the members of the Management Board on the subject of compensation in the event of a change in control. Similarly, no agreements of this kind have been concluded with employees.

Outlook

The impact of the global financial and economic crisis has already gripped the overall economic dynamics in Germany and, consequently, the country's labour market. Contrary to the horror scenarios that were expected at the beginning of 2009, the indicators now seem to confirm that as far as economic output is concerned, GDP has bottomed out. It can, however, be expected that the expiry of the special programmes that the government had introduced, e. g. for the automobile industry, will bring the current phase of short-time working to an end, leading in turn to a significant increase in the unemployment figures in 2010. The stabilisation of the banking sector, too, will play a crucial role for the further development of the economy. Their lending policies, in particular, must regain their consistency. The burden on companies is being eased by the current low level of inflationary pressure, falling commodity prices and the ECB's policy of low interest rates. It cannot be ruled out that higher spreads by the banks will eat up this interest advantage entirely.

Thanks to the continuing demographic trend, the nursing care market will basically be in a position to decouple itself from this general economic framework. The ageing society is ensuring constant demand momentum, also in the inpatient care facilities. At present this does not apply entirely to the "old", or western German, federal states, where a great deal of new capacity was created in recent years. The trend in occupancy rates is clearly downward for all suppliers of nursing care. Thanks to its orientation towards the "new", or eastern German, federal states, our company is affected only slightly by this trend. We are expecting a further intensification of the pressure to consolidate, firstly as a result of stricter quality control by the public authorities that many facility operators without appropriate systems will be able to satisfy only by increasing their structural and personnel costs substantially, and secondly through the anticipated introduction of a minimum wage. In this area, many facility operators in the past have not paid the expected future minimum wage for auxiliary staff of €7.50 in the eastern states and €8.50 in the west. According to the economic research institute RWI these higher costs, assuming an average after-tax result amounting to 2% of revenues, cannot be absorbed without increases in nursing care rates. In view of the financial position of the nursing care funds and the intensity of competition on the market, any increase in nursing care rates would meet with determined opposition.

In the rehabilitation segment, it cannot be ruled out that the anticipated trend on the labour market will have an impact on occupancy at our four psychosomatic clinics, even though we cannot perceive any negative signals at present.

In the next two financial years the company expects to see a significant improvement in its operating result. In the nursing care segment, the increase in occupancy that has already begun in the last two months will continue. We are expecting start-up costs for the expansion facilities to decrease. Factors of particular significance in this area will be a marked improvement in occupancy rates at our facility for Turkish citizens in Berlin and an optimisation of costs at our facility in Hamburg. In the rehabilitation segment the occupancy rate has already stabilised at over 92% in the financial year ended, and consequently we are expecting the current financial year, too, to produce positive results if this trend is confirmed.

The company expects revenues and operating income to grow in the next two financial years without any of the previous year's special factors. In this area it is significant that, thanks to the ongoing optimisation of our processes and the rigorous application of IT systems in the financial year ended, we initiated job cutbacks that provide cost reduction potential of some €5 million. Furthermore, the implementation of dementia patient care in accordance with § 87b of the German Long-term Care Further Development Act (Pflegeweiterentwicklungsgesetz) that came into force on 1 July 2008, can be expected to lead to an improvement in operating results. Also of significance for the earnings trend will be the fact that energy costs in the oil and electricity areas will be around €1 million below their previous year's levels thanks to appropriate contracts. The occupancy trend relating to how far the fundamentally fixed cost structure is covered has a disproportionately large effect on earnings. The increase in capacity and the growth momentum in the nursing care division will contribute substantially to this.

In the current financial year, our expansion activities are focused on an additional facility in North Rhine-Westphalia, in the federal state of Bremen and in Baden-Württemberg, leading to a capacity increase of 322 beds during the year.

The expansion of assisted living and the integration of the start-up facilities into Group earnings structures will continue to improve results gradually.

Any sale of some or all of the rehabilitation clinics would lead to a deterioration in the Group's operating result. A contrary effect would be the utilisation of the additional liquidity, which would largely compensate for the anticipated deterioration in results. In this case the above factor would of course be accentuated by the adjustment of administrative structures, which would have to be brought into line with the changed revenue volume and would generate corresponding cost savings.

The acquisition of the assisted living facilities will be carried out in each case by buying shares only when break-even point has been reached; this means that no deterioration in results will be expected from the acquisition of residential units of this kind in the future.

We are assuming that the high-risk circumstances will have no significant impact on the assets situation, financial position and profitability in the coming years.

In line with our growth strategy, expansion in the assisted living segment will increase total capacity to 12,000 beds in the coming years.

There may of course be differences between the forecast results and the actual results. We expect any such differences to be minimal, however.

Berlin, 23 October 2009

The Management Board

Annual financial statements

Consolidated balance sheet at 30 June 2009 and previous year	30.06.2009 €	30.06.2009 €	after adjustment 30.06.2008 €	Adjustment €	before adjust-ment 30.06.2008 €	Notes page
Assets						
Non-current assets						
Intangible assets	32,823,746.88		32,551,464.60	-452,298.91	33,003,763.51	90
Property, plant and equipment	142,681,997.05		142,827,405.99	1,004,411.56	141,822,994.43	91
Other long-term assets	3,591,341.19		3,286,920.01	771,802.98	2,515,117.03	92
Deferred tax assets	836,215.49		1,209,498.39	0.00	1,209,498.39	93
		179,933,300.61	**179,875,288.99**	**1,323,915.63**	**178,551,373.36**	
Current assets						
Inventories	4,971,265.02		4,771,641.41	-500,302.80	5,271,944.21	93
Accounts receivables	15,554,281.22		16,282,311.92	2,487,535.58	13,794,776.34	93
Other receivables and assets	12,960,108.73		22,283,422.05	-1,229,223.48	23,512,645.53	94
Tax receivables	3,541,378.12		3,590,131.81	0.00	3,590,131.81	94
Cash on hand, bank balances	9,630,829.07		14,433,059.01	0.00	14,433,059.01	94
Non-current assets held for sale	0.00		0.00	0.00	0.00	94
		46,657,862.16	**61,360,566.20**	**758,009.30**	**60,602,556.90**	
Total assets		**226,591,162.77**	**241,235,855.19**	**2,081,924.93**	**239,153,930.26**	
Equity						
Capital stock	31,100,000.00		31,100,000.00	0.00	31,100,000.00	95
Capital reserve	15,635,139.94		15,898,361.11	11,322.87	15,887,038.24	95
Revenue reserve	627,105.53		627,105.53	0.00	627,105.53	95
Treasury stock	-902,579.62		-880,639.78	-11,322.87	-869,316.91	95
Present value reserve	-365,734.97		0.00	0.00	0.00	95
Consolidated loss	-21,931,612.67		-4,659,754.63	-1,510,506.99	-3,149,247.64	
Minority status	1,032,240.22		458,834.21	0.00	458,834.21	96
		25,194,558.43	**42,543,906.44**	**-1,510,506.99**	**44,054,413.43**	
Non-current liabilities						
Deferred benefits from public authorities	44,427,999.06		47,511,250.83	0.00	47,511,250.83	96
Long-term interest-bearing loan	48,507,872.80		49,965,676.43	2,511,757.77	47,453,918.66	96
Provisions, accruals for pensions	16,364,411.00		16,897,840.00	0.00	16,897,840.00	97
Deferred tax liabilities	9,173,814.28		10,254,632.27	-134,605.87	10,389,238.14	97
Other long-term liabilities	271,902.65		293,624.88	0.00	293,624.88	98
		118,745,999.79	**124,923,024.41**	**2,377,151.90**	**122,545,872.51**	
Current liabilities						
Short-term interest-bearing loan	35,464,037.56		32,584,067.03	1,215,280.02	31,368,787.01	96
Other provisions	11,688,558.63		14,010,798.70	-6,281,417.90	20,292,216.60	98
Trade payables	13,842,762.80		7,405,997.10	0.00	7,405,997.10	99
Accrued taxes	7,450,776.35		7,381,450.42	6,281,417.90	1,100,032.52	99
Other short-term liabilities	14,204,469.21		12,386,611.09	0.00	12,386,611.09	99
		82,650,604.55	**73,768,924.34**	**1,215,280.02**	**72,553,644.32**	
Total equity and liabilities		**226,591,162.77**	**241,235,855.19**	**2,081,924.93**	**239,153,930.26**	

Consolidated income statement for the year 2008|2009 and previous year	2008|2009 €	2008|2009 €	after adjustment 2007|2008 €	Adjustment €	before adjustment 2007|2008 €	Notes page
Revenues	235,534,627.71		228,111,011.56	49,546.09	228,061,465.47	99
Change in inventories of finished goods and work in progress	0.00		0.00	-49,546.09	49,546.09	99
Company-produced additions to plant and equipment	0.00		134,131.13	0.00	134,131.13	99
Other operating income	10,444,337.66		31,777,262.40	-675,502.97	32,452,765.37	99
Total revenues		**245,978,965.37**	**260,022,405.09**	**-675,502.97**	**260,697,908.06**	
Cost of materials						100
a) Raw materials and consumables used	-28,065,106.41		-25,577,012.27	675,502.97	-26,252,515.24	
b) Cost of purchased services	-4,385,815.41		-3,797,848.57	0.00	-3,797,848.57	
		-32,450,921.82	**-29,374,860.84**	**675,502.97**	**-30,050,363.81**	
Personnel expenses						100
a) Salaries and wages	-102,073,861.11		-97,923,230.94	0.00	-97,923,230.94	
b) Expenditure for company pension funds and pensions paid	-22,323,383.84		-21,426,669.71	0.00	-21,426,669.71	
		-124,397,244.95	**-119,349,900.65**	**0.00**	**-119,349,900.65**	
Depreciation and amortisation		**-10,446,223.33**	**-9,799,368.19**	**-1,040,753.46**	**-8,758,614.73**	100
Other operating expense		**-84,334,472.69**	**-78,840,384.91**	**1,371,585.57**	**-80,211,970.48**	100
Earnings before interest and taxes (EBIT)		**-5,649,897.42**	**22,657,890.50**	**330,832.11**	**22,327,058.39**	
Financial result						101
Interest income	1,136,569.76		1,392,102.89	0.00	1,392,102.89	
Interest expenses	-6,400,251.53		-7,322,138.24	-412,598.67	-6,909,539.57	
		-5,263,681.77	**-5,930,035.35**	**-412,598.67**	**-5,517,436.68**	
Earnings before taxes (EBT)		**-10,913,579.19**	**16,727,855.15**	**-81,766.56**	**16,809,621.71**	
Taxes on income		-1,528,535.84	-3,317,375.80	0.00	-3,317,375.80	101
Other taxes		-1,153,540.32	-185,263.60	0.00	-185,263.60	102
Net profit after taxes		-13,595,655.35	**13,225,215.75**	**-81,766.56**	**13,306,982.31**	102
Minority interests		83,077.07	482,694.94	0.00	482,694.94	102
Net profit for the year		**-13,512,578.28**	**13,707,910.69**	**-81,766.56**	**13,789,677.25**	102
Earnings per share						
Undiluted earnings per share in €						
On the basis of 24,300,000 shares [1]		-0.56	0.57		0.57	
On the basis of 12,150,000 shares		-1.12	1.13		1.14	

[1] On the basis of the stock split that was approved by the Annual General Meeting held on 12 December 2008 and has been entered in the commercial register but has not been made on the stock market yet.

Consolidated statement of changes in equity for the year 2007|2008

	Capital stock €	Capital reserve €	Revenue reserve €	Present value reserve €	Consolidated loss €	Treasury stock €	Parent company Shares Marseille-Kliniken AG €	Minority shareholders Minority interest €	Consolidated Group Total equity €
Balance at 01.07.2007	**31,100,000.00**	**15,887,038.24**	**627,105.53**	**0.00**	**–13,738,809.99**	**–63,030.00**	**33,812,303.78**	**941,529.15**	**34,753,832.93**
Balance sheet adjustment acc. to IAS 8	0.00	0.00	0.00	0.00	–1,428,740.43	0.00	–1,428,740.43	0.00	–1,428,740.43
Balance at 01.07.2007 after adjustments	**31,100,000.00**	**15,887,038.24**	**627,105.53**	**0.00**	**–15,167,550.42**	**–63,030.00**	**32,383,563.35**	**941,529.15**	**33,325,092.50**
Purchase of treasury stock	0.00	0.00	0.00	0.00	0.00	–1,336,950.55	–1,336,950.55	0.00	–1,336,950.55
Disposal of treasury stock	0.00	0.00	0.00	0.00	0.00	530,663.64	530,663.64	0.00	530,663.64
Dividend payment	0.00	0.00	0.00	0.00	–3,036,449.50	0.00	–3,036,449.50	0.00	–3,036,449.50
Change in the companies consolidated	0.00	0.00	0.00	0.00	–152,128.20	0.00	–152,128.20	0.00	–152,128.20
Other changes	0.00	0.00	0.00	0.00	–11,537.20	0.00	–11,537.20	0.00	–11,537.20
Earnings in the period	0.00	0.00	0.00	0.00	13,789,677.25	0.00	13,789,677.25	–482,694.94	13,306,982.31
Balance on 30.06.2008	**31,100,000.00**	**15,887,038.24**	**627,105.53**	**0.00**	**–4,577,988.07**	**–869,316.91**	**42,166,838.79**	**458,834.21**	**42,625,673.00**
Balance sheet adjustment acc. to IAS 8	0.00	11,322.87	0.00	0.00	–81,766.56	–11,322.87	–81,766.56	0.00	–81,766.56
Balance at 30.06.2008 after adjustments	**31,100,000.00**	**15,898,361.11**	**627,105.53**	**0.00**	**–4,659,754.63**	**–880,639.78**	**42,085,072.23**	**458,834.21**	**42,543,906.44**

Consolidated statement of changes in equity for the year 2008|2009

	Capital stock €	Capital reserve €	Revenue reserve €	Present value reserve €	Consolidated loss €	Treasury stock €	Parent company Shares Marseille-Kliniken AG €	Minority shareholders Minority interest €	Consolidated Group Total equity €
Balance at 01.07.2008	**31,100,000.00**	**15,898,361.11**	**627,105.53**	**0.00**	**–4,659,754.63**	**–880,639.78**	**42,085,072.23**	**458,834.21**	**42,543,906.44**
Purchase of treasury stock	0.00	0.00	0.00	0.00	0.00	–594,353.58	–594,353.58	0.00	–594,353.58
Disposal of treasury stock	0.00	–263,221.17	0.00	0.00	0.00	572,413.74	309,192.57	0.00	309,192.57
Dividend payment	0.00	0.00	0.00	0.00	–3,015,866.25	0.00	–3,015,866.25	0.00	–3,015,866.25
Market valuation / derivative hedging instruments (cash flow hedges)	0.00	0.00	0.00	–434,493.58	0.00	0.00	–434,493.58	0.00	–434,493.58
Taxes on expenses and income stated directly in equity	0.00	0.00	0.00	68,758.61	0.00	0.00	68,758.61	0.00	68,758.61
Change in the companies consolidated	0.00	0.00	0.00	0.00	–673,483.08	0.00	–673,483.08	656,483.08	–17,000.00
Other changes	0.00	0.00	0.00	0.00	–69,930.43	0.00	–69,930.43	0.00	–69,930.43
Earnings in the period	0.00	0.00	0.00	0.00	–13,512,578.28	0.00	–13,512,578.28	–83,077.07	–13,595,655.35
Balance on 30.06.2009	**31,100,000.00**	**15,635,139.94**	**627,105.53**	**–365,734.97**	**–21,931,612.67**	**–902,579.62**	**24,162,318.21**	**1,032,240.22**	**25,194,558.43**

Balance sheet Marseille-Kliniken AG at 30 June 2009 and previous year

	30.06.2009 €	30.06.2009 €	30.06.2008 €
ASSETS			
A. Non-current assets			
I. Intangible assets			
Franchises, industrial property rights and similar rights and assets, including licences to such rights and assets	1,284,296.34		452,861.76
		1,284,296.34	**452,861.76**
II. Property, plant and equipment			
1. Real estate	17,387,673.51		17,037,903.71
2. Technical plant and machinery	360.29		406.28
3. Furniture and office equipment	700,042.68		561,825.30
4. Deposits paid and construction in progress	423,291.80		331,951.74
		18,511,368.28	**17,932,087.03**
III. Financial assetsv			
1. Shares in affiliated companies	77,641,957.80		77,641,957.80
2. Investments	65,947.99		65,912.58
3. Non-current securities	188,000.00		0.00
		77,895,905.79	**77,707,870.38**
B. Current assets			
I. Inventories			
Raw materials and supplies	56,873.03		38,447.84
		56,873.03	**38,447.84**
II. Receivables and current assets			
1. Trade accounts receivable	858,475.92		540,740.32
2. Trade accounts receivable (affiliated companies)	77,254,100.22		85,552,756.07
3. Other receivables	13,041,159.79		19,418,298.38
		91,153,735.93	**105,511,794.77**
III. Stocks			
1. Treasury stock	486,105.00		565,547.50
2. Other securities	0.00		188,000.00
		486,105.00	**753,547.50**
IV. Cash and short-term deposits		**3,156,845.12**	**4,016,061.24**
C. Deferred expenses and accrued income		**50,024.14**	**69,247.10**
		192,595,153.63	**206,481,917.62**

	30.06.2009 €	30.06.2009 €	30.06.2008 €
EQUITY AND LIABILITIES			
A. Equity			
I. Issued capital		**31,100,000.00**	31,100,000.00
II. Capital reserve		**15,887,038.24**	15,887,038.24
III. Revenue reserve		693,178.21	772,620.71
1. Statutory reserve	207,073.21		207,073.21
2. Treasury stock (reserve)	486,105.00		565,547,50
IV. Retained earnings		1,319,735.72	6,352,103.81
		48,999,952.17	**54,111,762.76**
B. Special item for investment grants for properties and buildings as per official subsidy notes		**1,907,373.50**	**1,992,256.58**
C. Special reserve with an equity portion		**350,000.00**	**1,913,992.14**
D. Provisions and accruals			
1. Accrual for pensions	471,023.00		474,917.00
2. Provisions for taxation	7,898,251.19		6,478,945.03
3. Other provisions	2,770,078.32		4,086,112.87
		11,139,352.51	**11,039,974.90**
E. Liabilities			
1. Bank debts	46,786,064.72		46,909,690.09
2. Trade payables	2,209,812.66		601,904.16
3. Trade payables (affiliated companies)	77,618,372.90		86,921,642.82
4. Trade payables (associated companies)	0.00		40,474.18
5. Other liabilities	3,123,801.91		2,482,908.55
– of which taxes	213,982.26		175,039.31
– of which social security	135,970.06		12,494.51
		129,738,052.19	**136,956,619.80**
F. Deferred income and accrued expenses		**460,423.26**	**467,311.44**
		192,595,153.63	**206,481,917.62**

Income statement Marseille-Kliniken AG for the year 2008|2009 and previous year

	2008|2009 €	2008|2009 €	Previous year €
Revenues		16,890,644.77	17,478,398.59
Other operating income		24,901,955.79	30,997,650.46
- of which income from release of special reserves with equity portion 1,563,992.14 € (previous year € 4,000,000.00)			
Purchases			
a. Raw materials and consumables used	2,191,543.31		1,345,594.05
b. Cost of purchesed services	3,275,497.38		3,544,565.25
		5,467,040.69	**4,890,159.30**
Employee expenses			
a. Salaries and wages	7,891,151.52		8,011,201.60
b. Expenditure for old-age pension and support	1,612,472.89		1,749,548.35
– Of which for old-age pension: € 253,866.43 (previous year € 313,952.95)			
		9,503,624.41	**9,760,749.95**
Depreciation and amortisation			
a. on intangible assets and property, plant and equipment	825,259.12		576,589.31
b. on current assets	2,481,902.29		4,059,000.00
		3,307,161.41	**4,635,589.31**
Other operating expense		33,535,097.37	32,220,891.66
Income from profit transfer agreement		15,661,409.16	20,032,704.47
Income from investments		971,794.62	1,156,363.04
- of which dividends from associated companies: € 968,143.42 (previous year: € 1,156,184.04)			
Interest income		4,574,918.50	5,724,169.57
- of which affiliated companies: € 3.897.107,47 (previous year: € 5,115,551.35)			
impairment of financial assets and securities under current assets		365,333.11	8,510,769.41
Expenses from transfer of losses		5,234,294.07	4,502,718.07
Interest expense		5,291,889.11	5,231,051.06
-- of which affiliated companies: € 1,627,067.80 (previous year: € 2,004,182.89)			
Earnings before taxes (EBT)		**296,282.67**	**5,637,357.37**
Income tax expenses		1,973,943.16	1,675,325.22
Other taxes		418,283.85	29,483.56
Loss Profit		**-2,095,944.34**	**3,932,548.59**
Accumulated income		6,352,103.81	5,637,836.95
Withdrawal from reserve for treasury stock		79,442.50	0.00
Allocation to reserves for treasury shares		0.00	181,832.23
Distribution of profit		3,015,866.25	3,036,449.50
Retained earnings		**1,319,735.72**	**6,352,103.81**

Consolidated cash flow statement (IFRS)

	from 01.07.2008 to 30.06.2009 € '000	after adjustment from 01.07.2007 to 30.06.2008 € '000	Adjustment € '000	before Adjustment from 01.07.2007 to 30.06.2008 € '000
Operating activities				
Operating result before taxes on income and interest (EBIT)	-6,803	22,473	146	22,327
Taxes on income and earnings	0	0	3,503	-3,503
Financial result	0	0	5,517	-5,517
Operating result	**-6,803**	**22,473**	**9,166**	**13,307**
Proceeds of the disposal of assets (profit/loss)	171	-8,143	0	-8,143
Depreciation and amortisation	10,446	9,800	1,041	8,759
Changes in standard of evaluation	0	-5,521	0	-5,521
Other invalid payment (profit/loss)	1,870	-1,998	1,458	-3,457
Release of the deferred benefits from public authorities	0	0	1,998	-1,998
Increase/decrease in inventories	-200	625	500	125
Increase/decrease in provisions and accruals for pensions	-533	-1,370	0	-1,370
ncrease/decrease in other provisions	-2,322	-1,259	-6,281	5,022
Taxes on income	-2,044	-3,606	-3,606	0
Changes in net current assets	6,730	-15,423	-58,298	42,875
Net cash flow from operating activities	**7,314**	**-4,423**	**-54,022**	**49,599**
Investing activities				
Outflow for loan grant	0	-4,500	-4,500	0
Changes in basis of consolidation	-20	-7	-640	633
Outflows from asset investments				
- Intangible assets	-2,052	-1,274	0	-1,274
- Property, plant and equipment	-4,253	-11,828	0	-11,828
- Financial assets	-274	0	0	0
Inflows from asset disposals				
- Intangible assets	5,606	0	0	0
- Property, plant and equipment	472	75,274	65,899	9,375
- Financial assets	113	0	0	0
- Non-current assets held for sale	0	4,226	0	4,226
Net cash flow from investing activities	**-409**	**61,891**	**60,759**	**1,132**
Financing activities				
Increase in medium and long-term bank liabilities	2,036	4,232	0	4,232
Decrease in medium and long-term bank liabilities	0	-43,943	0	-43,943
Increase in short-term bank liabilities	1,852	717	0	717
Decrease in short-term bank liabilities	-4,540	-3,330	0	-3,330
Decrease/increase in other long-term liabilities	-22	274	0	274
Finance lease repayment	-1,655	-959	-959	0
Interest on loans	-6,107	-5,350	-5,350	0
Finance lease interest paid	-652	-1,972	-1,972	0
Interest received	751	1,392	1,392	0
Inflows from the disposal of treasury stock	572	531	531	0
Outflows from the purchase of treasury stock	-594	-1,337	-1,337	0
Other changes in financing activities	-333	-12	958	-970
Dividend payment	-3,016	-3,036	0	-3,036
Net cash flow from financing activities	**-11,707**	**-52,793**	**-6,737**	**-46,056**
Net increase/decrease in cash and cash equivalents	**-4,802**	**4,675**	**0**	**4,675**
Net increase/decrease in cash and cash equivalents	-4,802	4,675	0	4,675
Cash and cash equivalents at 01.07.	14,433	9,758	0	9,758
Cash and cash equivalents at 30.06.	**9,631**	**14,433**	**0**	**14,433**
Cash on hand, bank balances	9,631	14,433	0	14,433

Notes to the consolidated financial statements

Information about the company

The consolidated financial statements for the financial year from 1 July 2008 to 30 June 2009 will be approved for publication on 30 October 2009 by resolution of the Management Board of Marseille-Kliniken AG.

Marseille-Kliniken AG is a limited company founded in Germany with its registered office in Berlin (registered in the Commercial Register of Berlin-Charlottenburg local court under HRB 86329), whose shares are approved and listed on the Prime Standard index of the Frankfurt Stock Exchange and on the Hamburg Stock Exchange. The administrative headquarters are in rented premises in Hamburg.

The business purpose of Marseille-Kliniken AG is to build, acquire and/or operate clinics and rehabilitation clinics, spa facilities, nursing care facilities, residential homes for the elderly, service companies in the social and charitable field and accommodation companies both in Germany and abroad.

The principal activities of the Group are shown in the notes to the consolidated financial statements under segment reporting.

Accounting and valuation principles

Basis of preparation for the financial statements

The financial year for operational purposes is not the calendar year but begins on 1 July and ends on 30 June of the following year.

The consolidated financial statements are always drawn up using the historical cost principle. Exceptions from this are any properties held as financial investments (if there are any), derivative financial instruments and available-for-sale financial instruments which have all been valued at fair value. The carrying amounts of assets and liabilities included in the balance sheet which constitute the underlying transactions within the scope of hedging the fair value are adjusted for changes to fair value which are imputed to the hedged risks.

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

Declaration on compliance with IFRS

The consolidated financial statements of Marseille-Kliniken AG were drawn up in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable in the EU and in consideration of the interpretations of the International Financial Reporting Interpretation Committee (IFRIC) and the additional regulations specified by German commercial law under § 315a (1) of the German Commercial Code (HGB). The consolidated financial statements consist of the consolidated balance sheet, the consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes.

Balance sheet adjustment

The German Financial Reporting Enforcement Panel (DPR) audited the interim financial statements as of 31 December 2008. In connection with this, we have already adopted the remarks that might make an error rectification in accordance with IAS 8.41ff. necessary. With regard to the items below this means an adjustment, including the comparable figures from the previous year, for the consolidated financial statements:

- In the past, tax provisions were shown under other provisions. They have been reclassified under current tax liabilities. We have also adjusted the corresponding amounts from the previous year for the sake of comparability.
- In the previous year, the treasury shares were valued at an incorrect amount as of the balance sheet date 30 June 2008. The value was adjusted retrospectively as from the previous year's balance sheet date and was posted to equity with no effect on income. The capital reserve was adjusted for this purpose.
- The construction of a new senior citizens' residential park in Bremerhaven, which was previously reported under property, plant and equipment as assets under construction, was reclassified as inventories as of 30 June 2008 in the amount of € 1,987,000 because a contract of sale had already been concluded before construction began and for that reason there is no non-current asset.

In connection with this, the Marseille-Kliniken Group, after further examining specific circumstances, decided to carry out further error rectifications in accordance with IAS 8.41ff. in response to the following circumstances:

- The purchase price allocation made for the acquisition of the hospital in Büren was erroneous. The capitalised goodwill of € 452,000 would have been allocated to property, plant and equipment if the purchase price allocation had been carried out correctly. We therefore reclassified it under property, plant and equipment.
- In the previous year, balancing items from own funds used in accordance with the German Hospital Financing Act (KHG) were shown under other receivables. This is not an asset as defined by IFRS. We have removed the item in the amount of € 457,000 from the financial statements against the retained earnings, as it had already been reported as from 2006.
- In a sale-and-leaseback transaction conducted in the financial year 2005/2006, the disposal of property was not reported in its entirety. We reported the disposal in the amount of € 851,000 against retained earnings subsequently as of 1 July 2008.
- The Marseille-Kliniken Group has leased fixtures at individual facilities. There has not yet been any classification in respect of finance leases to be capitalised. After the contracts had been examined, the previous year's figures were adjusted in respect of the assets to be classified as finance leases and therefore to be capitalised in the lessee's accounts. Retrospectively as of 1 July 2007, property, plant and equipment amounting to € 3,390,000 was capitalised and € 3,727,000 carried as liabilities from finance leases. The difference was included in the retained earnings.
- The bonuses and reimbursements from the purchasing of goods that were reported in the previous year under other operating income were deducted from cost of materials in the financial year 2008/2009. The previous year's figure (€ 676,000) was reclassified accordingly.
- The patients in the facilities who were previously reported under inventories (€ 2.4 million) were reclassified under trade receivables because the services rendered had essentially not yet been charged and settled. The previous year's figure, too, was adjusted accordingly. Accordingly, the change in inventories was adjusted as well (€ 50,000).
- The instalments for the loan repayment (€ 1,009,000), which were previously reported as other receivables under current assets, were reclassified from the previous year onwards (€ 772,000) under non-current assets.

Where the error corrections produced temporary differences, deferred taxes in line with the period in question were reported accordingly.

In the consolidated cash flow statement, too, some corrections were carried out on the direction of the German Financial Reporting Enforcement Panel (DPR); these had the following subject matter:

- The cash inflows from the sale-and-leaseback transactions conducted in the financial years 2006/2007 and 2007/2008 were previously reported under cash flow from operating activity, but must be allocated to the investment area. The sum from the change in other net current assets for the financial year 2007/2008 that was reclassified under income from the disposal of property, plant and equipment amounted to € 65.9 million.
- The reclassification of lease contracts by way of inventories to finance leases has led to changes in the consolidated cash flow statement in respect of amortisation (€ 1,041,000) and redemption payments (€ 959,000).
- The cash inflows and outflows from the sale and purchase, respectively, of treasury shares must be reported separately, although they were reported up until the previous year under „Other changes in equity".
- In the previous year, cash flow from investment activity was reduced by the sum of € 640,000 with no effect on liquidity from the deconsolidation of Held Bau Consulting Projekt Steuerungsgesellschaft mbH.

Basis of consolidation

The consolidated financial statements of Marseille-Kliniken AG consist of the annual financial statements of Marseille-Kliniken AG and its subsidiaries as of 30 June each financial year. All annual financial statements of Group companies are prepared as of the balance sheet date of Marseille-Kliniken AG, 30 June 2009, in accordance with IAS 27.28 and prepared in accordance with the same uniform accounting and valuation principles as are used in the financial statements of the parent company.

As of 30 June 2009, there were 133 (previous year: 135) companies included in the Group. As in the previous year, one of the subsidiaries has not been consolidated as its influence on the asset situation, financial position and profitability of the Group is insignificant.

The consolidated financial statements include all subsidiaries over which Marseille-Kliniken AG can exercise a controlling interest (control principle). These are all the companies over whose financial and business policies Marseille-Kliniken AG exercises control, normally indicated by its holding of more than 50 % of the voting rights. The existence and influence of potential voting rights which are currently exercisable or transferable are taken into account when assessing whether there is control.

Subsidiaries are included in full in the consolidated financial statements from the time of acquisition, i.e. the time at which the Group acquired control. Inclusion in the consolidated financial statements ends as soon as the parent company no longer exercises control over the company.

Pursuant to IFRS 3, all company acquisitions must be shown in accordance with the purchase method. The capital consolidation is carried out pursuant to IAS 27 by offsetting the carrying amounts of investments against the pro rata equity of the subsidiaries. When a company is in the process of being acquired, the assets, liabilities and contingent liabilities of the acquired subsidiaries are valued at fair value at the time of acquisition. If acquisition costs exceed the fair value attributed to the identifiable assets, liabilities and contingent liabilities that were acquired, the difference is recognised as goodwill. Every negative difference between the cost of the acquisition and the value attributed to the identifiable assets and liabilities acquired is charged to earnings in the period in which the acquisition was made.

Minority shareholdings are that part of the subsidiaries' earnings and assets which are not attributable to the Group. Minority interests are shown separately in the consolidated income statement and in the consolidated balance sheet. They are recognised in the consolidated balance sheet under equity and separately from any equity attributable to the shareholders of the parent company.

The income and expenses of the companies being consolidated for the first time are included in the consolidated financial statements sheet from the date of their first inclusion.

Earnings from subsidiaries acquired or disposed of during the course of the financial year are included in the consolidated income statement as from the effective acquisition date or up until the effective disposal date. Companies set up during the financial year are included in the consolidated financial statements as from the date of their establishment.

All intra-Group balances, income, expenses and unrealised profits and losses from intra-Group transactions have been eliminated in full.

Group companies

As of 30 June 2009, Marseille-Kliniken AG and all of the following 133 (previous year: 135) subsidiaries were included in the consolidated financial statements:

	Share	Subscribed capital	Equity	Net profit German Commercial Code (HGB) or loss elimination after transfer of profits	
			30 June 2009	2008|2009	2007|2008
	in %	€ '000	€ '000	€ '000	€ '000
Senioren-Wohnpark Langen GmbH, Langen	100	102	102	0	0
Senioren-Wohnpark Lemwerder GmbH, Langen	100	26	26	0	0
Astor Park Wohnanlage Langen GmbH, Langen	100	26	26	0	0
Senioren-Wohnpark Hennigsdorf GmbH, Hennigsdorf	100	102	102	0	0
Senioren-Wohnpark Radensleben GmbH, Radensleben	100	26	26	0	0
Senioren-Wohnpark Neuruppin GmbH, Neuruppin	100	26	26	0	0
Senioren-Wohnpark Treuenbrietzen GmbH, Treuenbrietzen	100	26	26	0	0
Senioren-Wohnpark Erkner GmbH, Erkner	100	26	26	0	0
Teufelsbad Fachklinik Blankenburg GmbH, Blankenburg	100	26	26	0	0
Senioren-Wohnpark Tangerhütte GmbH, Tangerhütte	100	26	44	0	0
Senioren-Wohnpark Kyritz GmbH, Kyritz	100	26	26	0	0
Senioren-Wohnpark Thale GmbH, Thale	100	26	26	0	0
Senioren-Wohnpark Wolmirstedt GmbH, Wolmirstedt	100	26	26	0	0
Senioren-Wohnpark Aschersleben GmbH, Aschersleben	100	26	42	0	0

	Share	Subscribed capital	Equity	Net profit German Commercial Code (HGB) or loss elimination after transfer of profits	
			30 June 2009	2008|2009	2007|2008
	in %	€ '000	€ '000	€ '000	€ '000
Senioren-Wohnpark Coswig GmbH, Coswig	100	26	26	0	0
Senioren-Wohnpark Stützerbach GmbH, Stützerbach	100	26	26	0	0
Senioren-Wohnpark Schollene GmbH, Schollene	100	26	26	0	0
Senioren-Wohnpark Bad Langensalza GmbH, Bad Langensalza	100	26	32	0	0
Senioren-Wohnpark Ballenstedt GmbH, Ballenstedt	100	26	26	0	0
Senioren-Wohnpark HES GmbH, Hamburg	100	26	26	0	0
Pro F&B Gastronomische Dienstleistungsgesellschaft mbH, Hamburg	100	26	26	0	0
Senioren-Wohnpark Klausa GmbH, Nobitz	100	26	26	0	0
Senioren-Wohnpark OES GmbH, Hamburg	100	26	26	0	0
Senioren-Wohnpark Friedland GmbH, Friedland	100	26	26	0	0
Senioren-Wohnpark ZES GmbH, Hamburg	100	26	26	0	0
SWP - Senioren-Wohnpark Klötze GmbH, Klötze	100	38	38	0	0
Algos Fachklinik Bad Klosterlausnitz GmbH, Bad Klosterlausnitz	100	26	26	0	0
Senioren-Wohnpark Leipzig - Am Kirschberg GmbH, Leipzig	100	26	26	0	0
SWP Soziale Grundbesitzgesellschaft mbH, Hamburg	100	26	-84	0	0
AMARITA Buxtehude GmbH, Buxtehude	100	26	26	0	0
PRO Work Dienstleistungsgesellschaft mbH, Hamburg	100	26	26	0	0
Senioren-Wohnpark Cottbus - SWP - GmbH, Cottbus	100	26	26	0	0
Medina Meerbusch GmbH, Pritzwalk	100	26	-1,130	-994	-20
MK-Delta GmbH, Hamburg	100	26	51	0	0
Marseille-Klinik-Omega GmbH, Hamburg	100	26	25	0	0
CASA Trainingsstätte und Bildungszentrum für Dienstleister im Gesundheitswesen gGmbH, Neuruppin	100	26	16	0	-1
Senioren Wohnpark soziale Altenbetreuung gGmbH, Langen	100	26	4,301	-28	95
Allgemeine soziale Dienstleistungen gGmbH, Langen	100	26	-2,182	-513	-618
Medina soziale Behindertenbetreuung gGmbH, Wolmirstedt	100	38	1,046	448	426
MK „Vorrat Nr. 26" Vermögensverwaltungs GmbH, Berlin	100	51	-61	-44	-6
„Villa Auenwald" Seniorenheim GmbH, Böhlitz-Ehrenberg	100	26	26	0	0
VDSE GmbH - Verwaltungsdienstleister sozialer Einrichtungen GmbH, Hamburg	100	26	108	0	0
PROMINT/Dienstleistungsgruppe Neuruppin GmbH, Neuruppin	100	51	51	0	0
Senioren-Wohnpark Hennigsdorf - SWP - GmbH, Hennigsdorf	100	26	26	0	0
SCS Standard Computersysteme Entwicklungsgesellschaft mbH, Hamburg	100	51	54	0	0
SIV Immobilien-Verwaltungsgesellschaft mbH, Hamburg	100	26	26	0	0
DaTess Gesellschaft für Datendienste mbH, Pritzwalk	100	25	25	0	0
Karlsruher-Sanatorium-Aktiengesellschaft, Hamburg	93,8 [1]	12,271	18,701	-516	9,041
Mineralquelle Waldkirch GmbH, Hamburg	93,8 [1]	26	45	-2	2
Mineralquelle Waldkirch Verwertungsgesellschaft mbH, Hamburg	88,5 [1]	2,557	-4,344	-918	-1,177
Reha-Klinik Sigmund Weil GmbH, Hamburg	93,5 [1]	5,113	5,676	559	342
Talhaus „Waldkirch" GmbH & Co. KG, Hamburg	88,5 [1]	26	-714	-454	-67
eqs. Privatinstitut für Evaluation und Qualitätssicherung im Gesundheits- und Sozialwesen GmbH, Hamburg	100	26	243	11	145
Ausgleichs- und Bürgschaftsgesellschaft im Heim- und Pflegewesen, Pritzwalk	100	25	17	0	-1
Betrium Nr. 20 Vermögensverwaltungs- GmbH, Pritzwalk	100	25	18	0	-1
Cetrium Vermögensverwaltungs GmbH, Hamburg	100	25	-6	-1	-1
„Senioren-Wohnpark Friedland - SWP – GmbH", Friedland	100	25	24	0	0
Marseille-Akademie GmbH, Hamburg	100	25	-1,288	0	0
Betrium Nr. 29 Vermögensverwaltungs-GmbH, Pritzwalk	100	25	-7	-8	-2
Senioren-Wohnpark Leipzig „Stadtpalais" GmbH, Leipzig	100	25	25	0	0
Senioren-Wohnpark Leipzig „Eutritzscher Markt" GmbH, Leipzig	100	25	25	0	0
Senioren-Wohnpark Lichtenberg GmbH, Berlin	100	25	25	0	0
Senioren-Wohnpark Neuruppin - SWP - GmbH, Neuruppin	100	25	18	0	-1
Cefugium Betriebsmanagement GmbH, Pritzwalk	100	25	13	0	-1
MVZ Büren Medizinisches Versorgungszentrum am St. Nikolaus-Hospital Büren GmbH, Büren	100	25	14	-2	-1

	Share	Subscribed capital	Equity	Net profit German Commercial Code (HGB) or loss elimination after transfer of profits	
			30 June 2009	2008|2009	2007|2008
	in %	€ '000	€ '000	€ '000	€ '000
MVZ Hennigsdorf Medizinisches Versorgungszentrum Am Senioren-Wohnpark Hennigsdorf GmbH, Hennigsdorf	100	25	-98	-112	-2
MHCC - Marseille Health Care Consulting GmbH, Hamburg	100	25	17	0	-1
Senioren-Wohnpark Landshut, Landshut	100	25	-159	363	0
Tessenow Bau- und Vermögensverwaltungs Nr. 20 GmbH, Pritzwalk	100	25	-30	-18	-4
Tessenow Vermögensverwaltungs GmbH, Pritzwalk	100	25	-11	4	-8
AMARITA Datteln GmbH, Datteln	100	25	25	0	0
AMARITA Hohen Neuendorf GmbH, Hohen Neuendorf	100	25	25	0	0
Teufelsbad Residenz Blankenburg GmbH, Blankenburg	100	25	25	0	0
Betrium Nr. 44 Vermögensverwaltungs-GmbH, Pritzwalk	100	25	22	0	0
Sport- und Rehabilitationszentrum Harz GmbH, Blankenburg	100	25	123	38	53
Marseille-Kliniken-Beteiligungsgesellschaft Nr. 46 mbH, Pritzwalk	100	25	-101	-46	-10
Marseille-Kliniken R.S.A. GmbH, Pritzwalk	100	25	13	0	-1
Senioren-Wohnpark Bad Oeynhausen GmbH (formerly Betrium Nr. 48 Vermögensverwaltungs-GmbH), Pritzwalk	100	25	20	-1	-1
Betrium Nr. 49 Vermögensverwaltungs-GmbH, Pritzwalk	100	25	-1,437	-308	-288
Betrium Nr. 50 Vermögensverwaltungs-GmbH, Pritzwalk	100	25	18	0	-1
Senioren-Wohnpark Siekertal GmbH (formerly Betrium Nr. 51 Vermögensverwaltungs-GmbH), Pritzwalk	100	25	10	-1	-1
Betrium Nr. 52 Vermögensverwaltungs-GmbH, Pritzwalk	100	25	1,042	14	-197
Betrium Nr. 53 Vermögensverwaltungs-GmbH, Pritzwalk	100	25	25	0	0
MobiRent Vermietung GmbH, Pritzwalk	100	25	23	0	0
Betrium Nr. 55 Vermögensverwaltungs-GmbH, Pritzwalk	100	25	18	0	0
WK Grundstücksgesellschaft Nr. 50 GmbH, Pritzwalk	100	25	13	-3	-8
AMARITA Bremerhaven GmbH (formerly WK Grundstücksgesellschaft Nr. 51 GmbH), Bremerhaven	100	25	12	-12	0
WK Grundstücksgesellschaft Nr. 52 GmbH, Pritzwalk	100	25	25	0	0
„MVZ AMARITA Hamburg-Mitte GmbH" (formerly WK Grundstücksgesellschaft Nr. 53 GmbH), Hamburg	100	25	24	0	0
WK Grundstücksgesellschaft Nr. 54 GmbH, Pritzwalk	100	25	25	0	0
WK Grundstücksgesellschaft Nr. 55 GmbH, Pritzwalk	100	25	25	0	0
WK Grundstücksgesellschaft Nr. 56 GmbH, Pritzwalk	100	25	25	0	0
WK Grundstücksgesellschaft Nr. 57 GmbH, Pritzwalk	100	25	25	0	0
WK Grundstücksgesellschaft Nr. 58 GmbH, Pritzwalk	100	25	25	0	0
WK Grundstücksgesellschaft Nr. 59 GmbH, Pritzwalk	100	25	25	0	0
TÜRK BAKIM EVI Pflegeeinrichtung Berlin-Kreuzberg gGmbH, Berlin	100	50	-3,537	-1,355	-1,588
Senioren-Wohnpark Meerbusch GmbH (formerly Atrium Senioren-Wohnstift Nr. 21 GmbH), Pritzwalk	100	51	-1,109	-726	-86
AMARITA Oldenburg GmbH, Oldenburg	100	51	100	0	0
Spezial-Pflegeheim Hennigsdorf gemeinnützige GmbH, Hennigsdorf	100	51	702	779	582
Atrium Senioren-Wohnstift Nr. 24 GmbH, Pritzwalk	100	51	35	0	-13
VSE Vermietungsgesellschaft für soziale Einrichtungen mbH, Hamburg	100	51	53	1	0
TÜRK GÜNDÜZ BAKIM EVI GmbH (formerly Atrium Senioren-Wohnstift Nr. 26 GmbH), Pritzwalk	100	51	-54	-25	-5
SFS Dienstleistungs-GmbH, Pritzwalk	100	51	-325	-124	-210
Senioren-Wohnpark Montabaur GmbH, Montabaur	100	51	-5,575	-1,277	-1,184
Senioren-Wohnpark Lessingplatz GmbH, Düsseldorf	100	51	-566	81	-578
AMARITA Hamburg - Mitte PLUS GmbH, Hamburg	100	52	-9,520	-6,131	-1,703
Senioren-Wohnpark Oberhausen GmbH (formerly Atrium Senioren-Wohnstift Nr. 31 GmbH), Pritzwalk	100	50	-446	-327	-90
Atrium Senioren-Wohnstift Nr. 32 GmbH, Pritzwalk	100	50	-82	-65	-7
Senioren-Wohnpark Düsseldorf - Volksgarten GmbH, Düsseldorf	100	50	50	0	240
Atrium Senioren-Wohnstift Nr. 34 GmbH, Pritzwalk	100	50	44	5	-7
Collateral Transparency GmbH, Pritzwalk	100	50	30	1	0

	Share	Subscribed capital	Equity	Net profit German Commercial Code (HGB) or loss elimination after transfer of profits	
			30 June 2009	2008/2009	2007/2008
	in %	€ '000	€ '000	€ '000	€ '000
Sozialimmobilien „Südharz" GmbH, Wolmirstedt	100	50	-5	-50	-6
Senioren-Wohnpark Dresden „Am Großen Garten" GmbH, Dresden	100	50	50	0	0
Atrium Senioren-Wohnstift Nr. 42 GmbH, Pritzwalk	100	25	-5	-1	3
Senioren-Wohnpark Arnsberg GmbH, Arnsberg	100	25	-90	0	0
Senioren-Wohnpark Büren GmbH, Büren	100	25	359	0	0
Senioren-Wohnpark Kreuztal-Krombach GmbH, Kreuztal	100	25	-115	0	0
Senioren-Wohnpark Lutzerath GmbH, Lutzerath	100	25	25	0	0
CareAktiv GmbH, Hamburg	100	25	646	-11	80
Logo 7. Grundstücksverwaltungsgesellschaft mbH, Hamburg	100	25	766	117	260
Psychosomatische Fachklinik Gengenbach GmbH, Gengenbach	93,8 [1]	26	1,078	585	350
„ProTec Dienstleistungsgesellschaft mbH", Pritzwalk	100	25	25	0	0
Fachklinik für psychische Erkrankungen Ortenau GmbH, Zell a. H.	93,8 [1]	26	191	89	-46
Psychosomatische Fachklinik Schömberg GmbH, Schömberg	93,8 [1]	26	-131	540	-633
Gotthard-Schettler-Klinik GmbH, Bad Schönborn	93,8 [1]	26	446	296	73
Klinik Bad Herrenalb GmbH, Bad Herrenalb	93,8 [1]	26	122	30	-30
Medina Belzig GmbH, Belzig	100	25	-529	-347	-150
Marseille-Projektgesellschaft „Bremerhaven" mbH, Berlin	100	25	-315	-233	-121
Allgemeine Dienstleistungsgesellschaft mbH - ADG, Pritzwalk	100	26	26	0	0
Grundstücksgesellschaft Nikolaus Büren mbH, Büren	100	25	537	319	351
St. Nikolaus-Hospital Büren GmbH, Büren	100	25	-967	-1,944	1,032
MK „Vorrat Nr. 23" Vermögensverwaltungs GmbH, Pritzwalk	100	25	17	0	-1
MK IT-Entwicklungs GmbH, Hamburg	100	25	25	0	0

[1] Group share after deduction of direct and indirect minority shares.

Information regarding subscribed capital, equity and the subsidiaries' results for the year is obtained from the individual financial statements prepared in accordance with the requirements of German commercial law.

The parent company of the extended and the smallest group of consolidated companies is Mar-seille-Kliniken AG, Berlin (registrar of companies: Berlin-Charlottenburg HRB No. 86329).

As of the balance sheet date 30 June 2009 there were 56 (previous year: 56) profit and loss transfer agreements with Marseille-Kliniken AG, Berlin, as controlling company and 8 (previous year: 8) profit and loss transfer agreements between MK-Delta GmbH as controlling company and some of its subsidiaries.

The companies to be included in Marseille-Kliniken AG's group of consolidated companies pursuant to IAS 27.12 changed during the financial year 2008/2009 compared with the group of consolidated companies as of 30 June 2008.

By means of a merger agreement dated 25 February 2009, Medina Fördergesellschaft sozialer Einrichtungen gemeinnützige GmbH, entered in Stendal local court's Commercial Register under HR-Nr. B 114955, was merged into AMARITA Hamburg-Mitte PLUS GmbH. The merger became effective for tax purposes as from 1 July 2008 (merger date) through the acquisition by transfer of assets of Medina Fördergesellschaft sozialer Einrichtungen gemeinnützige GmbH in their entirety, without liquidation, by AMARITA Hamburg-Mitte PLUS GmbH (merger by means of acquisition). The appropriate entries for AMARITA Hamburg-Mitte PLUS GmbH in the Commercial Register were made on 9 April 2009.

Fachklinik IA GmbH declared itself insolvent in October 2008. The final appointment of the insolvency administrator in February 2009 signified the loss of full commercial control over Fachklinik IA GmbH pursuant to IAS 27.21. The company was deconsolidated as of this date.

The deconsolidation is shown as follows:

Consolidated Fachklinik IA GmbH	€ '000	€ '000
Intangible assets	-12	
Property, plant and equipment	-12	
Other assets	-52	
Cash and cash equivalents	-3	
– Total deconsolidated assets		**-79**
Other provisions	376	
Trade payables	108	
Other current liabilities	52	
+ Total deconsolidated liabilities		**536**
= Deconsolidation profit to Group		**457**

Currency translation

Functional currency and reporting currency

The items contained in every Group company's financial statements are valued on the basis of the currency of the primary economic environment where the respective company operates (functional currency). The reporting currency for the consolidated financial statements is €, which is the functional currency of the parent company and simultaneously that of the subsidiaries included in the consolidated financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the time of the transaction. Gains and losses resulting from the performance of such transactions and from the translation of monetary assets and liabilities in foreign currencies at divergent rates on the balance sheet date are shown in the income statement.

Changes to the accounting and valuation principles

Impact of new accounting regulations

The following accounting standards or interpretations were applicable for the first time during the financial year 2008/2009. None of the new accounting regulations had a significant influence on the asset situation, financial position, profitability or earnings per share during the financial period.

In October 2008, the IASB made alterations to IAS 39 (39.50) (Financial Instruments: Recognition and Measurement) and to IFRS 7 (7.12 and 7.12A) (Financial Instruments: Disclosures) which concern the reclassification of financial instruments. The reclassification brings about a change in the valuation, not at market prices but rather at amortised cost. The reclassifications of financial instruments effected after 1 November 2008 must be indicated in the notes.

IFRIC 13 (Customer Loyalty Programmes) must be applied as from 1 July 2008. This interpretation regulates the balance sheet reporting of customer loyalty programmes at companies which either offer the loyalty programmes themselves or participate in other companies' loyalty programmes.

There were also alterations in the area of reporting pension commitments (IFRIC 14IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction), although these had no impact on the consolidated financial statements.

New accounting regulations published but not implemented before mandatory date

As of 30 June 2008, the IASB had published the following standards, interpretations and amendments to existing standards, which do not have to be implemented yet and have not been implemented yet by Marseille-Kliniken AG, Berlin. These IFRS standards are not applied, moreover, until they have been adopted by the EU under the IFRS endorsement process.

The changes that might be significant for the Marseille-Kliniken AG Group concern the following:

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

Improvements to the International Financial Reporting Standards 2008 (general standard)

The revision of IAS 1 regulates the principles and structure of the financial statements and additionally contains minimum requirements regarding the content of financial statements (to be applied for the first time for reporting years that begin on or after 1 January 2009).

IAS 23 removes the previous right to choose with regard to the capitalisation of borrowing costs and stipulates that borrowing costs attributable to the construction, acquisition or production of a qualified asset must be capitalised. This might lead to an increase in the capitalised acquisition and production costs in the event of future investments (to be applied for the first time for reporting years that begin on or after 1 January 2009).

Significant amendments to IAS 27 concern the balance sheet reporting of transactions in which a company retains control and transactions where control has been lost. Transactions that do not lead to a loss of control must be shown as equity transactions with no effect on income. Any remaining shares must be valued at fair value as of the time when control was lost. In the case of minority shareholdings it is permissible to show negative balances, in other words losses will be attributed unrestricted in proportion to the respective shareholding (to be applied for the first time for reporting years that begin on or after 1 July 2009).

The revision of IFRS 3 is concerned particularly with the introduction of a right to choose with regard to the valuation of minority shareholdings (purchased goodwill method vs. full goodwill method), the revaluation of shareholdings with effect on income in the event of a gradual company acquisition, and the inclusion of considerations which are dependent on future events occurring (to be applied for the first time for reporting years that begin on or after 1 July 2009).

In addition, Marseille-Kliniken AG is currently investigating the impact of IFRS 8, which must be applied for financial years that begin after 1 January 2009, on the consolidated financial statements. The new standard IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 stipulates that companies must disclose the segment information on the basis that is available to the most senior decisionmaking body for operating activities. The Group has ascertained that the operating segments as defined by IFRS 8 correspond to those identified under IAS 14. How this standard will affect other segment information has not yet been established conclusively.

In the general standard Improvements to the International Financial Reporting Standards 2008, which contains 35 alterations to various standards with the aim of removing inconsistencies and clarifying formulations, an alteration to IFRS 5 might be of relevance; this stipulates that instead of fair value less selling costs, fair value should be used for the valuation of non-current assets held for trading.

The following other standards and interpretations, which are not yet mandatory and are unlikely to have any impact on the consolidated financial statements of Marseille-Kliniken AG, were published between the last balance sheet date and July 2009:

- IAS 32: Financial Instruments: Presentation of Puttable Financial Instruments
- IAS 39: Financial Instruments: Recognition and Measurement - Eligible Hedged Items
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- IFRS 1 Additional Exemptions for First-time Adopters
- IFRS 2 Share-based Payment – Vesting Conditions and Cancellations

Significant discretionary assumptions and estimates
Preparation of the consolidated financial statements in accordance with IFRS requires that to a certain extent assumptions and estimates be made which have an impact on values stated for assets, liabilities and contingent liabilities as well as the income and expenses included in the financial statements. These assumptions and estimates relate, among other things, to the accounting and valuation

- of goodwill,
- of fixed assets,
- of provisions for pensions and similar obligations,
- of deferred tax assets, particularly from losses carried forward.

Assumptions and estimates are made in determination of useful lives for property, plant and equipment, for discounted cash flows as part of impairment tests and in the formation of provisions, such as those for legal disputes, employee retirement benefits and taxes. The further sections below will examine the estimation and accounting principles behind these assumptions and estimates and their effects in the individual areas.

Estimates are based on experience and other assumptions which seem to be appropriate under the given circumstances. They are monitored continually but may vary from the actual figures.

At least once per year, the Group checks whether goodwill has decreased in value. This requires an estimate of the use value of incomegenerating units to which the goodwill is allocated. In estimating use value, management must estimate probable future cash flows from the incomegenerating units and choose an appropriate discount rate in order to determine the cash value of the cash flows. The carrying amount of goodwill as of 30 June 2009 was € 28,198,000 (previous year: € 28,014,000). Further details can be found under goodwill in the notes section. Our assumptions for determining fair value were based on the weighted average cost of capital (WACC) of 6.14 %.

In examining the intrinsic value of the redundant properties we made the following assumptions, based on the net selling price approach, for the discounted cash flow model: this was based on a detailed planning period of five years. In this period the necessary investments are calculated on the basis of offers received from third parties. The income and expenses related to these investments (€ 11,022,000) are calculated using parameters that are close to the market. In this area a maximum occupancy rate of 90 %, in particular, was used as the basis. Comparable Marseille-Kliniken AG facilities achieve higher occupancy rates. Operating costs are measured using internal Group mean values and are comparable with the market environment. The underlying discount rate is 6.43 % and is derived from the market. Perpetuity is assumed after the end of the detailed planning period. When determining the perpetuity, a conservative growth markdown of 0.5 % was used as the basis. As of the balance sheet date, the carrying amount of all the redundant property was € 15,662,000.

Determination of estimated useful life of assets in the property, plant and equipment is likewise based on assumptions about the residual value of these assets at the end of their respective estimated useful lives. These estimates are based on external sources. Estimates have also been made about recoverable amounts in accordance with IAS 36, but with regard to the valuation of properties and buildings, in some cases external opinions have been sought.

Expenses for pension obligations are determined on the basis of actuarial reports. Actuarial valuation is made on the basis of assumptions with regard to discount factors, expected earnings from plan assets, future salary and wage rises, mortality, and future pension increases. Such estimates are subject to considerable insecurity due to the longterm aspects of this planning.

Furthermore, provisions for bad debts, deferred tax assets for losses carried forward and valuation of other provisions depend on appropriate assumptions and estimates being made by management on the basis of the latest dependable information being taken into consideration.

All assumptions are based on circumstances and estimates as of the balance sheet date. In addition to this, future economic development in the industry and regions in which the Group operates which was assumed to be realistic at the time was taken into consideration for assessing future business development. Actual figures may differ from the estimates made due to developments in these general economic conditions. In such cases the assumptions and, where necessary, the carrying amounts of the assets and liabilities concerned are adjusted accordingly. As of the date when these consolidated financial statements were prepared, there was nothing to suggest the need to make any major changes to the assumptions and estimates already made, and there was no need either in the past or at the present time to make any substantial adjustments to the carrying amounts of the assets and liabilities stated for the financial year 2009/2010.

Summary of important accounting and valuation principles
The following accounting and valuation principles have been applied in preparing the consolidated financial statements of Marseille-Kliniken AG:

With the exception of goodwill, the **intangible assets** are valued using the purchase method at acquisition or production cost. Intangible assets are subject to amortisation over an average useful life of 3 to 8 years. Loan interest is not included in production costs.

Development costs are shown as self-developed intangible assets if the developments are new, there is sufficient certainty that the asset will generate future revenue inflows and allocable expenses can be determined with certainty. The costs are initially capitalised based on the management's assessment of whether the asset is technically and economically realisable. This is usually the case if a product development project has reached a specified milestone in an existing project management model.

As of each balance sheet date, the Group examines whether there are any indications that an intangible asset might have decreased in value. If such a value reduction has taken place, the asset is impaired.

Goodwill is shown at acquisition cost, adjusted for value reductions if necessary. Pursuant to IFRS 3 in conjunction with IAS 36 there is no impairment for this asset.

In order to assess value reductions, each year on 30 June impairment tests are carried out on goodwill at the level of income-generating units in order to identify unscheduled value adjustments pursuant to IAS 38. In addition to this, an impairment test for goodwill is made when circumstances demand it. A value reduction is identified by determining the attainable value of the income-generating unit to which the goodwill relates. If the recoverable amount from the income-generating unit is lower than its carrying amount, a cost for the value reduction will be recorded. The recoverable amount is the net residual value or the cash value of the estimated cash inflows (value in use) from the asset, whichever is higher. In order to estimate average useful life pursuant to IAS 36, probable future cash flow from the income-generating unit is estimated and discounted with an appropriate interest rate to determine the cash value of this cash flow. In addition to a fixed planning period of five years used in determining the value in use of an income-generating unit, the assumption was also made that the last planning year would also be in perpetuity, as it is assumed that the asset has a longer period of use.

All **property, plant and equipment** is shown using the historical cost method at acquisition cost or production cost less accumulated depreciation and accumulated impairment expenses. Production costs for selfdeveloped assets include directly allocable costs as well as a share of overheads and general depreciation. Loan interest is not included in production costs. Repair and maintenance costs are included as an expense as of the time they were incurred. Depreciation is carried out on a straight-line basis over the expected useful life of the asset.

Buildings are depreciated using the straight-line method based on an average useful life of 50 years. Technical equipment and machinery are depreciated on the basis of an average useful life of 5 to 20 years, other fixtures, factory and office equipment over a period of 3 to 15 years. Depreciation is carried out using the straight-line method based on the customary average useful life expectancy of the assets. Buildings are depreciated in accordance with the definition of residual value under IAS 16.6, which amounts to 10 % of acquisition or production costs. The residual value is assessed annually.

The carrying values of the property, plant and equipment are examined and, if necessary, adjusted if there are any indications of value reductions. On disposal of the asset, the acquisition and production costs and the carrying amount of the property, plant and equipment are removed from the financial statements.

For the redundant properties we used the net selling price as the basis for the impairment test. With regard to the underlying assumptions for determining the net residual value, we refer to our explanatory notes under item "Significant discretionary assumptions and estimates".

Property, plant and equipment used on the basis of lease contracts are capitalised and depreciated in accordance with IAS 17 when the requirements of the **finance lease** are met. Leases are classified pursuant to IAS 17 as **finance leases** if all the significant risks and opportunities associated with ownership are transferred to the lessee by the lease terms. This is assumed if the cash value of the minimum lease payments essentially corresponds to the fair value of the leased asset. The lower limit for this is considered to be 90% of the fair value. Assets held as finance leases are shown at fair value or at the cash value of minimum lease repayments, whichever is lower at the beginning of the lease contract. Depreciation and amortisation methods and average terms of useful lives correspond to those of comparable acquired assets. Liability to the lessor is shown in the balance sheet as a finance lease obligation. Lease payments are allocated in such a way to interest expenses and a redemption of the lease obligation that the interest on the remaining liability remains constant. Interest expenses are shown directly in the income statement. The proportion accounted for by redemption is offset against the liability without affecting income.

All other leases are classified as **operating leases**. Lease payments made in connection with operating leases are included in the income statement using the straight-line method over the term of the relevant lease contract.

The **financial assets** comprise loans and receivables, purchased equity or debt instruments, cash and cash equivalents, and derivatives with positive fair values.

Accounting and valuation of financial assets is carried out in accordance with IAS 39, according to which financial assets are recognised in the consolidated balance sheet if the Group has a contractual right to receive cash or other financial assets from another party. Sales and purchases of financial assets on usual market terms are generally recognised as of their settlement date. Initial recognition of financial assets is carried out at fair value plus transaction costs. Any transaction costs which arise upon purchase of financial assets at fair value through profit and loss are recognised directly as expenses. Receivables bearing no interest or an interest rate lower than the prevailing market rate are initially recognised at the cash value of the expected future cash flows. Revaluation is carried out in accordance with allocation of the financial assets to one of the following categories:

> **Financial assets valued at fair value through profit or loss comprise financial assets** held for trading. This valuation category includes receivables from futures trading and receivables from other derivative financial instruments allocated to other assets, provided that hedge accounting is not used. In addition, the assets from reinsurance reported under non-current assets are assigned to this category. Changes to the fair value of financial assets in this category are recognised at the time of the increase or decrease in value.
>
> **Loans and receivables are non-derivative financial assets** which are not listed in an active market. Loans and receivables are valued at amortised cost. Trade receivables, financial receivables included under other assets, and loans included under non-current assets are assigned to this valuation category. Interest income from items in this category are determined using the effective interest method, provided it does not relate to current receivables and the effect from compounding is not relevant.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed term for which they are being held. They are valued at amortised cost using the effective interest method. As of the balance sheet date, the Group had assigned no financial assets to this category.

Available-for-sale financial assets include those non-derivative financial assets which cannot be allocated to one of the above categories. These are, in particular, equity securities valued at fair value and debt instruments not to be held to maturity which constitute part of the other financial assets.

Changes to the fair value of the available-for-sale financial assets are recognised directly in equity and not recognised at profit or loss until they are sold or impaired. In situations where the market value of equity or debt instruments can be determined, this will be done at fair value. If there is no listed market price and the fair value cannot be estimated reliably, these financial assets are shown at acquisition cost less impairment expenses.

If there are objective, substantial indications for value reductions of financial assets in the categories loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, it shall be investigated whether the carrying amount is greater than the cash value of expected future cash flows which are discounted by the current market yield of a comparable financial asset. If this is the case, a value adjustment will be carried out to cover the differential amount. Indications of a value reduction include operating losses over several years for a company, a reduction in its market value, a significant deterioration in its creditworthiness, a specific serious of contract, the likelihood of insolvency or another form of financial restructuring for the debtor, or the collapse of an active market.

Where the reasons for the impairments no longer apply, appropriate write-ups will be carried out but not in excess of the acquisition costs. No write-ups are carried out in respect of available-for-sale equity instruments.

Financial assets are removed from the financial statements if the contractual rights to payments from the financial assets no longer exist or if the financial assets and all risks and opportunities are transferred. Treatment of financial and commodity price risks, and in particular derivative financial instruments and hedging with financial instruments, are explained in more detail under "Management of financial risks".

The Group's shares in associated companies are reported using the equity method. An associated company is a company in which the Group has a significant influence and its participating interest is usually between 20 % und 50 %.

The shares in an associated company are recorded in the balance sheet using the equity method at acquisition cost plus any postacquisition changes in the Group's share of the associated company's net worth. Goodwill connected with the associated company is contained in the shareholding's carrying amount and is subjected to neither scheduled impairment nor a separate impairment test.

After applying the equity method, the Group ascertains whether it is necessary to include additional value reduction costs for the Group's shares in associated companies. On every balance sheet date, the Group determines whether there are any objective indications that the shareholding in an associated company could have increased or decreased in value. If this is the case, the difference between the recoverable amount of the shareholding in the associated company and the carrying amount of the shareholding is reported with effect on income as earnings or value reduction costs.

Pursuant to IAS 2, inventories include those assets held for sale in normal business operations (finished goods), those which are in production and intended for sale (work in progress) and those which are used during the course of rendering services (raw materials and consumables). When acquisition cost is being ascertained, the inventory valuation method FIFO (first-in-first-out) is used.

Inventories are valued using the weighted average method at the lower of acquisition or production costs (full production costs) or net residual value (realisable proceeds in normal business operations less estimated cost of completion and selling costs). Writedowns are made where there is a lower net residual value as of the balance sheet date. Production costs comprise, in particular, wages and salaries and other personnel expenses which go directly towards the rendering of services (IAS 2.19), as well as all directly allocable material and production direct costs and material and production overheads. General administrative costs and selling and distribution costs are not included in inventories.

Receivables and other receivables are shown at nominal value less provisions for bad debts. Provisions for bad debts are made for receivables which are unlikely to be collected. No lump sum provisions for bad debts have been set aside. Receivables and other assets are written off when they are regarded as uncollectible.

Cash and cash equivalents include cash on hand, bank balances and shortterm deposits with an original maximum term of less than three months and are valued at nominal value.

Treasury shares are deducted from equity. The purchase or sale, or the issue or buyback, of treasury shares is not recognised in profit or loss. All consideration given or received is recognised directly under equity.

Non-current assets intended for sale are classified as such and reported separately in the balance sheet if the associated carrying amount is realised predominantly through disposals rather than continued use. These assets are valued at their carrying value or at fair value less disposal costs, whichever is lower, and are no longer subject to depreciation or amortisation. Value reductions are carried out with effect on income if the fair value less disposal costs is lower than the carrying amount. Any writeups on grounds of the increase in fair value less disposal costs are limited to the value reductions previously recorded for the respective assets.

Provisions for pensions and similar obligations are valued using the projected unit credit method for pension commitments in accordance with IAS 19. This takes not only pensions and purchased entitlements known as of the balance sheet date into account, but also expected future increases in salaries and pensions.

For some employees, provision for pensions during the period after retirement is met by the Group directly or by contributions to private and public bodies. Obligations include those for existing pensions and also for future pension claims. Company pensions within the Group are usually defined benefit plans. For defined contributions pension systems, the company makes contributions to public or private pension insurance companies in accordance with statutory or contractual obligations or on a voluntary basis. No further obligations are incumbent on the company once it has paid the contributions. Current contributions are shown as an expense in the relevant year in the functional areas and therefore in operating profit. All other pension systems are defined benefit plans. The inclusion of defined benefit plans in the consolidated financial statements recognises all net income and expenses balanced in the operating result. The interest component is shown in the financial result under other financial income and expenses. Actuarial gains and losses from defined benefit pension plans and reductions that take upper limits for assets into account are included in full in the provisions for pensions. Early retirement benefits and other pension entitlements arising from termination of employment which are similar to pension obligations are also included in the pension provisions.

Estimated benefits to be paid after commencement of the entitlement are spread over the employee's total number of years in employment, with future salary increases being taken into account. A comprehensive actuarial calculation is made annually as of the balance sheet date for all the important facilities.

Expected future cash outflows are discounted in order to show pension and similar obligations at present value as of the balance sheet date. The discount rate used for the discounting of pension and similar obligations is based on yields as of the balance sheet date.

Due to changing market and economic conditions, actual future expenses and obligations may vary significantly from the estimates, which are made on the basis of actuarial assumptions. Higher or lower retirement rates or longer or shorter life spans of beneficiaries can likewise affect the level of income from the pension system and related expenses.

Tax provisions and other provisions are formed if a past event has resulted in a legal or de facto obligation to a third party which will probably result in an outflow of assets and this outflow can be estimated with sufficient reliability. Provisions are formed for all apparent risks and uncertain commitments in the amount of their probable occurrence and are not offset against recourse claims. Any expenses incurred in forming provisions are shown in the income statement after deduction of reimbursements. The tax provisions shown under other provisions in the previous year will be shown under current tax liabilities from the current financial year onwards. The corresponding figures from the previous year (other provisions and current tax liabilities) were adjusted accordingly.

The **financial liabilities** consist of original liabilities and the negative fair value of derivative financial instruments. Original liabilities are shown in the consolidated balance sheet if the Group has a contractual obligation to transfer funds or other financial assets to another party. Original liabilities are recognised for the first time at the fair value of the consideration received or at the value of the funds received less any transaction costs. Liabilities are revalued at amortised cost using the effective interest method. Liabilities from finance leases are shown at the cash value of minimum lease payments.

Derivative financial instruments are valued at fair value through profit and loss, provided there is no hedge accounting. The change in the fair value of derivative financial instruments which serve to hedge future payment flows (cash flow hedges) is shown under equity with no effect on income and is posted to income only when the cash flow is realised. The negative fair values of derivative financial instruments are part of financial liabilities. The inclusion of derivative financial instruments and hedge accounting with financial instruments in the financial statements is discussed further under "Management of financial risks". Financial liabilities are removed from the accounts when financial obligations are met or cancelled or have expired. Reference is made to publicly quoted market rates on the open market to determine current value.

The **interest-bearing loans** are included for the first time at the fair value of the consideration received less any transaction costs incurred. Subsequently, interest-bearing loans are valued at amortised cost using the effective interest method. Borrowing costs are included directly in profit and loss in the period in which they arise. Pursuant to IAS 39.56, gains and losses are recognised in profit or loss when debts are repaid and in the course of amortisation.

Trade payables and other current and non-current liabilities are valued at their repayment amounts.

Government grants (IAS 20) are recognised when there is sufficient certainty that the grants will be made and the company will fulfil the attached conditions. Cost-related grants are recognised as scheduled income over the period of time required to offset them against the expenses for which the grant has been made. Grants for an asset are shown in the consolidated balance sheet as the deferred income item „Deferred investment grants". This deferred income item is released in the financial statements in equal annual instalments over the expected useful life of the asset involved.

The **prepayments received** on account from customers and **deferred income** are shown under other liabilities. Deferred income serves to differentiate revenues from service and lease agreements in accordance with the financial periods in question.

With regard to temporary differences to the carrying amounts of assets and liabilities in the tax balance sheets prepared in accordance with the relevant regulations, deferred tax assets and liabilities are set up pursuant to IAS 12. Tax losses carried forward at the consolidated companies lead to the utilisation of deferred tax assets to the extent that the company in question is likely to benefit from having tax losses to be offset during the next five financial years.

As in the previous year, the tax rate for deferred taxes is 15.825 %. Deferred tax assets and liabilities are offset against one another in the consolidated balance sheet due to balance sheet latencies for each Group company, provided that the necessary requirements are met. This offsetting excludes deferred tax assets for losses carried forward which are not offset because the requirements of this are not met.

The **income statement** is classified using the total cost method.

The income statement recognises **revenues and other operating income** from the rendering of services and to a minor extent from product sales if the significant risks and opportunities arising from ownership of the goods were transferred to the customers, the company retains neither a continuing right of disposal as is customary with property nor an effective right of disposal over the goods and merchandise sold, the amount of income and costs incurred or to be incurred can be reliably determined, and it is reasonably likely that the transaction will result in an economic benefit for the Group.

Revenues are realised after deduction of value-added tax and other taxes and after deduction of reductions in earnings. Recognition of revenues at the time they arise includes reduced amounts for any rebates and customer discounts granted. Estimates of reduced earnings are mainly based on past experience, specific contractual terms and anticipated future revenue development in individual segments. It is unlikely that any other estimate parameters for income reductions will have a significant effect for the Group's business operations. The fluctuation margin in balancesheet precautions taken for future reductions in earnings is insignificant in relation to the disclosed operating result. Adjustments to provisions for rebates and customer discounts granted in previous periods had no significant effects on earnings before tax for the financial year ended.

Operating expenses are recognised as of the time when a service is utilised. Borrowing costs are included in profit and loss in the period in which they arise. Income taxes are determined on the basis of the tax law requirements of the countries in which the Group operates.

Events after the balance sheet date

There were no significant events after the balance sheet date.

Explanatory notes to the Group balance sheet

Consolidated balance sheet – ASSETS

Intangible assets

The development of intangible assets in the financial year 2008/2009 is shown in the table below:

Intangible assets	AC/PC 30.06.2008 € '000	Additions € '000	Reclassifi-cations € '000	Disposals from decon-solidation € '000	Disposals € '000	AC/PC 30.06.2009 € '000	Carrying amount 30.06.2008 € '000	Carrying amount 30.06.2009 € '000
Franchises, licences, commercial property rights	1,745	1,178	0	0	0	2,923	594	1,367
Software	10,865	831	295	82	0	11,909	3,908	3,088
Payments on account	36	135	0	0	0	171	36	171
Total	**12,646**	**2,144**	**295**	**82**	**0**	**15,003**	**4,538**	**4,626**

The additions to franchises, licences and commercial property rights relate to the capitalisation of the concept for the construction of a specialised incontinence centre.

As in the previous year, additions to software refer mainly to purchases for software programs for VDSE GmbH for the human resources and time recording divisions.

The reclassifications concern software programmes that were reclassified from assets under construction to intangible assets.

In the financial year 2008/2009, no development costs (previous year: € 134,000) were capitalised.

The statement of intangible assets in the consolidated financial statements is detailed in the schedule of fixed assets attached as an appendix to these notes.

All amortisation of intangible assets has been included in the income statement as amortisation.

Goodwill

The goodwill was subject to impairment tests on the basis of value in use. The impairment tests are based on the budget plans of the various companies and the profits deduced from them taking account of perpetuity. Assumptions about revenues and earnings are based on these plans, which are derived from the estimations of management and from strategies for the individual markets. Increases in personnel expenses and other operating expenses are taken into consideration as appropriate. In the rehabilitation, nursing care and administration/services divisions, discounting of 6.14 % (previous year: 7.6 %) was carried out regularly during the planning period on the basis of the weighted average cost of capital.

Impairment is made for goodwill when the cash value of expected cash inflows is less than the net carrying amount of the income-generating unit including goodwill or when there are other criteria for a value adjustment. No need for value reductions was ascertained in the financial year 2008/2009, and consequently there was no adjustment made to the value of goodwill (previous year: € 303,000).

The addition in the amount of € 184,000 relates to the acquisition of the BGB company „Praxisklinik Hennigsdorf" (group practice run by Dr Schneider/Dr Eckert) by MVZ Hennigsdorf Medizinisches Versorgungszentrum Hennigsdorf GmbH.

The adjustment in the previous year (€ 452,000) relates to the reclassification of the Büren goodwill from goodwill to property, plant and equipment. The additional price paid for the hospital in Büren at the time of its acquisition must be attributed to land and buildings.

Goodwill consists of the following:

Goodwill	Before Adjustment 30.06.2008 € '000	Adjustment € '000	After Adjustment 30.06.2008 € '000	Additions € '000	Disposal € '000	Value reduction € '000	30.06.2009 € '000
ADG GmbH	10,171	0	10,171	0	0	0	10,171
SWP Aschersleben	3,479	0	3,479	0	0	0	3,479
SWP Neuruppin	3,177	0	3,177	0	0	0	3,177
Fachklinik Blankenburg	1,173	0	1,173	0	0	0	1,173
SWP Bad Langensalza	1,163	0	1,163	0	0	0	1,163
SWP Thale	1,015	0	1,015	0	0	0	1,015
Kasanag	876	0	876	0	0	0	876
SWP Klausa	800	0	800	0	0	0	800
SWP Schollene	796	0	796	0	0	0	796
Algos Fachklinik	722	0	722	0	0	0	722
Astor Park	596	0	596	0	0	0	596
SWP Erkner	512	0	512	0	0	0	512
Sigmund Weil	472	0	472	0	0	0	472
SWP Coswig	381	0	381	0	0	0	381
VDSE	250	0	250	0	0	0	250
Other goodwill	2,883	-452	2,431	184	0	0	2,615
	28,466	**-452**	**28,014**	**184**	**0**	**0**	**28,198**

Property, plant and equipment

Property, plant and equipment consists of the following:

	AC/PC 30.06.2008 € '000	Additions € '000	Reclassifi-cations € '000	Disposals from deconsoli-dation € '000	Disposals € '000	AC/PC 30.06.2009 € '000	Carrying amount 30.06.2009 € '000	Carrying amount 30.06.2008 € '000
Land, similar rights and buildings including buildings on third-party land	173,511	1,188	1,050	0	457	175,292	119,086	120,822
Technical equipment and machinery	2,674	73	0	0	0	2,747	346	369
Other fixtures, factory and office equipment	50,956	3,041	616	22	396	54,195	14,279	13,156
Finance leases for factory and office equipment	4,430	3,477	0	0	0	7,907	5,105	3,389
Payments on account and assets under construction	5,422	2,348	-3,226	0	164	4,380	3,866	5,091
Total	**236,993**	**10,127**	**-1,560**	**22**	**1,017**	**244,521**	**142,682**	**142,827**

The additions totalling € 1,188,000 under land and buildings relate, in particular, to the Koppenbergs Hof (€ 445,000), Belzig (€ 178,000), AMARITA-Hamburg (€ 70,000) and Radensleben (€ 60,000) properties. The additions primarily concern expansion investment and investment in outdoor installations.

Land and buildings as of 30 June 2009 include four temporarily unused rehabilitation clinics with an aggregate carrying amount of € 15,662,000.

Taking account of the planned subsequent use on the basis of the net residual value concept, these properties underwent an impairment test as of 30 June 2009. The test confirmed the stated carrying amounts, with the exception of the property in Blankenburg. This property was impaired in the amount of € 367,000. The intrinsic value of the other properties is based on the intention to use the properties in the near future as nursing clinics or for assisted living.

In the financial year 2008/2009, additionally, the Group acquired factory and office equipment in the amount of some € 3,041,000. This relates, in particular, to VDSE GmbH with € 158,000 and Marseille-Kliniken AG's operational facilities in Blankenburg (€ 891,000), Meerbusch (€ 47,000), Ortenau (€ 134,000) and Gengenbach (€ 49,000).

The additions under finance leases for factory and office equipment amounting to € 3,477,000 result from the conclusion of contracts in the financial year 2008/2009 which, under the criteria of IAS 17, must be classified as finance leases.

The additions to assets under construction mainly relate to the properties in Eberswalde (€ 1,237,000), Herne (Koppenbergs Hof) (€ 200,000) and Waldkirch (€ 646,000).

The reclassifications mainly concern the completion of properties that were previously shown as assets under construction. In relation to the land and buildings, these are, in particular, the properties in Belzig (€ 1,555,000) and Ortenau (€ 443,000), and the nursing care facilities in Thale (€ 62,000), Kyritz (€ 84,000) and Herne (€ 233,000). In addition, the reclassifications concerning land and buildings include a balancing transaction amounting to € 1.2 million for the hospital in Büren along with the investment subsidies reported as liabilities. The other public grants and subsidies for financing investments are shown under liabilities as required by IAS 20.

The disposals of property, plant and equipment mainly concern the garden undertaking in Willstedt-Sand.

At the Blankenburg facility, impairment of land amounting to € 367,000 was reported. As a result, the carrying amounts were adjusted to the current market level.

A detailed statement of property, plant and equipment can be found in the attached schedule of fixed assets.

Properties held as financial investments

As in the previous year, no properties were held as financial investments.

Other financial assets

As of the balance sheet date, other financial assets amounted to € 3.6 million (previous year after adjustment: € 3.3 million) and consisted of the following:

	AC/PC 30.06.2008 € '000	Additions € '000	Reclassifi-cations € '000	Value reductions € '000	Disposals € '000	AC/PC 30.06.2009 € '000	Carrying amount 30.06.2009 € '000	Carrying amount 30.06.2008 € '000
Shareholdings	136	0	0	45	0	136	136	91
Reinsurance of pensions	2,102	37	0	0	113	2,026	2,102	2,026
Other securities	0	0	188	0	0	188	0	188
Other loans	1,049	237	0	0	0	1,286	1,049	1,286
Total	**3,287**	**274**	**188**	**45**	**113**	**3,636**	**3,287**	**3,591**

The value reductions of € 45,000 concern the write-downs of the shareholdings in TD Artos Fonds-Management GmbH (€ 20,000) and TD Artos Verwaltungsgesellschaft mbH (€ 25,000), both of which are allocated to the nursing care segment. The companies are inactive and generate no profits. In this respect, there are objective reasons for these value reductions. These shareholdings were reported for the first time in the financial year 2007.

The change in reinsurance of pensions stands in direct correlation with the corresponding change in pension provisions. This refers principally to the asset value of Karlsruher-Sanatorium AG in the amount of € 741,000 (previous year: € 847,000), Mineralquelle Waldkirch Verwertungsgesellschaft mbH in the amount of € 253,000 (previous year: € 247,000), Psychosomatische Fachklinik Gengenbach GmbH in the amount of € 193,000 (previous year: € 183,000) and Fachklinik für psychische Erkrankungen Ortenau GmbH in the amount of € 128,000 (previous year: € 122,000). It is likely that similar reinsurance amounts will have to be paid in the next financial year.

The other securities reported were reported under cash and cash equivalents last year. They were reclassified under non-current assets as of 30 June 2009.

Other loans relate primarily to security deposits amounting to € 215,000 and the instalments for a long-term loan totalling € 1,009,000 (previous year after adjustment: € 772,000) that were reclassified from current receivables to non-current assets.

Deferred tax assets

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

As of 30 June 2009 there were total corporation tax losses carried forward amounting to € 29.0 million (previous year: € 25.9 million), which can essentially be utilised with no time limitation. These were carried forward as deferred tax assets, as long as it was sufficiently probable that such losses carried forward could be utilised at a future date.

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

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

The following overview contains the tax losses carried forward for which deferred tax assets were set up:

	30.06.09 € '000	30.06.08 € '000	Tax on this amount 30.06.09 € '000	Tax on this amount 30.06.08 € '000
Tax losses carried forward	5.284	7.643	836	1.209

Deferred tax assets for losses carried forward were recorded at six companies. Two of these companies have already generated profits in the financial year ended. Three other companies are involved in expansion projects. For these companies the start-up losses provided for in the business model are being capitalised.

Inventories

The inventories position increased over the adjusted previous year by € 0.2 million to € 5.0 million (previous year after adjustment: € 4.8 million).

Raw materials, consumables and supplies amounted to € 1.5 million (previous year: € 2.4 million) as of the balance sheet date. These consisted mainly of medical supplies and energy resources. Payments on account amounted to € 144,000 (previous year: € 83,000) as of the balance sheet date.

The property under construction in Bremerhaven at € 3.1 million (previous year: € 2.0 million) is likewise reported under inventories following its retrospective reclassification. The project in Bremerhaven is the construction of a nursing care home which is being rented by the Group, following its sale to an investor which has already been agreed, and is therefore being built for our purposes and in accordance with our wishes. The nursing care home was not built on the basis of a construction contract and the purchaser had no influence over its construction.

Trade receivables

Trade receivables decreased by € 728,000, from € 16,282,000 (after adjustment) on 30 June 2008 to € 15,554,000 on 30 June 2009.

	2008|2009 € '000	2007|2008 € '000	Adjustment € '000	2007|2008 € '000
Receivables before value adjustments	17,277	17,437	2,487	14,950
less value adjustments	−1,723	−1,155	0	−1,155
Receivables after value adjustments	**15,554**	**16,282**	**2,487**	**13,795**

The patients, who were shown under inventories in the previous years, were likewise reported under trade receivables in the amount of € 2,441,000 (previous year: € 2,487,000). This item for patients relates to services provided for patients which have not yet been settled. The previous year's figures were adjusted accordingly.

Trade receivables from related persons and companies which are more than one year old bear interest of 6 % (€ 141,000).

Trade receivables contain value adjustments for ascertained default risks amounting to € 1.7 million (previous year: € 1.2 million). The value adjustments developed as follows:

	2008/2009 € '000	2007/2008 € '000	Adjustment € '000	2007/2008 € '000
As of 01.07.	1,155	656	0	656
Additions	717	499	0	499
Reversal	149	0	0	0
As of 30.06.	**1,723**	**1,155**	**0**	**1,155**

Other receivables and assets
Other receivables and assets totalling € 12,960,000 (previous year after adjustment: € 22,283,000) consist of the following:

	30.06.09 € '000	30.06.08 € '000	Adjust-ment € '000	30.06.08 € '000
Loan to Mr Marseille	4,847	4,716	0	4,716
Loan to Mrs Marseille	2,724	2,616	0	2,616
SCS loan	2,499	2,287	0	2,287
Purchase price claim from the sale of Held Bau GmbH	760	760	0	760
Receivables from Trump Organisation	500	1,529	0	1,529
Prepaid expenses	500	878	0	878
Other loans	205	1,072	0	1,072
Prepayments for employers' liability insurance	126	221	0	221
Compensation for the waiver of pre-emptive rights	0	5,606	0	5,606
Instalments for loan repayment	0	0	-772	772
Other	799	2,598	-457	3,055
	12,960	**22,283**	**-1,229**	**23,512**

The previous year's original figure for other receivables amounting to € 23,512,000 was adjusted for the balancing item for own funds of the KHG (€ 457,000) that was previously shown under other receivables. This is a contingent claim which is now shown under equity with no effect on income. The previous year's figure was adjusted accordingly for comparative purposes. Further details can be found in the item on contingent claims.

In addition, the instalments for repaying a loan in the amount of € 772,000, which were shown under this item in the previous year, were reclassified under non-current assets.

The receivables from the compensation for the waiver of pre-emptive rights from the previous year amounting to € 5,606,000 were settled in the financial year.

The loan receivables from Mr and Mrs Marseille include interest accrued up to 30 June 2009. The loan to Mr Marseille is to be offset against the purchase of the outpatient nursing care service for assisted living in Gera by Marseille-Kliniken AG. The interest rate is calculated at the refinancing rate of the lender plus a profit margin of 1 % per annum.

The loan to SCS Standard Computersysteme AG amounting to € 2.5 million increased on the previous year by the interest amount incurred in the financial year 2008/2009. There has been no redemption. The loan is secured through the pledging of the shares in SCS Betrium GmbH, a wholly-owned subsidiary of SCS Standard Computersysteme AG.

Further details about the loans to Mr and Mrs Marseille are provided in the information on related persons and companies.

The remaining terms of other receivables are all less than one year.

Value adjustments amounting to € 2,222,000 (previous year: € 641,000) were carried out for other receivables and assets, as shown below:

	2008/2009 € '000	2007/2008 € '000	Adjustment € '000	2007/2008 € '000
Other receivables and assets before value adjustments	15,182	22,924	-1,229	24,153
less value adjustments	-2,222	-641	0	-641
Other receivables after value adjustments	**12,960**	**22,283**	**-1,229**	**23,512**

	2008/2009 € '000	2007/2008 € '000	Adjustment € '000	2007/2008 € '000
As of 01.07.	641	641	0	641
Additions	1,581	0	0	0
Reversal	0	0	0	0
As of 30.06.	**2,222**	**641**	**0**	**641**

Current tax assets
The current tax assets of € 3.6 million (previous year: € 3.6 million) consist of corporate income tax claims, including solidarity surcharge, totalling some € 1.7 million (previous year: € 1.5 million), trade tax claims amounting to € 41,000 and corporate income tax credits pursuant to § 37 of the German Corporate Tax Act (KStG) in the amount of € 1.9 million (previous year: € 2.1 million).

Cash and cash equivalents
As of 30 June 2009, the cash and cash equivalents totalling € 9,631,000 contained cash on hand amounting to € 380,000 (previous year: € 250,000) and cash in banks totalling € 9,251,000 (previous year: € 13,995,000).

Other securities amounting to € 188,000 that were shown under cash and cash equivalents in the previous year were reclassified under non-current financial assets as of 30 June 2009.

Of the cash and cash equivalents, a total of € 6.3 million (previous year: € 10.1 million) cannot be disposed of freely. Specifically, these are:

- Collateral for sureties: € 412,000 (previous year: € 86,000)
- Cash invested in time deposits (terms up to three months) is pledged up to the amount of € 4,303,000 as of the balance sheet date (previous year: € 8,403,000).
- Bad Langensalza maintenance account € 500,000 (previous year: € 568,000)
- Security deposit accounts, including allowance accounts, amounting to € 1,109,000 (previous year: € 1,065,000)

The time deposit accounts have terms of up to three months.

Non-current assets held for sale
No non-current assets held for sale were reported in the financial year 2008/2009.

Consolidated balance sheet – EQUITY AND LIABILITIES

Equity
Group equity as of 30 June 2009 was € 25,195,000 (previous year: € 42,544,000). This change is reported in the statement of changes in equity.

Capital control
The most important aims of financial management are a sustained increase in enterprise value, the securing of liquidity and the maintenance of the Group's credit standing. The reduction of capital costs and improvement in cash flow from financing activities play as important a role as optimisation of the capital structure and effective risk management.

As part of the financing arrangements entered into, the Group concluded loan agreements containing financial covenants. The financial covenants which were concluded relate to a mandatory minimum equity ratio and the debt cover ratio. In this respect, the capital control also relates to compliance with these minimum capital requirements.

The degree of compliance with the covenants is checked regularly by the Group's controlling department and managed as part of its internal risk management function. The loan agreements and, to some extent, the sale-and-leaseback agreements contain various escalation levels in the event of non-compliance with the financial covenants, e.g. the depositing of additional security or the extraordinary termination of the loan agreement. By keeping the necessary cash reserves available it is possible to make additional security deposits.

The Group monitors its capital structure as part of its capital control activities. The requirements of the company's equity base as derived from financing agreements were met at all times in the reporting period. The covenant criterion of compliance with a particular debt cover ratio in relation to a commercial bank was not fulfilled in the financial year 2008/2009. To the best of our knowledge at present, this has no consequences.

With regard to credit standing, the Group's financial strategy is aimed at improving its rating category. The Group's rating is based on the debt ratios published by the rating agencies which (in various forms) compare cash flow during a period with exposure to debt. In recent years, divestment and operating cash flows have been used mainly to reduce net debt in order to implement this strategy. The maintenance of an appropriate equity base (capital ratio) likewise serves to improve the Group's rating.

Subscribed capital
Subscribed capital (share capital) of the parent company Marseille-Kliniken AG remains unchanged at the balance sheet date 30 June 2009 at € 31,100,000.00 and is divided into 24,300,000 no par value bearer shares with a calculated nominal value per share of € 1.28. The subscribed capital is fully paid in.

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

Also at the Annual General Meeting held on 12 December 2008, the authorisation of the Management Board granted at the Annual General Meeting held on 4 December 2007 to buy treasury shares was withdrawn. The Management Board was then authorised to buy treasury shares. The authorisation is limited to 18 months until 12 June 2010 and to a maximum of 10 % of the current share capital.

Subject to the Supervisory Board's approval, the Management Board is authorised to suspend shareholders' subscription rights and resell company shares by means other than the stock market or an offer to all shareholders. If certain conditions are fulfilled, the Management Board is authorised to preclude the shareholders' subscription rights with the consent of the Supervisory Board

The Annual General Meeting on 12 December 2008 also authorised the Management Board – with the Supervisory Board's consent – to increase the share capital of Marseille-Kliniken AG up to 11 December 2013 by issuing new bearer shares in return for cash and/or capital contributions in one or more tranches up to a total of € 3.11 million (authorised capital).

Capital reserve
The capital reserve concerns the premium from the cash deposits within the framework of the capital increases. The change results from the transactions with treasury shares. A detailed description of the change can be found in the statement of changes in equity.

Revenue reserves
Revenue reserves in the amount of € 627,000 (previous year: € 627,000) include statutory reserves in the amount of € 207,000 (previous year: € 207,000) and other revenue reserves in the amount of € 420,000 (previous year: € 420,000).

Treasury shares
Treasury shares are deducted from equity. Any purchase or sale of treasury shares is charged directly to equity. All consideration given or received is recognised directly under equity.

The Management Board was authorised by the Annual General Meeting held on 12 December 2008 to buy treasury shares up to an amount of 10 % of the share capital. The authorisation was made so that the company could act quickly, flexibly and cost-effectively when buying companies or investing in companies.

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

For reasons of practicality, the table below shows the number of treasury shares in terms of the original total of 12,150,000 no par value shares. More information can be found under Earnings per share.

In the financial year 2008/2009, 93,763 (previous year: 93,977) treasury shares were acquired and 54,623 treasury shares (previous year: 31,644) were sold. Their average price was € 8.54 (previous year: € 13.07). The sale of treasury shares resulted in a negative amount of € 263,000 that was reported in the capital reserve. In the previous year there was an adjustment amounting to € 11,000 which had emerged as the balance from the purchases and sales of treasury shares. This change is reported in the statement of changes in equity.

The countervalue accounted for by the treasury shares amounts to € 902,579.62 (previous year: € 880,639.78 following adjustment). The amount of share capital represented by the treasury shares is € 270,493.21 (previous year: € 170,307.70), and as of 30 June 2009 there were 105,675 treasury shares (previous year: 66,535). This represents a proportion of around 0.87% (previous year: 0.55%) of the share capital.

Time valuation reserve
The deferred swaps with no effect on income are shown in the time valuation reserve. These are two interest rate swaps which were acquired in order to hedge floating-rate loans. This has the effect of transforming the future floating-rate loans into fixed-rate loans. As of 30 June 2009, negative market values amounting to € 434,000 are shown in the time valuation reserve less deferred taxes totalling € 69,000. The market value was ascertained using the mark-to-market method.

Minority interests
The percentage of equity pertaining to the minority shareholders of subsidiaries is shown under minority interests. The minority interests shown as of 30 June 2009 amounted to € 1,032,000 (previous year: € 459,000). This change results essentially from the acquisition of a minority interest (20 %) in TÜRK BAKIM EVI Pflegeeinrichtung Berlin-Kreuzberg gemeinnützige GmbH and from the deconsolidation of Fachklinik IA GmbH. In this respect, there has been a shift in value within equity between the Marseille-Kliniken Group and the minority shareholders (entity concept).

Deferred investment grants
The following table shows the development of government grants:

	30.06.09 € '000	30.06.08 € '000
Beginning of financial year	47,511	49,510
Granted in this financial year	0	0
Balance Büren	-1,241	0
Deferred income	0	81
Utilised and recognised in profit and loss	1,842	1,918
End of financial year	**44,428**	**47,511**
of which non-current	44,428	47,511
of which current	0	0

As in the previous years, this item refers mainly to grants for Senioren-Wohnpark Radensleben GmbH, Senioren-Wohnpark Treuenbrietzen GmbH, Senioren-Wohnpark Erkner GmbH, Senioren-Wohnpark Kyritz GmbH, Senioren-Wohnpark Stützerbach GmbH, Senioren-Wohnpark Klausa GmbH, Senioren-Wohnpark Friedland GmbH, "Villa Auenwald" Seniorenheim GmbH, Senioren-Wohnpark soziale Grundbesitzgesellschaft mbH, Marseille-Kliniken AG and SIV Immo-bilien-Verwaltungsgesellschaft mbH.

In addition, the public grants and subsidies amounting to some € 1.2 million attributable to the hospital in Büren were balanced against the hidden reserves from the acquisition of the hospi-tal.

Non-current and current financial debt
The liabilities to banks, finance lease liabilities and derivative financial instruments (swap transactions) are reported under financial debt.

Non-current financial debt amounts to € 48,508,000 and consists of liabilities to banks totalling € 44,411,000, derivative financial instruments totalling € 434,000 and finance lease liabilities total-ling € 3,662,000.

Current financial debt amounting to € 35,464,000 contains the financial liabilities to banks total-ling € 33,577,000 and the finance lease liabilities totalling € 1,887,000.

Liabilities to banks in the amount of € 47.46 million (previous year: € 48.46) are secured by mortgages, assignments by way of security, and third-party guarantees (including local authority guarantees). In order to secure liabilities to banks incurred in connection with the purchase of ADG, the company's shares were pledged (€ 2.6 million).

The total of non-current and current financial liabilities to banks as of the balance sheet date was € 77,988,000 (previous year: € 78,824,000). The utilisation of current lines of credit (includ-ing euro-denominated loans) and interest-bearing loans as of 30 June 2009 can be seen from the following table.

	Original amount € '000	Currency 30.06.2009 € '000	of which < 1 year € '000	of which > 1 year € '000
Liabilities to banks of which	**123.722**	**77.988**	**33.577**	**44.411**
– interest-bearing loans	98.170	54.650	10.239	44.411
– current lines of credit	25.552	23.338	23.338	0

	Original amount € '000	Currency 30.06.2009 € '000	of which < 1 year € '000	of which > 1 year € '000
Liabilities to banks of which	**124.604**	**78.824**	**31.370**	**47.454**
– interest-bearing loans	99.164	57.427	9.973	47.454
– current lines of credit	25.440	21.397	21.397	0

Amounts due within one year totalling € 33,577,000 (previous year: € 31,370,000) are shown under current liabilities. This leaves non-current financial debt amounting to € 44,411,000 (pre-vious year: € 47,454,000).

Of the reported financial debt, € 41.3 million (previous year: € 21.4 million) has a long-term fixed interest rate (> 1 year). The following table contains the fixed interest periods and the interest conditions of the financial debt (weighted interest), the original amounts and carrying amounts at the end of the financial year:

Term of interest rate	Interest rate %	30.06.09 Original amount € '000	30.06.09 Carrying amount € '000
30.06.2010	3.93	50,543	36,731
30.06.2011	4.93	22,565	8,617
30.06.2012	5.30	10,635	4,336
30.06.2013	5.62	11,039	9,400
30.06.2014	4.88	24,635	17,894
30.06.2015	6.89	405	240
30.06.2016	5.20	3,900	770
		123.722	**77.988**

Term of interest rate	Interest rate %	30.06.08 Original amount € '000	30.06.08 Carrying amount € '000
30.06.2009	5.92	92,052	57,475
30.06.2010	0.00	0	0
30.06.2011	5.66	9,589	5,575
30.06.2012	7.00	511	153
30.06.2013	5.62	11,039	9,758
30.06.2014	5.67	11,008	5,584
30.06.2015	6.89	405	278
		124.604	**78.823**

The non-current financial debt also includes derivative financial instruments which serve the purpose of hedging future payment flows (cash flow hedging). These are two interest rate swaps which were acquired in order to hedge floating-rate loans. This has the effect of transforming the future floating-rate loans into fixed-rate loans. As of 30 June 2009, negative market values amounting to € 434,000 are shown in the time valuation reserve – accrued in equity – less deferred taxes totalling € 69,000. The market value was ascertained using the mark-to-market method.

Any risks for the company which arise from holding interest rate swaps result from the change in the market interest rate and any fluctuations in market value which may result from that. There are no significant credit risks, however, as the hedging transaction was concluded with the financing bank.

The terms of the interest rate swaps correspond fully with the terms of the loan agreements, with the result that no ineffectiveness arises in the interest rate swaps.

The interest rate swaps are held to maturity and meet the requirements of IAS 39. In other respects we refer to our explanatory notes in item "Management of finanzial risks".

With regard to the explanatory notes on the finance lease liabilities, we refer to the explanatory notes under item "Leasing".

Pension obligations
Some employees have been promised regular payments from the Group after retirement under the company pension scheme. This involves only defined benefit plans in the form of rights to company pension payments in accordance with § 1 of the German law for the improvement of company pension provisions (BetrAVG). Eligible employees receive a pension upon disability, or at the latest as of their 65th birthday (for men) or 60th birthday (for women).

The amount of the pension is determined on the basis of classification into groups receiving 5 %, 10 % or 15 % of the pensionable salary. Eligible male employees have surviving dependents' rights amounting to 60% of the old-age or disability pension or of the accumulated rights to such pensions.

The pension obligations are fully endowed and were revalued when the financial statements were prepared in accordance with IFRS for the first time. Group obligations include both pensions that are already being paid and rights to pensions payable in the future. Pensions are generally calculated on the basis of length of service with the company and pension contributions.

The development of pension provisions over the course of the financial year are shown in the following table:

	2008/2009 € '000	**2007/2008 € '000**
Cash value of total commitments at the beginning of the financial year	16,898	18,268
Service cost	37	47
Interest expenses	937	773
Pension payments	-1,245	-1,377
Actuarial gains and losses	-263	-813
Cash value of total commitment at the end of the financial year	**16,364**	**16,898**
Commitments with similar character to pensions	0	0
	16,364	**16,898**

The calculation includes the actuarial interest rate of 6.00 % (previous year: 5.80 %), the wage and salary trend at up to 2.00 % (previous year 3.00 %), the expected average fluctuation of 10.00 % (previous year: 10.0 %) and the pension dynamics of 1.10 %.

The employer's pension liability insurance does not satisfy the criteria of IAS 19 for plan assets. As such, it is not deducted from the value of the provisions but is instead shown under other non-current assets.

The consolidated income statement contains income/expenses from actuarial gains or losses amounting to € ./. 263,000 (previous year: € ./. 813,000) and interest expenses amounting to € 937,000 (previous year: € 773,000).The interest expenses were reported in the financial result, while the actuarial gains or losses were reported in personnel expenses.

The expenses incurred for defined contributions plans for statutory pension insurance amounted to € 997,000 (previous year: € 861,000) to employees in the financial year (from social security). The expenses for the subsequent financial year can be expected to be of a similar magnitude.

Deferred tax liabilities
Deferred tax liabilities in the amount of € 9,174,000 (previous year after adjustment: € 10,255,000 following adjustment) result from the negative balance of deferred tax assets offset against deferred tax liabilities insofar as this offsetting is permissible and the tax claims or liabilities are governed by the same tax authority. If this offsetting results in a positive amount, this is shown as a non-current asset.

As in the previous year, this was based on a tax rate of 15.825 %.

Deferred tax liabilities can be allocated as follows:

	Temporary differences				Tax on these amounts			
	2009 € '000	2008 after Adjustment € '000	Adjustment € '000	2008 before Adjustment € '000	2009 € '000	2008 after Adjustment € '000	Adjustment € '000	2008 before Adjustment € '000
Intangible assets	348	327	-76	403	55	52	-12	64
Property, plant and equipment	26,251	24,740	-326	25,066	4,154	3,917	-50	3,967
Current assets	0	3,726	-457	4,183	0	590	-72	662
Provision § 6b Income Tax Act (EStG)	28,388	33,152	0	33,152	4,492	5,246	0	5,246
Provision § 7f Income Tax Act (EStG)	3,868	4,041	0	4,041	612	639	0	639
Pension provisions (deferred tax assets)	-1,447	-1,318	0	-1,318	-229	-209	0	-209
SWAP	434	0	0	0	69	0	0	0
Current debt, other	150	0	0	0	24	0	0	0
Non-current debt, other	-22	123	0	123	-3	20	0	20
Total	**57,970**	**64,791**	**-859**	**65,650**	**9,174**	**10,255**	**-134**	**10,389**

Other non-current liabilities

As in the previous year, other non-current liabilities of € 272,000 (previous year: € 294,000) consist principally of lump-sum subsidies.

Other provisions

The development of current other provisions is shown in the following table:

	30.06.2008 Before Adjustment € '000	Adjustment € '000	30.06.2008 After Adjustment € '000	Addition € '000	Release € '000	Release from deconsolidation € '000	Use € '000	30.06.2009 € '000
Tax provisions	6,282	-6,282	0	0	0	0	0	0
Litigation risks	2,251	0	2,251	648	610	172	1,469	648
Outstanding incoming invoices	2,337	0	2,337	2,425	317	0	2,020	2,425
Legal and consulting costs	374	0	374	480	164	1	209	480
Personnel provisions								
Holiday bonus	2,241	0	2,241	2,240	0	6	2,235	2,240
Christmas bonus	1,274	0	1,274	1,257	267	0	1,007	1,257
Employers' liability insurance	469	0	469	508	43	6	420	508
Disability contribution	139	0	139	115	32	0	107	115
Overtime pay	1,329	0	1,329	653	0	4	1,325	653
Personnel severance payments	348	0	348	110	50	182	116	110
Emoluments	693	0	693	884	80	0	613	884
Other	2,555	0	2,555	2,369	1,135	5	1,415	2,369
	20,292	**-6,282**	**14,010**	**11,689**	**2,698**	**376**	**10,936**	**11,689**

	30.06.2007 € '000	Addition € '000	Release € '000	Release from deconsolidation € '000	Use € '000	30.06.2008 € '000
Tax provisions	3,006	5,550	0	100	2,174	6,282
Litigation risks	710	2,150	0	0	609	2,251
Outstanding incoming invoices	1,750	4,036	58	1,699	1,692	2,337
Legal and consulting costs	583	374	0	10	573	374
Personnel provisions						
Holiday bonus	2,797	2,263	308	22	2,489	2,241
Christmas bonus	1,105	1,288	184	14	921	1,274
Employers' liability insurance	476	471	0	2	476	469
Disability contribution	132	139	0	0	132	139
Overtime pay	1,220	1,645	532	0	1,004	1,329
Personnel severance payments	620	348	77	0	543	348
Emoluments	640	859	81	0	725	693
Other	2,231	2,073	35	0	1,714	2,555
	15,270	**21,196**	**1,275**	**1,847**	**13,052**	**20,292**

The **tax provisions** shown in this item in the previous year will be shown under current tax liabilities from this financial year onwards. The previous year's reporting of this item was adjusted accordingly.

Other provisions have remaining terms of up to one year and are not interest-bearing.

Provisions for the employers' liability insurance association include all planned employers' liability insurance premiums for the financial year 2008/2009. The amount of the provision is dependent on several variables which are determined every year by the employers' liability insurance association. The provisions were allocated on the basis of unchanged parameters from the previous financial year. Employers' liability insurance premiums are due in May of the subsequent year.

A **disability contribution** must be paid when government quotas for the employment of disabled people are not met. As this affects several Group companies, provisions have been set aside to cover this eventuality.

The **provision for emoluments and bonuses** refers to the 2009 earnings and the performance-related payments to managers and employees of Group companies. These payments are generally authorised and paid in the second quarter of the subsequent financial year.

Other provisions include provisions for obligations to keep business records, for the costs of the Annual General Meeting 2009, for the preparation and auditing of the annual financial statements and the consolidated financial statements, and for tax declarations.

Trade payables

Trade payables of € 13.8 million were € 6.4 million higher than the previous year's figure of € 7.4 million. This represents an increase of almost 87%. € 2.3 million of this increase resulted from invoices of the former Group company Held Bau Consulting Projekt Steuerungsgesellschaft mbH, which was deconsolidated last year.

Current tax liabilities

As from this financial year, current tax liabilities totalling € 7.5 million (previous year: € 7.4 million) will for the first time also include those tax provisions that were previously shown separately under other provisions. The previous year's figure was adjusted accordingly.

Current tax liabilities consist of the following:

	30.06.09 € '000	30.06.08 € '000	Adjustment € '000	30.06.08 € '000
Corporate income tax	4,079	5,098	5,098	0
Trade tax	1,504	1,183	1,183	0
Value-added tax	793	108	0	108
Wage income tax, other	1,075	992	0	992
Total	**7.451**	**7.381**	**6.281**	**1.100**

Current tax liabilities have a residual term to maturity of up to one year and are reported at their anticipated repayable amount.

Other current liabilities

The following table shows other current liabilities:

	30.06.09 € '000	30.06.08 € '000
Deferred income	5,921	5,355
Loans from third parties	2,522	2,256
Customers with credit balances	1,947	1,432
Purchase price for heat-generating installation	821	0
Liabilities from social security contributions	375	4
Rent deposits and security received	335	67
Remaining other liabilities	2,283	3,273
	14,204	**12,387**

Deferred income consists mainly of prepaid income for the subsequent month, which is derived almost exclusively from the nursing care and rehabilitation divisions.

Loans received from third parties consist mainly of a loan totalling € 2.4 million that was granted by SCS Betrium GmbH to Marseille-Kliniken AG. This loan is directly connected with the loan granted by Marseille-Kliniken AG to SCS Standard Computersysteme AG which is reported accordingly under other receivables in the amount of € 2.5 million.

The customers with credit balances item refers mainly to payments received on trade receivables that had not yet been attributed by the balance sheet date. Only a small proportion is accounted for by typical overpayments by customers.

The other current liabilities consist primarily of obligations totalling € 720,000 from the distribution of a Group company's statutory reserve and liabilities for surrenders of use amounting to € 240,000.

Explanatory notes to the consolidated income statement

Revenues

Revenues are shown for each of the individual company divisions in the segment report.

In this reporting year, Group revenues for the various divisions increased by about 3 % (previous year: 6 %) from € 228.1 million to € 235.5 million.

Change in inventories of finished goods and work in progress

The reclassification to trade receivables of the patients shown under inventories in the previous financial year has led to no change in patient numbers and revenues in the financial year 2008/2009.

Other own work capitalised

No further new software has been developed in the Group.

Other operating income

In this financial year, other operating income amounted to € 10.4 million (previous year: € 31.8 million) and consists of the following:

	2008|2009 € '000	2007|2008 € '000	Adjustment € '000	2007|2008 € '000
Income from release of provisions	2,699	1,275	0	1,275
Income from release of investment grants	1,844	1,918	0	1,918
Income from other accounting periods	914	1,261	0	1,261
Grants for personnel	754	816	0	816
Income from deconsolidation	457	640	0	640
Income from release of pension provisions	442	1,509	0	1,509
Rental and leasehold income	435	667	0	667
Other refunds	262	292	0	292
Benefits in kind (vehicles)	226	240	0	240
Income from exchange rate differences	30	134	0	134
Income from asset disposals	21	8,604	0	8,604
Rebates, reimbursements	0	0	-676	676
Income released from finance leases	0	5,821	0	5,821
Compensation payment for transfer of pre-emptive rights	0	5,606	0	5,606
Other	2,360	2,994	0	2,994
	10,444	**31,777**	**-676**	**32,453**

In the previous year, other operating income was influenced in particular by the sale of the Schömberg property (€ 8.4 million), income released from finance leases and a compensation payment for the transfer of pre-emptive rights for the properties classified up until then as finance leases.

Cost of materials

Materials include raw materials, consumables and supplies, purchased goods and the cost of purchased services. Operating expenses are recorded in the income statement as of the time the service is utilised or caused. As there is no deduction of input tax, expenses additionally include statutory value-added tax.

The cost of raw materials, consumables and supplies increased by € 2.5 million, from € 25.6 million to € 28.1 million.

The cost of purchased services increased by € 0.6 million, from € 3.8 million to € 4.4 million as of 30 June 2009.

In the previous year, the bonuses for reimbursements shown under other operating income in the amount of € 676,000 were reclassified. These were deducted from the cost of materials from the financial year 2007/2008.

Personnel expenses

Personnel expenses are as follows:

	2008|2009 € '000	2007|2008 € '000
Wages and salaries	100,070	96,783
Emoluments and bonuses	2,004	1,140
Employers' liability insurance	1,250	991
Social security contributions	21,073	20,436
	124,397	**119,350**

There was no share-based payment pursuant to IFRS 2.

The average number employees in the financial year, divided into groups, is shown in the following table:

Full-time employees	2008|2009	2007|2008
Doctors	166	159
Nursing staff	3,144	2,995
Technical medical staff	19	20
Total medical staff	**3,329**	**3,174**
Housekeeping staff	1,424	1,429
Technical staff	160	165
Administrative staff	622	541
	2,206	**2,135**
Total	**5,535**	**5,309**

The above overview does include one administrative and three nursing care employees at the deconsolidated company. The average number of employees increased overall by 226.

In the financial year, expenses amounting to € 276,000 (previous year: € 389,000) were incurred as a result of the termination of employment contracts (severance payments).

Depreciation and amortisation

Total depreciation and amortisation in the reporting year amounted to € 10.4 million (previous year: € 9.8 million).

This includes impairment of property, plant and equipment amounting to € 0.4 million (previous year: € 0) and impairment of investments amounting to € 45,000 (previous year: € 0). The amortisation of capitalised finance leases amounted to € 1.8 million (previous year: € 1.0 million).

We refer to the schedule of fixed assets attached as an appendix to these notes.

Other operating expenses

Other operating expenses increased to € 84.3 million (previous year: € 78.8 million) in the reporting year. This represents an increase of some 7 %.

The composition of other operating expenses can be seen in the following table:

	2008|2009 € '000	2007|2008 € '000	Adjustment € '000	2007|2008 € '000
Rental and lease payments	46,951	41,570	-1,372	42,942
Administrative expenses	8,166	7,347	0	7,347
Legal and consulting costs	6,298	7,298	0	7,298
Repair and maintenance costs	5,411	4,962	0	4,962
Value adjustments, bad debt losses	3,714	1,528	0	1,528
Advertising and entertainment costs, Annual General Meeting	3,527	3,655	0	3,655
Economic requirements of Promint	2,436	2,395	0	2,395
Vehicle and aircraft costs	1,483	1,499	0	1,499
Insurance	1,102	1,145	0	1,145
Fees, contributions	528	575	0	575
Ongoing education and training	426	256	0	256
Other social security costs	380	426	0	426
Losses from fixed asset disposals	192	98	0	98
Costs from exchange rate differences	6	534	0	534
Other expenses	3,714	5,552	0	5,552
	84,334	**78,840**	**-1,372**	**80,212**

The increase in rental and lease payments, which are shown under other operating expenses, results mainly from the leaseback of property included in the sale-and-leaseback transactions.

The adjustment results from the classification of finance leases for factory and office equipment.

The administrative expenses consist primarily of expenses for office materials amounting to € 0.6 million, expenses for reading matter, postal charges, telephone, fax and computers amounting to € 2.6 million, and personnel recruitment amounting to € 3.8 million.

Value adjustments and bad debt losses comprise value adjustments amounting to € 2.3 million and bad debt losses amounting to € 1.4 million.

Other expenses, which are reported under other operating expenses, consist primarily of overnight costs, the depositing of security and expenses incurred for the safekeeping of business documents.

Other operating expenses include expenses from other accounting periods amounting to € 1.7 million (previous year: € 1.8 million).

Legal and consulting costs include fees detailed below for the auditors (including expenses and value-added tax) for the consolidated financial statements as of 30 June 2009:

	2008|2009 € '000	2007|2008 € '000
Audit of financial statements 2008/2009	381	364
Audit of financial statements 2007/2008	60	0
Other certification and valuation services	0	0
Tax advice	0	0
Other services	28	0
	469	**364**

Financial result

The financial result is as follows:

	2008|2009 € '000	2007|2008 € '000	Adjustment € '000	2007|2008 € '000
Interest from capital investments	1,137	1,392	0	1,392
Financial income	**1,137**	**1,392**	**0**	**1,392**
Interest charged on loans, other	5,749	5,350	0	5,350
Interest charged for finance leases	652	1,972	413	1,559
Financial expenses	**6,401**	**7,322**	**413**	**6,909**
Financial result	**-5,264**	**-5,930**	**-413**	**-5,517**

Income taxes

Income taxes include both current and deferred taxes. The following table shows the offsetting and reconciliation of expected and actual tax expenses. To determine the anticipated tax expenses, earnings before tax are multiplied by the corporation tax rate of 15.825% (including solidarity surcharge), which has remained unchanged since the previous year.

	2008|2009 € '000	2007|2008 € '000
Earnings before tax	**-12,067**	**16,542**
Group tax rate	15.825%	15.825%
Expected tax charge	**-1,910**	**2,618**
Effects of tax rate changes	0	-5,055
Effects of varying domestic tax rate	722	1,089
Tax increase due to non-deductible expenses	319	100
Tax increase due to off-balance sheet additions	146	207
Effects of non-profit losses	172	373
Tax decrease due to use of losses, previous year unsustainable	-1	-34
Value adjustment / change in deferred tax assets	0	489
Tax increase due to losses in current year, unsustainable	1,408	770
Effects from variations in the tax assessment basis for which no deferred taxes may be set up	-55	0
Taxes from other accounting periods	793	2,759
Other effects	13	1
Actual tax charge	**1,528**	**3,317**
Actual tax rate	-12.67%	20.05%

Notes

The breakdown of income taxes is as follows:

	2008|2009 € '000	2007|2008 € '000
Deferred tax income	639	3,456
Current tax charge	–2,167	–6,773
Income taxes	**–1,528**	**–3,317**

Other taxes
Other taxes include, in particular, value-added tax from subsequent tax payments occasioned by external audits, and motor vehicle tax, land transfer tax and property tax.

Minority interests
The proportion of Group earnings accounted for by minority interests is € ./. 83,000 (previous year: € ./. 483,000).

Group net profit/loss
The Group net profit/loss for the financial year 2008/2009 amounts to € ./. 13,596,000 (previous year after adjustment € 13,225,000). The parent company's shareholders accounted for € ./. 13,513,000 (previous year after adjustment € 13,708,000) while minority interests accounted for € ./. 83,000 (previous year € ./. 483,000).

The Group loss carried forward amounted to € 4.7 million as of 30 June 2008 and increased to € 21.9 million as of 30 June 2009. A detailed view of this development is contained in the statement of changes in equity.

Additional notes on financial instruments
The following table contains the fair value and corresponding carrying amount for each class of financial asset and financial liability. Any resultant differences represent the amount of hidden reserves or charges in the financial instruments:

	Valuation category as per IAS 39 € '000	Carrying amount 30.06.2009 € '000	Fair value 30.06.2009 € '000	Carrying amount 30.06.2008 € '000	Fair value 30.06.2008 € '000
ASSETS					
Non-current financial assets					
Loans	LaR	1,286	1,286	1,048	1,048
Asset-side pension obligations	FVTPL	2,026	2,026	2,102	2,102
Other securities	AfS	188	188	0	0
Current financial assets					
Trade receivables	LaR	15,554	15,554	16,282	16,282
Other receivables	LaR	11,897	11,897	18,586	18,586
Cash and cash equivalents	n.a.	9,631	9,631	14,433	14,433
LIABILITIES					
Non-current financial liabilities					
Financial debt	FLAC	44,412	44,412	47,454	47,454
Finance leases	IAS 17	3,662	3,662	2,512	2,512
Derivative financial instruments	Derivatives in effective hedging relationship	434	434	0	0
Derivative financial instruments	FVTPL	47	47	–75	–75
Current financial liabilities					
Financial debt	FLAC	33,577	33,577	31,369	31,369
Finance leases	IAS 17	1,887	1,887	1,215	1,215
Trade payables	FLAC	13,843	13,843	7,406	7,406
Other current financial liabilities	FLAC	7,908	7,908	7,028	7,028

Aggregated in accordance with valuation categories, the assets and liabilities are as follows:

	Assets Carrying amount 30.06.2009 € '000	Assets Fair value 30.06.2009 € '000	Liabilities Carrying amount 30.06.2009 € '000	Liabilities Fair value 30.06.2009 € '000	Assets Carrying amount 30.06.2008 € '000	Assets Fair value 30.06.2008 € '000	Liabilities Carrying amount 30.06.2008 € '000	Liabilities Fair value 30.06.2008 € '000
Loans and receivables (LaR)	28,737	28,737	–	–	35,916	35,916	–	–
Financial instruments valued at fair value through profit and loss (FVTPL)	2,026	2,026	47	47	2,177	2,177	0	0
Available-for-sale assets (AfS)	188	188	–	–	0	0	–	–
Financial liabilities at cost (FLAC)	–	–	99,740	99,740	–	–	93,257	93,257
Finance lease liabilities valued at cash value (IAS 17)	–	–	5,549	5,549	–	–	3,727	3,727
Derivatives in effective hedging relationship	–	–	434	434	–	–	0	0

Cash and cash equivalents, trade receivables and other receivables primarily have short re-maining terms. Their carrying amounts therefore represent the fair value as of the balance sheet date. The asset values of pension liability insurance policies are reported at their fair value in accordance with actuarial reports. Loans generally bear interest on current market terms, with the result that our estimation of the fair value corresponds to the carrying amount. Other securi-ties are valued at acquisition cost, which likewise corresponds to its estimated fair value.

The interest terms agreed for existing financial liabilities to banks largely take account of prevail-ing market rates. We are therefore assuming that the carrying amount shown reflects the fair value. The interest rate used as the basis for the reported lease obligations essentially corres-ponds to the effective interest rate prevailing on the market for lessors of selected leased items.

Derivative financial instruments exist in the form of swap transactions which are stated at their fair value using the mark-to-market method.

Trade payables, current financial debt and other liabilities regularly have short remaining terms. The values reported therefore represent fair value.

All of the above assets and liabilities are held to maturity.

In addition, the Marseille Group has the pre-emptive right to acquire further shares in a com-pany in which the Group has a 50 % shareholding. The value estimated for the pre-emptive right is € 0.00.

The net profits or losses of the financial assets and liabilities are as follows:

	Net result 30.06.2009 € '000	Time valuation reserve 30.06.2009 € '000	Net result 30.06.2008 € '000	Time valuation reserve 30.06.2008 € '000
Loans and receivables (LaR)	–2,577	0	–136	0
Financial instruments valued at fair value through profit and loss (FVTPL)	–799	0	489	0
Available-for-sale assets	–5,207	0	–5,350	0
Financial liabilities at cost (FLAC)	–652	0	–1,972	0
Finance lease liabilities valued at cash value (IAS 17)	0	434	0	0
Derivatives in effective hedging relationship	**–9,235**	**434**	**–6,969**	**0**

This essentially contains interest income and expenses, value adjustments and the value con-tributions made by derivative financial instruments.

Segment reporting
Segment allocation
For segment reporting, financial figures are classified by segment in accordance with the internal reporting system. For segment reporting in the Group, classification occurs firstly at the level of operating segment as Group risks and equity yield rate are influenced by the differences between products and services.

There is no secondary (geographical) level of classification used for segment reporting, as Marseille-Kliniken AG operates almost entirely in the German market. This market is subject to uniform statutory regulations and constitutes a uniform economic environment. The companies operating in it are subject to the same opportunities and risks regardless of their location.

The adjustments made in the previous year concern, in particular, the classification regarding finance leases to be capitalised in the Marseille-Kliniken Group. Furthermore, the bonuses and reimbursements from the purchasing of goods that were reported in the previous year under other operating income have been deducted from the cost of materials. The previous year's figures were adjusted accordingly.

In contrast to the previous year, the financial and tax result was not allocated to segments. The allocation of segment assets and liabilities was adjusted accordingly. The previous year's reporting of these items is outlined for comparative purposes.

The Group is organised into three operating segments:

Nursing care
The nursing care segment includes the operation of care homes for the elderly and the provision of nursing care services. The segment result was significantly below that of the previous year. This is essentially due to the change of lessor that was made in the previous year in the case of six properties and the accompanying classification as an operating lease in the amount of € 5.8 million, which had a positive impact on the previous year's earnings.

Two investments with an aggregate total of € 45,000 (previous year: € 0) were amortised in this segment. In addition, impairment expenses of € 0.5 million are reported.

Rehabilitation
The rehabilitation segment includes medical follow-up treatment services and therapies. The previous year's segment result was influenced by the sale of the Schömberg property for € 8.4 million. Impairment expenses of € 0.7 million are reported.

Administration and services
This segment contains the provision of centralised services. This includes management, financial services, asset management and IT services, as well as other services such as food and beverage services, laundry, general cleaning and facility management. The segment result was influenced negatively by provisions for bad debts amounting to some € 2.5 million. In the previous year, impairment expenses of € 0.3 million were reported for goodwill.

For the purpose of reconciling the segments with Group figures, expenses of Marseille-Kliniken AG not applicable to segments and effects of consolidation between Group companies and the segments are shown in a separate column. Intersegment transactions are made on normal market terms.

Statement of segment earnings

The following table shows the segment reporting with regard to segment results for the financial year 2008/2009 and the comparative figures from the previous year:

	Nursing care				Rehabilitation			
	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000
External revenues	180,617	174,690	-350	175,040	53,893	52,104	434	51,670
Internal revenues with other segments	0	0	0	0	0	0	0	0
Other operating income	9,068	11,786	350	11,436	4,512	11,932	-1,110	13,042
Total	**189,685**	**186,476**	**0**	**186,476**	**58,405**	**64,036**	**-676**	**64,712**
Cost of materials	-45,429	-41,964	0	-41,964	-15,226	-13,905	676	-14,581
Personnel expenses	-69,019	-66,039	0	-66,039	-22,012	-21,399	0	-21,399
Other operating expenses	-66,057	-61,746	769	-62,515	-21,732	-18,836	77	-18,913
Other taxes	-140	-130	0	-130	-571	-20	0	-20
Depreciation and amortisation	-4,859	-5,556	-557	-4,999	-2,137	-1,677	-59	-1,618
Impairment of goodwill	0	0	0	0	0	0	0	0
Earnings from operating activities	**4,181**	**11,041**	**212**	**10,829**	**-3,273**	**8,199**	**18**	**8,181**
Earnings from interest and financial investments								
Interest and similar expenses								
Earnings before tax								
Taxes on income								
Group net profit/loss								

	Services incl. AG				Setting-off		Total			
	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000	2008|2009 € '000	2007|2008 € '000	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000
External revenues	1,025	1,317	-34	1,351	0	0	235,535	228,111	50	228,061
Internal revenues with other segments	62,887	58,453	0	58,453	-62,887	-58,453	0	0	0	0
Other operating income	26,111	32,235	34	32,201	-29,247	-24,042	10,444	31,911	-726	32,637
Total	**90,023**	**92,005**	**0**	**92,005**	**-92,134**	**-82,495**	**245,979**	**260,022**	**-676**	**260,698**
Cost of materials	-13,241	-11,636	0	-11,636	41,445	38,131	-32,451	-29,374	676	-30,050
Personnel expenses	-33,366	-31,909	0	-31,909	0	-3	-124,397	-119,350	0	-119,350
Other operating expenses	-48,218	-42,639	526	-43,165	51,673	44,381	-84,334	-78,840	1,372	-80,212
Other taxes	-443	-35	0	-35	0	0	-1,154	-185	0	-185
Depreciation and amortisation	-3,472	-1,961	-425	-1,536	22	-303	-10,446	-9,497	-1,041	-8,456
Impairment of goodwill	0	-303	0	-303	0	0	0	-303	0	-303
Earnings from operating activities	**-8,717**	**3,522**	**101**	**3,421**	**1,006**	**-289**	**-6,803**	**22,473**	**331**	**22,142**
Earnings from interest and financial investments							1,136	1,392	0	1,392
Interest and similar expenses							-6,400	-7,323	-413	-6,910
Earnings before tax							**-12,067**	**16,542**	**-82**	**16,624**
Taxes on income							-1,528	-3,317	0	-3,317
Group net profit/loss							**-13,595**	**13,225**	**-82**	**13,307**

Segment balance sheet structure

The following table shows the segment reporting with regard to the segment balance sheet structure as of 30 June 2009. This is compared with the previous year's figures:

	Nursing care				Rehabilitation			
	30.06.2009 € '000	After Adjustment 30.06.2008 € '000	Adjustment € '000	Before Adjustment 30.06.2008 € '000	30.06.2009 € '000	After Adjustment 30.06.2008 € '000	Adjustment € '000	Before Adjustment 30.06.2008 € '000
Liabilities	98,031	124,635	0	124,635	31,750	57,069	0	57,069
Non-allocable liabilities								
Assets	147,294	152,664	1,850	150,814	53,082	83,595	-1,149	84,744
Non-allocable assets								

	Services incl. AG				Setting-off		Total			
	30.06.2009 € '000	After Adjustment 30.06.2008 € '000	Adjustment € '000	Before Adjustment 30.06.2008 € '000	30.06.2009 € '000	30.06.2008 € '000	30.06.2009 € '000	After Adjustment 30.06.2008 € '000	Adjustment € '000	Before Adjustment 30.06.2008 € '000
Liabilities	100,987	72,722	0	72,722	-131,711	-154,403	99,057	100,023	0	100,023
Non-allocable liabilities							102,339	98,669	3,592	95,077
							201,396	**198,692**	**3,592**	**195,100**
Assets	134,334	106,760	1,381	105,379	-123,027	-115,110	**211,683**	**227,909**	**2,082**	**225,827**
Non-allocable assets							14,908	13,327	0	13,327
							226,591	**241,236**	**2,082**	**239,154**

Other segment information

The following table shows additional segment reporting data for the financial year 2008/2009 and a comparison with the previous year's figures:

	Nursing care				Rehabilitation			
	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000
Investments	6,435	13,509	761	12,748	2,804	2,248	65	2,183
Other non-cash expenses (+) / income (-)	-2,285	-8,296	-1,570	-6,726	-822	-1,642	-262	-1,380

	Services incl. AG				Setting-off		Total			
	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000	2008|2009 € '000	2007|2008 € '000	2008|2009 € '000	After Adjustment 2007|2008 € '000	Adjustment € '000	Before Adjustment 2007|2008 € '000
Investments	3,217	2,837	568	2,269	0	0	12,456	18,594	1,394	17,200
Other non-cash expenses (+) / income (-)	-1,428	-2,411	-86	-2,325	0	0	-4,535	-12,349	-1,918	-10,431

Other non-cash expenses and income do not include the impairment expenses for receivables explained above in item "Segment allocation" Consideration is given primarily to the release of provisions and income from the release of investment subsidies.

Earnings per share

In calculating basic earnings per share, the portion of the profit attributable to shareholders of the parent company is divided by the weighted average number of ordinary shares in circulation during the course of the financial year (i.e. excluding treasury shares).

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

Taking into account the decision to split the shares from their original total of 12,150,000 into 24,300,000 no par value shares – which was taken by the Annual General Meeting on 18 December 2008 and entered in the Commercial Register on 5 February 2009 but which has not yet been implemented on the stock market – earnings per share amounted to € -0.56 (previous year: € 0.57). Based on the original number of 12,150,000 no par value shares, earnings per share amounted to € -1.12 (previous year: € 1.13).

The total number of shares is 24,300,000 (previous year: 24,300,000) and comprises 211,350 treasury shares (previous year: 133,070) and 24,088,650 shares in circulation (previous year: 24,166,930) as of the balance sheet date. For reasons of practicality, the table below shows developments in treasury shares in terms of the original total of 12,150,000 no par value shares.

Date	Number of shares bought	Number of shares sold	Price in €	Number of shares	Nominal value in €	Percentage of share capital in %	Amount of share capital in €
01.07.2008			13.236	66,535	880,630.82	0.55	170,307.70
08.07.08	11,500		8.810	78,035	981,945.82	0.64	199,743.91
10.10.08	16,140		7.013	94,175	1,095,135.64	0.78	241,057.00
20.10.08	8,969		5.740	103,144	1,146,617.70	0.85	264,014.68
31.10.08		25,109	5.690	78,035	867,489.26	0.64	199,743.91
31.10.08		11,500	5.690	66,535	739,647.57	0.55	170,307.70
10.11.08	36,609		5.810	103,144	952,345.86	0.85	264,014.68
14.11.08	1,405		5.550	104,549	960,143.61	0.86	267,611.02
11.12.08		18,014	5.600	86,535	794,708.96	0.71	221,501.11
23.12.08	18,014		5.700	104,549	897,388.76	0.86	267,611.02
16.04.09	1,126		4.610	105,675	902,579.62	0.87	270,493.21
Total	**93,763**	**54,623**	**8.541**	**105,675**	**902,579.62**	**0.87**	**270,493.21**

Im Zeitraum zwischen dem Bilanzstichtag und der Aufstellung des In the period between the balance sheet date and the preparation of the consolidated financial statements, there were no transactions with ordinary shares or potential ordinary shares.

Dividends paid and proposed

The net profit of Marseille-Kliniken AG, Berlin, amounts to € 1,319,735.72 (previous year: € 6,352,000). It will be proposed to carry the net profit forward.

Consolidated statement of changes in equity

The statement of changes in equity shows the development of equity.

Consolidated cash flow statement

The cash flow statement shows how the funds of the Marseille Group (cash on hand, cash in banks and current liabilities to banks) have changed over the past financial year. The payment flows are classified into operating activity, investment activity and financing activity. Cash flow from operating activity is shown using the indirect method.

The € 5.6 million reported under other receivables and assets as of 30 June 2008 for the transfer of pre-emptive rights for properties classified up until then as finance leases was paid in the financial year 2008/2009. The payment has been recorded in cash flow from investment activity.

The funds as of 30 June 2009 contain cash and cash equivalents of € 9,631,000 (previous year: € 14,433,000) which comprise cash on hand amounting to € 380,000 (previous year: € 250,000) and cash in banks amounting to € 9,251,000 (previous year: € 13,995,000). In the previous year this item additionally contained other securities totalling € 188,000.

Marseille-Kliniken AG's cash flow statement differed from the previous year with regard to the composition of cash and cash equivalents and the possible exercising of options.

The changes mainly concern the separate reporting of interest paid and received which is shown as from this financial year as cash flow from financing activity. Their previous year's figure has been adjusted accordingly.

Additional adjustments were made to the previous year's presentation due to the property transactions that took place last year. The positive effects previously shown under operating cash flow are shown following their adjustment under cash flow from financing activity.

Furthermore, the classification of factory and office equipment as finance leases necessitated corresponding adjustments in the previous year.

The investments which have no effect on cash due to their classification as finance leases can be seen under additions in the schedule of fixed assets.

Miscellaneous information

Contingent liabilities

Unrestricted letters of comfort were issued by Marseille-Kliniken AG in such a way as to guarantee obligations arising from lease agreements with individual subsidiaries. This refers to the lease agreements between Logo 7. Grundstücksverwaltungsgesellschaft mbH, Senioren-Wohnpark Landshut GmbH and AMARITA Oldenburg GmbH and non-Group leasing companies. An unlimited liquidity guarantee was given in respect of SWP – Senioren-Wohnpark Klötze GmbH so that it could meet its obligations from property lease agreements. In order to conclude a lease agreement for Psychosomatische Fachklinik Schömberg GmbH with a non-Group company, Marseille-Kliniken AG submitted a further rent security deposit in the form of an absolute guarantee. This will persist under the contract until Fachklinik achieves an established operating result. Since the condition of this result had been achieved as of 30 June 2009, the aforementioned guarantee will be returned to Marseille-Kliniken AG in the financial year 2009/2010.

There is also a letter of comfort for M. Held GmbH & Co. Baubetreuungs-KG in connection with a legal dispute about wage costs from Hallesche Mitteldeutsche Bau AG against M. Held GmbH & Co. Baubetreuungs-KG for payment in the amount of € 6.2 million. Following a comparison, M. Held GmbH & Co. Baubetreuungs-KG is obligated to make a payment of € 1.5 million. Utilisation by Marseille-Kliniken AG is therefore not expected.

There are no further contingent liabilities as of the balance sheet date.

Leasing

Lessees – finance leases

The assets classified by the company as finance leases include the capital goods assigned to factory and office equipment. In the classification of lease agreements for moveable goods, an internal interest rate of 11.10 % was used as the basis for calculating their cash value. This interest rate was derived from an internal interest rate ascertained for selected leased items.

The significant obligations entered into during the term of the lease agreements are, in addition to the lease payments themselves, the maintenance costs and insurance premiums. The terms of the lease agreements generally range from 3 to 5 years and contain prolongation options with varying conditions.

The table below shows the assets which are used within the framework of finance leases:

	30.06.2009 € '000	30.06.2008 € '000
Acquisition costs	7,908	4,431
less: accumulated depreciation	-2,803	-1,041
Net carrying amount	**5,105**	**3,390**

The future minimum lease payments as of 30 June 2009 for the finance leases described above amount to:

	Cash value 30.06.2009 € '000	Interest 30.06.2009 € '000	Minimum lease instalments 30.06.2009 € '000
During the first year	1,887	562	2,449
1st to 5th year	3,662	600	4,262
After 5 years	0	0	0
Total	**5,549**	**1,162**	**6,711**

In these consolidated financial statements, the finance leases described above were recorded for the first time in accordance with IAS 8 on grounds of an error rectification. For the previous year there has been no reconciliation of the minimum lease instalments at cash value carried as a liability, as the additional information benefit is insufficient to justify the expense that its calculation would involve.

Contingent claims

The Marseille Group operates a hospital in Büren which is entitled to claim financial support by means of own funds. This financial support equals the amount of the depreciation that is carried out on the fixed assets which are procured from the hospital operator's own funds before the financial support commences and for which a balancing payment for wear and tear can be demanded in the period from the start of the financial support.

The balancing item for financial support provided by means of own funds, which in the previous year was reported under other receivables in the amount of € 454,000 in accordance with § 5 (5) of the German Accounting Regulations for Hospitals (KHBV), does not have the character of an asset under IAS/IFRS because the financial support provided by means of own funds is not granted as compensation for the deduction of capital goods – insofar as these were procured with the hospital operator's own funds and were available under this law when the financial support commenced – until the hospital has demonstrably been removed from the hospital plan, hospital operations have ceased and the hospital is no longer used for hospital purposes. This balancing item amounting to € 457,000 (previous year: € 454,000) was therefore shown under equity with no effect on income. With regard to this point, we refer to our explanatory notes under item "Balance sheet adjustment".

Other financial obligations

The Group's overall obligations from other financial obligations amount to € 804.8 million (previous year: € 850.0 million) as of the balance sheet date of 30 June 2009. The annual lease payments resulting from operating lease agreements were reported in the amount of € 47.0 million (previous year: € 41.6 million) with effect on expenses in the reporting year.

Of the operating lease agreements, the sum of € 791.0 million (previous year: € 831.6 million) is accounted for by property rented under long-term arrangements. The long-term agreements covering these 51 (previous year: 49) rented or leased properties are classified as operating leases in accordance with IAS 17 and are included in the balance sheet of the lessor. The underlying lease agreements generally have terms of 20-25 years. The contracts stipulate that rents can be increased by an amount that is proportional to an increase in the consumer price index.

Lease agreements are mainly for the properties in Tangerhütte, Aschersleben, Coswig, Lemwerder, Algos Fachklinik, Teufelsbad Fachklinik, Klötze, Waldkirch, Bad Schönborn, Bad Langensalza, Wolmirstedt, Thale, Leipzig, Berlin-Lichtenberg, Schömberg, Gengenbach, Buxtehude, Hennigsdorf, Hohen Neuendorf, Langen, Schollene, Datteln, Lutzerath, Kreuztal-Krombach, Büren, Arnsberg, Hamburg Angerstraße, Düsseldorf and Meerbusch.

	2008|2009 € '000	Remaining terms Up to 1 year € '000	1-5 years € '000	>5 years € '000
Rental and lease agreements (property and movable goods)	790,987	41,033	163,143	586,811
Building lease obligations	7,666	203	814	6,649
Lease agreements (BGA incl. vehicles)	5,878	2,770	3,070	38
Service agreements	253	84	105	64
Total	**804,784**	**44,090**	**167,132**	**593,562**
(Previous year)	**(850,004)**	**(45,092)**	**(170,253)**	**(634,659)**

Contractual price increases (indexing) and changes in the remaining terms were taken into account for the calculation of other financial obligations. The figures for the previous year were adjusted accordingly.

In connection with the insolvency of Fachklinik IA GmbH, legal action initiated against Karlsruher-Sanatorium Aktiengesellschaft by former employees on grounds of the termination of employment contracts are pending. Quantitative information cannot yet be given because the proceedings are at a very early stage. In our estimation, however, this does not have any significant impact on the Group's asset situation and financial position.

In addition, the lease agreement between Fachklinik IA GmbH and the lessor was terminated prematurely by the insolvency administrator. The rent is currently being paid by Karlsruher-Sanatorium Aktiengesellschaft. Lawsuits are pending with regard to these circumstances. Provisions amounting to € 336,000 were set up for this purpose. The maximum possible risk for the entire rental period is € 1.3 million.

As of 30 June 2009 there were purchase commitments amounting to € 19.3 million, primarily for the properties in Bremerhaven, Herne, Gengenbach and Ortenau.

There were no contingent liabilities or important other financial obligations as of the balance sheet date.

Management of financial risks

Management of financial risks

The Marseille-Kliniken Group is exposed to risks from, in particular, changes to interest rates with regard to its assets, liabilities and planned transactions. The goal of financial risk management is to limit these market risks by means of ongoing operational and finance-oriented activities. Depending on how the risk is assessed, selected derivative and non-derivative hedging instruments can be used. In general, only those risks which could have an effect on the Group's cash flow are hedged.

Derivative financial instruments are used only as hedging instruments, i.e. they are not used for trading or other speculative purposes. To minimise the default risk, hedging transactions are carried out only with leading financial institutions.

The basic features of financial policy are determined annually by the Management Board and monitored by the Supervisory Board. Implementation of the financial policy and ongoing risk management is the responsibility of specified persons within the Group (finance department). Transactions require prior approval from the Management Board, which is also kept informed on a regular basis about the scope and amount of the current risk exposure.

Effective management of the market risk is a major responsibility. In order to estimate the effects of different circumstances on the market, simulated calculations are made on the basis of worst-case and market scenarios if required.

Interest rate risk / Market price risk

Derivative financial instruments were held in the form of two commodity swaps and three interest rate swaps in the financial year 2008/2009, although the aforementioned commodity swaps expired in the financial year 2008/2009.

For the commodity swaps an agreed fixed price was linked, for a period that was determined in advance, to the variable price for heating oil (reference price) in this period. At the end of the period, the difference between the two prices was settled. Marseille-Kliniken AG was the payer of the fixed price amount (payer swap) so that it could hedge itself against rising heating oil prices.

For the months November 2008 and February 2009 the following transactions were concluded on the basis of the planned purchase of heating oil:

Month	Quantity of heating oil	Fixed price
November 08	1,200,000 litres	€ 0.6010/litre
February 09	1,300,000 litres	€ 0.6095/litre

As of the due dates, the Group had to make balancing payments amounting to € 714,000 (previous year: received € 414,000), which were included in the income statement with effect on income.

In addition, Marseille-Kliniken AG concluded a loan agreement with Dresdner Bank in the amount of € 7,500,000 in order to finance the 100% shareholding in Allgemeine Dienstleistungsgesellschaft mbH (ADG). The loan is repayable in 20 quarterly instalments of € 375,000, beginning on 31 March 2006. The last instalment will be paid on 31 December 2010. With regard to the interest, a fixed-interest swap was agreed at 3.64% p.a. plus a 2% margin. This fixed interest rate is swapped on a quarterly basis with the variable interest rate resulting from the loan based on the 3-month Euribor.

The mark-to-market valuation of the interest rate swap as of 30 June 2009 resulted in Marseille-Kliniken AG having to pay € 47,000 upon the sale of the derivative (previous year: € 75,000 received). This interest rate swap transaction does not meet the strict requirements for hedging relationships and is therefore not designated as a hedging instrument. For this reason, the market value is included in the income statement with effect on income.

Marseille-Kliniken AG additionally concluded two loan agreements with HSH Nordbank in the financial year 2008/2009 which serve to finance the construction project in Herne. Two further fixed-interest swaps were concluded in order to hedge this floating-rate loan. This has the effect of transforming the future floating-rate loans into fixed-rate loans.
The terms of the interest rate swaps correspond fully with the terms of the loan agreements, with the result that no ineffectiveness arises in the interest rate swaps. The interest rate swaps are held to maturity and meet the requirements of IAS 39. They were designated as hedging transactions in the financial year 2008/2009.

As of 30 June 2009, negative market values totalling € 434,000 (previous year: € 0) were accrued in the time valuation reserve under equity on the basis of deferred tax assets. The market value was ascertained using the mark-to-market method. The derivative financial instruments consist of the following:

	Nominal volume € '000	Market value* as of 30 June 2009
SWAP 1	8,967	-392
SWAP 2	3,100	-42
Total	**12,067**	**-434**

* = clean prices after deduction of the agreed netting amounts

The redemption payments (anticipated cash flows) of the swaps are apportioned as follows:

	€ '000
0 to 1 year	786
1 to 2 years	883
2 to 3 years	925
3 to 4 years	970
4 to 5 years	5,761
5 to 12 years	2,742
Total	**12,067**

In order to estimate what effects hypothetical changes in relevant risk variables can have on earnings and equity, IFRS 7 stipulates that sensitivity analyses be carried out. As of the balance sheet date 30 June 2009, the Marseille-Kliniken Group was exposed primarily to interest rate risks. The effects are determined by comparing the hypothetical changes to risk variables with the value of financial instruments as of the balance sheet date. This is based on the assumption that the value as of the balance sheet date is representative of the whole year.

The interest sensitivity analyses are based on the following assumptions:

Changes to the market interest rates for original financial instruments with fixed interest rates affect earnings only if these instruments are valued at fair value. This means that all financial instruments with fixed interest rates valued at amortised cost present no interest rate risk as per IFRS 7.

Changes to the market interest rates for financial instruments which are designated as hedging instruments as part of cash flow hedging in order to hedge against interest-related payment variations have an effect on the hedging reserve in equity and are therefore included in equity-related sensitivity calculations.

Market interest rate changes also affect the net interest income of original floating-rate financial instruments where the interest rate risks associated with the interest payments for these instruments are not hedged against using hedging transactions as part of cash flow hedging. As a result, these changes are included in earnings-related sensitivity calculations.

Changes to the market interest rates for interest derivatives (interest rate swaps, interest rate/currency swaps), which are not linked to a hedging transaction pursuant to IAS 39, affect the other financial result (valuation result from the adjustment of financial assets to fair value) and are therefore taken into account in earnings-related sensitivity calculations.

If the market interest rate as of 30 June 2009 had been 100 base points higher (or lower) than it was, earnings before tax would have been around € 0.4 million (previous year: € 0.5 million) lower (or higher). This hypothetical effect on earnings results from the potential effects of original floating-rate financial debt amounting to some € 42.0 million and the positive effects of financial investments amounting to some € 4.1 million.

With regard to cash flow hedges, a change in the interest rate of +/- 100 base points would have the following effect on equity:

Increase/Reduction in base points	Effects on equity in € million
+ 100	approx. + 0.5
- 100	approx. - 0.5

Liquidity risk

Liquidity risk refers to the danger of the Marseille-Kliniken Group being unable to meet its present or future payment commitments fully or on time.

A refinancing risk is a special form of liquidity risk which arises when required liquidity cannot be obtained on the expected terms when it is required.

In addition, a liquidity risk can arise from a possible change in the market interest rate. This risk is countered by means of suitable terms to maturity and a balanced relationship between fixed-interest and floating-rate net financial liabilities.

As of 30 June 2009, the Group's financial liabilities had the following due dates. The information is provided on the basis of the contractual, undiscounted payments, with consideration given to the anticipated interest payments.

				Due dates
	Less than 1 year € '000	1 to 5 years € '000	5 years or more € '000	Total € '000
Interest-bearing loans [1]	8,178	25,008	34,608	67,794
Finance leases	2,449	4,262	0	6,711
Trade payables	13,843	0	0	13,843
Other current liabilities	7,401	492	806	8,699
Total	**31,871**	**29,762**	**35,414**	**97,047**

1) Interest and redemption payments without current accounts

Prudent liquidity management which involves maintaining sufficient reserves of cash and cash equivalents and ensuring an adequate amount of confirmed credit lines also helps to eliminate liquidity risk. A further hedging measure is the provision of liquidity throughout the Group by a central cash pool management system. Cash and cash equivalents which are not required immediately are invested as short-term time deposits.

Credit risk

The Group's business activities expose it first and foremost to a credit risk. Credit risk means the risk of insolvency or deterioration in the credit standing of a contractual partner.

In operating activities, outstanding amounts are continuously monitored on a divisional, i.e. decentralised, basis. As part of its risk management activities, the Marseille-Kliniken Group strives to avoid default risks with regard to its customer receivables. As Marseille-Kliniken AG generates the bulk of its revenues from pension insurance companies and statutory and private health insurance organisations, the credit risk must generally be classified as low. All other significant counterparties have to undergo a credit assessment. Any default risks over and above this are taken into account by means of specific provisions and general provisions based on the age structure.

The consolidated financial statements contain receivables which are due but for which no provisions have been set up. These receivables have the following due dates. The table includes loans, trade receivables and other receivables, similar to the way allocations are made to the valuation category „Loans and receivables".

	30.06.09 € '000	30.06.08 € '000
Receivables neither due nor for which provisions have been set up	12.478	17.553
Receivables due but for which no provisions have been set up		
under 60 days	11.301	7.554
between 61 and 180 days	1.121	2.184
Total	**24.900**	**27.291**
Residual carrying value of receivables for which provisions have been set up (due in more than 180 days)	3.837	8.625
Net carrying amount	**28.737**	**35.916**

Currency risk

The transactions conducted in foreign currencies were of low amounts, with the result that no hedging transactions for currency risks are necessary.

Investments in Marseille-Kliniken AG made known to the company pursuant to § 21(1) or 21(4) of the German Securities Trading Act (WpHG)

Pursuant to § 21(1) of the German Securities Trading Act (WpHG), Artio Global Holdings LLC, New York, USA, informed us on 4 July 2008 that its share of voting rights in Marseille-Kliniken AG, Berlin, had exceeded the thresholds of 3 % and 5 % on 27 June 2008 and amounted on that day to 9.40 % of the total number of voting rights in the company (equivalent to 1,141,607 voting rights).

The 3 % or more of the voting rights in Marseille-Kliniken AG, Berlin, held by Julius Baer International Equity Fund, 330 Madison Avenue, New York, USA, were allocated to Artio Global Holdings LLC, New York, USA.

Pursuant to § 160 (1)(8) of the German Companies Act (AktG), Mr Ulrich Marseille and Mrs Estella-Maria Marseille, Hamburg, hold a direct or indirect shareholding in Marseille-Kliniken AG, Berlin, in the amount of 60.00 % of the voting rights.

The Group has not been informed of any other investments in Marseille-Kliniken AG which are notifiable to the company pursuant to § 21(1) or 21(4) of the German Securities Trading Act (WpHG).

Directors' dealings

Pursuant to § 15a of the German Securities Trading Act (WpHG), persons who perform management duties for an issuer of shares or have a close relationship with such a person must give notification of their own transactions with shares of the issuer or financial instruments related to these if the sum total of the transactions exceeds € 5,000.00 per calendar year.

Management Board and Supervisory Board members at Marseille-Kliniken AG, other persons who regularly have access to insider information on Marseille-Kliniken AG as defined by the German Securities Trading Act (WpHG) and are authorised to make significant corporate decisions, and persons who are closely related to the groups of persons specified above are all required to provide notification of their transactions.

In the financial year 2008/2009, the Group was not notified of any securities transactions subject to notification requirements in accordance with § 15a of the German Securities Trading Act (WpHG).

Supervisory Board

The members of the Supervisory Board are:

Ulrich Marseille, Businessman, Hamburg, Chairman

Chairman of the Supervisory Boards:
Karlsruher-Sanatorium-AG, Hamburg
SCS Standard Computersysteme AG, Hamburg

Member of the Supervisory Board:
WMP EuroCom AG, Berlin
Columbia Hospital AG, Berlin

Chairman of comparable bodies:
REHA-Klinik Sigmund Weil GmbH, Hamburg

Hans-Hermann Tiedje, Media Entrepreneur, Berlin, Deputy Chairman,

Chairman of the Management Board:
WMP EuroCom AG, Berlin

Member of the Supervisory Board:
Wadan Yards AS, Oslo
Columbia Hospital AG, Berlin

Uwe Bergheim, Communications Manager, Düsseldorf

Member of the Supervisory Board:
Falke KGaA, Schmallenberg

Advisor: Nordmilch AG, Bremen

Mathias D. Kampmann, Business Manager, Hamburg

Dr Matthias P. Schönermark, M.D., University Professor, Management Consultant, Hanover,

Dr Peter Schneider, Medical Specialist, Hohen-Neuendorf

In the financial year 2008/2009, members of the Supervisory Board received aggregate remuneration of € 205,000 (previous year: € 191,000).

Management Board

The members of the Management Board were:

Axel Hölzer, Businessman, Hamburg, Chairman (simultaneously Deputy Chairman of the Supervisory Board at SCS Standard Computersysteme AG, Hamburg)

Peter Paul Gardosch von Krosigk, Businessman, Hamburg
(from 1 August 2008 to 31 July 2009)

The company may be represented by two Management Board members or by one Management Board member and an authorised signatory. If only one Management Board member has been appointed, he/she shall represent the company alone. The Supervisory Board may exempt members of the Management Board from the restrictions of § 181 of the German Civil Code (BGB). Mr Hölzer has been exempted from these restrictions under § 181 of the German Civil Code (BGB).

The members of the management bodies were paid as follows for 2008/2009:

	2008|2009 € '000 Fixed	2008|2009 € '000 Variable	2008|2009 € '000 Total
Mr Axel Holzer (Chairman of the Board)	362	0	362
Mr Peter Paul Gardosch von Krosigk (Board Member)	275	0	275
Total	**637**	**0**	**637**

Remuneration for members of the Management Board in the financial year 2008/2009 was paid exclusively by Marseille-Kliniken AG. No loans had been made between the company and members of the Management Board either during the course of the financial year or as of the balance sheet date.

Notes

Pension payments to former Management Board members and their surviving dependents amounted to € 58,000 (previous year: € 53,000). Provisions amounting to € 471,000 (previous year: € 475,000) have been set aside for future obligations.

Relationships with related persons and companies

Business relationships between all the companies included in the consolidated financial statements are eliminated in their entirety in those consolidated financial statements. Business transactions between the Marseille Group companies and related persons and companies are presented as follows:

All in all, trade receivables and receivables arising from loans to the Marseille family and its related companies amount to € 12.5 million (previous year: € 11.1 million), while liabilities amount to € 5.7 million (previous year: € 2.4 million). The Marseille Group acquired goods and services, as well as assets, from related persons and companies in the amount of € 9.0 million (previous year: € 5.1 million). Some € 5.2 million of this total was accounted for by Held Bau Consulting Projekt Steuerungsgesellschaft mbH, which was deconsolidated as of 30 June 2008 and mainly renders construction services for the Group. The Marseille-Kliniken Group provided goods and services totalling € 1.5 million to related persons and companies in the reporting period.

In the course of the financial year, Group companies conducted the following (significant) transactions with related persons and companies that do not belong to the Group:

- Renting of the administration building at Sportallee 1 in Hamburg from Citycomp Grundstücks GbR by VDSE GmbH – Verwaltungsdienstleister sozialer Einrichtungen GmbH (In the follwing: VDSE GmbH) with effect from 1 July 2001 in accordance with the lease agreement dated 23 August 2000. The agreement has a term of 10 years. Rental expenses in the financial year 2008/2009 totalled € 666,000.
- Fee for the takeover of the nursing care service from Hansel/ Gehrckens Grundstücks GbR by Allgemeine soziale Dienstleistungsgesellschaft GmbH. The term of the agreement has an indefinite duration and was not terminated in the financial year. The notice period is six months to the end of a calendar halfyear. The expenses incurred in the reporting period amounted to € 46,000.
- Interest on the loan from Marseille-Kliniken AG to SCS Standard Computersysteme AG. According to the loan agreement dated 9 March 2001, the interest is calculated using the German central bank's base rate plus a margin of 2 % and a risk premium of 4.5 %. The loan has an indefinite term. Income of € 212,000 was generated in the financial year 2008/2009.
- On 25 May 2000, Marseille-Kliniken AG concluded a software maintenance contract with SCS Standard Computersysteme AG, Hamburg, which took effect retrospectively on 1 May 2000. The notice period is six months. There has been no termination. Expenses of € 434,000 were incurred in the financial year 2008/2009.
- Marseille-Kliniken AG concluded a customer support agreement with SCS Standard Computersysteme AG on 25 May 2000. The agreement took effect retrospectively on 1 May 2000 and can be terminated within a period of six months. Expenses of € 47,000 were incurred in the financial year 2008/2009.
- Service agreement for the assumption of financial and staff accounting activities between VDSE GmbH and SCS Standard Computersysteme AG, Hamburg. Income of € 2,000 was earned in the financial year 2008/2009.
- Mrs Estella-Maria Marseille was granted a loan of € 1,722,000 by Marseille-Kliniken AG with a loan agreement dated 9 April 2001 for the acquisition of 6 % of the shares in Karlsruher Sanatorium AG. Including the accrued interest of € 746,000, the loan amount was € 2,468,000 as of the balance sheet date. The interest rate is calculated at the refinancing rate of the lender plus a profit margin of 1.0 % per annum. Income amounted to € 98,000.
- Mrs Estella-Maria Marseille was granted a loan of € 151,000 by Marseille-Kliniken AG with a loan agreement dated 9 April 2001 for the acquisition of 5.9 % of the shares in Mineralquelle Waldkirch Verwertungsgesellschaft mbH. The loan was increased by € 24,000 in November 2005. Including the accrued interest of € 82,000, the current loan amount is € 256,000. The interest rate is calculated at the refinancing rate of the lender plus a profit margin of 1.0 % per annum. Income amounted to € 11,000.
- Contract dated 11 February 2002 for the maintenance of a management information system (MIS) between SCS Standard Computersystem AG and VDSE GmbH. The contract could not be terminated by either party until 31 December 2003 subject to a notice period of three months. The contract has not been terminated. Expenses of € 27,000 were incurred in the financial year 2008/2009.
- The purpose of the framework contract of work and labour for the development and implementation of software between SCS Standard Computersysteme AG and VDSE GmbH is to further develop the software systems developed by SCS Standard Computersysteme AG, particularly APLAN, ECO, PSB, SENATOR P4, PEPone and InformationWarehouse, and to adapt them to future requirements as defined by VDSE GmbH. The remuneration amounts to € 1,000 per development day plus the statutory value-added tax, amounting to total expenses of € 676,000 in the financial year 2008/2009.
- Marseille-Kliniken AG and its subsidiaries were provided with the service and maintenance work for the licence expenses by SCS Standard Computersysteme AG. Expenses of € 207,000 were incurred in the financial year 2008/2009.
- In the financial year 2008/2009 the law firm Rechtsanwaltskanzlei Marseille rendered a diversity of consulting services totalling € 820,000 for Marseille-Kliniken AG and its subsidiaries.
- Loan agreement between Mr Ulrich Marseille and Marseille-Kliniken AG in the amount of € 4,500,000. This is offset against the acquisition by Marseille-Kliniken AG of the out-patient nursing care services in the assisted living area in Gera, which is earmarked for acquisition in the financial year 2009/2010. Including the accrued interest of € 347,000, the loan amount was € 4,847,000 as of the balance sheet. The interest rate is calculated at the refinancing rate of the lender plus a profit margin of 1 % per annum. Interest income amounted to € 276,000 in the financial year 2008/2009.
- Loan agreement dated 18 August 1999 between SCS Betrium GmbH and Marseille-Kliniken AG. In the financial year, SCS Betrium GmbH received interest of € 121,000 from Marseille-Kliniken AG .
- Marseille-Akademie GmbH has concluded lease agreements for renting out store rooms, office premises and car parking spaces with GO Drachenfelssee 505 VV GmbH. The contracts have resulted in income amounting to € 17,000.
- Contract for the operation of an SAP environment dated 8 April 2009 between VDSE GmbH and Telekommunikation TV Service –TTVS- GmbH. Income for VDSE GmbH in the financial year 2008/2009 amounted to € 86,000.
- There is a cleaning contract between Pro Work Dienstleistungsgesellschaft mbH and Held Bau Consulting GmbH. In the financial year this resulted in income amounting to € 5,000.
- Within the scope of the lease contract with Held Bau Consulting GmbH for the surrender of factory and office equipment, VDSE GmbH generated income of € 18,000 in the financial year 2008/2009.
- Motor vehicles are surrendered to Held Bau Consulting GmbH on the basis of the framework agreement for fleet management for cars and trucks between VDSE GmbH and Car Professional Fuhrparkmanagement und Beratungsgesellschaft mbH & Co. This resulted in income amounting to € 31,000.
- Sublease agreement dated 12 December 2006 for the premises at Heselstücken 7, Hamburg, between Marseille-Akademie GmbH and Held Bau Consulting GmbH. The agreement resulted in rental income of € 35,000 in the financial year 2008/2009.
- Loan agreement between TD Artos Verwaltungsgesellschaft mbH and Marseille-Kliniken AG. The loan amount is € 142,000 as of 30 June 2009. The loan bears interest of 6 %. Interest income amounted to € 4,000 in the financial year 2008/2009.
- Held Bau Consulting GmbH rendered a diversity of construction services, such as fire protection measures and flat roof renovation, on a contractual basis for Marseille-Kliniken AG and its business premises. In the financial year ended, these totalled € 5,187,000.
- Non-current trade receivables and other receivables bear interest of 6 % per annum. The retrospective addition of accrued interest to receivables from Mr Marseille resulted in interest income of € 182,000 for the Marseille-Kliniken Group.
- Use and supply contract between SGS GmbH and VDSE GmbH on the temporary concession of the right to use an aircraft, according to the contract, with a term from 1 August 1998 to 31 December 2003. The contract is prolonged by one year if it has not been terminated in writing by at least three months before the end of a year. VDSE GmbH commits itself to utilising the aircraft for 300 to 450 flying hours over the duration of the contract. Expenses of € 200,000 were incurred in the reporting year.
- Assertion of the statute of limitations by EWG Hansel Wohnungs KG with regard to receivables of Pro Work Dienstleistungsgesellschaft mbH. The resultant expenses amounted to € 266,000.
- Bad debt provision for a loan to TD Artos Verwaltungsgesellschaft mbH. The resultant expenses amounted to € 142,000.
- There is a contract for the rendering of a diversity of administrative services between VDSE GmbH and Held Bau Consulting GmbH. The resultant income in the reporting year amounted to € 29,000.
- Marseille-Kliniken AG granted a letter of comfort for M. Held GmbH & Co. Baubetreuungs-KG in connection with a legal dispute about wage costs from Hallesche Mitteldeutsche Bau AG against the defendant M. Held GmbH & Co. Baubetreuungs-KG for payment of wages. The letter of comfort is for € 6,200,000. This had no impact on earnings in the financial year.
- Marseille-Kliniken AG sold its shares in Held Bau Consulting Projekt Steuerungsgesellschaft mbH to DL-Holding GmbH in the financial year 2007/2008. The purchase price was € 760,000. The payment deadline was postponed from 31 May 2009 to 31 December 2009. The postponement of the payment deadline resulted in no interest income.
- Teufelsbad Fachklinik Blankenburg GmbH acquired a woodchip installation from Held Bau Consulting Projekt Steuerungsgesellschaft mbH in November 2008. The purchase price was € 859,000.
- In the financial year 2008/2009, M. Held GmbH & Co. Baubetreuungs-KG issued an in-voice for € 178,000 for architectural and engineering services at the premises in Friedland. This amount was capitalised as additional acquisition costs.

Goods and services are sold to related persons and companies at the usual market prices. Purchasing transactions between parties were made at market prices, less normal bulk discounts and other discounts granted on the basis of relationships between the parties.

Outstanding amounts from the sale of goods and services are not collateralised and are settled in cash.

Apart from the loan of € 4.5 million to Mr Marseille, the amounts are not collateralised.

Publication

The adoption of the consolidated financial statements by the Supervisory Board and the approval for publication of the consolidated financial statements is scheduled for 23 October 2009. The consolidated financial statements for the financial year 2008/2009 will be submitted to the official company register and published in the electronic German Federal Gazette (Bundesanzeiger).

The following Group companies are included in the consolidated financial statements of Marseille-Kliniken AG and use the exemptions pursuant to § 264 (3) of the German Commercial Code (HGB):

- Senioren-Wohnpark Langen GmbH,
- Senioren-Wohnpark Lemwerder GmbH,
- ASTOR Park Wohnanlage Langen GmbH,
- Senioren-Wohnpark Hennigsdorf GmbH,
- Senioren-Wohnpark Radensleben GmbH,
- Senioren-Wohnpark Neuruppin GmbH,
- Senioren-Wohnpark Treuenbrietzen GmbH,
- Senioren-Wohnpark Erkner GmbH,
- Teufelsbad Fachklinik Blankenburg GmbH,
- Senioren-Wohnpark Tangerhütte GmbH,
- Senioren-Wohnpark Kyritz GmbH,
- Senioren-Wohnpark Thale GmbH,
- Senioren-Wohnpark Wolmirstedt GmbH,
- Senioren-Wohnpark Aschersleben GmbH,
- Senioren-Wohnpark Coswig GmbH,
- Senioren-Wohnpark Stützerbach GmbH,
- Senioren-Wohnpark Schollene GmbH,
- Senioren-Wohnpark Bad Langensalza GmbH,
- Senioren-Wohnpark Ballenstedt GmbH,
- Senioren-Wohnpark HES GmbH,
- PRO F & B Gastronomische Dienstleistungsgesellschaft mbH,
- Senioren-Wohnpark Klausa GmbH,
- Senioren-Wohnpark OES GmbH,
- Senioren-Wohnpark Friedland GmbH,
- Senioren-Wohnpark ZES GmbH,
- Senioren-Wohnpark Klötze GmbH,
- ALGOS Fachklinik Bad Klosterlausnitz GmbH,
- Senioren-Wohnpark Leipzig – Am Kirschberg GmbH,
- Senioren-Wohnpark soziale Grundbesitzgesellschaft mbH,
- AMARITA Buxtehude GmbH,
- PRO WORK Dienstleistungsgesellschaft mbH,
- Senioren-Wohnpark Cottbus – SWP – GmbH,
- MK-Delta GmbH,
- Marseille-Klinik-Omega GmbH,
- „Villa Auenwald" Seniorenheim GmbH,
- VDSE Verwaltungsdienstleister sozialer Einrichtungen GmbH,
- PROMINT Dienstleistungsgruppe Neuruppin GmbH,
- Senioren-Wohnpark Hennigsdorf – SWP – GmbH,
- SCS Standard Computersysteme Entwicklungsgesellschaft mbH,
- SIV Immobilien-Verwaltungsgesellschaft mbH,
- DaTess Gesellschaft für Datendienste mbH,
- Senioren-Wohnpark Friedland – SWP – GmbH,
- Marseille-Akademie GmbH,
- Senioren-Wohnpark Leipzig „Stadtpalais" GmbH,
- Senioren-Wohnpark Leipzig „Eutritzscher Markt" GmbH,
- Senioren-Wohnpark Lichtenberg GmbH,
- Senioren-Wohnpark Landshut GmbH,
- AMARITA Datteln GmbH,
- AMARITA Hohen Neuendorf GmbH,
- Teufelsbad Residenz Blankenburg GmbH,
- Betrium Nr. 44 Vermögensverwaltungs-GmbH,

- Betrium Nr. 53 Vermögensverwaltungs-GmbH,
- MobiRent Vermietung GmbH
- Betrium Nr. 55 Vermögensverwaltungs-GmbH,
- AMARITA Oldenburg GmbH,
- Senioren-Wohnpark Düsseldorf – Volksgarten GmbH,
- Senioren-Wohnpark Dresden „Am Großen Garten" GmbH,
- Senioren-Wohnpark Arnsberg GmbH,
- Senioren-Wohnpark Büren GmbH,
- Senioren-Wohnpark Kreuztal-Krombach GmbH,
- Senioren-Wohnpark Lutzerath GmbH,
- ProTec Dienstleistungsgesellschaft mbH,
- Allgemeine Dienstleistungsgesellschaft mbH – ADG –,
- MK IT-Entwicklungs GmbH.

Declaration on the Corporate Governance Code (§161 of the German Companies Act (AktG))

The declaration of compliance in accordance with § 161 of the German Companies Act (AktG) submitted by Marseille-Kliniken Aktiengesellschaft has been and will continue to be made accessible permanently to the shareholders in its most up-to-date version on the company's website.

Berlin, Germany, 21 October 2009

Marseille-Kliniken, Aktiengesellschaft

The Management Board

Balance sheet oath

Responsibility statement issued by the legal representatives of Marseille-Kliniken AG

„To the best of our knowledge and in accordance with the applicable reporting principles, the consolidated financial statements for the financial year that ended on 30 June 2009 give a true and fair picture of the assets, liabilities, financial position and profit or loss of the Group and the consolidated management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group".

Axel Hölzer
Chairman of the Management Board

Auditors' report

The following report has been issued about the complete annual accounts and the management report combined with the Group management report:

„We have audited the annual accounts - consisting of the balance sheet, profit and loss account and notes - including the bookkeeping records and the management report combined with the Group management report prepared by MARSEILLE-KLINIKEN AKTIENGESELLSCHAFT, BERLIN, for the financial year that began on 1 July 2008 and ended on 30 June 2009. The company's legal representatives are responsible for keeping the bookkeeping records and for compiling the annual accounts and the management report combined with the Group management report in accordance with the regulations specified by German commercial law. Our assignment is to make a judgement about the annual accounts (including the bookkeeping records) and the management report combined with the Group management report on the basis of the audit we have completed.

We have made our audit of the annual accounts in accordance with § 317 of the German Commercial Code (HGB) and observing the principles governing the proper conduct of audits as issued by the German Institute of Auditors (IDW). According to these regulations and principles, the audit must be planned and implemented in such a way that inaccuracies and violations which have substantial impact on the picture of the asset situation, financial position and profitability presented by the annual accounts (in compliance with the principles of proper bookkeeping) and by the management report combined with the Group management report are identified with sufficient certainty. Information about the company's business operations and its economic and legal environments as well as expectations about possible mistakes are taken into account when specifying the audit procedures. The effectiveness of the internal accounting control system and supporting evidence confirming the information provided in the bookkeeping records, the annual accounts and the management report combined with the Group management report are checked mainly by taking random samples in the course of the audit. The audit consists of an analysis of the accounting principles applied and of the main elements of company management by the legal representatives as well as an evaluation of the overall presentation of the annual accounts and the management report combined with the Group management report. We are of the opinion that our audit forms a reliable enough basis for making a sound judgement.

Our audit has not led to any objections being raised.

On the basis of the findings of the audit, we conclude that the annual accounts comply with the legal regulations and the principles of proper bookkeeping and provide an accurate and true picture of the asset situation, financial position and profitability of the company. The management report combined with the Group management report is consistent with the annual accounts, gives an appropriate overall description of the situation of the company and presents the possible future opportunities and risks in an accurate way.

Without qualifying this report, we draw attention to the information provided by the Management Board about the accuracy of the book value of the investment in Karlsruher-Sanatorium-Aktiengesellschaft and of the receivables from affiliated companies in section „Individual financial statements of Marseille-Kliniken AG" of the combined company and Group management report."

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

von Salzen	Götze
Auditor	Auditor

Hamburg, 28 October 2009

AUDITORS' REPORT

„We have audited the Group annual accounts - consisting of the balance sheet, profit and loss account, equity schedule, statement of cash flow and notes - prepared by MARSEILLE-KLINIKEN AKTIENGESELLSCHAFT, BERLIN, as well as the Group management report combined with the management report for the financial year that began on 1 July 2008 and ended on 30 June 2009. The company's legal representatives are responsible for compiling the Group annual accounts and the Group management report combined with the management report in accordance with the IFRS that have to be applied in the EU and the additional regulations specified by commercial law that have to be applied in accordance with § 315a Paragraph 1 of the German Commercial Code (HGB). Our assignment is to make a judgement about the Group annual accounts and the Group management report combined with the management report on the basis of the audit we have completed.

We have made our audit of the Group annual accounts in accordance with § 317 of the HGB and observing the principles governing the proper conduct of audits as issued by the German Institute of Auditors (IDW). According to these regulations and principles, the audit must be planned and implemented in such a way that inaccuracies and violations which have substantial impact on the picture of the asset situation, financial position and profitability presented by the Group annual accounts (in compliance with the accounting regulations that have to be applied) and by the Group management report combined with the management report are identified with sufficient certainty. Information about the Group's business operations and its economic and legal environments as well as expectations about possible mistakes are taken into account when specifying the audit procedures. The effectiveness of the internal accounting control system and supporting evidence confirming the information provided in the Group annual accounts and the Group management report combined with the management report are checked mainly by taking random samples in the course of the audit. The audit consists of an analysis of the annual accounts of the companies included in the Group annual accounts, of the specification of the companies consolidated, of the accounting and consolidation principles applied and of the main elements of company management by the legal representatives as well as an evaluation of the overall presentation of the Group annual accounts and the Group management report combined with the management report. We are of the opinion that our audit forms a reliable enough basis for making a sound judgement.

Our audit has not led to any objections being raised.

On the basis of the findings of the audit, we conclude that the Group annual accounts comply with the IFRS that have to be applied in the EU and the additional regulations specified by commercial law that have to be applied in accordance with § 315a Paragraph 1 of the HGB and provide an accurate and true picture of the asset situation, financial position and profitability of the Group while observing these regulations. The Group management report combined with the management report is consistent with the Group annual accounts, gives an appropriate overall description of the situation of the Group and presents the possible future opportunities and risks in an accurate way.

Without qualifying this report, we draw attention to the information provided by the Management Board about the accuracy of the value of the committed assets of the properties shut down in the rehabilitation operations in section „Strategic risks and risk situation of the Group" in the combined company and Group management report."

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

von Salzen	Götze
Auditor	Auditor

Hamburg, 28 October 2009

Changes in assets Marseille-Kliniken AG at 30 June 2008

	Historical and production costs									Accumulated depreciation							Book values	Book values
	01 July 2007 €	Adjustment acc. to IAS 8 €	1. July 2007 after Adjustment €	Additions €	Adjustment acc. to IAS 8 €	Reclassifi-cations €	Release from deconsolidation €	Disposals €	30 June 2008 €	1. July 2007 €	Additions €	Adjustment acc. to IAS 8 €	Reclassifi-cations €	Release from deconsolidation €	Disposals €	30 June 2008 €	30 June 2008 €	30 June 2007 €
I. Intangible assets																		
1. Concessions	1,743,423.28	0.00	1,743,423.28	1,582.00	0.00	0.00	0.00	0.00	1,745,005.28	1,008,097.61	142,765.31	0.00	0.00	0.00	0.00	1,150,862.92	594,142.36	735,325.67
2. Software	9,766,738.34	0.00	9,766,738.34	1,179,294.98	0.00	0.00	81,045.10	0.00	10,864,988.22	5,618,050.26	1,412,219.02	0.00	0.00	73,281.37	0.00	6,956,987.91	3,908,000.31	4,148,688.08
3. Goodwill	28,711,798.07	-452,298.91	28,259,499.16	57,032.85	0.00	0.00	0.00	0.00	28,316,532.01	0.00	303,000.00	0.00	0.00	0.00	0.00	303,000.00	28,013,532.01	28,711,798.07
4. Deposits paid	0.00	0.00	0.00	35,789.92	0.00	0.00	0.00	0.00	35,789.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35,789.92	0.00
	40,221,959.69	-452,298.91	39,769,660.78	1,273,699.75	0.00	0.00	81,045.10	0.00	40,962,315.43	6,626,147.87	1,857,984.33	0.00	0.00	73,281.37	0.00	8,410,850.83	32,551,464.60	33,595,811.82
II. Property, plant & equipment																		
1. Real estate	168,447,434.18	-1,693,010.43	166,754,423.75	6,745,279.81	0.00	13,395.90	0.00	2,476.60	173,510,622.86	51,026,688.67	2,957,092.55	-1,294,719.34	0.00	0.00	144.00	52,688,917.88	120,821,704.98	117,420,745.51
2. Finance lease	29,043,037.58	0.00	29,043,037.58	0.00	0.00	0.00	0.00	29,043,037.58	0.00	9,298,522.67	1,351,210.28	0.00	0.00	0.00	10,649,732.95	0.00	0.00	19,744,514.91
3. Plant and machinery	2,653,903.55	0.00	2,653,903.55	19,876.18	0.00	0.00	0.00	0.00	2,673,779.73	2,212,590.80	92,025.86	0.00	0.00	0.00	0.00	2,304,616.66	369,163.07	441,312.75
4. Furniture and office equipment	50,080,587.09	0.00	50,080,587.09	2,775,946.16	0.00	90,957.29	369,973.21	1,621,647.45	50,955,869.88	37,102,821.72	2,318,261.19	0.00	0.00	347,435.95	1,273,457.62	37,800,189.34	13,155,680.54	12,977,765.37
5. Finance lease / furniture and office equipment	0.00	3,036,904.47	3,036,904.47	0.00	1,393,784.42	0.00	0.00	0.00	4,430,688.89	0.00	0.00	1,040,753.46	0.00	0.00	0.00	1,040,753.46	3,389,935.43	0.00
6. Deposits paid and construction in progress	2,009,665.29	0.00	2,009,665.29	6,385,383.72	-1,987,232.78	-104,353.19	0.00	881,129.74	5,422,333.30	149,370.81	182,040.52	0.00	0.00	0.00	0.00	331,411.33	5,090,921.97	1,860,294.48
	252,234,627.69	1,343,894.04	253,578,521.73	15,926,485.87	-593,448.36	0.00	369,973.21	31,548,291.37	236,993,294.66	99,789,994.67	6,900,630.40	-253,965.88	0.00	347,435.95	11,923,334.57	94,165,888.67	142,827,405.99	152,444,633.02
IV. Other long-term assets																		
Investments	203,012.58	0.00	203,012.58	0.00	0.00	0.00	42,000.00	25,000.00	136,012.58	41,999.00	0.00	0.00	0.00	41,999.00	0.00	0.00	136,012.58	161,013.58
Recognised pension requirements	2,174,712.06	0.00	2,174,712.06	0.00	0.00	0.00	0.00	72,305.32	2,102,406.74	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,102,406.74	2,174,712.06
Other financial assets	782,096.84	0.00	782,096.84	217,489.51	771,802.98	0.00	0.00	722,888.64	1,048,500.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,048,500.69	782,096.84
	3,159,821.48	0.00	3,159,821.48	217,489.51	771,802.98	0.00	42,000.00	820,193.96	3,286,920.01	41,999.00	0.00	0.00	0.00	41,999.00	0.00	0.00	3,286,920.01	3,117,822.48
Total	295,616,408.86	891,595.13	296,508,003.99	17,417,675.13	178,354.62	0.00	493,018.31	32,368,485.33	281,242,530.10	106,458,141.54	8,758,614.73	-253,965.88	0.00	462,716.32	11,923,334.57	102,576,739.50	178,665,790.60	189,158,267.32

Changes in assets Marseille-Kliniken AG at 30 June 2009

	Historical and production costs									Accumulated depreciation							Book values	Book values
	01 July 2008 €	Adjustment acc. to IAS 8 €	01 July 2008 after Adjustment €	Additions €	Adjustment acc. to IAS 8 €	Reclassifi-cations €	Release from deconsolidation €	Disposals €	30 June 2009 €	01 July 2008 €	Additions €	Adjustment acc. to IAS 8 €	Reclassifi-cations €	Release from deconsolidation €	Disposals €	30 June 2009 €	30 June 2009 €	30 June 2008 €
I. Intangible assets																		
1. Concessions	1,745,005.28	0.00	1,745,005.28	1,178,100.00	0.00	0.00	0.00	0.00	2,923,105.28	1,150,862.92	404,661.52	0.00	0.00	0.00	0.00	1,555,524.44	1,367,580.84	594,142.36
2. Software	10,864,988.22	0.00	10,864,988.22	831,342.74	0.00	294,777.23	81,764.33	0.00	11,909,343.86	6,956,987.91	1,937,652.02	0.00	0.00	73,278.33	0.00	8,821,361.60	3,087,982.26	3,908,000.31
3. Goodwill	28,316,532.01	0.00	28,316,532.01	184,025.00	0.00	0.00	0.00	0.00	28,500,557.01	303,000.00	0.00	0.00	0.00	0.00	0.00	303,000.00	28,197,557.01	28,013,532.01
4. Deposits paid	35,789.92	0.00	35,789.92	134,836.85	0.00	0.00	0.00	0.00	170,626.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	170,626.77	35,789.92
	40,962,315.43	0.00	40,962,315.43	2,328,304.59	0.00	294,777.23	81,764.33	0.00	43,503,632.92	8,410,850.83	2,342,313.54	0.00	0.00	73,278.33	0.00	10,679,886.04	32,823,746.88	32,551,464.60
II. Property, plant & equipment																		
1. Real estate	173,510,622.86	0.00	173,510,622.86	1,188,258.52	0.00	1,049,743.16	0.00	457,161.37	175,291,463.17	52,688,917.88	3,724,490.83	0.00	0.00	0.00	207,536.16	56,205,872.55	119,085,590.62	120,821,704.98
2. Finance lease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Plant and machinery	2,673,779.73	0.00	2,673,779.73	72,765.80	0.00	0.00	0.00	0.50	2,746,545.03	2,304,616.66	95,943.87	0.00	0.00	0.00	0.50	2,400,560.03	345,985.00	369,163.07
4. Furniture and office equipment	50,955,869.88	0.00	50,955,869.88	3,041,354.80	0.00	616,530.10	21,928.02	396,523.64	54,195,303.12	37,800,189.34	2,294,795.10	0.00	0.00	10,964.02	167,317.12	39,916,703.30	14,278,599.82	13,155,680.54
5. Finance lease / furniture and office equipment	4,430,688.89	0.00	4,430,688.89	3,477,224.82	0.00	0.00	0.00	0.00	7,907,913.71	1,040,753.46	1,761,639.48	0.00	0.00	0.00	0.00	2,802,392.94	5,105,520.77	3,389,935.43
6. Deposits paid and construction in progress	5,422,333.30	0.00	5,422,333.30	2,347,867.09	0.00	-3,226,395.23	0.00	164,052.48	4,379,752.68	331,411.33	182,040.51	0.00	0.00	0.00	0.00	513,451.84	3,866,300.84	5,090,921.97
	236,993,294.66	0.00	236,993,294.66	10,127,471.03	0.00	-1,560,121.97	21,928.02	1,017,737.99	244,520,977.71	94,165,888.67	8,058,909.79	0.00	0.00	10,964.02	374,853.78	101,838,980.66	142,681,997.05	142,827,405.99
III. Sonstige finanzielle Vermögenswerte																		
1. Investments	136,012.58	0.00	136,012.58	36.41	0.00	0.00	0.00	0.00	136,048.99	0.00	45,000.00	0.00	0.00	0.00	0.00	45,000.00	91,048.99	136,012.58
2. Recognised pension requirements	2,102,406.74	0.00	2,102,406.74	36,824.98	0.00	0.00	0.00	112,918.05	2,026,313.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,026,313.67	2,102,406.74
3. Other securities	0.00	0.00	0.00	0.00	0.00	188,000.00	0.00	0.00	188,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	188,000.00	0.00
4. Other financial assets	1,048,500.69	0.00	1,048,500.69	237,477.84	0.00	0.00	0.00	0.00	1,285,978.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,285,978.53	1,048,500.69
	3,286,920.01	0.00	3,286,920.01	274,339.23	0.00	188,000.00	0.00	112,918.05	3,636,341.19	0.00	45,000.00	0.00	0.00	0.00	0.00	45,000.00	3,591,341.19	3,286,920.01
Total	281,242,530.10	0.00	281,242,530.10	12,730,114.85	0.00	-1,077,344.74	103,692.35	1,130,656.04	291,660,951.82	102,576,739.50	10,446,223.33	0.00	0.00	84,242.35	374,853.78	112,563,866.70	179,097,085.12	178,665,790.60

Board members

The Management Board

Axel Hölzer
Chairman

Peter Paul Gardosch von Krosigk
Management Board member
responsible for the hospital operations
(from 1 August 2008 to 31 July 2009)

The Supervisory Board

Ulrich Marseille
Businessman
Chairman

Hans-Hermann Tiedje
Media Entrepreneur
Deputy Chairman

Uwe Bergheim
Communications Business Administrator

Dr Peter Schneider
Doctor

Professor Dr
Matthias P. Schönermark
University Professor

Mathias D. Kampmann
Business Administrator

The Scientific Advisory Board

Marseille-Kliniken AG

Dr Peter Schneider, Hennigsdorf
Chairman
Professor Dr Dr Uwe Koch, Hamburg
Deputy Chairman
Professor Dr Adelheid Kuhlmey, Berlin
Professor Dr Dr Jürgen Bengel, Freiburg
Professor Dr Jens Goebel, Schmalkalden
Professor Dr Stefan Görres, Bremen
Professor Dr Hildebrand Ptak, Berlin

Imprint

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Internet:	www.marseille-kliniken.com

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5-year summary

Group IFRS (until 2004|2005 German GAAP)		2008|2009	2007|2008 1)	2006|2007	2005|2006	2004|2005
Results						
Operating sales	€ m	235.5	228.1	214.8	210.4	201.5
Cost of materials	€ m	32.5	29.4	27.4	31.1	30.0
Personnel expenses	€ m	124.4	119.3	114.0	106.7	104.5
Depreciation	€ m	10.4	9.8	9.3	13.1	14.8
Net Group profit/loss for the year	€ m	-13.5	13.7	9.1	9.7	6.3
EBIT *	€ m	6.8	17.8	20.2	19.4	24.3
EBITDA *	€ m	15.7	26.7	28.9	30.9	37.4
EBITDAR *	€ m	55.2	62.6	61.8	58.0	55.5
EBIT margin *	%	3.1	7.8	9.4	9.2	12.0
ROS *	%	0.7	5.1	4.9	4.4	4.4
DVFA/SG result	€ m	1.6	11.1	10.5	9.3	8.9
Gross cash flow *	€ m	9.4	12.2	23.0	25.8	23.5
Cash flow from current business operations	€ m	7.3	-4.4	-2.5	21.1	19.1
Cash flow from investment activities	€ m	-0.4	61.9	-7.6	89.5	29.9
Balance sheet						
Fixed assets	€ m	179.1	178.7	189.2	243.0	332.8
Investments in tangible assets	€ m	12.4	17.2	5.5	9.3	21.3
Working capital	€ m	21.6	22.1	26.4	25.7	18.2
Investments in financial assets	€ m	0.3	0.2	0.1	0.6	0.1
Other key indicators						
Dividend	€ m	0.0	3.0	3.0	2.2	4.9
Dividend yield	%	0.0	2.9	1.4	2.9	3.9
Number of shares ****	Million	12.15	12.15	12.15	12.15	12.15
Market capitalisation	€ m	55.9	103.3	212.6	191.4	125.1
Return on equity **	%	2.6	13.5	14.7	13.9	14.3
Return on total assets	%	0.7	4.6	3.4	2.9	2.2
Year-end share price	€	4.60	8.50	17.50	15.75	10.30
Personnel expenses ratio	%	52.8	52.3	53.1	50.7	51.9
Adjusted cost of materials ratio	%	13.8	12.9	12.7	14.8	14.9
DVFA/SG earnings per share ****	€	0.13	0.92	0.86	0.76	0.73
Gross cash flow per share ****	€	0.77	1.00	1.89	2.26	1.93
Employees	Average number	5,535	5,309	5,139	4,849	4,520
Facilities	Number	67	65	63	62	60
Bed capacity	Number on 30.06.09	9,085	8,899	8,765	8,703	7,573
Occupancy rate ***	%	92.5	92.4	89.7	88.2	87.5

* taking DVFA/SG adjustment items into account

** DVFA result/Group shareholders' equity

*** 95% occupancy rate calculated with ADG, excluding the facilities that started operation (Hamburg, Türk Bakim Evi, Schömberg, Meerbusch, Medina Belzig, acute hospital in Büren)

**** Taking into account the stock split that has not been made on the stock market yet

1) The figures quoted for the previous year are the adjusted figures. Further details about this can be found in the Notes.

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