Better if we are there

Report on the 1st quarter
1. July 2004 to 30. September 2004

MARSEILLE-KLINIKEN AG

Summary of the first quarter

1. July 2004 to 30. September 2004

		04 | 05	03 | 04	Change in %
Results				
Operating sales *	€ m	50.8	51.3	-1.0
EBITDAR **	€ m	16.1	15.5	4.1
EBITDA **	€ m	11.4	12.4	-8.5
EBIT **	€ m	7.7	8.7	-10.7
EBIT margin **	%	15.2	17.0	-1.8
Net income	€ m	2.8	2.9	-2.3
RoS	%	6.0	6.3	-4.7
DVFA/SG result	€ m	3.2	3.2	+/-0
Gross cash flow **	€ m	7.3	7.9	-7.8
Balance sheet				
Fixed assets	€ m	358.2	370.2	-3.2
Investments	€ m	-0.8	1.1	-
Shareholders' equity ***	€ m	64.9	76.1	-14.8
Equity ratio	%	16.3	18.0	-1.7
Other key indicators				
Employees	Number on 30.09.04	4,519	4,400	119
Facilities	Number	58	58	0
Bed capacity	Number on 30.09.04	7,474	7,433	41
Occupancy rate	%	90.1	91.4	-1.3

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

Main Group figures (IFRS)

Highlights

- Further sales and earnings growth in the core nursing division
- DVFA result of € 3.2 million at the same level as in the previous year

Dear shareholders and friends of the company,

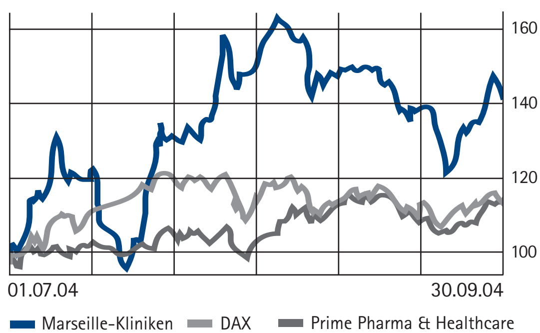
The development of your company in the first three months of the new 2004/2005 financial year mirrored the events in the past 2003/2004 financial year. The nursing division is growing steadily and is operating highly profitably, whereas the rehabilitation division continues to suffer from low occupancy rates and is operating at a loss. Although this development cannot be considered really satisfactory, it is not a cause for concern either. In contrast to the rehabilitation operations, our business in the provision of nursing care for the elderly is largely unaffected by economic fluctuations, it is expanding and its profitability basis is so sound that weaknesses in the rehabilitation division are more than compensated for.

The direction of the developments in the 1st quarter will be continuing throughout the year. We are maintaining our growth strategy in the nursing division, which accounts for more than three quarters of our total capacity. The fifth AMARITA facility in Hennigsdorf near Berlin will be opening in January of next year. It will be followed in March by the senior citizens' residential home in Dresden. We are developing two more locations with investors in Düsseldorf and Hamburg. The earnings of the nursing division will be boosted not only by higher profitability at the Cottbus and Belzig locations following completion of the remodelling projects there but also by further establishment of the facilities that have started operation in Landshut / Bavaria and Montabaur / Rhineland-Palatinate. We are working intensively on building up the networks that are needed to run them successfully. The occupancy rate at the homes has improved significantly in the meantime and is demonstrating a sustained upward trend.

The situation in our rehabilitation division remains difficult. The problems that we have to solve are not of our own making. The entire market is in an upheaval. On the one hand, there is a negative development in demand. It is an old experience with psychosomatic treatment in particular, which can be timed to fit in with other requirements, that a poor economic situation means less money and time for health. Patients' uncertainty has led to distinct changes in application patterns.

Development of the Marseille share price

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



This trend is being accelerated by the very restrictive approach adopted by the pension authorities in their approval of costs. On the other hand, the market is going through a process of major change. The wheat is being separated from the chaff in the face of growing cost and performance pressure. We are observing very clearly the shutdown of more and more clinics. Our expectation is that the shake-out process will have been completed in about one-and-a-half year's time.

Rehabilitation is still an important element of the medical system and is not in the course of being phased out. The future of the market is being determined by the DRGs (diagnosis-related groups). This lump-sum payment system in the acute field will be shortening the length of patients' hospital stays drastically and will be leading to correspondingly longer courses of follow-up treatment. Comprehensive introduction of DRGs means that considerable additional capacities need to be provided in the medical nursing field. Capital, flexibility and strategic thinking are essential in order to make the necessary changes in capacities and, above all, treatment programmes and to achieve the close co-operation required in the acute field.

We fulfil these criteria and will therefore be one of the winners following the market shake-out. We are currently adapting our clinics to the changes in conditions. On the one hand, we have initiated an extensive cost-cutting programme, which will be having a strong impact on earnings. On the other hand, we are developing alternative concepts for clinics that we will not be able to fill adequately in the long term. The initial success we have achieved is encouraging. The transformation of the cardiovascular clinic in Waldkirch into the cardiological prevention centre "Vitalquelle Waldkirch" has already been accepted well by the target groups after it has only been on the market for a short period of time. As far as the psychosomatic clinics are concerned, which are bearing the brunt of the current slump, we are strengthening the two big clinics in Gengenbach and Schömberg and are working on possible ways to put the smaller facilities to a different use if necessary. Reinerzau already transferred its psychosomatic treatment programmes to the Schömberg clinic with effect from 30. September this year and is investigating an alternative concept. The trend we are noting is that the occupancy rates at the clinics are no longer falling. Application patterns are slowly starting to stabilise. We are working on the assumption at the present time that the average occupancy rate at our rehabilitation clinics for the year will be slightly higher than the previous year's level of 77%.

The figures for the 1st quarter of 2004/2005, which cover the months of July to September, continue to be influenced by the current market situation in the rehabilitation division. The weakness is still being exaggerated in the comparison with the 1st quarter of 2003/2004, because the negative development in the rehabilitation operations only intensified gradually in the course of the

2003/2004 financial year. The situation was still relatively stable in the 1st quarter of 2003/2004, on the other hand. The sales from Group operations decreased by € 0.5 million to about € 51 million. While they increased by € 1.5 million in the nursing division, they were € 2.0 million lower in the rehabilitation division. The occupancy rate of all the beds available in the Group fell from 91.4% to 90.1%. This reduction is attributable primarily to the development in the rehabilitation operations too. The occupancy rate in this division dropped from 82.5% to 75.6%. Since the beginning of the financial year, a slight upward trend has been apparent, although it is certainly too early to talk about a change in the general trend. The Group DVFA result (€ 3.2 million) was at the same level as in the previous year, with the increase of € 0.5 million in the nursing division profit being offset by an increase to € 0.5 million in the loss made by the rehabilitation division.

We continue to follow the principle that Marseille-Kliniken is a health company rather than a property investor that happens to have nursing operations. The management and operation of health facilities are our core skill. We are throwing off historical shackles that have led to a large proportion of owned property in the portfolio. The fundamental agreement we have reached with an international financial investor is of major importance in this context. We are selling about 2,000 beds and are then leasing them back to operate them. The portfolio will consist in future of owned and leased property in equal proportions. The arrangements will enable us to reduce debt and increase financial scope via a higher equity ratio.

The steady development of your company in the 1st quarter of 2004/2005 is in line with the trend in recent years. The fast growth and high profitability of the nursing division are sufficient to compensate for fluctuations in the less stable rehabilitation business. The future of the company is built on sound foundations. Integration of the new facilities will lead to a further improvement in earnings in the nursing division. We are expecting the measures taken in the rehabilitation division to start having a sustained impact in the 2004/2005 financial year. We are in no doubt that a return to profit will be achieved in the medium term. We are so confident because we have already come out of a similar situation stronger before.

The Seehofer reform in 1997 and 1998 caused a substantial reduction in the occupancy rate by capping the budget. Competitors withdrew from the market, because they did not have a strong enough economic basis to survive the market shake-out. This meant that the patient volume left was distributed between a smaller number of suppliers, who were as a result able to improve their economic position considerably.

The successful concentration of the company on the core nursing segment has proved to be correct. We will be presenting a very sound set of results again for the 2004/2005 financial year. We are self-assured and confident in our relationship to our shareholders and investors. In November we will be taking part in two conferences for analysts and investors. On behalf of the Management Board, I would like to thank you for your loyalty to the company. We will continue to work hard to justify your trust. Our thanks also go to the company's employees, who demonstrate high social and professional skills, commitment and an impressive human touch.

Your

Axel Hölzer
Chairman of the Management Board

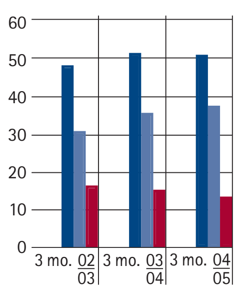
German economy remains sluggish

The German economy is still developing disappointingly. The small upswing in the first half of 2004 is already weakening. The size of the gap to other fast-growing economic regions is increasing again. The domestic economy in particular lacks strength. Companies are reluctant to invest and private consumers are not stimulating the economy. Incidental pay costs are still high and make it difficult for the economy to compete. The employment market remains a central problem. All the efforts made to use the export-driven growth to create jobs have failed so far. Large sections of the population are very unwilling to encourage the process of adapting the national economy to global changes. The problems experienced by Karstadt, Opel and VW underline the structural deficits in Germany. The scientific institutes are forecasting that the growth of 1.6% to 1.8% anticipated for 2004 will already be dropping appreciably in 2005.

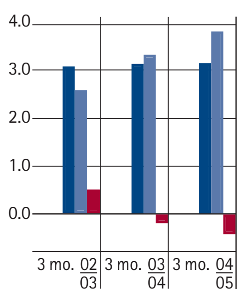
Marseille-Kliniken maintains its positions

The development in the 2003/2004 financial year continued in the 1st quarter of 2004/2005. The business operations are being influenced by opposite trends in the two nursing and rehabilitation divisions. The dominant nursing division is still developing profitably, whereas the rehabilitation division faced the problem of a lower occupancy rate than in the 1st quarter of the last financial year, above all at the psychosomatic clinics. The different development in the two business divisions is reflected clearly in the key sales, earnings and occupancy rate figures. The Group strategy remains unchanged, focussing on the management and operation of health facilities. The plans for further growth are concentrated on the nursing division. The strategic focus in the rehabilitation division is on increasing efficiency in the effectively positioned clinics and promoting concepts for the alternative use of locations with low profit potential.

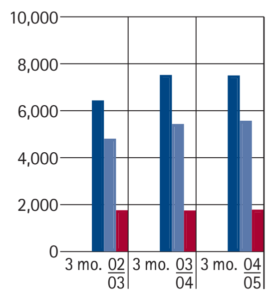
Operating sales
by segments
in € m



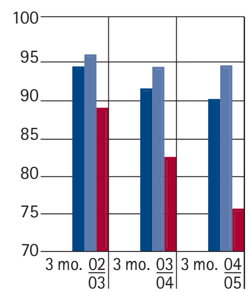
DVFA result
by segments
in € m



Bed capacity
by segments
on average



Occupancy rate
by segments
in %



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

Operating sales slightly lower

Sales from Group operations decreased by € 0.5 million to € 50.8 million in the first three months of the 2004/2005 financial year by comparison with the same period the previous year. The reduction is due to the development in the rehabilitation operations. Sales in this division were € 2.0 million lower at € 13.6 million; the further increase of € 1.5 million to € 37.2 million in the sales by the nursing division was not large enough to compensate for this shortfall.

The Marseille-Kliniken Group operated the same number of 58 facilities in the 1st quarter: 47 nursing homes, 10 rehabilitation clinics and the Vitalquelle Waldkirch. The operations at two rehabilitation clinics have been realigned. The Waldkirch location is recording increasing occupancy rates again since it was reopened as a cardiological prevention centre following its temporary closure. The clinic in Reinerzau has been in a restructuring phase since the beginning of October and should be coming back into operation in early 2005 with an alternative concept. As a result of the complete inclusion of the facilities that started operation in the previous year, the capacity in the nursing division increased from 5,661 beds to 5,719 beds. The number of beds at the 11 rehabilitation clinic locations decreased from 1,772 to 1,751.

The Group made a total of 7,474 beds available; this corresponds to the capacity in the previous year. The beds were occupied 90.1% of the time on average. Due to the poor capacity utilisation in the rehabilitation division, the Group occupancy rate was 1.3 percentage points lower than in the previous year.

Profitable growth in the nursing division

The nursing division continues to be the source of growth and profitability in the Group. The sales and earnings potential is in line with expectations and remains high. The DVFA result improved to a disproportionately large extent by € 0.5 million to € 3.8 million on the back of a sales increase of € 1.5 million (4.2%). The beds were occupied 91.4% of the time on average. The fact that the occupancy rate was lower than in the previous year is attributable to additional capacity at facilities that started operation. On a comparable basis, the occupancy rate was 94.8% and thus 0.4 percentage points higher than in the previous year. The new facilities will be reaching normal Group occupancy levels as time goes on and will be having a positive effect on nursing division earnings. The main goal the nursing division aims to achieve is to guarantee widespread, long-term acceptance of the senior citizens' residential homes by providing the highest possible quality.

Restructuring in the rehabilitation division

All the relevant key figures in the rehabilitation division were lower. The occupancy rate decreased from 82.5% to 75.6% and the DVFA result was down by - € 0.5 million and substantially negative at - € 0.6 million. The division has taken extensive restructuring measures to stop the negative impact on earnings, particularly of the low occupancy rate that continues to be experienced at the psychosomatic clinics. These measures include on the one hand optimised cost management at the clinics that are basically well-positioned, while maintaining the quality standards there, and on the other hand realignment of the operations at clinic locations with poor occupancy rates. The temporary closure of the clinic in Waldkirch and the promising use of it for an alternative clinic concept is a trendsetting move. The Reinerzau clinic is currently in a comparable restructuring phase.

DVFA result maintained thanks to nursing division

The shortfall in the earnings of the rehabilitation division was made up for to a large extent by the sound profitability of the nursing division. The Group DVFA result (€ 3.2 million) was at the same level as in the previous year (€ 3.2 million). The cumulated DVFA earnings per share of € 0.26 were also at the same level as in the previous year. The earnings of € 3.8 million generated by the nursing division were € 0.5 million higher and correspond to DVFA earnings per share of € 0.32 (previous year: € 0.27).

Earnings per share in the rehabilitation division were a negative € 0.06. Group earnings before tax were € 3.3 million (previous year: € 3.5 million) and the Group net income amounted to € 2.8 million (previous year: € 2.9 million).

EBIT decreased by € 1.0 million to € 7.7 million and EBITDA were € 1.0 million lower at € 11.4 million. EBITDAR, which are a more accurate indicator of profitability, improved by € 0.6 million to € 16.1 million. The reduction in the EBIT and EBITDA margins in relation to sales (after DVFA/SG adjustments) was due mainly to the large drop in the occupancy rate in the rehabilitation division. The EBIT margin decreased from 17.0% to 15.2% and the EBITDA margin from 24.2% to 22.4%. The EBITDAR margin increased from 30.2% to 31.7%, on the other hand. The adjusted margins are still better than average by international standards. We are expecting the margins to improve as the occupancy rate increases again throughout the 2004/2005 financial year.

Lower investments

Investments were nominally € 1.9 million lower than in the 1st quarter of 2003/2004 (€ 1.1 million). The funds received in subsidies were used primarily to build the new AMARITA facility in Hennigsdorf as well as to finance the remodelling projects at the Belzig and Cottbus facilities, which are being completed in this financial year.

The shareholders' equity was down by € 11.2 million to € 64.9 million on 30. September 2004 as a result of the special items released in the 2002/2003 financial year. The equity ratio decreased slightly by 1.7 percentage points to 16.3% of the balance sheet total. The HGB shareholders' equity amounted to € 67.9 million, which corresponds to an equity ratio of 18.4%.

Following adjustment for DVFA/SG items, gross cash flow was € 0.6 million lower at € 7.3 million. The financial debts of the Group went down by € 6.4 million, from € 233.3 million to € 226.9 million. The ratio of financial debts (long-term bank loans) to the balance sheet total increased from 48.8% to 50.4%. A further reduction was made in the financial debts and the debt ratio in the initial months of the new financial year by making scheduled repayments.

Increase in employees

The average number of employees in the Group went up by 119 to 4,519 in the first three months of the 2004/2005 financial year. 2,394 of them were employed in the nursing division, 657 in the rehabilitation division and 1,468 at the service and administration companies. Personnel expenses grew disproportionately slowly compared with the increase in staff: by 1.1% to € 26.6 million.

Stable share price

The price of the Marseille-Kliniken share ranged between € 6.85 and € 8.40 in the months of July to September 2004. The final price of the share on 30. September 2004 was € 8.10. It developed better than other indices, such as the DAX, Prime Pharma and Healthcare PI. The price stayed around the € 8.10 mark in October 2004. Marseille-Kliniken AG is maintaining its shareholder-friendly dividend policy this year too. The Supervisory Board and the Management Board will be suggesting to the Annual General Meeting in Berlin on 24. January that a resolution is passed to pay a dividend of € 0.40 per share. On the basis of the final share price in October, this represents a dividend yield of almost 5%.

Outlook

Notwithstanding the restructuring exercise in the rehabilitation division, we are expecting further growth and an improvement in earnings. Our confidence is based mainly on the strength and further profitable growth of the core nursing division. Rapid progress is being made in integration of the new facilities and this will have a positive impact on earnings. Our performance in the nursing division is better than average by international standards too. An end of the problems in the rehabilitation division due to an improvement in the general economic conditions is not in sight. There are signs of initial success in the current market shake-out combined with the adaptation measures that have been taken, but this will only help to eliminate the losses slowly.

Marseille-Kliniken AG balance sheets

at 30. September 2004 and 30. September 2003

Group	30.09.04 in € '000	30.09.03 in € '000
Intangible assets	22,401	24,437
Tangible assets	333,244	343,280
Financial assets	2,590	2,513
Receivables and liquid funds	16,088	18,989
Other assets	24,539	33,452
Balance sheet total	398,862	422,671
Shareholders' equity *	64,852	76,093
Pension provisions	17,432	17,075
Other provisions	24,522	22,508
Financial debts	226,868	233,333
Other liabilities	65,188	73,666
Balance sheet total	398,862	422,671

* Including 73.6% special items for investment grants

Financial calendar

for the 2004/2005 financial year

Annual General Meeting Berlin	24.01.2005
Report on the 2nd quarter	09.02.2005
Event for analysts Frankfurt a.M.	March 2005

Profit and loss accounts

for the period from 1. July 2004 to 30. September 2004
and the figures for the previous year

Group	04 I 05 in € '000	03 I 04 in € '000	Change in %
Sales from Group operations	50,800	51,300	-1.0
Nursing division sales	37,200	35,700	4.2
Rehabilitation division sales	13,600	15,600	-12.8
EBITDAR	15,049	13,996	7.5
EBITDA	10,397	10,940	-5.0
Depreciation	-3,567	-3,785	-5.8
EBIT	6,830	7,155	-4.5
Interest balance	-3,522	-3,654	-3.6
EBT	3,308	3,501	-5.5
DVFA result	3,159	3,185	-0.8
	in €	in €	
DVFA earnings per share nursing	0.32	0.27	18.5
DVFA earnings per share rehabilitation	-0.06	-0.01	-

Share information

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

Statements of cash flow *

for the period from 1. July 2004 to 30. September 2004
and the figures for the previous year

Group	3 months 04 I 05 in € '000	3 months 03 I 04 in € '000
Net Group income	2,800	2,866
Expenditure / income with no effect on payment	3,435	3,571
Decrease in assets and liabilities	-9,399	-2,460
Cash flow from investment activities	838	-1,091
Cash flow from financing activities	-1,777	-3,894
Decrease / increase in liquid funds	4,103	-1,008

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

Imprint

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Internet: www.marseille-kliniken.de

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

Balancesheets of Marseille-Kliniken AG according to IFRS

for the period from 1. July 2004 to 30. September 2004 and the figures for the previous year

	Quarterly report (qualifying date current quarter) 30.09.04	Annual accounts (qualifying date last annual accounts) 30.06.04	Quarterly report (qualifying date current quarter) 30.09.03
Assets	**EUR '000**	**EUR '000**	**EUR '000**
Kurzfristige Vermögensgegenstände			
Liquid funds	1,706	1,791	1,112
Securities held as current assets	101	101	101
Trade accounts receivable	12,791	12,991	13,157
Inventories	2,435	1,626	1,673
Tax reimbursement claim	3,397	3,397	2,600
Deferred charges, prepaid expenses and other assets	20,197	20,795	33,798
Total short-term assets	40,627	40,701	52,441
Long-term assets			
Tangible assets	333,244	333,496	343,280
Intangible assets	3,719	4,459	4,489
Goodwill	18,682	18,820	19,948
Financial assets	2,590	2,615	1,580
Financial assets held at equity	0	0	933
Total long-term assets	358,235	359,390	370,230
Total assets	**398,862**	**400,091**	**422,671**
Shareholders' equity and liabilities			
Short-term liabilities			
Short-term debt and current portion of long-term debt	25,856	21,668	28,000
Trade accounts payable	5,841	10,733	12,847
Provisions	24,522	24,116	22,508
Other short-term liabilities	8,661	9,141	10,259
Total short-term liabilities	64,880	65,658	73,614
Long-term liabilities			
Long-term debt	201,012	202,789	205,333
Special fixed asset items	42,876	43,228	40,928
Pension commitments	17,432	17,402	17,075
Others	39,479	41,369	38,950
Total long-term liabilities	300,799	304,788	302,286
Minority interests	-102	37	805
Shareholders' equity			
Subscribed capital	31,100	31,100	31,100
Capital reserve	15,887	15,887	15,887
Revenue reserves	243	243	243
Own shares	912	954	584
Retained earnings / accumulated losses	-14,857	-18,576	-1,848
Total shareholders' equity	33,285	29,608	45,966
Total shareholders' equity and liabilities	**398,862**	**400,091**	**422,671**

Profit and loss account

for the period from 1. July 2004 to 30. September 2004 and the figures for the previous year

	Quarterly report (current quarter)	Quarterly report (same quarter the previous year)
	01.07.04	01.07.03
	30.09.04	30.09.03
	EUR '000	EUR '000
Sales	50,800	51,300
Other operating income	1,142	2,045
Changes in the level of finished products and products in progress	0	0
Other own work capitalised	232	355
Cost of materials / cost of purchased services	-6,507	-6,466
Personnel expenses	-26,616	-26,318
Depreciation of tangible (and intangible) assets	-3,567	-3,785
Depreciation of goodwill	0	0
Other operating expenses	-8,654	-8,902
Others	0	0
EBIT	**6,830**	**7,229**
Interest income / expenses	-3,522	-3,654
Income from participating interests	0	0
Income / expenses from financial assets held at equity	0	-74
Exchange rate gains / losses	0	0
Other income / expenses	0	0
Earnings before tax (and minority interests)	**3,308**	**3,501**
Taxes on income and earnings	-430	-580
Other taxes	-78	-55
Extraordinary income / expenses	0	0
Earnings before minority interest	**2,800**	**2,866**
Minority interests	139	65
Net income / loss	**2,939**	**2,931**

Statement of changes in shareholders' equity

for the period from 1. July 2004 to 30. September 2004
and the figures for the previous year

	Subscribed capital EUR '000	Capital reserve EUR '000	Revenue reserves EUR '000	Group result EUR '000	Total EUR '000
01.07.2004	31.100	15.887	1,197	-18,576	29,608
Subsequent valuation/carried forward	0	0	-42	780	738
Net income for the period	0	0	0	2,939	2,939
30.09.2004	31.100	15.887	1,155	-14,857	33,285

	Subscribed capital EUR '000	Capital reserve EUR '000	Revenue reserves EUR '000	Group result EUR '000	Total EUR '000
01.07.03	31,100	15,887	827	-4,779	43,035
Net income for the period	0	0	0	2,931	2,931
30.09.2003	31,100	15,887	827	-1,848	45,966

Notes

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

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

Method of presentation

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

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

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

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

Accounting and valuation methods

The same accounting and valuation methods as in the last Group annual accounts for the period that ended on 30.06.2004 have been applied in the quarterly accounts. A detailed description of these methods was published in the notes to the Marseille-Kliniken AG Annual Report 2003/2004.

The following statements relate in particular to changes at 30.09.2004. We refer to the notes to the Group annual accounts at 30.06.2004 with respect to explanations that are not presented (IAS 34.15).

Explanatory information about selected points in the notes

Companies consolidated

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

- TD Trump Deutschland AG (at equity)

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

Miscellaneous notes

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

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

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

The leased buildings have therefore been stated as assets of EUR 43,883,000 in the Group accounts at 30. September 2004 in accordance with IAS 17.12 and liabilities to the lessors of the same amount have been included.

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

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

The special items for investment subsidies and grants for fixed assets of EUR 42,876,000 are released in results according to the useful life of the assets funded. The effect this will have on increasing shareholders' equity in future minus the relevant tax on income amounts to EUR 31,567,000. The shareholders' equity plus the special items for investment subsidies and grants that increase shareholders' equity therefore amount to EUR 64,852,000.

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