MARSEILLE-KLINIKEN AG®

Assume responsibility!

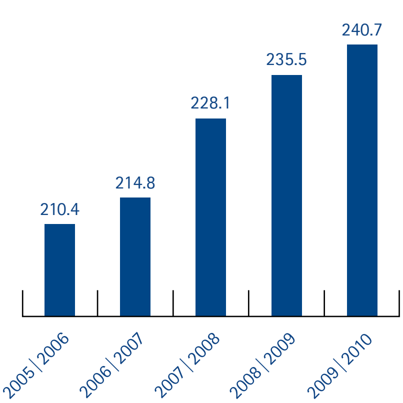
ASSUME RESPONSIBILITY ANNUAL REPORT 2009/2010

Main Group figures (IFRS)

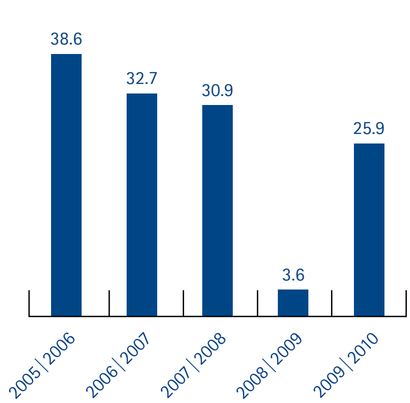
		2009 | 2010	2008 | 2009	Change in %
Results				
Operating sales	€ m	240.7	235.5	2.2
EBITDAR	€ m	75.6	50.6	49.5
EBITDA	€ m	25.9	3.6	> 100.0
EBIT	€ m	4.3	– 6.8	–
EBIT margin	%	1.8	– 2.9	–
Net income	€ m	0.7	– 13.6	–
RoS	%	0.3	– 5.7	–
Cash flow from operating activities	€ m	– 6.4	7.3	– 12.3
Balance sheet				
Fixed assets	€ m	166.4	179.1	– 7.1
Investments	€ m	9.4	12.4	– 24.5
Shareholders' equity	€ m	24.9	25.2	– 1.2
Equity ratio	%	12.6	11.1	13.5
Return on equity	%	0.4	– 54.0	–
Financial debt	€ m	62.5	84.0	– 25.6
Financial ratio	%	22.5	21.4	5.1
Per capita sales	€ '000	47.6	42.6	11.7
Other key indicators				
Total dividend	€ m	0.0	0.0	–
Dividend per share	€	0.0	0.0	–
Earnings per share*	€	0.02	– 0.56	–
Employees	Average number	5,058	5,535	– 8.6
Facilities	Number	62	67	– 7.5
Bed capacity	Number on 6/30	8,370	9,085	– 7.9
Occupancy rate	%	92.2	92.5	– 0.3

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

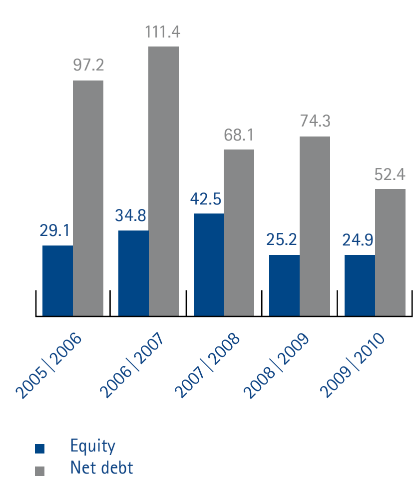
Sales of Marseille-Kliniken Group



EBITDA of Marseille-Kliniken Group



Equity and Net debt of Marseille-Kliniken Group



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Mission Statement

The Marseille-Kliniken AG vision

We want to become the quality leader in the German nursing care market. To achieve this, we are striving for profitable growth. Our innovative industry solutions make us a front-runner in the national market for nursing services – we set benchmarks.

Our mission: expertise in health care and nursing

As a listed operator of old people's care homes, Marseille-Kliniken AG is one of the leading providers of nursing services in Germany. In a sector which is dominated by welfare organisations, the company is a pioneer that shapes the health care market with its consistent approach as a nationwide provider and has a forward-looking positioning in view of demographic developments. Our corporate culture rests on three principles: customer orientation, economic viability and social responsibility.

Our strategy

Our key strategic goal is achieving quality leadership and profitable growth in the market of private-sector inpatient and outpatient nursing care for the elderly. With its innovative and specialist services, our company aims to set standards in the health care market.

We are convinced that social responsibility and economic viability are not mutually exclusive; they can be combined when treated as a commitment and a challenge.

Our strategy is founded on our broadly diversified product portfolio:

» Two, three and four-star facilities
» Assisted living
» Special concepts, such as care for dementia sufferers
» Medium-term expansion of our software and management services for the health care market abroad

Focusing on the nursing market remains at the heart of our company strategy. This influences the structure of our property portfolio. In future, we will continue to optimise our portfolio with a view to safeguarding our liquidity in the medium and long term.

Employees

» Our employees are our most important production factor.
» "Training and retaining" sums up the philosophy behind our broad-based human resources policy, which aims to boost our own attractiveness as an employer and acquire good skilled workers in the stretched labour market for carers. Our strategic approaches in the field of human resources include ongoing staff development, performance-related salary components, the option to pay into a company pension fund, and consistently cooperative leadership.
» It is very important to us that our staff receive regular further training and continuing professional development in order to meet our high quality standards for nursing and individual care. With its computer-aided e-learning courses, our Marseille Academy has established a system which is the only one of its kind in our industry. This ensures that information is quickly transferred from the fields of research and academia to our nursing staff. The company sees itself as the largest provider of nursing-related e-learning throughout Germany.

Quality

» Our performance in nursing senior citizens can be measured by criteria such as quality and transparency: we have defined high standards here regarding the way in which patients are both cared for and treated, social care, accommodation and service. We have chosen to have our nursing facilities certified by external experts according to recognised standards such as DIN EN ISO 9001:2008 and KTQ.
» To safeguard our high quality standards and to further develop our facilities, we have established a comprehensive audit system which is exemplary for the nursing sector (differentiating between process, visit and system audits). Our internal Group quality management system is based on key indicators and a computer-based log, which enables us to identify nursing risks at an early stage and provides information on the current quality of nursing care on an ongoing basis.
» Reflecting on our day-to-day work, operating a differentiated complaints management procedure and conducting a regular, anonymous survey of residents' relatives all feeds into the continual improvement process. We also aim to relieve our nursing staff of administrative duties using tailored software solutions, giving them more time to provide individual care.

"You are not only responsible for the things you do, but also for those you do not do."

Assume responsibility!

Laotse (4 - 3 c. BC)

"We want to set an example"

Interview Ulrich Marseille, Chairman of the Management Board of Marseille-Kliniken AG

On today's health care market, specialisation is the concept of the future. In addition to traditional inpatient nursing care, assisted living and short-term nursing are gaining in significance. Marseille-Kliniken AG is adapting its range of services accordingly. The most important objective is to provide elderly and sick people with as much help as necessary while allowing them as much self-determination as possible.

Many changes are afoot in the health care sector. In our society there is a lively debate about demographic trends in relation to old age – and not always in a benign way. How do you assess the current situation?

The fact is that in our present-day society, a sharp distinction must be drawn between "old age" and "being old". We at Marseille-Kliniken take care of people who are mostly older than 78 and need outpatient or inpatient nursing care services. In Germany as a whole, this is a target group of almost 2.4 million people, of whom 850,000 to 900,000 are in nursing care facilities and 1.2 to 1.3 million receive outpatient care.

It can generally be asserted that the more difficult the overall economic situation is, the more it seems to be the case that elderly, often sick people – particularly those who are no longer able to be consumers – appear a burden. The only issues discussed are money and costs. Nursing care is a good example of that: almost everything is stipulated down to the last detail; nursing staff do too much paperwork because there has been a huge increase in bureaucracy. This is taking nursing care for senior citizens down the road to uniformity: uniform nursing procedures, uniform personnel requirements, uniform food rations, uniform everything – whether in southern Germany or on the North Sea coast – which is fine in its way, but a little underwhelming!

What attitude does Marseille-Kliniken take on this issue?

As for myself, a basic Christian, liberal attitude is crucial. Values such as solidarity and subsidiarity are important to me – in other words, caring for and supporting those who are disadvantaged as a matter of course. In relation to Marseille-Kliniken, this means that we are there for our residents and their relatives in all of life's borderline situations.

How is this basic attitude put into practice in the company's day-to-day work?

Our objective is to make the lives of the residents in our 62 facilities as pleasant and dignified as possible and to give them a feeling of independence for as long as possible. We include our residents' relatives and friends in this process in a spirit of partnership in order to create a homely and familiar atmosphere. Our basic ethical position is to guarantee as much independence as possible, with as much help as necessary. A nursing home is often the last stage in a person's life. This bestows a special responsibility, which we assume.

What does that mean in relation to nursing care?

Despite the overregulation in the nursing care sector, we seek out scope for action, encourage our residents to lead self-determined and individual lives, and respect privacy. The nursing care process is structured individually on the basis of intensive, electronically recorded and assessed biographical work.

But at the same time, the regulations for nursing care are worrying you?

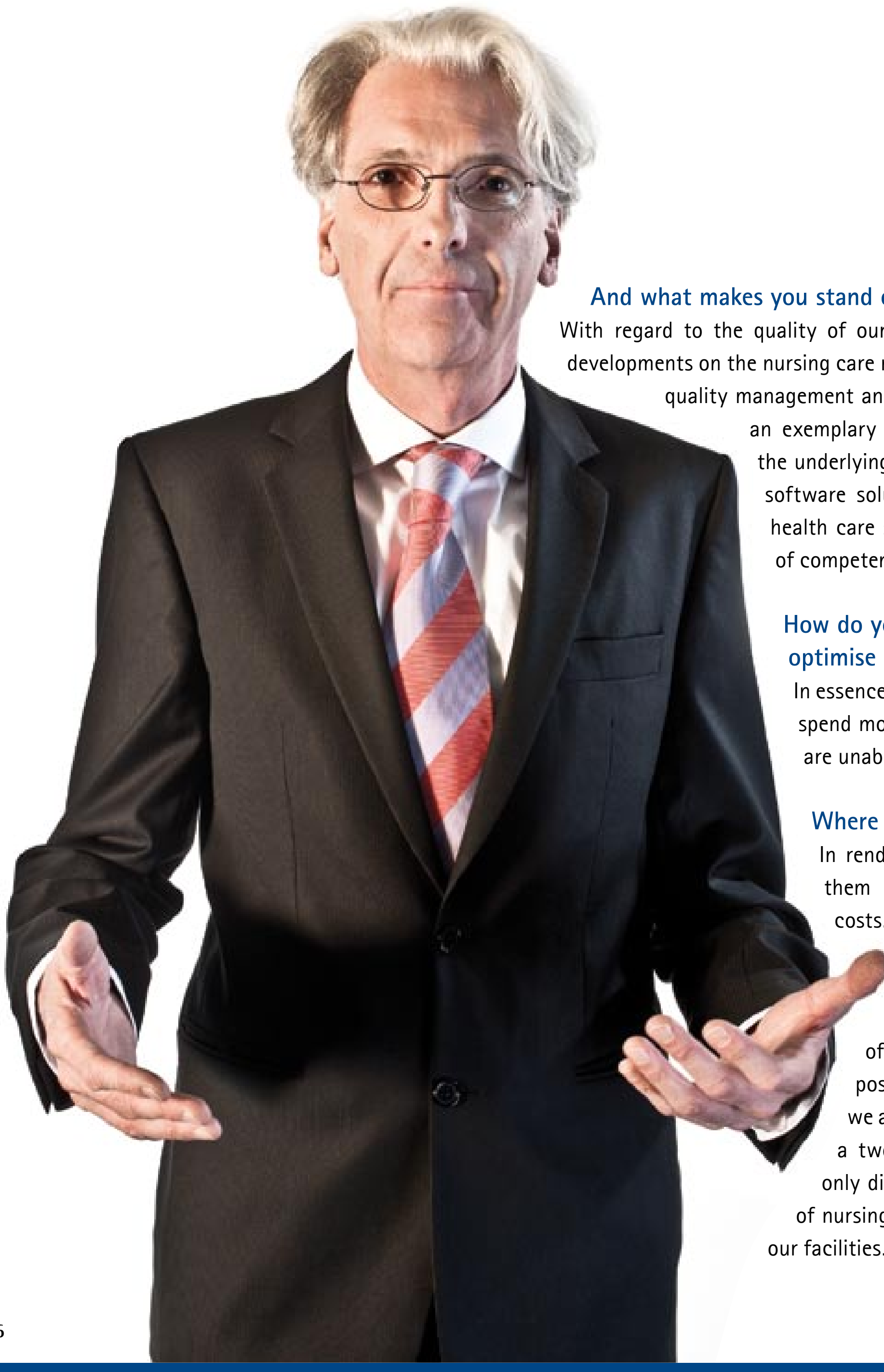
Yes. This is because of the German run-of-the-mill uniform nursing care that the state has decreed with its Nursing Care Insurance Act (Pflegeversicherungsgesetz).

What would be examples of that in practice?

We are told, for example, that we can spend only 7.50 to EUR 8.50 per day on food and nutritional goods. For three and a half meals – breakfast, lunch, afternoon coffee, dinner – I find that shameful. But the statutory provisions won't let us spend any more than that. Of course I could try to budget more for food and, in return, have the windows cleaned seven instead of eight times a year, for example. But that is not allowed. Nobody is allowed to break out of this regulated system.

So how can Marseille-Kliniken, as a private provider, set itself apart from non-profit facilities?

For one thing, we render services for our customers as optimally as is possible and have established strict quality standards for this purpose, which are examined continuously. For another, Marseille-Kliniken has new facilities which are very spacious, open and friendly. An above-average proportion of single rooms raises the residential standard considerably. Our facilities have a hotel-like character and consequently make a high and pleasant standard of living possible.



And what makes you stand out as a provider of health care services?

With regard to the quality of our services, we are at the leading edge of almost all developments on the nursing care market. That applies in equal measure to our integrated quality management and the safeguarding and monitoring of quality. We use an exemplary system infrastructure to safeguard our services and the underlying processes. Marseille-Kliniken AG owns more than 20 software solutions that structure and organise the workflows in health care services. We aim to enhance and refine this key area of competence.

How do you think Marseille-Kliniken AG can further optimise its range of services?

In essence, only if the residents and their relatives are prepared to spend more money on additional services. Often, however, they are unable to afford them.

Where do you see the challenge for nursing care?

In rendering our services even more efficiently and keeping them affordable for customers in the face of increasing costs. Since not all strata of the population are able to afford a sophisticated residential standard in the event of their becoming dependent on nursing care, we put our faith in concepts which take account of our customers' different aspirations and financial possibilities. As well as increasing efficiency continuously, we are following a clear strategy of differentiation between a two-star and the sophisticated four-star standard. The only differentiation factor is residential comfort. The quality of nursing care and service remains at a high standard in all of our facilities.

So how do you, as an operator of nursing care facilities, intend to respond to the trends in society, in other words the fact that more and more people are living for longer and longer and that future pension levels will be lower?

More variable and individual services are possible with outpatient nursing care. That is why I see assisted living, for example, as a big niche market. Demand for affordable nursing care is high. This model guarantees a dignified, self-determined life as well as ensuring affordable nursing care rates.

What other approaches are you planning in the assisted living segment?

The focal point remains in the nursing care division with facilities in Gera, Halle, Potsdam and soon Cottbus. We are expecting this segment to maintain its steady development. We have invested in thoroughly renovated or newly-built residential facilities and provide all the outpatient nursing care services as well as additional components that can be booked individually, for example walking assistance.

Will every senior citizen still be able to afford a full-service structure in one of your facilities in future, or will a cheap "discount" nursing care segment develop below the one to four-star category standard?

High quality nursing care and simple structures: the legislature has no plans for this in inpatient nursing care. It's a different story in outpatient care. Even if one utilises services provided by the nursing care fund, one can buy additional services – for example in the form of paying relatives for nursing care services.

What other trends can you see in the nursing care area?

Short-term nursing care is playing an ever-increasing role, and the positive trend of the last four years has stabilised.

What will your future strategy be with regard to expansion?

In the nursing care facility area we are going to act prudently and not make any more individual acquisitions. In outpatient nursing care and assisted living, we are using the expertise that we have acquired; we intend to increase the number of residential units substantially.

Until now, the Marseille-Kliniken facilities have largely been concentrated in the western and eastern regions of Germany. Are there plans for any further locations?

We are planning to reinforce our presence in existing locations and expand not only nursing care services there, but also adjacent areas such as outpatient care, assisted living and general nursing care for senior citizens. We have no plans to open facilities in regions where we are not yet represented. On the contrary: we might consider replacing facilities in regions outside our core geographical areas with other nursing care facilities in our core locations.

Do you have any other strategic approaches for the future?

Yes. We are, for example, planning to sell software and management services for the health care sector abroad and intend to make our expertise available as consultants for the establishment of health care structures.

Upheaval on the health care market

Many processes of change are shaping the current situation in the German health care sector. Financing the entire system has become more difficult. Growing demand and a trend towards integrated services and private-sector solutions are increasingly determining the picture in various sectors.

Growing financial bottlenecks are the defining feature of the current situation in the social insurance systems. As the social insurance systems, like the statutory health care and nursing care insurance systems, are dependent on government financial allocations and contributions from wages and salaries, the economic crisis did not leave the health care markets unscathed. The health insurance funds, whose system is increasingly tax-supported, are increasingly having to endure a financial bottleneck. Market observers are forecasting that the gap between income and expenditure will become wider in 2010 and the subsequent years.

On the income side, further substantial shortfalls cannot be ruled out. Even though the unemployment rate has recovered unexpectedly well following the sharp economic downturn in 2009, a further upturn with a commensurate employment trend is far from certain. On the expenditure side, a continuous upward movement can be expected regardless of the general economic situation, with the main causes being the demographic trend, medical progress, higher fees for doctors' practices and rising hospital costs.

The financing of the system's increasingly wide funding gap is currently being absorbed by general taxation. In addition, a number of health insurance funds are planning to introduce supplementary contributions at the expense of the insured in 2010. From the market experts' point of view, it is clear that the system's financing will have to be calculated afresh in the long term. This applies all the more because the financing gaps are increasingly caused by demographic factors that will become more and more pronounced in the future. The current system's further development into an insurance scheme that will finance only basic care is therefore almost unavoidable.

Closer dovetailing

Three important trends are shaping the development of the health care market. Firstly, the concentration process is accelerating as a result of the growing cost and performance pressure on service providers. Market analysts estimate that this will bring about the demise of stand-alone facilities, which will hardly have any chance of survival.

Secondly, medical progress and shorter periods of inpatient treatment necessitate closer dovetailing at all levels of the health care system. A considerable increase in outpatient treatment is expected. Different health care segments – basic medical treatment, treatment of acute ailments, nursing care and rehabilitation – will continue to merge into one another. Cooperative arrangements and integration will be made easier through statutory provisions.

Many experts see the rising capitalisation of the health care market as a third important trend. The background in this area is the, in respect of the demographic trend, growing number of people who utilise health care services. As far as financing is concerned, those with political responsibility are dependent on private capital because the public sector is not capable of making the urgently necessary investments in the facilities nor covering the losses in its establishments. Private-sector structures are required if the existing investment backlog is to be resolved. These establish lasting earning capacity and professional management systems.

Health care is booming

The latest figures from the German Federal Statistical Office show that the health care system is increasingly significant for the German economy. According to the data gathered, the Germans spent more – over EUR 263 billion – than ever before on their health care in 2008. This represents approximately EUR 3,210 for every member of the population. This was EUR 9.9 billion, or 3.9 %, higher than the previous year's figure – a trend that will persist. The German Federal Statistical Office is assuming that the proportion of gross domestic product accounted for by health care expenditure is likely to increase from its current level of 10.5 % to more than 11 % in 2009 as a result of the decline in economic output in the course of the financial and economic crisis. The health care system has been characterised by increasing costs for years. Following a temporary standstill caused by the health care reform in 2003/2004, expenditure has been rising continuously for four years now.

Of total health care expenditure, 57.7 %, or EUR 151.5 billion, was borne by the statutory health care insurance funds. In 2008, their expenditure increased by EUR 6.1 billion, or 4.2 %, compared with the previous year. The strongest growth rate of 6.2 % was achieved by the private health insurance funds. Almost half of these funds were received by outpatient facilities such as doctors' surgeries and chemists. Considerably more money than in 2007 was spent on outpatient care facilities. Their volume increased by 8.0 % to EUR 8.6 billion. This increase is attributable not only to the effects of service improvements that were introduced within the framework of the German Nursing Care and Further Development Act (Pflege-Weiterentwicklungsgesetz), but also to the growth in expenditure on nursing treatment (for example changing bandages or administering medicine) within the framework of nursing care at patients' homes.

For the (partially) inpatient segment, too, more was spent in 2008 than in the previous year: EUR 94.6 billion, an increase of 3.3 %. These facilities include hospitals, nursing care establishments, and preventative and rehabilitation facilities.

With regard to the illnesses, two diagnoses are particularly prevalent in the Federal Statistical Office's sickness cost accounting: dementia and depression. According to these figures, EUR 9.4 billion was spent for dementia alone and EUR 5.2 billion on treating depression in 2008.

The growth in spending on preventative health protection measures showed an above-average trend. Total spending in this area was 5.5 % higher at EUR 10.7 billion. This increase can be attributed additionally to the higher expenditure on early recognition measures and active immunisation.

"Trust is like a bond"

Interview Dr Thomas Klaue, Deputy Chairman of the Management Board and Financial Director

Stringent standards of transparency and cost management shape and define Marseille-Kliniken AG's business activities. The overriding task is to set the course for sustainable concepts and secure their financing. Increasing the capacity of the assisted living facilities is the focal point of our expansion strategy. There's potential in the health care market. Our customers, our employees and our shareholders can benefit from that.

Marseille-Kliniken AG is one of Germany's largest private suppliers of outpatient and inpatient health services on a market dominated by public and charitable service providers. With what offerings does the company set itself apart from its competitors?

One of the crucial topics at Marseille-Kliniken is quality. We are the only supplier where each and every care facility is certified in accordance with DIN EN ISO 9001:2008. We also have our own internal quality institute. What is more, we introduced our own internal testing and inspection system for nursing care long before this became mandatory.

As far as ongoing education and training is concerned, I believe that we are forerunners in the industry not least by virtue of our modern e-learning offerings for our employees. We have greatly expanded this area and are now one of the largest providers of e-learning on nursing care-related topics in Germany.

What are the particular strengths of Marseille-Kliniken's service spectrum?

I believe that our IT systems environment, featuring adapted solutions with which the work processes can be documented quickly and simply, sets an example for the health care sector. In this way, our nursing staff are relieved of administrative duties and have more time to provide individual care.

Where do you see potential for the future?

The quality issue remains at the top of the agenda, and we are aiming to expand the assisted living division. In view of the demographic trends, we see great potential in this segment. For the self-determined choice of one's own place of residence is a basic human need. Our foremost objective is therefore to assume as much responsibility as is necessary for the individuals concerned so that they are encouraged to structure their lives independently for as long as possible. And when that is no longer possible, demand for our inpatient nursing care follows as a matter of course.

In the area of assisted living, we concentrate on selected establishments in the formerly East German Federal states and are planning to offer mainly outpatient nursing there. In this way we are largely eliminating the commercial risks that can arise in the start-up phase as a result of service and letting. From our point of view, assisted living means manageable investment costs accompanied by relatively secure revenues.

What are the special challenges of the nursing-home business?

As we are a listed company, the demands on our transparency vis-à-vis the capital market are much greater than those to which non-listed companies are subjected. On the other hand, the state requirements in the nursing care segment apply equally to everyone on the market. The fact that the nursing care funds and the public-sector institutions in this area are all cutting costs affects everyone equally, too. All market players are having to come to terms with these overall conditions.

For our economic sector, the demographic challenge of the coming decades is that fewer premium payers are having to support more benefit recipients with an ever-increasing life expectancy. The consequences will be noticeable for everyone involved in the health care sector. The crucial issue is therefore the extent to which the system as a whole can be financed in the long term. For us as providers of services, this means that we need rigorous cost management and corporate control parameters if we are to dampen our cost increases sufficiently for us to maintain our high quality standards while generating an appropriate yield with the refunds from the nursing care funds, social security offices and our customers. In my estimation, the trend in nursing care fund payments will be towards covering a basic service provision and our settling all additional services privately.

Some people are saying that due to the increasing pressure on costs, the health care market will come closer and closer to the American principle of large, focussed chains. How do you assess the situation and what will the consequences be?

My estimation is the same. Marseille-Kliniken provides the best proof: our company is already a large chain operated by a health care provider focused on nursing care services. The stand-alone facilities at municipal level that used to be widespread are increasingly becoming a thing of the past. The market consolidation will continue – and I see us in the role of consolidator rather than consolidated.

You have been Marseille-Kliniken's Financial Director since 1 July 2010. What important goals have you resolved to achieve for the company?

My most important task is currently to secure the company's financing and provide the necessary financial resources for our investments in the expansion of assisted living. In the medium term, my objective is that our share price, and therefore our market capitalisation, maintains a level that reflects the company's potential more accurately than the current price does. Today, the entire sector has the problem that little notice is taken of it on the stock market, with the result that – in my opinion – it is undervalued. The stock market is not yet rewarding the potential that resides in the health care market. In the current troubled phase being endured by the capital markets, it can be hoped that investors are more likely than ever to discover the benefits of stable, non-cyclical revenues sooner rather than later; these should be part of every portfolio as an element of security.

In the history of Marseille-Kliniken, growth was always associated with particular events – for example German reunification, the launch of nursing care insurance, and the introduction of a quality assurance system. What are the most significant drivers of growth for the company today?

We are seeing a change in demand – from inpatient nursing to assisted living. Today's senior citizens would like to stay in their residences and in familiar surroundings for as long as possible. For that reason, we rather expect to see a consolidation in the inpatient segment. Potential for growth is sure to come from the assisted living segment.

There is also a trend towards short-term care. We believe that this type of care should not be underestimated as a marketing instrument, a kind of advertising for our own facilities. The senior citizens who stay temporarily in our facilities get to know us and switch to full-time status later when inpatient care becomes necessary.

What growth strategy are you pursuing? Is Marseille-Kliniken aiming for volume or rather for specialisation?

Our growth strategy is geared towards regional conditions. We have to adapt our facilities to the supply and demand prevailing in the surrounding area. If, for example, there are three or four competitors' facilities in the immediate vicinity and none of them has a dementia centre, it might make sense to establish such a centre to set us apart from those competitors.

How do you achieve your facilities' profitability?

The profitability of a facility is determined by a whole range of factors. This area, too, must be dealt with on a regional basis. This is because the home charges, which of course constitute our main source of income, consist of one part each for nursing care, the accommodation, catering and the investment cost ratio. Specific nursing care rates are charged depending on what nursing care we are offering and what care level the patients are classified under. That is the income side. On the expenditure side, in other words cost management, it all depends on using and supporting the most important resources – our employees – selectively so that staff shortages and overstaffing can both be avoided. If there are staff shortages, quality suffers and there can even be a moratorium on occupancy, which adversely affects the income side. And in the case of overstaffing, our costs get out of control.

How does Marseille-Kliniken achieve an appropriate and sustainable level of profitability?

The magic triangle consists of three components: high occupancy rates, low costs and high quality. If this is successfully achieved, then an appropriate and sustainable level of profitability is assured. We are working on achieving this.

Against the backdrop of falling pensions, competitive prices are becoming more important all the time. What does Marseille-Kliniken attach importance to in this area?

In this field, absolute transparency prevails. Our prices are accessible to the public – for example on the BKK company health insurance funds' nursing care database PAULA (www.bkk-paula.de). There, everyone can see how the prices are calculated and structured. In addition, prices must always be disclosed during negotiations on nursing care rates.

What plans and projects are there in the investment area?

In the assisted living division, we are aiming to increase our capacity on offer to 3,000 beds. Following Potsdam and Halle, we have now invested in Gera. Other projects are currently starting up. This means that we are the forerunners within our competitive environment.

In addition, we are investing in existing properties in the area of inpatient nursing care. All the establishments have been integrated into a Group-wide programme of modernisation investments.

What contribution to revenues is being anticipated from the assisted living division in the longer term?

We are assuming that ten per cent of our revenues will be generated in the assisted living division in the medium term. In the inpatient nursing care division we earn about EUR 30,000 per bed, while in assisted living are we earn around EUR 8,000 per bed. Measured against expenses and the level of investments, a more sustainable level of profitability can be achieved with assisted living.

How do you assess the current situation on the labour market with regard to nursing care staff?

The situation is difficult at the moment. But as from 2011, the labour market in the Eastern European EU countries will open up for us. Then we expect to see a significant easing of the situation regarding specialist staff.

So you are putting your faith specifically in nursing care staff from Eastern Europe?

We are putting our faith specifically in nursing care staff. That is the crucial point, not whether they come from Eastern or Western Europe. Furthermore, we have filled 250 training places for registered nursing care specialists so that we can keep satisfying our demand for specialists in the future as well.

"Modern IT infrastructure makes security of supply possible"

Interview Axel Regenhardt, Management Board member responsible for IT

Reserved in the way he sees himself – Axel Regenhardt, Management Board member responsible for IT, describes his division's work as being the "supporter in the background". Information technology within the Group, however, has long been a substantial part of the foundation as well as simply an instrument.

"Quality, transparency and efficiency" are the guiding principles of Marseille-Kliniken AG's work. What can IT contribute to that?

We provide important support in the background – from full documentation to the optimisation of the workflows. The major task of our colleagues in the nursing care facilities is, of course, to look after the residents – and not to operate computer equipment. That is why we have continuously enhanced electronic documentation with mobile devices, which has been a standard in the Group for over ten years now, together with their users. The hand-held solution that we use makes the documentation of nursing care highly effective and guarantees maximum data security and protection.

With more than 80 facilities in operation, this area alone produces substantial quantities of data. To this can be added the medicine, service and purchasing areas with further data and complex individual tasks. Can this volume still be dealt with by a central IT division at all?

It can, in fact, only be dealt with by a single central IT division. Otherwise we'd be doing nothing but gym-shoe administration: running from problem to problem, from isolated solution to isolated solution. That is why the headquarters contain the central servers, from which we control all applications centrally and supply the local terminals. This encompasses everything from the installation of new programmes to security updates and the setting up of email accounts. In a nutshell, everything that the users, our employees, need in terms of programmes and information for their tasks in their working environment. And not least, this central infrastructure also guarantees security of provision.

In what way?

Not only is the nursing care schedule for each resident in line with his/her needs and diagnoses stored in the system, the execution, too, is documented with precise times, as are any additional services that may be required. This means that a comprehensive overall picture is available virtually at the press of a button so that optimum care is assured. That is always the main priority. The fact that the system, at a second level so to speak, also implements legal documentation regulations and, not least, helps with the accounting as well is of secondary importance for the users.

Marseille-Kliniken AG has an extensive and highly developed quality management system. Do you see IT as a tool for that purpose – or as an integral part of it?

Both. IT is of course to some extent a supporting tool: in the outlined processes and volumes that occur within a group, one simply can't keep up any more using just paper and pencil. You need applications that support the quality assurance measures. On the other hand, IT is an integral part of it because the data quantities which arise could not be handled without them. So we are simultaneously a component part and the foundation.

The quality of an IT infrastructure depends on its up-to-dateness and stringency. Are you not under continual pressure to modernise?

To a certain extent, yes. Of course we have to be as up-to-date as possible, but in certain areas more than in others. In this respect the industry forces us indirectly to participate in certain hardware cycles. Figuratively speaking: if you can't get a replacement part for your old but still efficient car when it breaks down, owning it is counterproductive. But in this area, too, it is advantageous to have a central IT infrastructure: modernisations and extensions of the hardware generally concern only the central systems. Workstation computers can be replaced at any time with up-to-date equipment and this process does not influence the systems.

"Quality is a matter of course"

Interview Markus Loch, Head of Quality Management

The services in inpatient nursing care for senior citizens can be measured by criteria such as quality and transparency: Marseille-Kliniken AG maintains high standards in this area – with certified structures and processes within the framework of a quality management system that is exemplary in the nursing care sector.

Marseille-Kliniken's vision is to make the last phase of old people's lives as pleasant and dignified as possible. How is that reflected in Marseille-Kliniken AG's quality concept?

This only works in combination with our guiding principles – customer orientation, efficiency and social responsibility. More precisely, it means that the quality of life, individual care and security of the residents in our facilities are the overriding priority of our work. In the process, we must always take care to deploy resources adequately. And not least, we have a social responsibility for our employees.

Are there any conflicts of objectives in this area with regard to the quality leadership strived for?

Social services and profitable activities are not mutually exclusive. Of course, the demands on us as a private service provider are high and sometimes it's a balancing act between the available resources and the individual care and support that is required. Our expertise in nursing care is profound though, so we know how to use leeway for achieving circumspect care and a high standard of individual assistance in the interests of our customers.

How do you reconcile these divergent principles?

Firstly, by standardising our activities. The sure provision of senior citizens with state-of-the-art nursing care technology in our facilities is a duty. Above and beyond that, there is a broad spectrum of activity right up to therapeutic approaches. We know our customers very well and can therefore adjust our range of services individually.

Since 2007 you have published your own quality report. What does it achieve with regard to transparency?

We have set standards with the quality report. In our sector I see no other company in a comparable position that treats sensitive data in such a transparent way. By publishing our working data, we have gone far beyond what the legislature demands of us.

What data is gathered for the purpose of measuring quality? When and how is it gathered?

In the realm of security, the key risk figures in nursing care are an important gauge of quality. In this area, our facilities are monitored continuously. The data is analysed at Group level once a month. Regional quality managers then break the figures down for their own divisions and derive findings and, perhaps, measures from them.

What then happens with these quality results?

The results are handed back to the individual facilities. The facilities can then use the detailed record of risks to derive selective measures – for example in relation to specific indications such as pressure ulcers or falls. In addition, we are launching projects throughout the Group – in 2009, for example, the major offensive on nutrition management. The entire planning process is reflected in the IT system. In any event, we don't gather data just for the archive.

How do you measure the facility residents' satisfaction and that of their relatives and carers?

Among other things, we carry out a detailed survey of the residents and their relatives each year. The results are included in the statistics. Time and again, we find that the residents' satisfaction level is very high.

What are the benefits of recording key quality figures systematically?

Marseille-Kliniken has had professional quality management for years now – of course with the successful result that we as an organisation are constantly learning new things. Everyone can benefit from others' knowledge.

An example?

Take for example our residents' nutritional condition: up until 2008 we primarily used the body mass index as the basis for assessment. Today, a far more detailed appraisal is carried out for each resident with regard to current illnesses, appetite, eating behaviour and weight, with the result that we can react very promptly to changes.

How many of Marseille-Kliniken's facilities currently achieve top marks as far as the quality criteria are concerned? What is their average assessment?

Our facilities achieve a good average rating of 2.2 according to our internal standards. According to the testing procedure of the Medical Review Board of the Statutory Health Insurance Funds (MDK) that was introduced in 2009, our average assessment is 1.5 – in other words, very good. We find that our internal audit is considerably more critical, differentiated and precise than the MDK's testing procedure. In that respect, we are very satisfied.

What challenges do you see for your specific division in the next few years?

With our learning process in matters of quality management we are refining our tools as well – this means that the demands on data recording are increasing sharply too. At the moment, for instance, we are concerned with the question of how quality of life can really be measured and guaranteed, for example with dementia sufferers who are hardly able, if at all, to impart any information about themselves. In that area there are still no suitable tools for gathering reliable data.

Why should people dependent on nursing care or their relatives choose Marseille-Kliniken?

We have a very sound, verifiable system of regulations to ensure professional care for residents. Nothing is left to chance. Friendliness and good service play a major role for us. In their care and support activities, moreover, our nursing staff and employees in social services have plenty of scope for providing individualised resident care.

Senior citizens in focus

"As much independence as possible, as much help as necessary": this is the formula that sums up Marseille-Kliniken AG's guiding principle of nursing care. The focus is on people as individuals – with their own highly personal wishes and needs. Meeting this profound quality standard is a daily challenge and an incentive in equal measure.

With more than 25 years' experience of caring for senior citizens behind it, Marseille-Kliniken AG has not just continuously accumulated a growing wealth of expertise for the operation of its facilities. Indeed, this immense body of knowledge also provides a solid foundation for the Group's guiding principle of nursing care, which defines its care values, attitudes and goals and is reflected on a day-to-day basis in the great commitment of the caring staff as part of a living facility culture. It almost goes without saying that this guiding principle also adheres to and reflects the "Charter of the Rights of People in Need of Assistance and Care" ("Charta der Rechte hilfe- und pflegebedürftiger Menschen") and international ethical rules for nursing staff.

People as individuals as the focal point: on an everyday basis this means more than just respecting and appreciating the uniqueness of every resident and his or her values, moral principles, habits, and political and religious attitudes. It is also the foundation of a nursing philosophy which seeks to encourage as much self-determination and autonomous living as possible among our residents, as well as supporting their participation in community life without impairing their private sphere.

More specifically, this means that the entire nursing process is based on the life story of each individual resident and geared towards his or her skills, needs and problems so that the greatest possible quality of life and well-being are made possible. Marseille-Kliniken AG explicitly embraces the social network as an important aid in this process: when relatives and friends are integrated into the care process in a spirit of partnership, the homely and familiar atmosphere that is crucial for a sense of well-being is much less complicated to achieve.

Competence at the social level is accompanied by specialist expertise. Some of this comes from outside: all the facilities cooperate with therapists, doctors, hospitals, religious chaplains and, sometimes, colleges and universities in their immediate vicinity. By far the larger element of the high quality standard to which Marseille-Kliniken AG feels committed, however, is derived and secured from the experiences, structures and aspirations of Marseille-Kliniken AG and each and every one of its employees. The fact that the nursing care and support of the residents is organised in accordance with the latest findings of nursing science, whose topicality and relevance is examined by a scientific advisory board, is one side. The other side of the equation is a highly-developed Group-wide quality management system which not only helps to organise and shape the organisational structures and nursing processes, but also simultaneously makes it possible to audit our performance and results on an ongoing basis. This also involves each employee reflecting on his or her day-to-day work – and thereby supporting a continuous process of improvement. As part of this process, the regular ongoing training measures for Marseille-Kliniken AG staff, too, are important stages along the path to our goal. For the Group as a whole, this means providing the best possible nursing care and support for people as individuals at the highest possible level of quality.


Willkommen bei uns zuhaus'
Ihre Concierge 2000

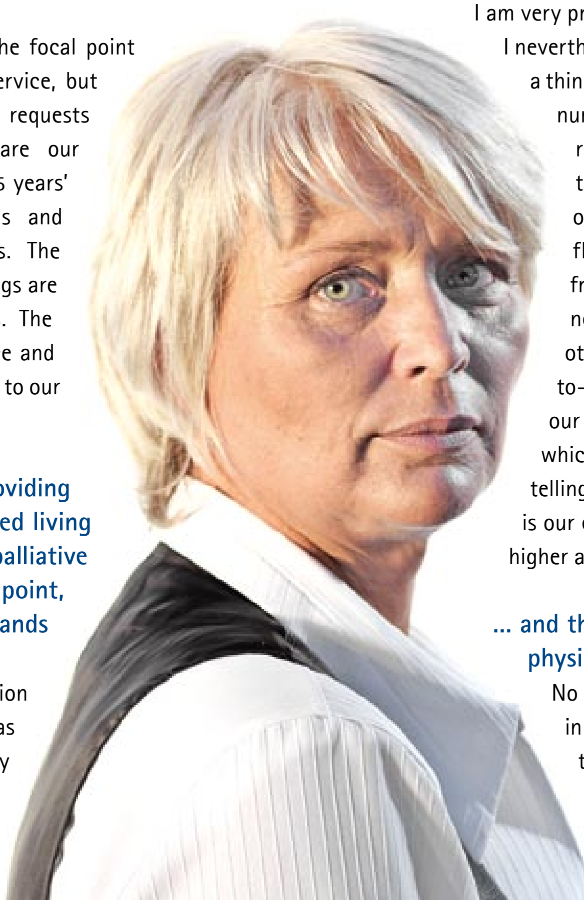
"Competent nursing care is a team effort"

Interview Anja Jeschke, Head of Nursing at AMARITA Hamburg-Mitte

Motivated employees are an important prerequisite of day-to-day nursing commitment with competence and social empathy. As well as the specialist side, the atmosphere within the facilities plays a crucial part in providing the optimum care and support of the residents. That's why it is also the task of the nursing service providers to encourage a good quality of relationships within the nursing team.

Nursing care for senior citizens and the disabled is the Marseille Group's core segment. What do you think sets you apart from the competition?

We make the quality of our services the focal point of our work. This promise is not lip service, but our everyday practice. The wishes and requests from our customers and partners are our highest priority. We have more than 25 years' experience in nursing senior citizens and looking after people with disabilities. The facilities and their fittings and furnishings are geared towards our customers' needs. The hotel-like character, high quality service and the entire range of services are available to our residents around the clock.



The spectrum that you cover in providing these services is broad: from assisted living and full inpatient nursing care to palliative care. Which area is the main focal point, and which makes the greatest demands on organisation and personnel?

This broad spectrum is based on the notion that we should make the package as complete as possible for the residents by having an offering available for every need. And in this respect, I believe that inpatient nursing care is an important basis for implementing, for example, service offerings in the field of palliative care. The demands are stringent in all these areas. It is important for all these offerings to be dovetailed with one another. This certainly poses a daily challenge for personnel and workflow planning.

"Quality, transparency and efficiency" constitute the keynote for work within the Group. Do you think that you have achieved the optimal level already?

I am very proud of the high standard at which we work. I nevertheless have my doubts that there can be such a thing as an "optimal level". We regard competent nursing care as a constant team effort. Nobody rests on their laurels. Instead, we continuously try to improve and develop ourselves. On the one hand, this is stipulated by a continuous flow of new requirements from outside: from hospitals, from the legislature, from new regulations or nursing standards. On the other, we constantly ask ourselves in our day-to-day work what we can do even better for our residents and our customers – a process in which our quality management system makes a telling contribution. The even more crucial part is our employees' motivation and their striving for higher and higher quality standards.

... and their work, of course, is strenuous both physically and at times mentally.

No question. That's why it is important to keep in touch with the employees, support them in their work, and guide them as a coach and take account of their personal style. Other

important factors are daily reflection on our work and the ways in which we work together. In caring professions more than anywhere else, emotional stability, conscientiousness, and seeking and finding support in the team are required – also in order to maintain motivation.

The nursing care concept defines Group-wide standards – which stand or fall by the employees who apply them. In other words, your responsibility starts with the selection of staff?

Standards are generally valid and accepted norms which define the area of responsibilities and therefore the quality of nursing care. The clear, unambiguous rules which the standards lay down convey certainty and an overview, for new employees as well. Areas of responsibility and competence are regulated and the workflows and activities can be performed and implemented with assurance by the staff.

All employees should feel bound by our high quality aspirations. After all, these are also communicated clearly in our job advertisements so that applicants know what they are letting themselves in for and what we expect of them. After an interview, I cannot see how someone actually works. All I have is qualifications in paper form and an impression. But in the end, thanks to the fact that the introductory training process is also precisely defined and described in the quality management system, I have good employees at my disposal. This clear process has advantages for both sides.

In what way?

The market for qualified nursing care staff is very tight and there are relatively few on offer. That applies not only to Hamburg or our facility, but throughout Germany. Our high aspirations and the high standards in every area, be it nursing care or service, also help us to attract good employees. And on the other side of the equation, the employees are familiarised with their work effectively and receive the regular ongoing training that improves and updates their skills as well.

Your objective, the promise made by Marseille-Kliniken AG, is the "best possible quality of nursing care". At the same time, MKAG is a listed commercial undertaking – does that not involve a conflict of objectives?

I can't discern any conflict of objectives. I am firmly convinced that private-sector commitment in the health care system is not only legitimate, but necessary as well. Only in this way can costs and services be balanced adequately and lasting structures that serve the people be created.

The needs on the nursing care market are becoming more and more differentiated. The fact that there are different offerings for different target groups is also reflected in the Group, of course, among other things with the nursing establishment "Internationales Pflegehaus" in Berlin. Is this a trend that is going to intensify?

I wouldn't explicitly call it a trend. I'd rather call it a reflection of developments throughout the nursing care sector as a whole. To take one example, many facilities now have palliative care departments or look after patients in a persistent vegetative state – ten or fifteen years ago, nobody imagined that senior citizens' nursing facilities would be able to perform this task. This area has virtually migrated over to us because of savings and budgeting measures at hospitals. In this way, our face and requirement profile will continue to change in the future, too. The "Internationale Pflegehaus" was initially intended only for Turkish residents – and now it is open to people from other cultural backgrounds. But we have residents and staff from other cultural spheres in our facility as well and can therefore absorb wishes and needs that may sometimes be slightly different. The crucial point is this: the residents should feel secure and a little bit at home. We attune ourselves to that.

A broad spectrum of care options

The range of services offered by Marseille-Kliniken AG goes far beyond inpatient nursing. It also includes temporary, short-term care and high quality nursing for those in need of palliative care at the end of their days.

Not long ago, Barbara H.* and her family had a major problem. The 84-year-old spent several weeks in hospital following a complicated fracture. Once she was discharged, it took her a long time to get back on her feet – both literally and metaphorically. Barbara H.'s relatives lived too far away to provide daily care and be on hand to help out in her little apartment. In the end, the patient's general practitioner helped the family to find a solution. He spoke to Barbara H.'s daughter and mentioned the option of short-term care.

Nursing care funds are on hand to help with this kind of care, including by providing financial assistance. Respite care in the form of short-term and preventive nursing enables family carers to take some time off. Care funds now provide up to EUR 1,510 a year for such care. Nursing care funds can help out when family carers go on holiday, are ill, or have work commitments, but also when a patient needs nursing care following a spell in hospital. The doctor also gave Barbara H.'s family a list of prospective care homes, and they finally chose the Senioren-Wohnpark Kreuztal-Krombach centre operated by Marseille-Kliniken AG. Barbara H. and her family are still pleased with their decision. As well as providing the optimum nursing care, staying at the centre enabled Barbara H. to establish lasting acquaintances with several other inpatients and short-term residents. The comprehensive service and carefully organised, varied programme of events also helped to compensate to some extent for the fact that she was not yet able to return to an independent life in her own home.

The solution chosen by Barbara H. and her family is proving increasingly popular – the short-term care segment is experiencing strong growth overall within the health care market. Every year, more than 3,100 short-term residents use this service at the facilities operated by Marseille-Kliniken AG in Germany alone. After receiving this kind of care, customers later often choose to receive full inpatient nursing and care at the facility which they are already familiar with from their short-term stay.

For Marseille-Kliniken AG, intensive work in the segment of short-term care is a logical step in the face of an ever-changing care and nursing market. It is also part of fulfilling its mission to play a leading role in market developments. As part of this trend, retirement and nursing home operators are also taking on more and more tasks which traditionally fell within the domain of hospitals in the past. To provide an example of this, a number of Marseille-Kliniken AG facilities now also have a palliative care department. This enables residents and patients who have been given a very short life expectancy to live without pain and unnecessary restrictions for what time they have left. The focus is on the patient's current well-being and on giving them the best possible quality of life.

**Name has been changed by the editorial department*

"An excellent standard of all-round care"

Interview Doreen Gjardy, Facility Manager AMARITA Buxtehude

Social responsibility and convivial cooperation are put into practice with great commitment in daily life together at a Marseille-Kliniken AG nursing care facility. In addition, professional care, support and personal attention promote feelings of being at home and being comfortable. The special hallmark of the AMARITA facilities is their hotel-like character – with individual service and a high level of residential comfort.

With its AMARITA concept, Marseille-Kliniken AG offers nursing care facilities with a high standard of comfort. What does that mean?

The special aspects are the architecture, the interior design and fittings and, of course, the service. AMARITA facilities are atrium buildings with a protected inner courtyard in the centre. They convey a pleasant hotel atmosphere rather than a feeling that one is in a nursing care establishment. This starts with the bright, friendly foyer with reception in the entrance area. Each resident has a generously proportioned single room measuring some 21 square metres at his or her disposal – with a barrier-free bath. With regard to their colours, too, the rooms and corridors are very pleasantly designed.

Are there any reasons other than architectural ones for the atrium-based construction?

Yes. We look after residents with dementia, Alzheimer's and Parkinson's disease here. The atrium construction makes it possible for these often disoriented people to stay without special supervision in the building as a whole and in the protected inner courtyard; they can go for walks without getting into dangerous situations by walking onto the road or getting lost.

Does an AMARITA facility have any unique selling points in relation to its competitors?

Yes, I think it does. In Buxtehude, we offer our own occupational therapy treatment, which is integrated into everyday nursing care. Another special feature is our beautiful inner courtyard with fountain, seats, secure paths, sun terrace, elevated flower bed and lovingly designed spaces with flowers and trees. The latter is continually redesigned to reflect the seasons.

What additional offerings are there for making the atmosphere in the senior citizens' facility as pleasant as possible?

We organise a lot of functions: seasonal festivals, theme buffets to which relatives are invited, afternoon musical events or, as was recently the case, a medieval week with sword fights and special food. We have a residents' choir and regular groups with newspaper reading, quizzes, puzzle-solving and bingo. We also cooperate closely with a home for animals which regularly brings dogs, cats or rabbits to the facility. Our residents enjoy that very much. Basically, there's always something going on in the facility. Undertaking something together encourages feelings of being at home and being comfortable. And that, of course, is our objective.

As facility manager, you are also responsible for profitability. How do you reconcile that with the specific services offered by the AMARITA concept?

Even in a facility such as AMARITA it is of course necessary to achieve the best possible commercial result by applying our resources optimally. It is impossible to maintain a facility without doing this. What sets us apart from others is our service. We have to keep being better – like a hotel with several stars. The task is to recognise the residents' small wishes and satisfy them with our service. This is the only way to safeguard our occupancy rate.

These days, of course, nursing care processes are quite standardised. How do you provide individualised service in practice? Is there any time left for personal attention?

It is true that the first priority of nursing staff is to provide their nursing care,

and they must do so in a tight timeframe. I as a manager, however, make sure that all the employees – including the service and administrative staff – are sensitised and recognise the special moods of our residents. We talk about that very often. This could mean a member of the kitchen staff noticing someone crying during a meal. They report it, and we deal with the situation. We regard paying attention to our residents' needs as a constant task throughout the facility. In the ergotherapy area, too, a great deal can be achieved. There we have special activity helpers who take care of the people individually.

How can more transitional themes like crises, illness and sorrow be integrated? Are there special contacts for these areas?

Nobody here is ever left alone with his or her problem. There are volunteers and, on request, spiritual or psychological support. We also cooperate closely with a hospice which offers terminal care around the clock. So we also make use of external assistance as we deem necessary when a person badly needs help and support. We also integrate relatives into the process for the same reason. Everyone has to be involved if the crisis is to be overcome. Our part in this process is to listen and to perceive what the person needs in his or her special situation, and then to react with tact and sensitivity to the person's wishes and organise things accordingly: that's what characterises our special service.

Do you find that specialist staff are in short supply?

This is in fact a real problem. Personally, I try to recruit graduates of vocational colleges through relevant networking. I also cultivate very good contacts at the employment agency. Now and again there are also one-euro-jobbers and work experience trainees in the facility. But in that area we must look closely to see whether or not someone is suited to caring for senior citizens or not. On no account do we allow staff in those categories to work alone.

How does medical care complement the nursing care concept?

The provision of medical care is organised mainly by the nursing care services. We call doctors to the facility wherever necessary. The same applies to specialists who deal with specific clinical diagnoses. All residents naturally have a free choice of doctor and can have their treatment and guidance provided by their familiar general practitioner. Subject to the residents' consent, we fill doctors' prescriptions for the residents at a pharmacy with which we cooperate regularly.

What happens when someone becomes seriously ill?

In an emergency, the patient is admitted to the emergency hospital nearby. Lengthy periods of follow-up care are then provided by AMARITA because our qualified staff are specialists in that field.

What impact is the intensifying competition on the health care market having on your field of activity?

It is certainly the case that we have to demonstrate something special to keep the occupancy rate high in superior-standard facilities. That is why we have also been offering short-term nursing care for some time now. Not every operator of nursing care facilities does this, as patients of that type remain only for a maximum of 28 days and the associated work and expense is almost as high as when someone is admitted for full, permanent inpatient treatment. Our advantage is that the people in need of nursing care often want to stay because they feel comfortable. And their relatives, most of whom are naturally also at an advanced age, frequently appreciate that they are overstretched by the task of providing care at home and put their trust in the professional nursing care that we provide.

Individually tailored care

"As much service as possible, as much care as necessary." Derived from our guiding principle for nursing services, this motto also applies to a segment of the care market on which Marseille-Kliniken AG is increasingly focusing: assisted living.

The care market is becoming more and more differentiated. While there was once a strict distinction between outpatient and inpatient nursing, this is now giving way to a more flexible range of living and care models. As well as an increase in outpatient services and assisted living, we are seeing the expansion of existing facilities to offer further daycare options alongside inpatient nursing.

This trend is emerging on the back of solid economic factors – not just for the operators of nursing facilities, but for every individual in need of care. As the benefits offered by nursing care insurance are so limited, it is now more or less essential to make additional private provisions for old age. For example, the average cost of a level 3 inpatient nursing care place in Germany is approximately EUR 3,000 per month, including accommodation, catering and a share of the home's investment costs. Deducting the contribution made by the nursing care insurance company leaves an excess payable by the resident. On average, this is often several hundred euro more than their available pension. It is realistic to assume that this gap will become larger, not smaller, in the years to come. It should also be noted that even statistically correct averages do not paint an accurate picture of many people's real lives, as income levels vary greatly in Germany, differing considerably on either side of the mean.

As the care market becomes increasingly differentiated, this makes it both economically advisable and indeed essential – in the interests of offering a comprehensive, high-grade overall portfolio – for Marseille-Kliniken AG to adopt its own approach which offers as many people as possible the opportunity to use high quality nursing and care services which they can afford.

This objective is one of the principles behind assisted living. Marseille-Kliniken AG has now breathed life into this market segment, which was previously largely unexploited, by opening four complexes in Halle, Gera and Potsdam. Together, these facilities comprise almost 1,200 residential units. Initial experience and an empirically supported model calculation show that level 2 assisted living can be some 30% more affordable than inpatient nursing care. This means that the excess not covered by nursing care insurance is well below the current average pension.

This makes assisted living affordable for the vast majority of potential users. However, strictly speaking, this is just one of the basic requirements. Because as with the other services offered by Marseille-Kliniken AG, the focus of the assisted living concept is on individuals with their specific wishes and needs. One of these needs is to live as independently as possible for as long as possible.

"As much service as possible, as much care as necessary" is the motto. This philosophy tallies with many senior citizens' clear wish to live as independently as possible. Residents live in apartments with a floor area of up to 40 square metres. They can bring their own furniture with them and use any nursing and other services they need. All of the complexes have outpatient care teams on hand who strictly comply with the nursing guidelines and standards of Marseille-Kliniken AG. This enables residents and their relatives to keep fulfilling a familiar role: that of a confident client who uses the services they need and expects the highest standards of quality – as is their right.

The continuous level of interest in assisted living proves that we are on the right track. As a result, the number of apartments on offer is set to rise to as many as 3,000 in the short to medium term. This expansion will focus on eastern Germany.

"Optimum service means good organisation"

Interview Christian Siemens, Head of Controlling & Planning, Purchasing and Procurement

"Quality, transparency and efficiency" – these maxims of Marseille-Kliniken AG are reflected behind the scenes of its nursing care, too. Purchasing and Controlling are playing their part in ensuring that the high standards of quality and service remain affordable.

The Marseille facilities promise atmosphere and "service that you'll otherwise find only in high-class hotels". What can Purchasing contribute to that?

What makes a hotel a better hotel – or a hotel in the superior category? The relevant factors are atmosphere, service, quality, and furnishings and fittings. The atmosphere of a hotel is dependent on the other factors: the first, individual, subjective impression that a customer or guest gets when coming into contact with the hotel for the first time is inextricably linked with his or her assessment of its atmosphere. In addition, the furnishings, fittings and interior – in combination with high quality service – help to achieve the standard of a high-class hotel.

Our Purchasing department is responsible for supplying Marseille-Kliniken AG's facilities all over Germany with all their goods and services at reasonable cost and in accordance with defined high standards. It goes without saying that maximum standards of furnishings and fittings, service, cleanliness and hygiene are maintained within this process. In this way, to put it rather bluntly, our purchasers and suppliers have a joint mission: they stand for the highest possible quality of goods and services, delivered on time – and at optimum prices.

Does that not contain the first conflict of objectives? Four-star comfort and optimum prices?

At first glance, one might well think that. At second glance, the task of creating the hotel-like atmosphere is mainly the responsibility of four of our five service subsidiaries: Pro F&B, which is responsible for catering, one subsidiary for cleaning and another for laundry, and the buildings management subsidiary. They regard themselves as internal service providers and find ways of guaranteeing the defined high quality standard at an optimum price. This high standard of services requires good organisation. This is where our practical expertise – which secures our competitive advantage – lies.

What demands do you make on your suppliers in order to achieve your quality, transparency and efficiency goals?

We work every day to improve, and ultimately optimise, ourselves. But there is always room for improvement. Examples of this are the reduction in article diversity and the reduction in the number of suppliers that this involves. From our point of view it is advantageous when our suppliers develop from individual parts procurers into system partners which bundle a broad range of requirements and offer process and/or systems solutions. This is how we are going to optimise our cost structures while simultaneously improving all aspects of supply quality.

Is the role played in these procurement activities by Marseille-Kliniken AG, as one of the largest companies on the market, more of a help – for example as an important reference customer for suppliers – or a hindrance?

With merchandise groups such as disinfectants, chemical cleaning agents or incontinence products that we purchase in large quantities, we do notice that we are important for suppliers not only because of the volume of revenues they get from us, but also because we are a reference customer. However, there are also many products that we require only in small quantities. In this respect, the reliability of the business relationship is what counts. Here too, quality and efficiency are our guiding principles for being a competent partner for our suppliers.

How much autonomy does the Group grant the individual facilities with regard to purchasing and procurement? What role is played by regional conditions?

As I have already mentioned, we will increasingly bundle our purchasing volumes in the future so that we can use a higher procurement volume

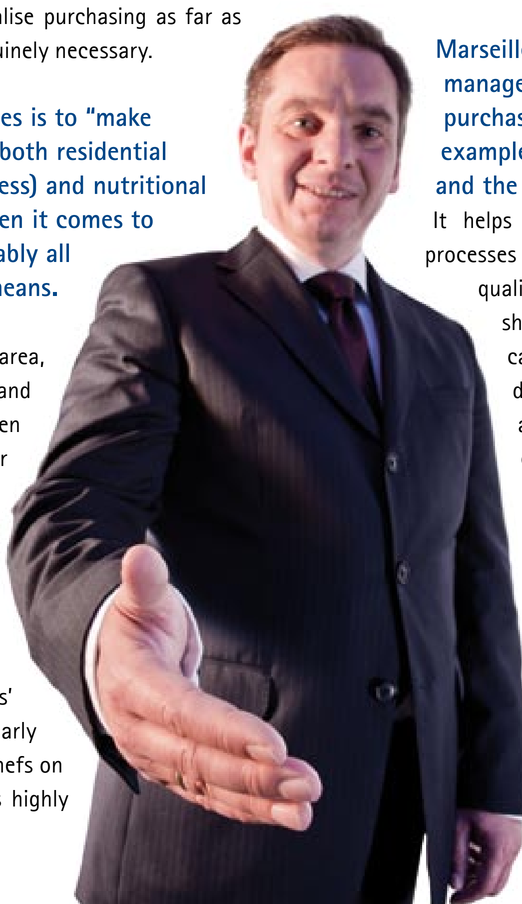
to achieve cost advantages. In this way we want to use our existing expertise sensibly and manage tasks centrally. We have a uniform electronic ordering system to which the facilities are linked via the intranet. The authorised persons make their choices as required from the articles and suppliers integrated into the system, and their choices are then checked and approved by their supervisors and the specialist purchasing department. That involves no more than a few mouse clicks. Directly on site, the only items to be ordered or procured there should be those for which no synergies can be achieved by bundling. One good example of this is the florist's shop around the corner – organising a few bunches of flowers centrally would involve far more time and expense than savings. To sum up, we want to centralise purchasing as far as possible and procure locally only what is genuinely necessary.

The objective in the nursing care facilities is to "make our residents feel at home" in terms of both residential quality (housekeeping, tidiness, cleanliness) and nutritional standards (taste, selection, variety). When it comes to the details, however, the residents probably all have their own ideas about what that means. How do you take account of that?

Nutrition in particular is a broad area. In this area, both the personal preferences of residents and medical or nursing requirements must be taken into consideration. Generally speaking, our experienced catering staff attach a great deal of importance to variety and tastiness. The menu, which is changed in its entirety every eight weeks, takes account of both seasonal and regional particularities. It goes without saying that seasonal vegetables such as asparagus are included in our facilities' service. Furthermore, the residents can regularly have their favourite dishes prepared by the chefs on request – an aspect of the service which is highly popular. There are no compromises with regard to orderliness and cleanliness. The cleaning staff in the facilities have clearly-defined task and performance specifications to ensure that they adhere to our internal quality standards.

How do you determine the greatest possible overlap from these various requirements – also in commercial terms?

Quality is paramount as the maxim by which we select the goods for our facilities at optimum cost. This means that purchasing always has to find a balance between costs and benefits. This process requires continuous management.



Marseille-Kliniken AG has an extensive quality management system. What role does the purchasing and procurement area play – for example in the selection of service providers and the setting of specific standards?

It helps with the continual management of our processes and also constitutes a clear definition of our quality standards for our suppliers. Only those who share and comply with our quality standards can supply us. This applies to possibly one-off deliveries of individual articles as well as – to a far greater extent – suppliers that provide entire process or system solutions. In the nursing care area, this can mean that the supplier not only delivers a product, but also trains and regularly advises the staff in the handling of that product, as well as continuously improving and further developing its product in cooperation with us. We want to, and will, develop suppliers into procurement partners with whom we will jointly forge a path into a commercially successful future.

Quality is our priority

Nursing and care are the key competencies of Marseille-Kliniken AG. Our aim to offer residents optimum care of a high standard of course also means ensuring that catering and all the other services we provide are also up to scratch.

The curry has obviously passed the test. Almost everyone in the little group watching over the cook's shoulder tries a small portion of the unfamiliar dish after watching him prepare it step by step. Ralf Kieckbusch, Head of Catering at AMARITA Hamburg-Mitte, smiles contentedly. This is precisely the aim of the "Open Kitchen" event, which has been held several times since it was launched in spring 2009. One of its objectives is to encourage residents to try dishes which are unfamiliar to them. At the same time, says Kieckbusch, watching the chef at work in the kitchen should enhance the whole mealtime experience: hearing, seeing and smelling how a dish is prepared from the individual ingredients is more likely to whet residents' appetites. That doesn't just go for the curry, of course – it applies to everything the kitchen offers. Day in, day out, Ralf Kieckbusch's team strives to come up with meals that are "tasty, healthy and suitable for senior citizens," as he concisely puts it. As well as stimulating residents' imaginations and appetites, the event aims to strengthen the kitchen staff's contact with residents and their relatives by heightening their presence and making them more approachable. This is because Kieckbusch is convinced that regular feedback is the only way to put the cherry on the cake, so to speak – to ensure that the meal plan appeals to residents' hearts as well as their stomachs. Catering at the Group's facilities is provided by the subsidiary Pro F&B Gastronomische Dienstleistung, which ensures that the quality, flavour, freshness, variety and choice of food already fulfil the very highest of standards.

With its strict quality controls and careful selection of suppliers, the company strives to offer its customers – i.e. the facilities and their patients or residents – the ultimate in both taste and food safety. As well as complying with the healthy eating guidelines issued by the German Nutrition Society, the basic meal plan is also constantly complemented by seasonal and regional specials. Residents have an important role to play here too. Once they have established contact with the kitchen staff – for example at an "Open Kitchen" event – it is often easier for them to request their favourite food. The teams are also used to catering for a wide variety of dietary requirements. As well as providing standard meals, they compile individual nutritional plans and diets for specific needs and diagnoses in close collaboration with the nursing staff and based on the latest scientific findings.

High-quality catering is of prime importance within the Group. As well as making our customers more comfortable – and therefore indirectly supporting marketing – going the extra mile here makes an important contribution towards residents' health. This is reflected in the percentage of residents and patients who suffer from malnutrition and associated problems. The figure at the Marseille-Kliniken AG facilities is less than half the industry average of over 20%.

"Making our residents feel at home" – cleanliness and tidiness

Both the caterers and the other service providers who work at the Marseille-Kliniken AG facilities are guided by the principle of "making our residents feel at home". All those involved are fully aware that moving into a care home completely changes a new resident's way of life, which makes it all the more important that their individuality and privacy are respected as much as possible. This includes giving residents plenty of space for their own belongings and pieces of furniture which they have grown fond of and are keen to bring with them. New residents in particular often find it extremely important to furnish and look after their own four walls themselves. However, all our facilities also offer assistance with this when necessary as part of their concept and ethos. This is where our subsidiary ProWork comes in with their portfolio of professional housekeeping services. These include both regular cleaning and safeguarding the quality and hygiene standards which are crucial for nursing areas in the facilities and providing individual services for

the residents' own rooms. Such services include carpet and upholstery cleaning or thoroughly cleaning wooden and other hard surfaces. The ProWork employees see themselves as much more than "just" cleaners – their work goes a long way towards making residents feel at home, which makes them the obvious point of contact for residents in housekeeping matters. It goes without saying that there can be no compromises when it comes to tidiness and cleanliness. Extensive service specifications and rosters are used for internal organisation to define and guarantee the company's high standards. Regular, needs-based training and professional development forms a central part of the subsidiary's work, as does state-of-the-art machinery and equipment. Environmental protection is also an important part of the company's philosophy. As a result, it makes the greatest possible use of eco-friendly materials in its daily work and ensures that they are also utilised as carefully and economically as possible. As well as helping to ensure that the properties being cleaned last longer, this makes a further contribution towards sustainability. ProWork is also guided by the three-part principle of "quality, efficiency and transparency" which is practised by Marseille-Kliniken AG.

In September 2010, Marseille-Kliniken AG made a small organisational change to recognise the key role which Pro F&B and ProWork staff play in making residents feel at home. This means that the catering and cleaning teams now belong directly to the nursing home companies where they work. With this move, we have significantly shortened the chains of command and reduced the frictional losses which sometimes used to occur. Housekeeping and nursing services can now coordinate and manage their whole team directly without involving any intermediaries.

"Making our residents feel at home" – laundry service

"Making our residents feel at home" also means ensuring that clean laundry is always available. Residents can confidently entrust everything from household linens such as towels, bedding and tablecloths to their most intimate items of clothing to well-qualified staff. All this is the responsibility of our subsidiary ProMint, located in Neuruppin (Brandenburg). There are two main aspects to ProMint's work. Firstly, the company supplies laundry to the residents and staff at over 40 care facilities operated by Marseille-Kliniken AG, especially in eastern Germany. More than 60 employees work at the laundry in Neuruppin, processing dirty bedding, table linen, towels and clothing. Their jobs range from sorting and washing to folding and ironing the laundry, then delivering it using the company's own fleet of vehicles.

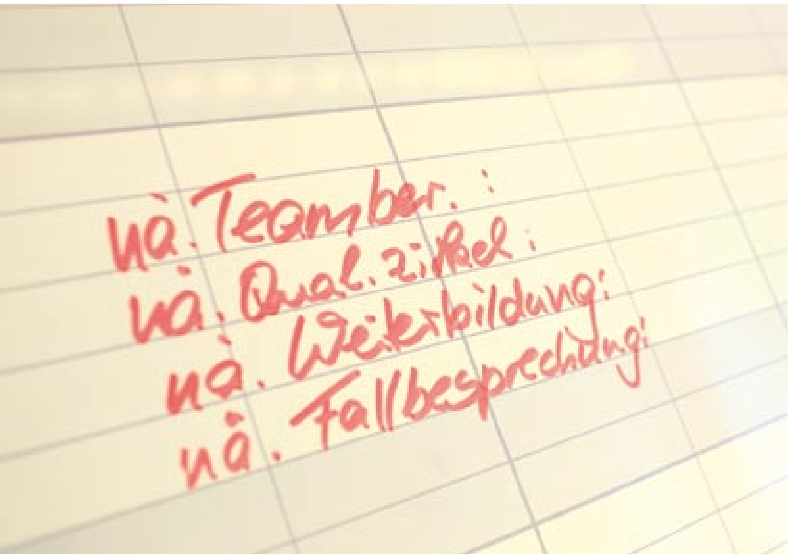
Secondly, ProMint is responsible for quality control as regards local third-party laundries which are used by the Marseille-Kliniken AG facilities that cannot be served by the Neuruppin company for logistical reasons. Their services are continuously monitored to ensure that they too meet the Group's high quality standards.

"Making our residents feel at home" – behind the scenes

While catering, cleaning, housekeeping and laundry services are visible and tangible for all the residents and staff at each facility, there are other service areas which may be less obvious but are no less important. The best example of this is the work done by the Group subsidiaries ProTec and DaTess. ProTec is responsible for facility management at all the facilities operated by Marseille-Kliniken AG. This entails far more than simply servicing and maintaining the buildings, equipment and machinery. Competent and consistent energy management also forms a crucial part and focal point of the company's work at all Group facilities. This includes optimising the property's infrastructure and effectively managing energy costs. After all, energy is now a major cost factor; this calls for far more than merely ensuring power is sourced as cost-effectively as possible – something which ProTec also does.

The work done by DaTess is no less important. Based in Pritzwalk (Brandenburg), the company is responsible for the Group's payroll accounting operations as well as for the financial accounting required by the 80+ different companies with business operations in the Group.


SENIOREN-
WOHNPARK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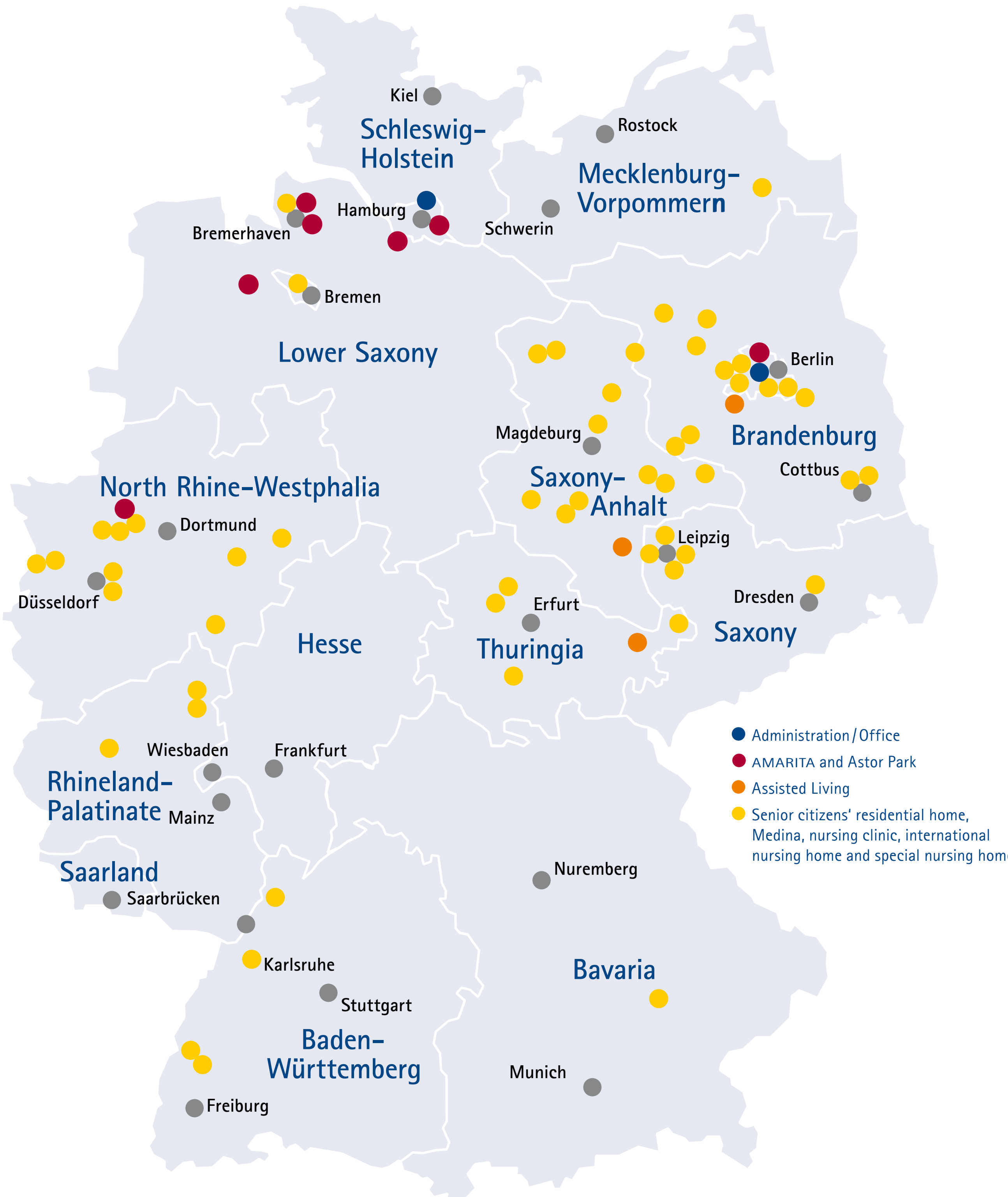
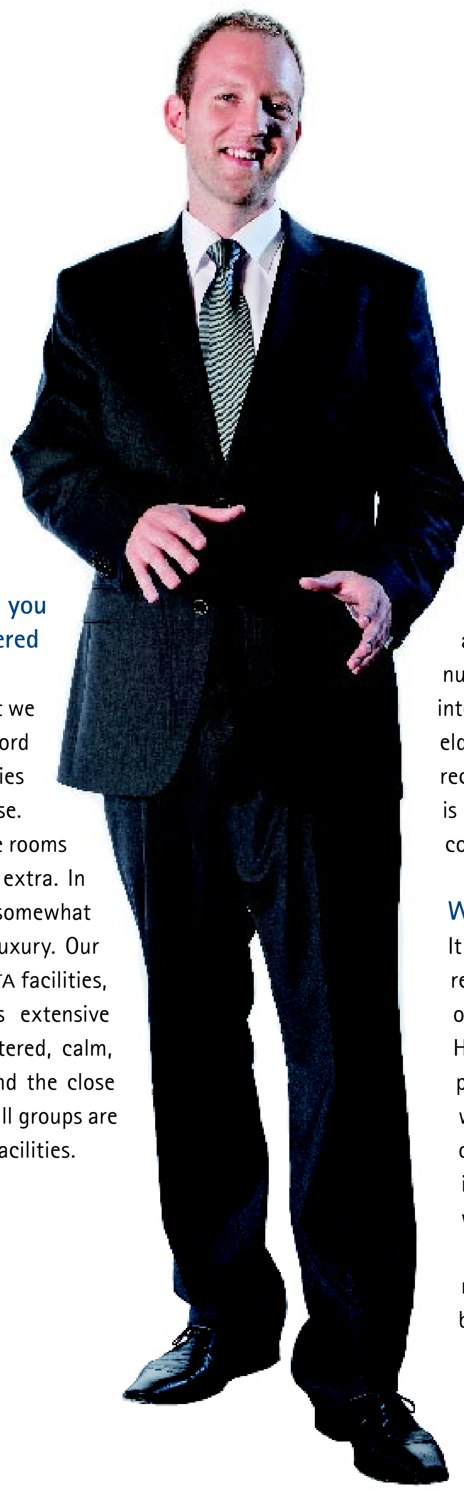
Excellent infrastructure




Florentinen
AUCH IM ALTER NICHT ALLEIN
Wohnanlage

“That little bit extra”

Interview Björn Bettermann, Residential Area Manager, AMARITA Hamburg-Mitte



Your facility is located in the heart of Hamburg near the Alster lake and promises the “exclusive character of a four-star hotel”. To exaggerate the point somewhat: as a luxury nursing facility, are you actually representative of the services offered by Marseille-Kliniken AG?

When you put it that way, people could think that we cater exclusively for clients who can always afford to live in the most desirable areas of major cities and choose to do so. However, that is not the case. In principle, we are open to all residents – but the rooms on our extra comfort floor offer that little bit extra. In other words, calling us a luxury nursing facility is somewhat inaccurate. We focus on comfort rather than luxury. Our hotel-like character is a trademark of all AMARITA facilities, which in turn are representative of MKAG’s extensive portfolio. The atrium construction with a sheltered, calm, green inner courtyard; high-end furnishings; and the close link with holistic, stimulating nursing care in small groups are all central to the concept behind the AMARITA facilities.

So luxury isn’t necessarily at the forefront?

No. It’s all about providing a rounded overall package – and that’s typical of the Group too. This includes high standards of accommodation and catering as well as competent, high quality nursing and care which is subject to constant internal and external monitoring. More and more elderly people throughout Germany want to receive this standard of care. It is a market which is continually developing and where companies constantly need to keep evolving too.

What does that mean for you?

It means gathering plenty of feedback from residents on their wishes or complaints and also observing trends and societal developments. Here is a good example of what I mean: the percentage of elderly people in the population will keep growing – and therefore the proportion of elderly people for whom using the internet is an important part of everyday life, just like watching the television is for most elderly people now. Taking steps to cater for this now makes all the difference – it’s all about that little bit extra.

"The basis of all true responsibility, and thus the highest form of human dignity, is still to be aware of the real significance of what one does."

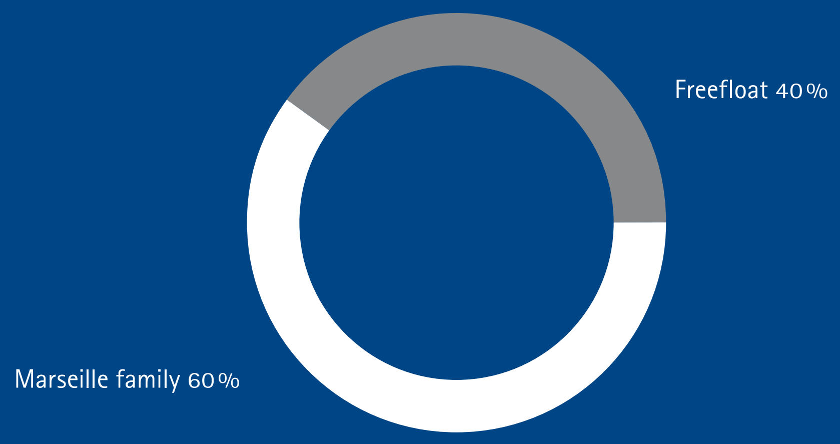
Maintain relationships!

Max Steenbeck (1904 – 81)

Share price development

of Marseille-Kliniken AG indexed, July 1, 2003 = 100

Shareholder structure



The share and investor relations

The Marseille-Kliniken AG share price was not able to benefit from the recovery in global stock markets in the financial year 2009/2010.

The cyclical recovery of global stock markets continued in the period from July 2009 to June 2010. Investments that benefit directly from the economic upswing were the primary focus of this movement. The leading German share index DAX increased during this period by 1,157 points, or about 24 %, to 5,966 points. Defensive investments, however, were not able to share in this upswing or were only able to profit to a lesser degree, a trend which also impacted the Marseille-Kliniken AG share. The Marseille-Kliniken business model is not affected by typical cyclical fluctuations and, in consequence, does not benefit from marked cyclical recovery opportunities. During the financial year 2009/2010, the price of the Marseille-Kliniken share rose from EUR 4.60 at the beginning of the reporting period to its highest level of EUR 6.11 in October 2009, an increase of around 33 %. However, in the second half of the financial year the restructuring measures introduced as part of the revised corporate strategy and the sale of the rehabilitation business led to some research agencies adapting their valuation models and downgrading the share price targets due to anticipated high restructuring costs. In consequence, the share price fell to EUR 4.02 by the end of the financial year. This meant that the share lost a total of 12.6 % of its value during the financial year 2009/2010.

Share price development	06/30/2010	06/30/2009	Change in %
Marseille-Kliniken AG	4.02 €	4.60 €	– 12.6 %
DAX	5,965.5	4,808.6	24.1 %
CDAX	518.9	415.1	25.0 %
Prime All Share	2,198.9	1,750.2	25.6 %
Classic All Share	2,694.3	1,935.1	39.2 %
GEX	1,654.0	1,327.4	24.6 %
Prime Pharma & Healthcare	1,782.7	1,436.5	24.1 %

Market capitalisation and trading volume

Based on the closing rate on 30 June 2010, the market capitalisation of Marseille-Kliniken AG was EUR 48.8 million, in contrast with EUR 55.9 million in the previous year. The number of traded shares was around 40 % below the trading level of the previous year. The average number of shares traded daily on all German stock exchanges and in the Xetra system fell from 6,908 in the previous year to 4,162 during the reporting period.

Free float

There were no changes to the free float during the financial year 2009/2010. The Marseille family still holds 60 % of the shares, and 40 % are in free float. The free float market capitalisation at the end of the financial year 2009/2010 was thus around EUR 19.5 million.

Dividend

The Management Board and the Supervisory Board will recommend to the Annual General Meeting that no dividend be paid and that the net loss of Marseille-Kliniken AG be carried forward.

Dividend development in EUR per share	
2005 | 2006	0.45
2006 | 2007	0.25
2007 | 2008	0.25
2008 | 2009	0.00
2009 | 2010*)	0.00

*) *Recommendation to the Annual General Meeting from the Management Board and the Supervisory Board.*

Dividend yield in %	
2005 | 2006	2.9
2006 | 2007	1.4
2007 | 2008	2.9
2008 | 2009	0.0
2009 | 2010*)	0.0

*) *Recommendation to the Annual General Meeting from the Management Board and the Supervisory Board.*

Share split

At the Annual General Meeting held on 12 December 2008, it was decided to carry out a share split from the original 12,150,000 ordinary shares into 24,300,000 ordinary shares. The share split has not yet been implemented on the stock market. The Management Board and the Supervisory Board are intending to recommend to the Annual General Meeting that the share split be withdrawn.

Research coverage

The Marseille-Kliniken Group was regularly valued and analysed by eight banks and investment houses during the reporting period. Of the recommendations produced by the analysts, three were "buy", three were "hold" and two were "sell". The regular coverage of the company by eight analyst agencies ensures an appropriate perception of the company and representative reporting in the financial community, and potential investors are able to receive independent and well-founded information about the company's development from sources outside the Group.

Investor relations

Financial calendar for the 2010 | 2011 financial year	
Publication Consolidated Financial Statements 2009 | 2010	November 2010
Analysts' conference	November 2010
Press conference	December 2010
Report on the 1st quarter 2010 | 2011	December 2010
Annual General Meeting	January 2011
Report on the 2nd quarter 2010 | 2011	February 2011
Report on the 3rd quarter 2010 | 2011	May 2011

The aim of our investor relations activities is to provide reliable and transparent information on an ongoing basis to capital market participants. With established tools such as analysts' meetings and roadshows in addition to the mandatory publications, we are able to offer existing and future shareholders as well as financial analysts the opportunity to develop a transparent overview of our company. We also provide further information about the company via contact with our Investor Relations department and in the Investor Relations section of our website. It is important to us that we present both current information and long-term perspectives. The Marseille-Kliniken AG share is listed in the Prime Standard segment. As such the company is subject to extensive informational and transparency requirements, which we have met in full. The ongoing reporting as part of the fair disclosure rules is also vitally important as it means that information about the company is presented to all market participants openly and simultaneously.

During the past financial year Marseille-Kliniken AG also expanded its relationship with capital market participants by taking part in investor conferences such as the SmallCap conference and the German Equity Forum in Frankfurt am Main. The broadening of information available to financial analysts, shareholders and potential investors will in future form an important part of our investor relations activities, particularly in light of the strategic realignment of the Group.

Potential investors are also provided with additional information in the Investor Relations section of our website. Annual and quarterly reports, company presentations, studies published by financial analysts and information about the development of the health care market are all available for download in the Investor Relations section. If so desired, interested parties may also receive up-to-date information about the company by email.

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

Key figures about the share		2009 | 2010	2008 | 2009
Net profit	EUR million	0.6	– 13.5
Dividend per share	EUR	0.0	0.0
Dividend yield (net)	%	0.0	0.0
Total dividend amount (net)	EUR million	0.0	0.0
Highest share price	EUR	6.11	9.84
Lowest share price	EUR	4.01	3.80
Year-end share price	EUR	4.02	4.60
Number of shares*	million	12.15	12.15
Market capitalisation**	EUR million	48.8	55.9
Price-to-earnings ratio		201.0	– 4.1

** not taking into account the share split not implemented on the stock market*
*** to 30 June*

"No freedom without security."

Prove with figures!

Wilhelm von Humboldt (1767 - 1835)

Operative successes 2009 | 2010

Sale of the rehabilitation clinics / Acquisition in Switzerland

The sale of the rehabilitation clinics on 30 April 2010 is a part of the Group's growth strategy in its core nursing care business, particularly in the field of assisted living. The companies remaining in the rehabilitation segment after the sale of the rehabilitation clinics have now been allocated to the "other" segment. The most important company in this segment is Karlsruher-Sanatorium-AG. A new addition is Marseille-Kliniken Aktiengesellschaft, which is registered in Switzerland.

Growth in assisted living

The range of services provided by Marseille-Kliniken Aktiengesellschaft goes far beyond full inpatient care. It also covers temporary short-term care and high quality care for special illnesses (dementia, Alzheimer's, etc.), people with disabilities and palliative patients. In addition, outpatient nursing services are offered in conjunction with assisted living. Around 3,100 guests used the short-term care service in the company's facilities in 2010.

Particularly in its core nursing care segment, the service division assisted living puts Marseille-Kliniken ahead of the competition. Marseille-Kliniken currently provides services for the elderly in 1,169 residential units in four building complexes in Gera, Halle and Potsdam. There are plans to expand assisted living to up to 3,000 apartments focusing on the federal states that formerly made up East Germany.

Quality management

A good example is the IT framework at Marseille-Kliniken AG, which records work processes quickly and simply. In this way, the nursing staff are relieved of administrative duties and have more time to provide individual care.

In terms of human resources, Marseille-Kliniken AG's offering for its employees includes continuous personnel development, performance-related salary components, the option of contributing to the company's own pension fund and cooperative management practices at all levels.

Staff regularly take part in professional training courses in order to meet the high quality standards for nursing and individual care. With its computer-aided e-learning courses, the in-house Marseille Academy has established a system which is the only one of its kind in our industry. This ensures that information is quickly transferred from the fields of research and academia to our nursing staff. The company is one of the largest providers of nursing-related e-learning in the whole of Germany.

Group management report

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 separate 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).

1 Overview and key Group indicators

Marseille-Kliniken AG is a leading operator of nursing homes in Germany and is listed on the stock market. The company focuses on inpatient care for the elderly, where it has a capacity of around 8,370 beds. The Group operates 62 facilities for the elderly, of which three are care homes for the disabled. Marseille-Kliniken operates virtually across the whole of Germany – in 13 of the 16 federal states. The core nursing care segment is supplemented by the assisted living segment. Here the company provides services for the elderly in 1,169 residential units in four building complexes in Gera, Halle and Potsdam.

On the whole, the financial year 2009/2010 was difficult for the Marseille-Kliniken Group. The reorganisation of the Management Board marked the beginning of a completely new direction for the Group. In March 2010 Ulrich Marseille took over the chairmanship of the Management Board. Also in March 2010, Axel Regenhardt was appointed to the Management Board and has since been responsible for the areas of information technology, organisational management and internal audit. From April to June 2010 Claus Dobrowolski was acting Financial Director. Finally, Dr Thomas Klaue filled this Board seat on 1 July 2010 and was appointed as Deputy Chairman of the Management Board at the same time.

With the sale of the active rehabilitation clinics as of 30 April 2010 and the ending of the acute treatment hospital activities we have prepared the ground for focusing our company on the core activities of inpatient nursing care and assisted living. Furthermore, we have cleared the way for a lasting increase in profitability by means of a comprehensive cost-cutting programme in the area of personnel and material costs.

We have decentralised the Group's management structure by assigning operational management to a new group of regional directors.

In the financial year 2009/2010 the Marseille-Kliniken Group reported revenues of EUR 240.7 million, compared with EUR 235.5 million the previous year. Revenues from the rehabilitation clinics were still included for 10 months of the financial year 2009/2010. Adjusted for the disposal of the rehabilitation clinics, revenues in the core nursing business rose by 5.4 % to EUR 190.3 million in the reporting year, compared with EUR 180.6 million the previous year. Our nursing business therefore grew faster than the figure of 4 % for the market as a whole.

The Group's earnings before interest, taxes, depreciation, amortisation and rental expenses (EBITDAR) improved by EUR 25.0 million or 49.4 % from EUR 50.6 million the previous year to EUR 75.6 million in the financial year ended. The increase is largely due to the deconsolidation gain of EUR 20.1 million from the sale of the rehabilitation clinics. Operating earnings were improved by EUR 2.7 million, especially as a result of the cost-cutting programme, although provisions of EUR 5.3 million were formed as a precautionary measure to cover litigation risks. After deducting rental expenses, which rose from EUR 47.0 million to EUR 49.7 million, EBITDA picked up by EUR 21.7 million to EUR 25.9 million.

As part of the restructuring, the new management set strict standards for the measurement of assets, completed strategy changes and made necessary adjustments to the balance sheet as a result. Depreciation and amortisation therefore went up from EUR 10.4 million the previous year to EUR 21.6 million. They include write-downs of around EUR 7.3 million on redundant properties no longer operated as clinics. The financial result improved by EUR 1.6 million to EUR –3.6 million thanks to lower interest expenses.

Group net profit after taxes and minority interests improved by EUR 14.1 million, from a loss of EUR 13.5 million in the previous year to a profit of EUR 0.6 million.

2 Business operations and environment

2.1 BUSINESS OPERATIONS

The company is a leading publicly quoted provider of inpatient and outpatient nursing services. The Marseille-Kliniken Group operates nursing homes in Germany, virtually nationwide with facilities in 13 out of 16 federal states. The Group's activities are organised into segments. The operating focus of the company is on the core nursing care segment, which covers inpatient nursing care for the elderly as well as assisted living. In the area of inpatient nursing care for the elderly the Group runs 62 nursing homes with a capacity of around 8,370 beds, of which three homes provide care for people with disabilities. In the assisted living segment, Marseille-Kliniken provides services to elderly people in 1,169 residential units situated in four building complexes in Gera, Halle and Potsdam.

The services segment consists of services and administrative functions provided centrally to uniform Group standards for the operating businesses.

The segments are managed by independent operational department heads. They are supported by internal service providers for the central functions of human resources, finance and controlling, accounting, taxes, information technology, organisational management and marketing. Within the segments the individual facilities are run as legally autonomous subsidiaries, affiliated with the parent company Marseille-Kliniken AG. All of the subsidiaries have been assigned to a segment of the company in line with International Financial Reporting Standards (IFRS).

The Group is managed on the basis of its strategic planning and regularly updated forecasts. These take into account events in the current financial year, the expected influence of market development, the latest information technology and the Group's financial possibilities. Company planning is drawn up for a period of five years. In every financial year a detailed budget is prepared 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, the Group segments, and for the Group as a whole. The monthly reports are supplemented by a wide range of management data, including financial indicators, occupancy rates, qualitative indicators and detailed information. This safeguards operational business management and ensures that risks to the achievement of strategic targets are identified at an early stage. The monthly reports are supplemented by a forecast for the period up to the end of the current financial year. These reports provide the primary decision-making material for 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 strategy. The Supervisory Board monitors the Management Board's compliance with legal requirements and regulations, the company's articles of association and the recommendations of the German Corporate Governance Code. It is also 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 have made this, together with the management declaration in accordance with § 289a of the German Commercial Code (HGB), permanently available to shareholders on the company's website at www.marseille-kliniken.de.

2.2 GENERAL ECONOMIC CONDITIONS

2.2.1 Macroeconomic environment

Though in 2009 real gross domestic product contracted by 4.7 % in Germany, in 2010 the German economy has experienced an upturn. Real growth in economic output of 3.5 % is expected for the full year. At the same time the economic recovery has established a broader footing. The expansion is no longer driven solely by exports and inventory restocking. In 2010, by contrast, the domestic economy also picked up significantly. The sharp rise in capacity utilisation in German industry from 71 % in the second quarter of 2009 to 82.7 % in the third quarter of 2010 is reflected in companies' increasing willingness to invest. Consumer spending especially is benefiting from the faster than expected recovery on the labour market. The number of employees on reduced working hours fell far faster and more steeply than forecast at the beginning of the year. For the full year 2010 the unemployment rate is expected to drop from 8.2 % last year to 7.7 %. This means unemployment is already back below the figure of 7.8 % for 2008. Both factors lead to a sharp increase in available household income.

Thanks to the more pronounced economic recovery, the state of public finances is also better than forecast in spring 2010. The government's budget deficit is still set to grow in 2010, but not to the extent originally feared at the start of the year.

2.2.2 The German health care market

In Germany the health care sector accounts for more than 10 % of gross domestic product and employs around 4.4 million people. The health care market is not subject to the economic cycle, but is affected by other factors. Growth in the health care market is driven primarily by the ageing of society. More and more people are living longer and survival rates for those with severe illnesses are rising all the time. In parallel, patients' perception of themselves is changing from that of a passive victim of illness to that of a self-determined, active client. This is the background to forecast annual growth of 6 % to 10 % for the German health care market over the long term.

The positive growth prospects for the health care market are constrained by the extent to which the health care system can be financed. According to the German Federal Statistical Office, spending on health care reached a record level in 2008 at EUR 263 billion. At EUR 179 billion, well over half of total expenditure is borne by the statutory health insurance scheme. The private health insurance funds account for EUR 24 billion. Around 78 % of expenditure goes for medical, nursing and therapeutic services and for goods. This means that on average, each German spent EUR 3,190 on his or her health requirements. The challenge for the health care system as a whole consists of reconciling a sharp increase in demand with a politically limited increase in funding, as for a growing section of the population the acceptable limit for social welfare contributions has already been reached today.

The overarching factors that influence the entire health care market result in three important trends for the future. Firstly, intense cost pressure combined with a range of services that is largely stipulated by law will lead to a process of concentration, meaning that individual institutions will have virtually no chance of survival. Secondly, progress in medicine means that patients spend less time in cost-intensive inpatient care and forces the different sectors of the health care market to work together more closely. Integration is being facilitated by new statutory provisions which, among other things, make it easier to establish medical treatment centres. Thirdly, the market has been characterised by a wave of privatisations in recent years, and this trend is set to accelerate. The public sector is neither in a position to provide the investment necessary in health care facilities, nor is it capable of absorbing over the long term the losses generated by many of its facilities. In the hospitals segment alone there is already an investment backlog today of around EUR 50 billion which, say experts, can be cleared only by private commercial structures and investment. The health care market is thus increasingly dependent on private capital.

Operating companies will therefore come under increasing financial pressure as higher expectations in terms of quality conflict with low costs. Ever higher standards in the use of information technology and efficient organisational processes will lead to the formation of larger entities seeking to gain a competitive advantage by achieving critical revenue mass and reducing the proportion of fixed costs.

3 Group strategy

Our strategy is derived directly from the vision and mission of the Group.

Marseille-Kliniken AG's vision

We want to become the quality leader in the German nursing care market. To achieve this, we are striving for profitable growth. Our innovative solutions for the sector make us trailblazers on the national market for nursing care services and set standards in terms of quality and staff training.

The mission of Marseille-Kliniken AG: competence in health and nursing care

As a listed operator of old people's care homes, Marseille-Kliniken AG is one of the leading providers of nursing services in Germany. In a sector which is dominated by welfare organisations, the company is a pioneer that shapes the health care market with its consistent approach as a nationwide provider and has a forward-looking positioning in view of demographic developments.

Our corporate culture rests on three principles: **customer orientation**, **economic viability** and **social responsibility**.

Marseille-Kliniken AG's strategy

Our key strategic goal is achieving **quality leadership** and **profitable growth** in the market of private-sector inpatient and outpatient nursing care for the elderly. With its innovative and specialist services, the company sets standards in the health care market. Combining social and economic activities is an obligation and a challenge at the same time. The individual divisions are the building blocks of the corporate strategy:

» Senior citizens' residential parks as 2, 3 and 4-star facilities (star concept)
» Assisted living
» Special concepts (such as care for dementia sufferers).

In the medium term this is to be supplemented by developing third-party software and management services for the health care sector.

Focusing on the nursing market is at the heart of company strategy. This has an effect on the structure of the property portfolio, which is to be optimised continuously to ensure medium and long-term liquidity.

In the reporting year as part of this strategy we have

1. sold our rehabilitation clinics in April 2010,
2. terminated our involvement in the field of acute treatment clinics and decided not to pursue our activities to develop a centre for incontinence,

3. further strengthened our core nursing care business with the acquisition of Allgemeine Ansgar Pflegedienste GmbH (AAP),

and strengthened our core nursing care segment further.

Our **employees** are an integral part of our Group strategy. In the health care sector in particular, employees are the most important factor of production. **„Training and retaining"** sums up the philosophy behind our Group's broad-based human resources policy, which aims to boost our own attractiveness as an employer and acquire good skilled workers in the stretched labour market for carers. Strategic approaches in the field of human resources include ongoing staff development, performance-related salary components, the option to pay into a company pension fund, and consistently cooperative leadership.

It is very important too that staff receive regular further training and continuing professional development in order to meet the high quality standards for nursing and individual care. With its computer-aided e-learning courses, the Marseille Academy has established a system which is the only one of its kind in our industry. This ensures that information is quickly transferred from the fields of research and academia to our nursing staff. Marseille-Kliniken AG is one of Germany's largest providers of e-learning for subjects related to nursing care.

Quality is another important pillar of our Group strategy. The **quality leadership** of Marseille-Kliniken AG in nursing care for senior citizens can be measured by criteria such as quality and transparency: we have defined high standards here regarding the way in which patients are both cared for and treated, as well as in the fields of social care, accommodation and service. The nursing facilities have been voluntarily certified by external experts according to recognised standards such as DIN EN ISO 9001:2008 and KTQ care (two facilities). To safeguard the high quality standards and to further develop our facilities, we have established a comprehensive audit system which is exemplary for the nursing sector (differentiating between process, visit and system audits). The internal Group quality management system is based on key indicators and a computer-based log, which enables us to identify nursing risks at an early stage and provides information on the current quality of nursing care on an ongoing basis.

Analysing day-to-day work, operating a differentiated complaints management procedure and conducting a regular, anonymous survey of residents' relatives all feeds into our continual improvement process. Our aim is also to relieve nursing staff of administrative duties using tailored software solutions, giving them more time to provide individual care for our residents.

4 *Profitability of the Marseille-Kliniken Group*

4.1 REVENUES

In the reporting period Group revenues rose by 2.2 % to EUR 240.7 million (previous year: EUR 235.5 million). Of the total, the nursing care division accounted for EUR 190.3 million (previous year: EUR 180.6 million), which corresponds to revenues growth of 5.4 %. Revenue from the discontinued Rehabilitation segment (up to 30 April 2010) and the acute treatment hospital (up to 30 June 2010) came to EUR 47.6 million (previous year for 12 months: EUR 53.3 million).

Abbreviated consolidated income statement

	7/1/2009 to 6/30/2010 € '000	7/1/2008 to 6/30/2009 € '000	Change relative in %
Revenues	240,742	235,535	2.2 %
Other operating income / gain on the disposal of the rehabilitation segment	32,124	10,444	207.6 %
Total revenues	**272,866**	**245,979**	**10.9 %**
Cost of materials	30,293	32,451	– 6.6 %
Personnel expenses	131,441	124,397	5.7 %
Depreciation and amortisation	21,648	10,446	107.2 %
Other operating expenses incl. other taxes	85,232	85,488	– 0.3 %
Earnings from operating activities	**4,252**	**– 6,803**	**n.a.**
Financial result	– 3,619	– 5,264	– 31.3 %
Earnings before taxes	**634**	**– 12,067**	**n.a.**
Taxes on income and earnings	– 26	1,529	n.a.
Group net profit/loss	**660**	**– 13,596**	**n.a.**
Minority interests	– 96	83	– 215.6 %
Group result attributable to Marseille-Kliniken AG	**564**	**– 13,513**	**n.a.**
Cost of materials ratio (to revenues)	*12.6%*	*13.8%*	*– 8.7%*
Personnel expenses ratio (to revenues)	*54.6%*	*52.8%*	*3.4%*

As of 30 June 2010 the Group has a capacity of 62 nursing care facilities with 8,370 beds, compared with 7,750 beds in 58 nursing care facilities the previous year. The rise in nursing care capacity stems from new inpatient nursing facilities in Oberhausen, Bremerhaven and Waldkirch as well as in assisted living in Gera. As of the previous year's balance sheet date, 9,085 beds were available in 67 facilities, including the rehabilitation clinics. Available capacity in the Rehabilitation segment (1,269 beds) and at the hospital in Büren (60 beds) was no longer recorded as of 30 April 2010 and 30 June 2010 respectively.

Revenues in the nursing care segment rose by EUR 9.7 million. The main reason is additional capacities, with only a slight drop in occupancy rates as the new care facilities start their business.

4.2 OTHER OPERATING INCOME (INCLUDING THE GAIN FROM THE DISPOSAL OF THE REHABILITATION ACTIVITIES)

Other operating income amounts to EUR 32.1 million (previous year: EUR 10.4 million). The increase is largely due to the deconsolidation gain (sale of the rehabilitation clinics) of EUR 20.1 million. Income of EUR 2.0 million was also generated by the sale-and-leaseback transaction involving the property in Bremerhaven.

4.3 COST OF MATERIALS

The cost of materials was reduced by EUR 2.2 million as against the previous year to EUR 30.3 million. Of this, EUR 1.5 million was derived from the rehabilitation clinics that were sold. Expenses for raw materials, consumables and supplies decreased by EUR 2.9 million to EUR 25.1 million as against the previous year (EUR 28.0 million), largely due to lower expenses for energy (EUR – 2.2 million). The cost of purchased services increased from EUR 4.4 million to EUR 5.2 million due mainly to greater utilisation of external medical services.

4.4 PERSONNEL EXPENSES

Personnel expenses rose by EUR 7.0 million to EUR 131.4 million. EUR 1.4 million of the increase is due partly to the opening of new nursing facilities in Oberhausen and Bremerhaven. Personnel expenses also increased year on year as a result of higher overtime expenses (EUR + 1.1 million), severance payments in connection with the restructuring (EUR + 0.6 million), pension expenses (EUR + 1.9 million) and provisions for potential entitlements of employees taken over in prior years (EUR 1.6 million).

On the other hand, the services division was able to make savings of around EUR 1.5 million in personnel expenses.

The average number of employees in the financial year 2009/2010 was 5,584, compared with 5,535 in the previous year. After the sale of the rehabilitation segment as of 30 April 2010, the Group had 4,531 employees as at 30 June 2010.

4.5 DEPRECIATION AND AMORTISATION

Amortisation and depreciation of intangible assets and property, plant and equipment respectively amounted to EUR 21.6 million, compared with EUR 10.4 million in the previous year. The higher figure results above all from write-downs on redundant properties (EUR 7.3 million), the write-off of the capitalised costs from conceptual and planning work for the construction of an incontinence centre (EUR 2.0 million) and impairment losses on goodwill (EUR 1.2 million).

4.6 OTHER OPERATING EXPENSES / OTHER TAXES

Other operating expenses and other taxes came to EUR 85.2 million, slightly down on the previous year. Higher expenses were incurred for rents and leasing. These rose by EUR 2.7 million, from EUR 47.0 million the previous year to EUR 49.7 million. The cause was rent for the new facilities and provisions for rental obligations at the former facility in Bad König. This was offset by savings in maintenance and repair costs of EUR 1.0 million and in advertising expenses of EUR 0.7 million. Slightly higher additions to specific write-downs (EUR 1.2 million) were required compared with the previous year.

Other taxes include, in particular, motor vehicle tax and property tax. The reduction in other taxes stems largely from the fact that a provision for property taxes for other periods had to be recognised the previous year.

4.7 FINANCIAL RESULT

The financial result improved by EUR 1.7 million as against the previous year from EUR – 5.3 million to EUR – 3.6 million. The major contribution came from the reduction in borrowing as a result of repaying loans, both short and long-term. The absence of interest for the tax inspection carried out the previous year (EUR 0.5 million) and the absence of interest in connection with legal proceedings (EUR 0.4 million) also played a role.

4.8 TAXES ON INCOME AND EARNINGS

Income taxes resulted in income of EUR 26,000 in the reporting year, after a payment of EUR 1.5 million in the previous year. The reason for the decline in tax expenses is primarily the absence of tax payments in connection with the tax inspection (EUR 1.4 million). The reversal of unused reserves pursuant to § 6b and § 7f German Income Tax Act (EStG) resulted in deferred tax income, which was almost totally offset by current tax expenses.

4.9 ONE-OFF FACTORS AFFECTING EARNINGS

Earnings before taxes (EBT) amounted to 0.6 million (previous year: EUR – 12.1 million). This includes the following one-off factors:

Material one-off effects within the Group

Description	Expense in € m	Income in € m
Deconsolidation	0.3	20.1
Sale of Bremerhaven property	0.0	2.0
Write-downs on property	7.3	0.0
Write-downs on intangible assets incl. goodwill	3.2	0.0
Provisions (esp. for legal disputes)	5.9	0.0
Personnel expenses from other periods	1.6	0.0
Provisions for bad debts / non-recoverable receivables	0.8	0.0
Pension provisions	0.8	0.0
Total	**19.9**	**22.1**

4.10 OPERATING RESULT AND KEY PERFORMANCE FIGURES

The following table shows changes in the Group's earnings position:

Key figure	2009 | 2010 in € m	2008 | 2009 in € m	Change in %
EBITDAR	75.6	50.6	49.5 %
EBITDA	25.9	3.6	619.5 %
EBIT	4.3	– 6.8	n.a.
EBT	0.6	– 12.1	n.a.
EBITDAR margin	31.4 %	21.5 %	46.1 %
EBITDA margin	10.8 %	1.5 %	617.2 %
EBIT margin	1.8 %	– 2.9 %	n.a.

4.11 GROUP NET PROFIT / LOSS

The Group net profit amounts to EUR 0.7 million (previous year: loss of EUR 13.6 million) before minority interests and EUR 0.6 million (previous year: loss of EUR 13.5 million) after minority interests.

The operating result for the nursing care segment improved year on year by EUR 2.5 million to EUR 6.7 million, whereby the sale of the property in Bremerhaven for EUR 2.0 million made a major contribution.

4.12 EARNINGS PER SHARE / DIVIDEND

The Annual General Meeting on 12 December 2008 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 to 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. The Management Board and Supervisory Board are to put a proposal to the forthcoming Annual General Meeting to withdraw this share split.

Earnings per share based on 24,300,000 shares came to EUR 0.02 (previous year: EUR – 0.56); based on 12,150,000 shares the figure was EUR + 0.05 (previous year: EUR – 1.12).

5 Assets situation of the Group

Total assets as of the reporting date amounted to EUR 198.1 million (previous year: EUR 226.6 million), a sharp reduction compared with the previous year. The main reason is the disposal of assets (EUR 14.1 million) and liabilities (EUR 9.8 million) belonging to the deconsolidated rehabilitation clinics.

Abbreviated consolidated balance sheet

Key figure	06/30/2010 € '000	06/30/2009 € '000	Change relative in %
Intangible assets	33,665	32,824	2.6%
Property, plant and equipment	124,168	142,682	– 13.0%
Other non-current assets	9,472	4,428	113.9%
Non-current assets	**167,305**	**179,933**	**– 7.0%**
Trade receivables	9,260	15,554	– 40.5%
Other current assets	11,473	21,473	– 46.6%
Cash and cash equivalents	10,104	9,631	4.9%
Current assets	**30,837**	**46,658**	**– 33.9%**
Total assets	**198,142**	**226,591**	**– 12.6%**
Equity	**24,938**	**25,195**	**– 1.0%**
Non-current liabilities	**108,211**	**118,746**	**– 8.9%**
Current liabilities	**64,993**	**82,651**	**– 21.4%**
Total equity and liabilities	**198,142**	**226,591**	**– 12.6%**
First degree liquidity	*15.5%*	*11.7%*	*33.4%*
Second degree liquidity	*29.8%*	*30.5%*	*– 2.2%*
Equity ratio	*12.6%*	*11.1%*	*13.2%*

First degree liquidity indicates the ratio of cash and cash equivalents to current debt. Second degree liquidity indicates the ratio of cash and cash equivalents plus receivables to current debt.

The increase in intangible assets came to 2.6 %. This was mainly due to additions (customer base, licensing agreement and goodwill) of EUR 6.6 million, largely from the first-time consolidation of AAP-Allgemeine Ansgar Pflegedienste GmbH as of 30 June 2010. This was reduced primarily by impairment losses on capitalised expenses for an incontinence centre (EUR 2.0 million) and on goodwill (EUR 1.2 million).

The reduction in property, plant and equipment results principally from the disposal of assets belonging to the rehabilitation clinics. In addition, the leased land holdings in Ortenau and Bad Herrenalb are classified as finance leases in line with IFRS 5 and recognised under miscellaneous non-current assets (EUR 5.7 million). The properties are still owned by the Marseille-Kliniken Group, but since the sale of the rehabilitation clinics they have no longer been leased to companies in the Group, but to third parties. Furthermore, impairment losses were recognised on redundant properties (EUR 7.3 million) and write-downs on operating and office equipment (EUR 0.2 million).

As mentioned, miscellaneous financial assets increased primarily due to the classification as finance leases of the properties in Ortenau and Bad Herrenalb, which have been leased to the sold rehabilitation companies since 1 May 2010.

Other current assets came to EUR 21.5 million and declined mainly as a result of a reduction in other receivables and assets (EUR – 6.0 million) and inventories (EUR – 3.8 million) to EUR 11.5 million. In addition to the disposal of the rehabilitation segment, the sale of a property in Bremerhaven, which was in the previous year shown as a current asset, contributed to the decline. A further item amounting to EUR 5.0 million stems from offsetting the purchase price liability (EUR 6.5 million) from the acquisition of the shares in AAP-Allgemeine Ansgar Pflegedienste GmbH with the recognised loan receivable (including accrued interest) from Mr Ulrich Marseille.

Trade receivables were reduced by EUR 6.3 million due to the rehabilitation sale and improved receivables management.

Cash and cash equivalents rose from EUR 9.6 million to EUR 10.1 million.

Balance sheet equity as of the balance sheet date amounted to EUR 24.9 million (previous year: EUR 25.2 million), which represents a ratio of 12.6 % (previous year: 11.1 %). Equity plus 84.2 % (previous year: 84.2 %) of the deferred investment grants amounted to EUR 61.1 million, compared with EUR 62.6 million in the previous year. The equity ratio, supplemented by the equity portion of the investment grants, therefore amounted to 30.9 % after 27.6 % in the previous year, reflecting the considerable fall in total assets.

Non-current liabilities account for 54.6 % (previous year: 52.4 %) of the balance sheet total. Taking account the 15.8 % share of borrowed capital (previous year: 15.8 %) of the deferred investment grants, the ratio is 36.3 % (previous year: 35.9 %).

Non-current liabilities decreased from EUR 118.7 million to EUR 108.2 million. In addition to the reduction due to the sale of the rehabilitation division, this results primarily from the repayment of non-current financial debt and the decline in deferred investment grants.

Current liabilities dropped by EUR 17.7 million to EUR 65.0 million. In addition to the sale of the rehabilitation clinics, this is principally due to a reduction of EUR 17.6 million in current financial debt. Trade payables fell by EUR 5.6 million and current tax liabilities were cut by EUR 2.6 million. On the other hand, there was a EUR 7.8 million rise in current provisions. Higher provisions were recognised than in the previous year for litigation risks (EUR 1.5 million) and for rental obligations of a former consolidated company (EUR 2.7 million). Provisions for outstanding invoices was also stepped up by EUR 1.8 million. Personnel provisions rose by EUR 3.0 million, above all due to potential obligations toward employees taken over the previous year (EUR 1.6 million), overtime provisions (EUR 0.6 million) and severance pay (EUR 1.5 million).

Finance lease liabilities of EUR 2.9 million (previous year: EUR 3.6 million) are recognised under non-current financial debt. As of the reporting date of 30 June 2010, current financial debt includes finance lease liabilities of EUR 1.8 million (previous year: EUR 1.9 million).

6 Financial position of the Group

The Group finances its business from operating cash flow and by means of short and long-term lines of credit from various banks. Long-term property loans secure the financing for investment in our facilities. For around two thirds of our facilities we work closely with property investors with whom we have signed long-term rental contracts.

At the beginning of the reporting year the Group had four current account credit lines for EUR 25.5 million, of which EUR 21.4 million had been drawn down. Over the course of the financial year these lines were reduced to EUR 10.5 million at two banks, of which EUR 9.6 million has been used.

Altogether the Group's net financial debt was reduced over the course of the financial year ended from EUR 74.3 million to EUR 52.4 million. Furthermore, we have cut trade payables to EUR 8.3 million (previous year: EUR 13.8 million). This was made possible by the sale of the rehabilitation clinics and the resulting cash inflow of EUR 24.5 million.

Cash and cash equivalents at the end of the financial year 2009/2010 came to EUR 10.1 million, slightly up on the previous year's figure of EUR 9.6 million.

The new capital adequacy rules for banks, which require a higher core capital ratio of 6% of risk-weighted assets, mean that banks will be increasingly restrictive in their lending in future, especially for unsecured lines of current account credit. The Management Board of Marseille-Kliniken AG is therefore preparing other financing methods in order to secure the company's liquidity and make it more independent of banks. In this regard we refer to our comments in item 11.4 (Financial risks).

Consolidated cash flow statement

€ '000	7/1/2009 to 6/30/2010	7/1/2008 to 6/30/2009
Cash flow from operating income		
Earnings from operating activities	**– 15,828**	**– 6,804**
Proceeds from the disposal of assets (profit/loss)	– 1,652	171
Depreciation and amortisation	21,648	10,446
Other non-cash income and expenses	1,061	1,869
Increase/decrease (+/–) in inventories	335	– 200
Increase/decrease (+/–) in pension provisions	809	– 533
Increase/decrease (+/–) in current provisions	9,048	– 2,322
Taxes on income	– 4,159	– 2,044
Change in net current assets	– 4,862	6,730
Cash flow from operating activities	**6,400**	**7,313**
There of		
continuing operations	3,519	6,361
discontinued operations	2,881	952
Cash flow from investing activities	**20,442**	**– 388**
There of		
continuing operations	– 1,837	**1,050**
discontinued operations	22,279	-1,438
Cash flow from financing activities	**– 25,717**	**– 11,707**
There of		
continuing operations	– 25,557	– 11,578
discontinued operations	– 160	– 129
Net increase/decrease in cash and cash equivalents	**1,125**	**– 4,782**
Increase/decrease in cash and cash equivalents	1,125	– 4,782
Effects from changes in the group of consolidated companies	– 652	– 20
Cash and cash equivalents at beginning of financial year	9,631	14,433
Cash and cash equivalents at end of financial year	**10,104**	**9,631**
of which cash in hand, bank balances	10,104	9,631

7 Group investments

Capital expenditure by the Marseille-Kliniken Group amounted to EUR 9.4 million in the financial year 2009/2010 (compared with EUR 12.4 million in the financial year 2008/2009). This is equivalent to decrease of EUR 3.0 million or 24.5% compared with the financial year 2008/2009. Capital expenditure of EUR 2.0 million (down EUR 0.3 million or 15.2% on the year) was incurred for intangible assets and of EUR 7.4 million (down EUR 2.7 million or 26.7% on the year) for property, plant and equipment.

Financial year	2009 | 2010	2008 | 2009	Change	
Intangible assets	2.0	2.3	– 0.3	– 15.2 %
Property, plant and equipment	7.4	10.1	– 2.7	– 26.7 %
Total capital expenditure	9.4	12.4	– 3.0	– 24.5 %

The main additions to non-current assets relate to assets under construction at the Koppenbergs Hof and Flora Marzina facilities (EUR 3.8 million in total) and to EUR 1.1 million for operating and office equipment.

8 Research and development

Our development work is focused on developing new computer-aided systems to improve our services. These include systems such as the new internet portal **www.MeinGesundheitsbuch.de**, which enables family members to keep up to date on the health and nursing care information for their loved ones in our nursing facilities. Innovative training programmes using the latest information technology, in particular our e-learning system, also form part of this development work.

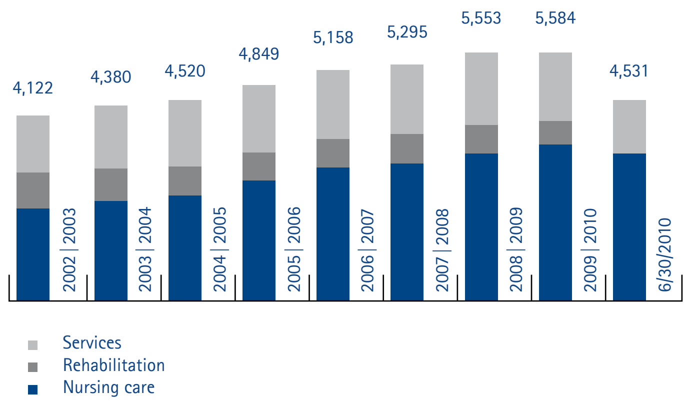
Our development work is oriented towards the individual needs of our residents. In order to meet the ever-growing demands of the health care market, the focus of our development activities lies on developing new approaches that play an important role in the creation of new concepts for treatment methods and facilities. The aim of our development work is to relieve our nursing staff of administrative duties as far as possible in order to give them more time for our customers.

9 Employees

Our staff are the main success factor for the Group. For this reason they are also an integral component of the strategy for the Marseille-Kliniken Group (see also section 3 “Group strategy”).

In the financial year 2009/2010 the Marseille-Kliniken Group had an average headcount of 5,584 employees (previous year: 5,553 employees). On 30 June 2010 the Group had 4,531 employees (on the reporting date). The decline in the size of the workforce is due to the sale of the rehabilitation clinics (around 790 staff) and to an internal reorganisation to improve efficiency.

Marseille-Kliniken:
Average number of employees in the business years



10 Separate financial statements of Marseille-Kliniken AG

Marseille-Kliniken AG has its registered office in Berlin and is both an exchange-listed stock corporation and the parent company of the Marseille-Kliniken Group.

The annual financial statements for Marseille-Kliniken AG are prepared in accordance with the requirements of the German Commercial Code (HGB) and the German Companies Act (AktG).

The net profit or loss of Marseille-Kliniken AG is marked by extensive provisions for bad debts and waivers of receivables against subsidiaries that have not performed as well as expected economically. Further write-downs on the investment in Karlsruher-Sanatorium-Aktiengesellschaft were also made after the sale of its rehabilitation activities.

10.1 PROFITABILITY

Marseille-Kliniken AG’s revenues amounted to EUR 15.9 million, EUR 1.0 million below the previous year’s level of EUR 16.9 million. As in the previous year, these stem from the nursing care facilities owned directly by the parent company. The fall in revenues is largely a result of the construction work being carried out in the Flora Marzina and Koppenbergs Hof facilities.

Abbreviated income statement

	7/1/2009 to 6/30/2010 € '000	7/1/2008 to 6/30/2009 € '000	Change in %
Revenues	15,929	16,890	– 5.7 %
Other operating income	29,552	24,902	18.7 %
Total revenues	**45,481**	**41,792**	**8.8 %**
Cost of materials	4,009	5,467	– 26.7 %
Personnel expenses	11,085	9,504	16.6 %
Depreciation and amortisation	22,530	3,307	581.3 %
Other operating expenses / other taxes	35,910	33,953	5.8 %
Result from investments	11,221	11,034	1.7 %
Financial result	– 156	– 717	– 78.2%
Earnings from operating activities	**– 16,988**	**– 122**	**n.a.**
Taxes on income and earnings	574	1,974	– 70.9 %
Loss for the year	**– 17,562**	**– 2,096**	**n.a.**

Other operating income increased from EUR 24.9 million to EUR 29.5 million. The main contribution comes from the profit of EUR 4.5 million generated on the sale of shares in four rehabilitation companies that were previously held directly by the parent company. The reversal of individual write-downs on Group receivables for EUR 1.5 million also played a role. Income from the reversal of special items with an equity portion recognised with effect on income contributed EUR 0.4 million to earnings (previous year: EUR 1.6 million). On the other side, income from the release of provisions was EUR 1.2 million lower than in the previous year.

The cost of materials fell from EUR 5.5 million in the previous year to EUR 4.0 million. This was largely due to a decline of EUR 0.8 million in energy costs, in turn the result of avoiding the previous year's losses of EUR 0.7 million on fuel-oil swaps, and savings of EUR 0.6 million in purchased services, principally thanks to higher rebates from the Pro companies and the fall in purchased services in line with revenues.

Personnel expenses have increased as against the previous year by EUR 1.6 million to EUR 11.1 million (previous year: EUR 9.5 million). The main reason was provisioning for possible additional expenses of EUR 1.6 million in connection with the takeover of staff in prior years as well as higher provisions for holidays and severance pay.

Depreciation and amortisation of intangible assets and property, plant and equipment increased over the previous year from EUR 0.8 million to EUR 3.8 million. The main reason is the impairment charge of EUR 2.0 million recognised on the capitalised costs for conceptual and planning work for the construction of an incontinence centre. This asset no longer has any value, as the concept is not to be pursued for strategic reasons.

Higher write-downs than usual were recognised on current assets, amounting to EUR 18.7 million (previous year: EUR 2.5 million). This primarily relates to waivers of receivables and individual write-downs on Marseille-Kliniken AG's receivables from subsidiaries. The write-downs and waivers were necessary to deal with the accumulated losses at these companies. We have also written off the remaining receivable of EUR 0.5 million from the Trump Organisation.

Due to the unfavourable economic result of specific subsidiaries in the past, Marseille-Kliniken AG has decided to waive or write down these receivables in order to bring the balance sheet structure of these subsidiaries in line with their earnings power. This largely relates to AMARITA Hamburg-Mitte Plus GmbH (EUR 9.6 million), Pflegehaus Kreuzberg gGmbH, formerly Türk Bakim Evi gGmbH (EUR 4.3 million), ASD gGmbH (EUR 1.2 million), Betrium Nr. 49 Vermögensverwaltungs-GmbH (EUR 1.1 million) and VDSE-Verwaltungsdienstleister sozialer Einrichtungen GmbH (EUR 0.8 million). By waiving receivables Marseille-Kliniken AG intends to improve the profitability of its subsidiaries in the medium term.

Other operating expenses and other taxes increased from EUR 34.0 million in the previous year to EUR 35.9 million, principally as a result of higher rental and leasing expenses (EUR 1.0 million).

The financial result of EUR 0.2 million was an improvement of EUR 0.6 million on the previous year. Other interest and similar income were the same as in the previous year (EUR 4.6 million each), whereas other interest and similar expenses fell from EUR 5.3 million to EUR 4.7 million. This effect stems in particular from the absence of last year's one-off factors (interest on tax back-payments in connection with the tax inspection and interest in connection with legal proceedings) as well as from the repayment of liabilities to banks. This is offset by an increase in interest expenses within the Group.

The result from investments of EUR 11.2 million was slightly above the previous year's figure of EUR 11.0 million. A reduction in assumed losses to EUR 1.5 million (previous year: EUR 5.2 million) and an increase in earnings from profit transfer agreements (EUR 17.9 million against EUR 15.7 million in the previous year) made up for impairment losses of EUR 5.2 million recognised on financial investments (previous year: EUR 0.4 million).

The investment in Karlsruher-Sanatorium-Aktiengesellschaft was written down by EUR 3.6 million to EUR 29.4 million. The carrying amount now represents the economic equity of Karlsruher-Sanatorium-Aktiengesellschaft as of 30 June 2010 after it had sold off its operating rehabilitation companies and set aside provisions of EUR 4.0 million for litigation risks with respect to a former Group company. Further impairment losses of EUR 0.7 million were recognised with respect to the investment in SWP Hennigsdorf, EUR 0.5 million with respect to Senioren-Wohnpark Aschersleben GmbH and EUR 0.3 million with respect to VDSE-Verwaltungsdienstleister sozialer Einrichtungen GmbH. The investments in St. Nikolaus Hospital Büren GmbH and Betrium Nr. 49 Vermögensverwaltungs-GmbH were also written down.

Income from profit-sharing agreements includes the release of provisions amounting to EUR 1.1 million for special items with an equity portion set aside for tax purposes in previous years (§ 6b German Income Tax Act EStG) for Senioren-Wohnpark Hennigsdorf GmbH. In the previous year, there was income of EUR 1.5 million from the release of such provisions with respect to Algos Fachklinik Bad Klosterlausnitz GmbH.

Taking into consideration other taxes and due to the above effects, the results from ordinary activities for the past financial year amounted to EUR – 16.9 million (previous year: EUR – 0.1 million). The write-downs on receivables recognised and the waiver of receivables against subsidiaries add up to a total of EUR 18.0 million. Impairment losses on investments were also recognised for a total of EUR 5.2 million. In the previous year, the positive result was due not least to the reversal of special items with an equity portion (pursuant to § 6b of the German Income Tax Act [EStG]) totalling EUR 1.6 million.

Tax expenses were much lower in the financial year 2009/2010, particularly due to the back-payment of EUR 1.1 million the previous year as a result of a tax audit.

Due to the effects mentioned above, non-cash expenses in particular weighed heavily on Marseille-Kliniken AG's net result. Marseille-Kliniken AG therefore reported a net loss of EUR – 17.6 million (previous year: EUR – 2.1 million). Thanks to profit carried forward from prior years of EUR 1.3 million (previous year: EUR 6.4 million) and the decision to make up for some of this year's non-recurring effects on earnings by releasing the capital reserve of EUR 15.9 million, this year's balance sheet loss amounts to EUR 0.3 million (previous year: balance sheet profit of EUR 1.3 million).

10.2 ASSETS AND FINANCIAL POSITION

The following condensed balance sheet gives an overview of the company's net assets.

Abbreviated balance sheet

	06/30/2010 € '000	06/30/2009 € '000	Change relative in %
Intangible assets	283	1,284	– 78.0 %
Property, plant and equipment	24,105	18,511	30.2 %
Financial assets	76,770	77,896	– 1.4 %
Total non-current assets	**101,158**	**97,691**	**3.5 %**
Trade receivables	795	859	– 7.5 %
Receivables from affiliated companies	55,286	77,254	– 28.4 %
Other current assets	7,606	13,634	– 44.2 %
Cash and cash equivalents	4,426	3,157	40.2 %
Total current assets	**68,113**	**94,904**	**– 28.2 %**
Total assets	**169,271**	**192,595**	**– 12.1%**
Equity	**31,438**	**49,000**	**– 35.8 %**
Special items	**1,850**	**2,257**	**– 18.0 %**
Provisions	**11,525**	**11,139**	**3.5 %**
Liabilities to banks	28,175	46,786	– 39.8 %
Trade payables	1,617	2,210	– 26.8 %
Liabilities to affiliated companies	89,347	77,618	15.1 %
Other liabilities	5,319	3,585	48.4 %
Liabilities	**124,458**	**130,199**	**– 4.4 %**
Total equity and liabilities	**169,271**	**192,595**	**– 12.1 %**
First degree liquidity	*33.7 %*	*23.6 %*	*42.4 %*
Second degree liquidity	*39.7 %*	*30.1 %*	*32.1 %*
Equity ratio	*18.6 %*	*25.4 %*	*– 27.0 %*
Net liquidity (in € m)	*– 23.7*	*– 43.6*	*19.9*

First degree liquidity indicates the ratio of cash and cash equivalents to current debt. Second degree liquidity indicates the ratio of cash and cash equivalents plus receivables to current debt. Net liquidity is cash and cash equivalents less liabilities to banks.

The non-current assets of Marseille-Kliniken AG increased from EUR 97.7 million in the previous year to EUR 101.2 million. The decline in intangible assets results primarily from the write-off of conceptual and planning work for the construction of a specialised incontinence centre due to a change in strategy. Plant, property and equipment registered additions of EUR 5.6 million, largely for the acquisition of the redundant property in Blankenburg (EUR 3.3 million including land transfer tax). The transfer to Marseille-Kliniken AG took place before the sale of the rehabilitation clinic Teufelbad Fachklinik Blankenburg

GmbH. Extensive construction work was also carried out at the facilities in Koppenbergs Hof and Flora Marzina for EUR 3.8 million. Shares in affiliated companies fell due to the sale of the shares held in the rehabilitation companies (carrying amount: EUR 4.4 million) and impairment losses of EUR 5.2 million. The decrease was offset by the purchase of shares in AAP-Allgemeine Ansgar Pflegedienste GmbH, Zirchow, for EUR 6.5 million.

Under receivables and other assets, claims against affiliated companies were reduced from EUR 77.3 million in the previous year to EUR 55.3 million. This is due to the higher than usual value adjustments and waivers of receivables, as described above under the item write-downs on current assets. Other assets amounted to EUR 7.0 million (previous year: EUR 13.0 million). The main cause for the decline was the netting-out of the purchase price liability for the acquisition of the shares in AAP with the loan of EUR 5.0 million including interest granted to Mr Ulrich Marseille and the settlement of the receivable of EUR 0.8 million from DL Holding GmbH.

As of the balance sheet date of 30 June 2010 the company had receivables from affiliated companies of EUR 55.3 million, of which EUR 45.9 million (previous year: EUR 54.5 million) related to cash-pool receivables. The receivables from profit transfer agreements included under receivables from affiliated companies increased in comparison with the previous year by EUR 2.2 million to EUR 17.9 million. For the assets mentioned, the implication is that they will only retain their value to the extent that the plans for the respective companies can be put into practice.

As of the balance sheet date of 30 June 2010 the company had liabilities towards affiliated companies of 89.3 million. Of the total liabilities, EUR 54.3 million related to the cash pool (previous year: EUR 66.5 million). The increase in liabilities towards affiliated companies is mainly due to a loan of EUR 19.6 million granted by Karlsruher-Sanatorium AG. On the other hand, losses assumed under profit and loss transfer agreements fell sharply by EUR 3.7 million to EUR 1.5 million.

Working capital improved by EUR 1.2 million to EUR 4.4 million (previous year: EUR 3.2 million) as of the balance sheet date. The equity of Marseille-Kliniken AG fell to EUR 31.4 million, largely due to the net loss of EUR 17.6 million for the year.

Provisions rose year on year by 3.5 % to EUR 11.5 million. The increase stems from the recognition of possible additional claims that could be made against Marseille-Kliniken AG in connection with the takeover of staff in prior years. Miscellaneous provisions went down. These are made up of pension obligations of EUR 0.4 million (previous year: EUR 0.5 million), provisions for taxes of EUR 5.4 million (previous year: EUR 7.9 million) and other provisions of EUR 5.7 million (previous year: EUR 2.8 million). The decline in tax provisions principally relates to the payment of back-taxes for 2001 to 2004 as a result of the tax inspection. Other provisions went up, primarily for additions to litigation and other risks (EUR 1.2 million).

Liabilities to banks were reduced by EUR 18.6 million from EUR 46.8 million in the previous year to EUR 28.2 million, mainly due to the repayment of loans. Trade payables decreased from EUR 2.2 million to EUR 1.6 million. Miscellaneous liabilities went up by EUR 1.7 million on the other hand. This increase is largely due to the outstanding purchase price liability of EUR 1.5 million for the acquisition of the shares in AAP-Allgemeine Ansgar Pflegedienste GmbH, which was not offset against existing receivables.

Total assets of Marseille-Kliniken AG amount to EUR 169.3 million (previous year: EUR 192.6 million), with 81.4 % (previous year: 74.6 %) of this sum being financed by loans.

11 Risk report

11.1 RISK MANAGEMENT SYSTEM

Marseille-Kliniken AG'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. Regular consultations between management and the controlling department also ensure that relevant decision-making information on the Group's asset situation, financial position and profitability is available and analysed in good time. A detailed, multi-stage, IT-assisted planning and control system ensures that uniform risk principles are implemented, realised and complied with. The integrated, Group-wide reporting system informs decision-makers of all the data and circumstances relevant to risk.

Derivative financial instruments are held for the purpose of hedging future cash flows. The derivative financial instruments 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. 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.

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

11.2 EXTERNAL AND SECTOR RISKS

The economic situation is still marked by continuing dynamic competition and market consolidation, increasing quality demands by customers, patients and legislators. In addition, there is a nationwide capacity oversupply in the industry, which raises the occupancy risk.

The legal requirement of having qualified employees in our facilities can lead to an increase in personnel costs, as finding qualified staff 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 prices for the Group's services are set not by the market but by statutory regulations. The Group generates a significant portion of its revenue from services to holders of statutory nursing care insurance. Prices therefore depend largely on the financial situation of the funding organisations (nursing care insurers, social welfare departments). The Group's influence on pricing is limited. These prices can be altered to the detriment of the nursing facilities by changes in the law. Additional services and cost savings may not be able to make up fully for changes in pricing. Price adjustments can only be made over longer periods, meaning that considerable losses in real terms may be incurred due to inflation. This can have a considerable adverse effect on the Group's asset situation, financial position and profitability.

11.3 ECONOMIC PERFORMANCE RISKS

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

Surveys of relatives' opinions and audits by our central quality management unit carried out in the facilities allow us to judge the services provided and how they have been perceived. We also publish Group-wide quality reports, which are 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 the surveys carried with patients' relatives. Furthermore, we have had the structures and processes of our quality management system certified externally. As early as March 2009, all care facilities and the corporate head office and its subsidiaries have been certified in accordance with the DIN EN ISO 9001:2008 standard.

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.

11.4 FINANCIAL RISKS

Company management draws up a detailed business plan at least once a year. This includes the results of managing and valuing our portfolio of companies. The plan includes numerous assumptions on nursing care rates and occupancy rates that are necessary in order for the planned revenues to be achieved. Actual future developments may differ from these assumptions, however. Therefore no guarantee can be given that the company will generate the revenues necessary to meet the financial targets.

Our top priority is to ensure liquidity. On the basis of continual liquidity monitoring we derive the liquidity planning on a daily, monthly, quarterly and annual basis. Marseille-Kliniken AG anticipates a positive cash flow from operating activities in 2010/2011.

The financial crisis and in particular the stricter capital adequacy rules that are to apply in future (Basel III) have caused many banks to alter their lending policies. As a result we intend to restructure the company's equity and liabilities in financial year 2010/2011. By the end of the financial year we intend to repay the existing current account credit lines of EUR 10.5 million with two banks in two steps.

The repayment is to be financed by issuing a corporate bond for at least EUR 10 million. The company has taken all the steps necessary to be able to complete this funding transaction in the second quarter of the financial year 2010/2011. The bond is to have a term of one year.

Furthermore, the Management Board has decided to table a proposal at the Annual General Meeting to create authorised capital in order to carry out a capital increase of up to 30 %. Subject to the approval of the Supervisory Board, this could take place in the third quarter of the current financial year. The main shareholder has indicated its willingness to take up its pro rata share of this capital increase.

We are reckoning on additional cash inflows of EUR 3.0 million from the sale of redundant properties.

The company is additionally currently preparing other steps to extend or repay short-term financing arrangements in good time. The aim of Marseille-Kliniken AG's financial strategy is to achieve a balanced financing structure for the company in the short, medium and long term.

We still assume that around EUR 3.0 million of the substantial provisions carried as of 30 June 2010 will be reduced in the financial year 2010/2011. We have also planned the same for the reduction of trade payables due at 30 June 2010.

If, contrary to expectations, the steps planned by us to extend or repay borrowing cannot be implemented successfully or not in good time, Marseille-Kliniken AG could be faced with a liquidity situation that jeopardises the existence of the company.

Between 2004 and 2008 Marseille-Kliniken AG and its subsidiaries signed several framework agreements with various investors for sale-and-leaseback transactions relating to senior citizens' residential estates and nursing homes. The structure of the framework agreements is roughly the same: the properties are sold by the company or its subsidiaries to third parties, which then lease the residential estates and nursing homes back to the company. In the event that the owner wishes to sell the property, the agreements provide for a call option or pre-emption right for the respective group companies, secured by a priority notice in the land register. At the end of the lease the appropriate company is entitled to buy the property. The sale and lease agreements signed under each framework agreement form a single entity for legal purposes: if one of the two agreements becomes invalid, is not executed or is unwound, the other agreement is also not executed and unwound in its entirety.

The company has given an undertaking to the respective buyers to meet all obligations under the sales contracts for the properties in full and on time. Delays in rent payments therefore not only entitle the buyer and lessor of the property to cancel the lease, but also to revoke the sales contract.

11.5 LEGAL RISKS

Risks for Marseille-Kliniken AG from legislative changes to the social security system may be regarded as 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. 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 has 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 in various places of jurisdiction. No detailed information can be provided regarding ongoing litigation, as this could imperil lines of defence and counter-argument in these proceedings. Based on currently available information the provisions that have been made are sufficient.

We consider that we have set aside sufficient provisions to cover any other existing litigation risks, and so consider that we have set aside sufficient provisions to cover all current litigation risks.

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

11.6 OTHER RISKS

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 use of resources.

Even in the event of further price increases, for example in the energy sector, we are therefore well equipped to maintain our position on a competitive market.

11.7 STRATEGIC RISKS AND RISK SITUATION OF THE GROUP

The active rehabilitation clinics were sold off during this reporting year. Therefore, there are no remaining risks from the operations of these companies. The property assets used by the rehabilitation clinics and included in the balance sheet prior to the sale were not included in the sale. This relates to the properties in Zell am Harmersbach and Bad Herrenalb. They have been leased for the next 22 years #to the respective rehabilitation clinics on market-standard terms.

We still intend to dispose of the three redundant rehabilitation properties in Reinerzau, Bad Oeynhausen and Blankenburg, which are carried at an aggregate amount of EUR 7.4 million (previous year: EUR 12.6 million). The write-down of EUR 4.9 million was recognised because we must assume, after having made several efforts to sell, that it will not be possible to recover the original carrying amounts on disposal. A write-down of EUR 2.3 million has also been made for the property at Waldkirch am Kandel (carrying amount: EUR 1.8 million) in light of the expected level of profitability of the location.

We have reorganised the management structure to optimise operational management of the nursing care segment. We defined eight regions for this purpose, each of which is headed by a regional manager. This goes hand in hand with a devolution of decision-making authority and responsibilities to the facilities themselves, which is intended to counter any decline in occupancy rates in our nursing homes.

We are also in the process of increasing the degree of specialisation in age-related illnesses in our facilities in order to better meet demand and to improve occupancy rates in our facilities. Our objective in this area continues to be a very high occupancy level in all our existing care facilities.

There is nevertheless always a risk that occupancy rates in some facilities are temporarily lower than planned. Despite cooperation with the Marienkrankenhaus hospital and the introduction of specialty services, our facility in Angerstrasse in Hamburg has not been as successful as we had hoped. Occupancy has risen from the previous year's average of 70.5 % to 75.9 % in this reporting year. In order to bolster this facility, in the future it will be managed directly by an experienced regional manager. Further efforts are needed to improve marketing and costs so that we can realise planned revenues and earnings. As a result of its persistently poor occupancy rates (2009: 34.3 %; 2010: 37.8 %) we have repositioned our facility Pflegehaus Kreuzberg (formerly Türk Bakim Evi) in Berlin, as an international nursing home. We are working with our other facilities in the Berlin area on special concepts to increase occupancy rates for this home lastingly.

We are not planning on future capacity growth in the inpatient sector, with all the risks that it entails, but rather, if at all, in outpatient nursing care in assisted living.

With regard to the profitability of the Group as a whole, the cost structure and expansion are significant factors. Above-average occupancy in the nursing care segment continues to be our main target, but we know that we need to manage costs more closely in order to avert the above risks to revenues and to ensure that the Group remains profitable in the long-term.

11.8 ACCOUNTING-RELATED INTERNAL CONTROLLING AND RISK MANAGEMENT SYSTEM

Section 315(2) no. 5 of the German Commercial Code (HGB) defines the tasks of an accounting-related internal control system and risk management system as to ensure orderly operating activities, orderly internal and external financial reporting, and compliance with the statutory and other legal regulations applicable to the company.

The Marseille-Kliniken Group has an internal controlling and risk management system for the (Group) financial reporting process with which suitable structures and processes are defined and implemented in organisational terms. This is designed in such a way as to ensure the timely, uniform and correct accounting treatment of all business processes and transactions and to ensure compliance with statutory norms and accounting standards.

Amendments to laws, accounting standards and other pronouncements are continually reviewed for relevance and effects on the consolidated financial statements, and the resulting changes are made to the Group's internal systems.

The internal controlling system is based on defined control mechanisms, e.g. systematic and manual consultation procedures, as well as on the separation of functions and compliance with guidelines and instructions. At Marseille-Kliniken the consolidation and financial reporting process is coordinated by the central departments Group Accounting and Taxes as well as Controlling and Reporting.

A Group company, Datess Gesellschaft für Datendienste GmbH, prepares the individual financial statements for the Group companies and transmits them using a uniform data model across the Group. The interim financial statements for our foreign subsidiary are prepared by an external accountancy firm and transmitted using the same principles. The Group companies are responsible for respecting the processes applicable to the whole Group and for the orderly and timely performance of their accounting processes and systems. The staff involved in the consolidated accounting process receive regular training on the subject.

Central contact persons are also established for the entire accounting process. Measures have been taken as part of the accounting process which are intended to ensure that the consolidated financial statements conform to the applicable rules. The steps serve to identify and assess risks and to limit and monitor the risks identified. For example, significant new contractual relations are systematically recorded and analysed.

Based on the data from the subsidiaries included in the consolidated financial statements, the consolidated accounts are prepared centrally by VDSE Verwaltungsdienstleister sozialer Einrichtungen GmbH (VDSE GmbH), a consolidated subsidiary of Marseille-Kliniken AG. The department Group Accounting and Taxes is responsible for consolidation procedures, coordination as required and the monitoring of deadlines and processes. Systematic controls are monitored by staff and supplemented by manual checks. Authorisation at every level requires at least two signatures. Certain approval procedures must be satisfied throughout the entire accounting process. Marseille-Kliniken AG is responsible for central management tasks; VDSE GmbH is responsible for accounting and consolidation work. Amongst other things this involves consolidating figures, accounting for pension provisions and testing goodwill for impairment and investments. VDSE GmbH is assigned the tasks of administering and monitoring financial instruments, payments, cash investments and Group invoicing.

With financial reporting the risk is that annual and interim financial statements can contain erroneous information which may have a material influence on decisions made by their addressees. Our accounting-related internal control system aims at identifying potential sources of errors and limiting the resulting risks. It extends to the financial reporting for the entire Marseille-Kliniken Group, in order to guarantee with sufficient certainty that the separate and consolidated financial statements are drawn up in accordance with statutory regulations. It should be noted that an internal control system, whatever form it takes, does not provide absolute certainty of avoiding or discovering material accounting misstatements.

The form of the accounting-related internal control system is derived from the organisation of our accounting and financial reporting process. One of the core functions of this process is the management of the whole Group and its operating units. It starts with the targets set by the Management Board of Marseille-Kliniken AG. Based on these and our expectations for operating developments we draw up a mid-term plan once a year. It includes budget figures for the next financial year and estimates for the years thereafter. For current financial years we prepare forecasts linked to the budget. The Management Board of Marseille-Kliniken AG and the decision-makers in the main subsidiaries meet regularly to analyse quarterly and annual financial reports and to update the forecasts.

As part of external financial reporting the members of the Management Board of Marseille-Kliniken AG sign a balance sheet oath and the declaration by the legal representatives of the company. They thereby confirm that the Marseille-Kliniken Group complies with the applicable accounting standards and its own financial reporting guidelines and that the figures give a true and fair view of its asset situation, financial position and profitability.

12 Events after the balance sheet date

There were no significant events after the end of the financial year 2009/2010, with the exception of the points explained here, 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.

The retirement complex in Montabaur has generated high losses over the past financial year, which prompted us to begin sale negotiations. The transfer of business to a new operator took place on 1 October 2010. This means that our results will no longer be weighed down by the facility in the future. If other facilities which, like Montabaur, we have owned for a long time but are continuing to generate sustained losses despite marketing efforts, we must seek to find a solution for these facilities in good time.

In the first months of the financial year 2010/2011 we have begun to restructure the Group's equity and liabilities. We are planning to issue a corporate bond for at least EUR 10 million in order to carry out modernisation work in our facilities, to finance growth in the assisted living division and to increase our independence from bank financing. The company has taken all the steps necessary to be able to complete this funding transaction in the second quarter of the financial year 2010/2011.

Furthermore, the Management Board has decided to table a proposal at the Annual General Meeting to create authorised capital in order to carry out a capital increase of up to 30 %. Subject to the approval of the Supervisory Board, this could take place in the third quarter of the financial year 2010/2011. The main shareholder has indicated its willingness to take up its pro rata share of this capital increase. Further measures will follow to ensure a balance between short, medium and long-term funding.

13 Remuneration report

The remuneration of Management Board members is made up of fixed and variable components (salary plus bonus). The variable remuneration components are performance-related.

Total remuneration of the Management Board members in the financial year 2009/2010 is shown in the notes to the separate and consolidated financial statements.

14 Corporate governance – declaration of compliance, Management Board report on related-party transactions, disclosures in accordance with § 315[4] HGB

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 2009/2010. In accordance with § 313 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 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)

Subscribed capital
The company's fully paid in share capital comes to EUR 31,100,000.00 as of 30 June 2010. It is divided into 24,300,000 no-par-value common shares (before share split: 12,150,000), each notionally representing EUR 1.28 of share capital (before share split: EUR 2.56). The share split has not yet been implemented on the stock market.

Direct or indirect equity investments
Equity investments (including indirect or attributed shareholdings pursuant to §§ 21, 22 German Securities Trading Act [WpHG]), which exceed 10 % of the company's voting rights are held by the Marseille family.

Holders of shares with special rights
There are no shares with special rights.

Type of voting control in the event that employees hold shares in the company
No employees hold shares in the company.

Statutory regulations and provisions of the articles of association on appointing and dismissing members of the Management Board and on amending the articles of association
Members of the Management Board are appointed and dismissed in accordance with §§ 84, 85 of the German Companies Act (AktG). The articles of association are amended in accordance with §§ 133, 179 of the German Companies Act (AktG). Provisions in the company's articles of association relating to these matters can be found in the articles of association.

Authorisation of the Management Board to issue and buy back shares
At the Annual General Meeting held on 18 December 2009, the authorisation of the Management Board granted at the Annual General Meeting held on 12 December 2008 to buy treasury shares was withdrawn and a new authorisation issued. The authorisation is valid until 18 December 2014 and is limited to a maximum of 10 % of current share capital. The authorisation was made so that the company could act quickly, flexibly and cost-effectively when buying companies or investing in companies.

Composition of subscribed capital
The Annual General Meeting on 12 December 2008 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 to 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. The Management Board and Supervisory Board are to put a proposal to the forthcoming Annual General Meeting to withdraw this share split.

As of 30 June 2010, the subscribed capital of Marseille-Kliniken AG amounted to EUR 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/Chairman of the Management Board (until/as from 5 March 2010) Mr Ulrich Marseille and his wife Estella-Maria Marseille hold approximately 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 the company and the German Federal Financial Supervisory Authority (BaFin) of this change in holding. 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 wording. 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 contributions in kind in one or more tranches up to a total of EUR 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 18 December 2009, 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 5 years until 18 December 2014 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 the

period after this time when the shares are held. Purchases made for the purpose of trading in the 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, including by Group companies or by third parties acting on behalf of the company or on their own behalf. 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 not be reduced and that instead, the proportion of other shares be increased 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 for instance 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.

15 Forecast

The effects for the global financial and economic crisis in Germany now appear for the most part to have been overcome. Germany is currently the engine of growth for the European economy. Economic output is forecast to rise by 3.5 % in the year 2010. Domestic demand is increasingly supplanting exports as the driver of growth. Capital expenditure is making a strong contribution to the expansion.
The robust labour market and even an improvement in employment prospects are bolstering consumer spending. For 2011 the leading economic research institutes are assuming that the German economy will follow the global business cycle and expand by an estimated 2.1 per cent. The labour market is expected to see positive developments as well, with the number of unemployed falling below the three-million mark for the first time in nearly twenty years.

However, the sustained stability of the banking sector will play a decisive role in the further development of the economy. In particular, the banks' lending policies must stabilise. The burden on companies is being eased by the current low level of inflationary pressure and the ECB's policy of low interest rates.

As a result of further demographic development, the nursing care market is mostly unaffected by these general economic conditions. An ageing population is ensuring growing demand for inpatient care facilities. In the formerly West German states, however, this demand is nevertheless currently offset by overcapacities created in recent years. This has led to significant competitive pressure to find occupants for nursing homes. Thanks to its orientation towards the „new", or eastern German, federal states, our company is affected only slightly by this trend. By contrast we expect the pressure to consolidate to continue to rise, partly due to stricter quality controls by the authorities and partly to the introduction of the minimum wage. Many operators without the efficient systems required will only be able to meet these standards by adding significantly to their structural and personnel costs. In the past, many operators failed to pay minimum wages for their staff at the levels which have now been stipulated. According to the economic research institute RWI (Rheinisch-Westfälisches Institut für Wirtschaftsforschung), assuming an average after-tax result amounting to 2 % of revenues, these higher costs 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.

For the financial year 2010/2011 we anticipate Group EBIT to increase to EUR 6.8 million. Both the ended financial year 2009/2010 and the coming financial year 2010/2011 bear the marks of substantial restructuring in both personnel and other operating costs. We anticipate cost savings totalling around EUR 10.0 million, but they will not take full effect until financial year 2011/2012. For financial year 2011/2012 the Group anticipates an EBIT of around EUR 13.0 million. Revenue and earnings trends in the first three months of the financial year 2010/2011 confirm our expectations.

For Marseille-Kliniken AG we are expecting revenues to stay the same as in the previous year in both the 2010/2011 and the 2011/2012 financial years, together with significant earnings improvement without any severe non-recurring effects.

Following the sale of the rehabilitation facilities in the last business year, the strategic focus for the current financial year will be on optimising our core nursing care business and the restructuring of our finance.

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

Berlin, Germany, 26 November 2010

The Management Board

Consolidated financial statements

Financial statements of the parent company

Consolidated income statement

of Marseille-Kliniken AG

€ '000	Note	Total 2009 | 2010	Total 2008 | 2009	Continuing operations 2009 | 2010	Continuing operations 2008 | 2009	Discontinued operations 2009 | 2010	Discontinued operations 2008 | 2009
Revenues	5.1	240,742	235,535	193,152	182,307	47,590	53,228
Other operating income	5.2	12,044	10,444	10,812	8,401	1,232	2,043
Total revenues		**252,786**	**245,979**	**203,964**	**190,708**	**48,822**	**55,271**
Cost of materials	5.3	30,293	32,451	21,627	23,112	11,903	13,356
Personnel expenses	5.4	131,441	124,398	108,488	97,481	17,371	20,166
Other operating income	5.5	21,648	10,446	20,975	8,869	673	1,577
Other operating expenses	5.6	84,890	84,334	71,983	67,801	15,252	19,267
Other taxes	5.9	342	1,154	323	1,074	19	80
Earnings from operating activities		**– 15,828**	**– 6,804**	**– 19,432**	**– 7,629**	**3,604**	**825**
Gain from the disposal of the rehabilitation activities	2.1.3	20,080	0	0	0	20,080	0
Financial income	5.8	1,035	1,137	1,028	1,115	7	22
Financial expenses	5.8	4,653	6,400	4,557	6,315	96	85
Financial result		– 3,618	– 5,263	– 3,529	– 5,200	– 89	– 63
Earnings before taxes		**634**	**– 12,067**	**– 22,961**	**– 12,829**	**23,595**	**762**
Taxes on income and earnings	5.9	– 26	1,529	– 773	1,162	747	367
Group result attributable to shareholders of Marseille-Kliniken AG		**660**	**– 13,596**	**– 22,188**	**– 13,991**	**22,848**	**395**
Minority interests	5.11	– 96	83	48	206	– 144	– 123
Group net profit/loss		**564**	**– 13,513**	**– 22,140**	**– 13,785**	**22,704**	**272**
Basic earnings per share (in €)							
on the basis of 24,300,000 share certificates[1]		0.02	– 0.56	– 0.92	– 0.57	0.94	0.01
on the basis 12,150,000 share certificates		0.05	– 1.12	– 1.84	– 1.14	1.89	0.02

[1] *Based on the share split agreed at the Annual General Meeting on 12 December 2008 and entered in the Commercial Register but not yet implemented by the stock exchange.*

Consolidated statement of comprehensive income

of Marseille-Kliniken AG

€ '000	Total 7/1/2009 to 6/30/2010	Total 7/1/2008 to 6/30/2009	Continuing operations 7/1/2009 to 6/30/2010	Continuing operations 7/1/2008 to 6/30/2009	Discontinued operations 7/1/2009 to 6/30/2010	Discontinued operations 7/1/2008 to 6/30/2009
Earnings after taxes	**660**	**– 13,596**	**– 22,188**	**– 13,991**	**22,848**	**395**
Cash flow hedges:						
Losses reclassified to profit and loss	272	0	272	0	0	0
Fair value of derivative financial instruments	– 706	– 434	– 706	– 434	0	0
Taxes on expenses and income recognised directly in equity	68	69	68	69	0	0
Currency translation	5	0	5	0	0	0
Expenses and income recognised directly in equity	**– 361**	**– 365**	**– 361**	**– 365**	**0**	**0**
Total	**299**	**– 13,961**	**– 22,549**	**– 14,356**	**22,848**	**395**
Minority interests	– 96	83	48	206	– 144	– 123
Interests held by Marseille-Kliniken AG shareholders	**203**	**– 13,878**	**– 22,501**	**– 14,150**	**22,704**	**272**

Consolidated cash flow statement

of Marseille-Kliniken AG

€ '000	7/1/2009 to 6/30/2010	7/1/2008 to 6/30/2009
Cash flow from operating activities		
Earnings from operating activities	**– 15,828**	**– 6,804**
Proceeds from the disposal of assets (profit/loss)	– 1,652	171
Depreciation and amortisation	21,648	10,446
Other non-cash income and expenses	1,061	1,869
Increase/decrease (+/-) in inventories	335	– 200
Increase/decrease (+/-) in pension provisions	809	– 533
Increase/decrease (+/-) in current provisions	9,048	– 2,322
Taxes on income	– 4,159	– 2,044
Change in net current assets	– 4,862	6,730
Cash flow from operating activities	**6,400**	**7,313**
There of:		
continuing operations	3,519	**6,361**
discontinued operations	2,881	**952**
Cash flow from investing activities		
Outflows from asset investments		
Intangible assets	– 1,786	– 2,052
Property, plant and equipment	– 16,654	– 4,253
Financial assets	– 239	– 274
Inflows from asset disposals		
Intangible assets	0	5,606
Property, plant and equipment	16,480	472
Financial assets	0	113
Inflows from the disposal of consolidated companies less outflow of cash and cash equivalents	22,641	0
Cash flow from investing activities	**20,442**	**– 388**
There of:		
continuing operations	**– 1,837**	**1,050**
discontinued operations	**22,279**	**– 1,438**
Cash flow from financing activities		
Increase in short-term financial liabilities	15,680	1,852
Increase in medium and long-term bank liabilities	2,544	2,036
Decrease in short-term financial liabilities by means of redemption	– 38,323	– 4,540
Repayment of finance leasing	– 2,078	– 1,655
Interest charged on loans	– 3,339	– 6,107
Interest charged for finance leases	– 651	– 652
Interest received	450	751
Inflows from disposal of treasury shares	0	572
Outflows from purchase of treasury shares	0	– 594
Other changes from financing activities	0	– 3,016
Dividend payment	0	– 354
Other changes from financing activities		
Cash flow from financing activities	**– 25,717**	**– 11,707**
There of:		
continuing operations	**– 25,557**	**– 11,578**
discontinued operations	**– 160**	**– 129**
Net increase/decrease in cash and cash equivalents	**1,125**	**– 4,782**
Increase/decrease in cash and cash equivalents	1,125	– 4,782
Effects from changes in the group of consolidated companies	– 652	– 20
Cash and cash equivalents at beginning of financial year	9,631	14,433
Cash and cash equivalents at end of financial year	**10,104**	**9,631**
of which cash in hand, bank balances	10,104	9,631

Consolidated balance sheet

of Marseille-Kliniken AG as of 30 June 2010

€ '000	Note	06/30/2010	06/30/2009
ASSETS			
Non-current assets			
Intangible assets	4.1.1 | 4.1.2	33,665	32,824
Property, plant and equipment	4.1.3	124,168	142,682
Other financial assets	4.1.5	8,577	3,591
Deferred tax assets	4.1.6	895	836
		167,305	**179,933**
Current assets			
Inventories	4.1.7	1,153	4,971
Trade receivables	4.1.8	9,260	15,554
Other receivables	4.1.9	6,993	12,960
Tax receivables	4.1.10	3,327	3,541
Cash and cash equivalents	4.1.11	10,104	9,631
		30,837	**46,658**
Non-current assets held for sale		**198,142**	**226,591**
EQUITY AND LIABILITIES			
Equity			
Subscribed capital	4.2.1	31,100	31,100
Capital reserve	4.2.1	0	15,635
Revenue reserve	4.2.1	627	627
Treasury stock	4.2.1	– 903	– 903
Changes in equity without effect on income	4.2.1	– 731	– 366
Currency translation differences	4.2.1	5	0
Consolidated loss	5.12	– 5,733	– 21,932
Minority interests	4.2.1	573	1,032
		24,938	**25,195**
Non-current liabilities			
Deferred investment grants	4.2.2	42,993	44,428
Non-current financial debt	4.2.3	44,593	48,508
Pension obligations	4.2.4	14,268	16,364
Deferred tax liabilities	4.2.5	6,357	9,174
Other non-current liabilities	4.2.6	0	272
		108,211	**118,746**
Current liabilities			
Current financial liabilities	4.2.3	17,881	35,464
Other provisions	4.2.7	19,518	11,689
Trade payables	4.2.8	8,256	13,843
Current tax liabilities	4.2.9	4,833	7,451
Other current liabilities	4.2.10	14,505	14,204
		64,993	**82,651**
Total equity and liabilities		**198,142**	**226,591**

Changes in consolidated assets

of Marseille-Kliniken AG as at 6/30/2009

	Historical and production costs						
€	1 July 2008 after adjustment	Additions	Adjustments in line with IAS 8	Reclassifications	Disposals from deconsolidation	Disposals	30 June 2009
I. Intangible assets							
1. Concessions	1,745,005.28	1,178,100.00	0.00	0.00	0.00	0.00	2,923,105.28
2. Software	10,864,988.22	831,342.74	0.00	294,777.23	81,764.33	0.00	11,909,343.86
3. Goodwill	28,316,532.01	184,025.00	0.00	0.00	0.00	0.00	28,500,557.01
4. Payments made on account	35,789.92	134,836.85	0.00	0.00	0.00	0.00	170,626.77
	40,962,315.43	**2,328,304.59**	**0.00**	**294,777.23**	**81,764.33**	**0.00**	**43,503,632.92**
II. Property, plant and equipment							
1. Land, leasehold rights and buildings including buildings on third-party land	173,510,622.86	1,188,258.52	0.00	1,049,743.16	0.00	457,161.37	175,291,463.17
2. Technical equipment and machinery	2,673,779.73	72,765.80	0.00	0.00	0.00	0.50	2,746,545.03
3. Other plant, operating and office equipment	50,955,869.88	3,041,354.80	0.00	616,530.10	21,928.02	396,523.64	54,195,303.12
4. Finance leases for operating and office equipment	4,430,688.89	3,477,224.82	0.00	0.00	0.00	0.00	7,907,913.71
5. Deposits paid and assets under construction	5,422,333.30	2,347,867.09	0.00	– 3,226,395.23	0.00	164,052.48	4,379,752.68
	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**
III. Other financial assets							
1. Equity investments	136,012.58	36.41	0.00	0.00	0.00	0.00	136,048.99
2. Pension reinsurance	2,102,406.74	36,824.98	0.00	0.00	0.00	112,918.05	2,026,313.67
3. Other securities	0.00	0.00	0.00	188,000.00	0.00	0.00	188,000.00
4. Other lending	1,048,500.69	237,477.84	0.00	0.00	0.00	0.00	1,285,978.53
	3,286,920.01	**274,339.23**	**0.00**	**188,000.00**	**0.00**	**112,918.05**	**3,636,341.19**
Total	**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**

	Accumulated depreciation and amortisation						Carrying amounts	Carrying amounts
	1 July 2008	Additions	Reclassifications	Disposals from deconsolidation	Disposals	30 June 2009	30 June 2009	30 June 2008
	1,150,862.92	404,661.52	0.00	0.00	0.00	1,555,524.44	1,367,580.84	594,142.36
	6,956,987.91	1,937,652.02	0.00	73,278.33	0.00	8,821,361.60	3,087,982.26	3,908,000.31
	303,000.00	0.00	0.00	0.00	0.00	303,000.00	28,197,557.01	28,013,532.01
	0.00	0.00	0.00	0.00	0.00	0.00	170,626.77	35,789.92
	8,410,850.83	**2,342,313.54**	**0.00**	**73,278.33**	**0.00**	**10,679,886.04**	**32,823,746.88**	**32,551,464.60**
	52,688,917.88	3,724,490.83	0.00	0.00	207,536.16	56,205,872.55	119,085,590.62	120,821,704.98
	2,304,616.66	95,943.87	0.00	0.00	0.50	2,400,560.03	345,985.00	369,163.07
	37,800,189.34	2,294,795.10	0.00	10,964.02	167,317.12	39,916,703.30	14,278,599.82	13,155,680.54
	1,040,753.46	1,761,639.48	0.00	0.00	0.00	2,802,392.94	5,105,520.77	3,389,935.43
	331,411.33	182,040.51	0.00	0.00	0.00	513,451.84	3,866,300.84	5,090,921.97
	94,165,888.67	**8,058,909.79**	**0.00**	**10,964.02**	**374,853.78**	**101,838,980.66**	**142,681,997.05**	**142,827,405.99**
	0.00	45,000.00	0.00	0.00	0.00	45,000.00	91,048.99	136,012.58
	0.00	0.00	0.00	0.00	0.00	0.00	2,026,313.67	2,102,406.74
	0.00	0.00	0.00	0.00	0.00	0.00	188,000.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	1,285,978.53	1,048,500.69
	0.00	**45,000.00**	**0.00**	**0.00**	**0.00**	**45,000.00**	**3,591,341.19**	**3,286,920.01**
	102,576,739.50	**10,446,223.33**	**0.00**	**84,242.35**	**374,853.78**	**112,563,866.70**	**179,097,085.12**	**178,665,790.60**

Changes in consolidated assets

of Marseille-Kliniken AG as at 6/30/2010

	Historical and production costs						
€	1 July 2009	Additions	Additions from first time consolidation	Reclassifications	Disposals from deconsolidation	Disposals	30 June 2010
I. Intangible assets							
1. Consessions	2,923,105.28	1,428,000.00	0.00	0.00	1,262.38	0.00	4,349,842.90
2. Software	11,909,343.86	523,474.64	0.00	181,546.07	815,714.17	126,004.26	11,672,646.14
3. Intangible licence (licensing agreement)	0.00	0.00	3,571,669.02	0.00	0.00	0.00	3,571,669.02
4. Customer base	0.00	0.00	644,442.42	0.00	0.00	0.00	644,442.42
5. Goodwill	28,500,557.01	0.00	2,386,186.88	0.00	2,366,014.82	0.00	28,520,729.07
6. Payments on account	170,626.77	0.00	0.00	– 170,626.77	0.00	0.00	0.00
	43,503,632.92	**1,951,474.64**	**6,602,298.32**	**10,919.30**	**3,182,991.37**	**126,004.26**	**48,759,329.55**
II. Property, plant and equipment							
1. Land, leasehold rights and buildings including buildings on third-party land	175,291,463.17	118,607.61	0.00	– 12,196,673.94	40,307.43	0.00	163,173,089.41
2. Technical equipment and machinery	2,746,545.03	5,009.90	0.00	0.00	1,171,294.06	936,746.83	643,514.04
3. Other plant, operating and office equipment	54,195,303.12	1,081,484.29	10,145.52	274,541.37	16,161,396.08	3,029,527.98	36,370,550.24
4. Finance leases for operating and office equipment	7,907,913.71	2,176,731.71	0.00	0.00	735,515.05	507,798.54	8,841,331.83
5. Deposits paid and assets under construction	4,379,752.68	3,813,034.37	0.00	– 1,100,561.47	26,763.58	760,145.14	6,305,316.86
	244,520,977.71	**7,194,867.88**	**10,145.52**	**– 13,022,694.04**	**18,135,276.20**	**5,234,218.49**	**215,333,802.38**
III. Other financial assets							
1. Equity investments	136,048.99	0.00	0.00	0.00	3,600.00	0.00	132,448.99
2. Asset-side pension obligations	2,026,313.67	0.00	0.00	0.00	541,847.94	495,151.18	989,314.55
3. Other securities	188,000.00	0.00	0.00	0.00	0.00	0.00	188,000.00
4. Other lending	1,285,978.53	238,803.03	410.00	180,000.00	606.80	91,295.62	1,613,289.14
5. Receivables from finance leases	0.00	0.00	0.00	13,011,774.74	0.00	0.00	13,011,774.74
	3,636,341.19	**238,803.03**	**410.00**	**13,191,774.74**	**546,054.74**	**586,446.80**	**15,934,827.42**
Total	**291,660,951.82**	**9,385,145.55**	**6,612,853.84**	**180,000.00**	**21,864,322.31**	**5,946,669.55**	**280,027,959.35**

Accumulated depreciation and amortisation							Carrying amounts	Carrying amounts
1 July 2009	Additions	Additions from first time consolidation	Reclassifications	Disposals from deconsolidation	Disposals	30 June 2010	30 June 2010	30 June 2009
1,555,524.44	2,487,161.52	0.00	0.00	1,261.87	0.00	4,041,424.09	308,418.81	1,367,580.84
8,821,361.60	1,536,420.75	0.00	0.00	709,235.88	92,985.45	9,555,561.02	2,117,085.12	3,087,982.26
0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,571,669.02	0.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	644,442.42	0.00
303,000.00	1,194,481.25	0.00	0.00	0.00	0.00	1,497,481.25	27,023,247.82	28,197,557.01
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	170,626.77
10,679,886.04	**5,218,063.52**	0.00	**0.00**	**710,497.75**	**92,985.45**	**15,094,466.36**	**33,664,863.19**	**32,823,746.88**
56,205,872.55	11,696,015.94	0.00	– 7,312,658.22	5,381.40	0.00	60,583,848.87	102,589,240.54	119,085,590.62
2,400,560.03	82,818.19	0.00	0.00	1,042,873.11	936,746.83	503,758.28	139,755.76	345,985.00
39,916,703.30	2,546,584.23	0.00	0.00	13,825,343.89	3,164,724.62	25,473,219.02	10,897,331.22	14,278,599.82
2,802,392.94	2,104,871.17	0.00	0.00	246,077.65	56,440.43	4,604,746.03	4,236,585.81	5,105,520.77
513,451.84	0.00	0.00	0.00	0.00	513,451.84	0.00	6,305,316.86	3,866,300.84
101,838,980.66	**16,430,289.53**	0.00	**– 7,312,658,22**	**15,119,676.05**	**4,671,363.72**	**91,165,572.20**	**124,168,230.19**	**142,681,997.05**
45,000.00	0.00	0.00	0.00	0.00	0.00	45,000.00	87,448.99	91,048.99
0.00	0.00	0.00	0.00	0.00	0.00	0.00	989,314.55	2,026,313.67
0.00	0.00	0.00	0.00	0.00	0.00	0.00	188,000.00	188,000.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,613,289.14	1,285,978.53
0.00	0.00	0.00	7,312,658.22	0.00	0.00	7,312,658.22	5,699,116.52	0.00
45,000.00	0.00	0.00	**7,312,658.22**	0.00	0.00	**7,357,658.22**	**8,577,169.20**	**3,591,341.19**
112,563,866.70	**21,648,353.05**	0.00	**0.00**	**15,830,173.80**	**4,764,349.17**	**113,617,696.78**	**166,410,262.58**	**179,097,085.12**

Consolidated statement of changes in equity

of Marseille-Kliniken AG for the period 07/01/2009 to 06/30/2010 and previous year

7/1/2008-6/30/2009 € '000	Parent company Subscribed capital	Capital reserve	Revenue reserve	Treasury stock
Balance as at 07/01/2008	**31,100**	**15,898**	**627**	**– 881**
Purchase of treasury stock	0	0	0	– 594
Sale of treasury stock	0	– 263	0	572
Dividend payment	0	0	0	0
Change in basis of consolidation	0	0	0	0
Other changes	0	0	0	0
Earnings in the period	0	0	0	0
Balance as at 06/30/2009	**31,100**	**15,635**	**627**	**– 903**

7/1/2009-6/30/2010 € '000	Parent company Subscribed capital	Capital reserve	Revenue reserve	Treasury stock
Balance as at 7/1/2009	**31,100**	**15,635**	**627**	**– 903**
Purchase of treasury stock	0	0	0	0
Sale of treasury stock	0	0	0	0
Dividend payment	0	0	0	0
Release from the capital reserve	0	– 15,635	0	0
Change in basis of consolidation	0	0	0	0
Earnings in the period	0	0	0	0
Balance as at 6/30/2010	**31,100**	**0**	**627**	**– 903**

Parent company				Minority shareholders	Group
Time valuation reserve	Currency translation differences	Consolidated loss	Shares Marseille-Kliniken AG	Minority interests	Total equity
0	**0**	**– 4,660**	**42,085**	**459**	**42,544**
0	0	0	– 594	0	– 594
0	0	0	– 309	0	309
0	0	– 3,016	– 3,016	0	– 3,016
0	0	– 673	– 673	656	– 17
0	0	– 70	– 70	0	– 70
– 366	0	– 13,513	– 13,878	– 83	– 13,961
– 366	**0**	**– 21,932**	**24,162**	**1,032**	**25,195**

Parent company				Minority shareholders	Group
Time valuation reserve	Currency translation differences	Consolidated loss	Shares Marseille-Kliniken AG	Minority interests	Total equity
– 366	**0**	**– 21,932**	**24,162**	**1,032**	**25,195**
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	15,635	0	0	0
0	0	0	0	– 556	– 556
– 365	5	564	203	96	299
– 731	**5**	**– 5,733**	**24,366**	**573**	**24,938**

IMPORTANT KEY FIGURES

25,900,772 €

EBITDA

4,252,418 €

EBIT

240,742,214 €

SALES

Income statement

Marseille-Kliniken AG for the year 2009 | 2010 and previous year

€	2009 | 2010	2009 | 2010	2008 | 2009
Revenues		15,928,531.75	16,890,644.77
Other operating income		29,201,730.75	24,901,955.79
Purchases			
a) Raw materials and consumables used	– 1,342,484.91		– 2,191,543.31
b) Cost of purchesed services	– 2,666,441.30		– 3,275,497.38
		– 4,008,926.21	**– 5,467,040.69**
Personnel expenses			
a) Salaries and wages	– 7,851,034.63		– 7,891,151.52
b) Expenditure for old-age pension and support	– 3,234,001.45		– 1,612,472.89
of which for old-age pension:	*1,900,824.36*		*253,866.43*
		– 11,085,036.08	**– 9,503,624.41**
Depreciation and amortisation			
a) on intangible assets and property, plant and equipment		– 3,497,606.54	– 825,259.12
b) on current assets		– 18,681,642.13	– 2,481,902.29
Other operating expense		– 35,861,599.58	– 33,535,097.37
Income from profit transfer agreement		17,949,658.06	15,661,409.16
Income from investments		3,613.00	971,794.62
of which affiliated companies:	*0.00*		*968,143.42*
Interest income		4,581,373.24	4,574,918.50
of which affiliated companies:	*3,879,706.59*		*3,897,107.47*
Impairment of financial assets and securities under current assets		– 5,234,288.37	– 365,333.11
Expenses from transfer of losses		– 1,498,698.20	– 5,234,294.07
Other interest and similar expense		– 4,737,360.84	– 5,291,889.11
of which affiliated companies:	*– 2,374,045.24*		*– 1,627,067.80*
Earnings before taxes (EBIT)		**– 16,940,251.15**	**296,282.67**
Income tax expenses		– 574,171.64	– 1,973,943.16
Other taxes		– 47,870.72	– 418,283.85
Loss		**– 17,562,293.51**	**– 2,095,944.34**
Accumulated income		1,319,735.72	6,352,103.81
Withdrawal from reserve for treasury stock		15,887,038.24	
Release from the capital reserve		44,383.50	79,442.50
Distribution of profit		0.00	– 3,015,866.25
Net loss (previous year: retained earnings)		**– 311,136.05**	**1,319,735.72**

Balance sheet

Marseille-Kliniken AG as at 6/30/2010

€	6/30/2010	6/30/2010	6/30/2009
ASSETS			
A. Non-current assets			
I. Intangible assets			
1. Franchises, industrial property rights and similar rights and assets, including licences to such rights and assets	283,130.91		1,284,296.34
		283,130.91	**1,284,296.34**
II. Property, plant and equipment			
1. Real estate	19,361,949.81		17,387,673.51
2. Technical plant and machinery	314.30		360.29
3. Furniture and office equipment	586,209.24		700,042.68
4. Deposits paid and construction in progress	4,156,298.78		423,291.80
		24,104,772.13	**18,511,368.28**
III. Financial assets			
1. Shares in affiliated companies	76,515,948.13		77,641,957.80
2. Investments	65,947.99		65,947.99
3. Non-current securities	188,000.00		188,000.00
		76,769,896.12	**77,895,905.79**
B. Current assets			
I. Inventories			
1. Raw materials and supplies	49,986.16		56,873.03
		49,986.16	**56,873.03**
II. Receivables and current assets			
1. Trade accounts receivable	795,301.19		858,475.92
2. Trade accounts receivable (affiliated companies)	55,286,389.15		77,254,100.22
3. Other receivables	7,047,134.03		13,041,159.79
		63,128,824.37	**91,153,735.93**
III. Stocks		**441,721.50**	**486,105.00**
IV. Cash and short-term deposits		**4,425,585.22**	**3,156,845.12**
C. Deffered expenses and accrued income		**66,527.61**	**50,024.14**
		169,270,444.02	**192,595,153.63**

€	6/30/2010	6/30/2010	6/30/2009
EQUITY & LIABILITIES			
A. Equity			
1. Subscribed capital	31,100,000.00		31,100,000.00
2. Capital reserve	0.00		15,887,038.24
3. Revenue reserve	648,794.71		693,178.21
4. Net loss (previous year: retained earnings)	– 311,136.05		1,319,735.72
		31,437,658.66	**48,999,952.17**
B. SPECIAL ITEM FOR INVESTMENT GRANTS FOR PROPERTIES AND BUILDINGS AS PER OFFICIAL SUBSIDY NOTES		**1,849,598.42**	**1,907,373.50**
C. SPECIAL RESERVE WITH AN EQUITY PORTION		0.00	350,000.00
D. PROVISIONS AND ACCRUALS			
1. Accrual for pensions	2,053,056.00		471,023.00
2. Provisions for taxation	5,404,084.87		7,898,251.19
3. Other provisions	4,068,153.76		2,770,078.32
		11,525,294.63	**11,139,352.51**
E. LIABILITIES			
1. Bank debts	28,175,324.79		46,786,064.72
2. Trade payables	1,616,672.85		2,209,812.66
3. Trade payables (affiliated companies)	89,346,814.97		77,618,372.90
4. Other liabilities	4,962,783.68		3,123,801.91
of which taxes	*279,674.67*		*213,982.26*
of which social security	*188,407.46*		*135,970.06*
		124,101,596.29	**129,738,052.19**
F. DEFERRED INCOME AND ACCRUED EXPENSES		**356,296.02**	**460,423.26**
		169,270,444.02	**192,595,153.63**

Notes to the consolidated financial statements

1 *Information about the company*

The consolidated financial statements for the financial year from 1 July 2009 to 30 June 2010 will be approved for publication on 29 November 2010 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, nursing care facilities, residential homes for the elderly, service companies in the social and charitable field as well as 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.

2 *Accounting and valuation principles*

2.1 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 are valued at fair value. The adjustment of carrying amounts of assets and liabilities included in the balance sheet which constitute the underlying transactions within the scope of hedging the fair value is carried out based on 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 (EUR '000) or as EUR million. Rounding differences amounting to EUR '000 +/- 1 can occur.

2.1.1 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, consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes.

2.1.2 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. With the exception of three subsidiaries (Allgemeine Ansgar Pflegedienste GmbH, Marseille-Klinken AG (Switzerland) and Alstersee 124. VV GmbH), all annual financial statements for consolidated companies are prepared to the reporting date of Marseille-Kliniken AG of 30 June 2010 in accordance with International Accounting Standard (IAS) 27.28 and using the same accounting and measurement principles as the parent company. Interim financial statements as of 30 June 2010 are prepared for these companies.

As of 30 June 2010, there were 124 (previous year: 133) companies included in the Group. Three companies were consolidated for the first time, and twelve were deconsolidated.

The consolidated financial statements include all subsidiaries in which Marseille-Kliniken AG has 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 convertible 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, liabilities and contingent 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 statement of comprehensive income 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 statement of comprehensive income as from the effective acquisition date or up until the effective disposal date. Companies set up during the respective 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.

2.1.3 Group companies

As of 30 June 2009, Marseille-Kliniken AG and all of the following 124 (previous year: 133) subsidiaries were included in the consolidated financial statements:

	Share in %
Senioren-Wohnpark Langen GmbH, Langen	100
Senioren-Wohnpark Lemwerder GmbH, Lemwerder	100
Astor Park Wohnanlage Langen GmbH, Langen	100
Senioren-Wohnpark Hennigsdorf GmbH, Hennigsdorf	100
Senioren-Wohnpark Radensleben GmbH, Radensleben	100
Senioren-Wohnpark Neuruppin GmbH, Neuruppin	100
„Senioren-Wohnpark Treuenbrietzen GmbH“, Treuenbrietzen	100
Senioren-Wohnpark Erkner GmbH, Erkner	100
Senioren-Wohnpark Tangerhütte GmbH, Tangerhütte	100
Senioren-Wohnpark Kyritz GmbH, Kyritz	100
Senioren-Wohnpark Thale GmbH, Thale	100
Senioren-Wohnpark Wolmirstedt GmbH, Wolmirstedt	100
„Senioren-Wohnpark Aschersleben GmbH“, Aschersleben	100
Senioren-Wohnpark Coswig GmbH, Coswig	100
Senioren-Wohnpark Stützerbach GmbH, Stützerbach	100
Senioren-Wohnpark Schollene GmbH, Schollene	100
Senioren-Wohnpark Bad Langensalza GmbH, Bad Langensalza	100
Senioren-Wohnpark Ballenstedt GmbH, Ballenstedt	100
PRO F&B Gastronomische Dienstleistungsgesellschaft mbH, Hamburg	100
Senioren-Wohnpark Klausa GmbH, Nobitz	100
„Senioren-Wohnpark Friedland GmbH“, Friedland	100
– SWP – Senioren-Wohnpark Klötze GmbH, Klötze	100
Senioren-Wohnpark Leipzig – Am Kirschberg – GmbH, Leipzig	100
SWP soziale Grundbesitzgesellschaft mbH, Hamburg	100
AMARITA Buxtehude GmbH, Buxtehude	100
Pro Work Dienstleistungsgesellschaft mbH, Hamburg	100
Senioren-Wohnpark Cottbus – SWP – GmbH, Cottbus	100
Medina Meerbusch GmbH, Pritzwalk	100
Marseille-Klinik-Delta GmbH, Hamburg	100
Senioren-Wohnpark soziale Altenbetreuung gemeinnützige GmbH, Langen	100
Allgemeine soziale Dienstleistungen gemeinnützige GmbH, Langen	100
Medina soziale Behindertenbetreuung gemeinnützige GmbH, Wolmirstedt	100
MK „Vorrat Nr. 26“ Vermögensverwaltungs GmbH, Berlin	100
„Villa Auenwald“ Seniorenheim GmbH, Böhlitz-Ehrenberg	100
VDSE GmbH – Verwaltungsdienstleister sozialer Einrichtungen Gesellschaft mit beschränkter Haftung, Hamburg	100
PROMINT/Dienstleistungsgruppe Neuruppin GmbH, Neuruppin	100
Senioren-Wohnpark Hennigsdorf – SWP – GmbH, Hennigsdorf	100
SIV Immobilien-Verwaltungsgesellschaft mbH, Hamburg	100
Grundstücksgesellschaft Nikolaus Büren mbH, Hamburg	100
DaTess Gesellschaft für Datendienste mbH, Pritzwalk	100
Alstersee 124. VV GmbH, Hamburg	100
eqs. Privatinstitut für Evaluation und Qualitätssicherung im Gesundheits- und Sozialwesen mbH, Hamburg	100
Marseille-Akademie GmbH, Hamburg	100
Betrium Nr. 29 Vermögensverwaltungs-GmbH, Pritzwalk	100
Senioren-Wohnpark Leipzig „Stadtpalais“ GmbH, Leipzig	100
Senioren-Wohnpark Leipzig „Eutritzscher Markt“ GmbH, Leipzig	100
Senioren-Wohnpark Lichtenberg GmbH, Berlin	100

	Share in %
MVZ Hennigsdorf Medizinisches Versorgungszentrum Am Senioren-Wohnpark Hennigsdorf GmbH, Hennigsdorf	100
Senioren-Wohnpark Landshut GmbH, Landshut	100
AMARITA Datteln GmbH, Datteln	100
AMARITA Hohen Neuendorf GmbH, Hohen Neuendorf	100
Marseille-Kliniken-Beteiligungsgesellschaft Nr. 46 mbH, Pritzwalk	100
Senioren-Wohnpark Bad Oeynhausen GmbH, Pritzwalk	100
Betrium Nr. 49 Vermögensverwaltungs-GmbH, Pritzwalk	100
Senioren-Wohnpark Siekertal GmbH, Pritzwalk	100
Betrium Nr. 52 Vermögensverwaltungs-GmbH, Pritzwalk	100
MobiRent Vermietung GmbH, Pritzwalk	100
Betrium Nr. 55 Vermögensverwaltungs-GmbH, Pritzwalk	100
AMARITA Bremerhaven GmbH, Bremerhaven	100
Pflegehaus Kreuzberg gemeinnützige GmbH (vormals: TÜRK BAKIM EVI Pflegeeinrichtung Berlin-Kreuzberg gemeinnützige GmbH), Berlin	100
Senioren-Wohnpark Meerbusch GmbH, Pritzwalk	100
AMARITA Oldenburg GmbH, Oldenburg	100
Spezial-Pflegeheim Hennigsdorf gemeinnützige GmbH, Hennigsdorf	100
TÜRK GÜNDÜZ BAKIM EVI GmbH, Pritzwalk	100
SFS Dienstleistungs-GmbH, Pritzwalk	100
Senioren-Wohnpark Montabaur GmbH, Montabaur	100
Senioren-Wohnpark Lessingplatz GmbH, Düsseldorf	100
Senioren-Wohnpark Dresden „Am Großen Garten" GmbH, Dresden	100
Senioren-Wohnpark Arnsberg GmbH, Arnsberg	100
Senioren-Wohnpark Büren GmbH, Büren	100
Senioren-Wohnpark Kreuztal-Krombach GmbH, Kreuztal-Krombach	100
Senioren-Wohnpark Lutzerath GmbH, Lutzerath	100
AMARITA Hamburg – Mitte PLUS GmbH, Hamburg	100
Senioren-Wohnpark Oberhausen GmbH (vormals: Atrium Senioren-Wohnstift Nr. 31 GmbH), Pritzwalk	100
Senioren-Wohnpark Düsseldorf-Volksgarten GmbH, Düsseldorf	100
CareAktiv GmbH, Hamburg	100
Logo 7. Grundstücksverwaltungsgesellschaft mbH, Pritzwalk	100
„ProTec Dienstleistungsgesellschaft mbH", Pritzwalk	100
Medina Belzig GmbH, Belzig	100
Marseille Projektgesellschaft „Bremerhaven" mbH, Berlin	100
Allgemeine Dienstleistungsgesellschaft mbH – ADG –, Pritzwalk	100
Marseille-Kliniken AG, Zug, Schweiz	100
AAP – Allgemeine Ansgar Pflegedienste GmbH, Zirchow	100
Karlsruher-Sanatorium-Aktiengesellschaft, Hamburg	93.8 [1)]
Mineralquelle Waldkirch Gesellschaft mit beschränkter Haftung, Hamburg	93.8 [1)]

	Share in %
Mineralquelle Waldkirch Verwertungsgesellschaft mbH, Hamburg	88.5 [1)]
Talhaus „Waldkirch" GmbH & Co. KG, Hamburg	88.5 [1)]
MK „Vorrat Nr. 23" Vermögensverwaltungs GmbH i.L., Pritzwalk	100
MK IT-Entwicklungs GmbH i.L., Hamburg	100
Atrium Senioren-Wohnstift Nr. 34 GmbH i.L., Pritzwalk	100
Collateral Transparency GmbH i.L., Pritzwalk	100
Atrium Senioren-Wohnstift Nr. 32 GmbH i.L., Pritzwalk	100
Atrium Senioren-Wohnstift Nr. 42 GmbH i.L., Pritzwalk	100
Sozialimmobilien „Südharz" GmbH i.L., Wolmirstedt	100
Atrium Senioren-Wohnstift Nr. 24 GmbH i.L., Pritzwalk	100
VSE Vermietungsgesellschaft für soziale Einrichtungen mbH i.L., Hamburg	100
WK Grundstücksverwaltung Nr. 52 GmbH i.L., Pritzwalk	100
WK Grundstücksverwaltung Nr. 54 GmbH i.L., Pritzwalk	100
WK Grundstücksverwaltung Nr. 55 GmbH i.L., Pritzwalk	100
WK Grundstücksverwaltung Nr. 56 GmbH i.L., Pritzwalk	100
WK Grundstücksverwaltung Nr. 57 GmbH i.L., Pritzwalk	100
WK Grundstücksverwaltung Nr. 58 GmbH i.L., Pritzwalk	100
WK Grundstücksverwaltung Nr. 59 GmbH i.L., Pritzwalk	100
WK Grundstücksverwaltung Nr. 50 GmbH i.L., Pritzwalk	100
Betrium Nr. 53 Vermögensverwaltungs-GmbH i.L., Pritzwalk	100
Marseille-Kliniken R.S.A. GmbH i.L., Pritzwalk	100
Betrium Nr. 50 Vermögensverwaltungs-GmbH i.L., Pritzwalk	100
Teufelsbad Residenz Blankenburg GmbH i.L., Blankenburg	100
Betrium Nr. 44 Vermögensverwaltungs-GmbH i.L., Pritzwalk	100
Tessenow Bau- und Vermögensverwaltung Nr. 20 GmbH i.L., Pritzwalk	100
Tessenow Vermögensverwaltungs GmbH i.L., Pritzwalk	100
MHCC – Marseille Health Care Consulting GmbH i.L., Hamburg	100
Senioren-Wohnpark Neuruppin – SWP – GmbH i.L., Neuruppin	100
Cefugium Betriebsmanagement GmbH i.L., Pritzwalk	100
Ausgleich- und Bürgschaftsgesellschaft im Heim- und Pflegewesen mbH i.L., Pritzwalk	100
Betrium Nr. 20 Vermögensverwaltungs-GmbH i.L., Pritzwalk	100
Cetrium Vermögensverwaltungs-GmbH i.L., Hamburg	100
„Senioren-Wohnpark Friedland – SWP – GmbH i.L.", Friedland	100
SCS Standard Computersysteme Entwicklungs-GmbH i.L., Hamburg	100
Marseille-Klinik-Omega GmbH i.L., Hamburg	100
CASA Trainingsstätte und Bildungszentrum für Dienstleister im Gesundheitswesen GmbH i.L. (vormals: CASA Trainingsstätte und Bildungszentrum für Dienstleister im Gesundheitswesen gemeinnützige GmbH), Pritzwalk	100
Senioren-Wohnpark ZES GmbH i.L., Hamburg	100
Senioren-Wohnpark OES GmbH i.L., Hamburg	100

1) Group share after deduction of direct and indirect minority shares

The following companies are also shown as equity investments of Marseille-Kliniken AG, Berlin:

	Share in %	Subscribed capital € '000	Equity 30 June 2010 € '000	Net profit or loss elimination after transfer of profits 2009 | 2010 € '000	2008 | 2009 € '000
SCS Standard Computersysteme AG, Hamburg	1.6	3,211	1,181	301	99
Kurbetriebsgesellschaft Bad Klosterlausnitz mbH, Bad Klosterlausnitz	49.5	52	59	– 60	41

Information regarding 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.

Certain subsidiaries are structured in the form of a „gemeinnützige GmbH" or a charity with limited liability. In order to maintain their tax status these companies may only make distributions under certain conditions. Profits mainly have to be retained and used within a short period of time.

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

As of the balance sheet date of 30 June 2010 there were a total of 54 (previous year: 56) profit and loss transfer agreements between Marseille-Kliniken AG, Berlin, as controlling company and various subsidiaries and 8 (previous year: 8) profit and loss transfer agreements between Marseille-Kliniken-Delta GmbH 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 2009/2010 compared with the group of consolidated companies as of 30 June 2009.

The following companies were acquired or consolidated for the first time in the financial year 2009/2010:

First-time consolidation

As of 1 January 2010, Marseille-Kliniken AG, Zug, Switzerland, was included in the Marseille Group's consolidated entity. The company is a wholly owned subsidiary of Marseille-Kliniken AG, Berlin, and its shares were previously shown under other financial assets (equity investments). The company was included in the consolidation group as it commenced operations at the beginning of the 2010 calendar year. The company's business activities consist of national and international consulting and assistance with the coordination, preparation and implementation of corporate strategies and delivery concepts in health care, organisation and process consulting, the implementation of IT concepts for networked business systems and the conclusion of operating and management contracts with health care institutions. Since it was first consolidated (1 January 2010) the company has generated earnings of EUR 146 thousand.

Alstersee 124. VV GmbH has also been part of the Marseille-Kliniken AG's group of consolidated companies since April 2010. The shares in this company were acquired for EUR 27,500.00 by means of a purchase agreement dated 9 April 2010. The company's share capital amounts to EUR 25,000.00. It was entered in the Commercial Register of the Hamburg district court under HRB 111891 on 22 April 2010. The company's business is the management of its own assets. Up to the reporting date 30 June 2010 the company generated earnings of EUR – 4 thousand.

In addition, AAP-Allgemeine Ansgar Pflegedienste GmbH has been part of the group of consolidated companies since 30 June 2010. The company runs an outpatient nursing service for assisted living in Gera. The company was consolidated for the first time as of 30 June 2010, as this was the date on which 100% of the shares were acquired, having previously been held indirectly by Mr Ulrich Marseille. The purchase price of EUR 6,500 thousand was determined by independent valuation. EUR 5,039 thousand of the purchase price was offset against loans granted to the seller in prior years.

Of the total amount of the purchase price exceeding the net assets acquired, EUR 644 thousand was allocated to the existing customer base, which is being amortised over a remaining useful life of 3.5 years. EUR 3,572 thousand of the purchase price was allocated to an intangible license (licensing agreement), which is amortised over 30 years. The amount remaining after this allocation of the purchase price is recognised as goodwill.

As the company was acquired as of 30 June 2010, no net profit or loss is attributable to the Group for the financial year 2009/2010. According to the purchase agreement, Marseille-Kliniken AG is nevertheless entitled to the profit of EUR 65 thousand earned since 1 January 2010.

The following table shows the assets and liabilities recognised for the first time in the reporting period:

	€ '000	€ '000
Purchase price		**6,500**
Assets		
Intangible assets		**2**
Non-current assets		**10**
Current assets		**327**
Trade receivables	131	
Other assets	174	
Cash and cash equivalents	22	
– Total assets		**339**
Liabilities		
Current liabilities		**372**
Other provisions	33	
Trade payables	161	
Other current liabilities	178	
+ Total liabilities		**372**
= positive difference		**6,533**
there of		
Licensing agreement		**3,572**
Goodwill		**2,317**
Customer base		**644**

Deconsolidation

Disposal of the rehabilitation segment

Shares in nine companies in the rehabilitation segment were sold as of 30 April 2010. The companies sold are listed below:

- Teufelsbad Fachklinik Blankenburg GmbH,
- Algos Fachklinik Bad Klosterlausnitz GmbH,
- REHA-Klinik Sigmund Weil GmbH,
- Sport- und Rehabilitationszentrum Harz GmbH,
- Psychosomatische Fachklinik Gengenbach GmbH,
- Fachklinik für psychische Erkrankungen Ortenau GmbH,
- Psychosomatische Fachklinik Schömberg GmbH,
- Gotthard-Schettler-Klinik GmbH und
- Klinik Bad Herrenalb GmbH.

Of the total purchase price of EUR 33.2 million (gross), EUR 8.7 million was used to repay liabilities due to former rehabilitation companies. The net purchase price of EUR 24.5 million was remitted to the Marseille-Kliniken Group on 30 April 2010 in cash.

The following table shows the assets and liabilities disposed of as a result of the deconsolidation and the calculation of the gain or loss on deconsolidation:

	€ '000	€ '000
Price of sale net		**24,500**
Assets		
Non-current assets		
Intangible assets		**2,472**
Goodwill	2,366	
Software, industrial property rights	106	
Property, plant and equipment		**2,671**
Real estate	33	
Machinery	128	
Furniture and office equipment	1,994	
Finance lease furniture and office equipment	489	
Construction in progress	27	
Financial assets		**542**
Current assets		**8,429**
Inventories	188	
Trade receivables	4,987	
Current tax receivables	424	
Other assets	24	
Cash and cash equivalents	2,806	
– Total assets		**14,114**
Minorities		**556**
Liabilities		
Non-current liabilities		**3,372**
Financial liabilities	497	
Pension obligations	2,760	
Deferred tax	115	
Current liabilities		**6,416**
Financial liabilities	5	
Other provisions	1,687	
Trade payables	1,221	
Current tax liabilities	2,292	
Other current liabilities	1,211	
+ Total liabilities		**9,788**
– Sale contract obligations (maintenance)		**650**
= Profit from deconsolidation		**20,080**

The gain on deconsolidation of the rehabilitation segment is recognised in the income statement under discontinued operations as a gain on disposal of the rehabilitation segment (IFRS 5.33).

Other deconsolidation

An application for insolvency proceedings was submitted on 21 April 2010 for St. Nikolaus Hospital Büren GmbH. The company was deconsolidated along with its subsidiaries MVZ Büren and MVZ

Amarita Hamburg-Mitte in June 2010, as the appointment of an insolvency administrator marked the loss of full economic control as defined in IAS 27.21. Insolvency proceedings were opened on 1 July 2010.

The following table shows the assets and liabilities disposed of as a result of the deconsolidation and the loss on deconsolidation:

	€ '000	€ '000
Assets		
Non-current assets		
Intangible assets		**2**
Property, plant and equipment		**344**
Real estate	2	
Furniture and office equipment	342	
Financial assets		**4**
Current assets		**2,229**
Inventories	45	
Trade receivables	1,121	
Current tax receivables	1	
Other assets	405	
Cash and cash equivalents	657	
– Total assets		**2,579**
Liabilities		
Non-current liabilities		**699**
Pension obligations	145	
Deferred investment grants	282	
Other non-current liabilities	272	
Current liabilities		**1,547**
Other provisions	214	
Trade payables	659	
Current tax liabilities	60	
Other current liabilities	614	
+ Total liabilities		**2,246**
= Loss from deconsolidation		**333**

2.1.4 Currency translation

Functional currency and reporting currency

The items contained in every Group company's financial statements, except for Marseille-Kliniken AG, Zug, Switzerland, 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 the euro (EUR), which is the functional currency of the parent company and simultaneously that of the subsidiaries included in the consolidated financial statements.

The annual financial statements of the subsidiary Marseille-Kliniken AG, Zug, Switzerland, which has a different functional currency from the Group reporting currency, is translated into euro, the reporting currency, as follows:

Assets and liabilities are translated at the rate on the reporting date, income and expenses at the average rate. Equity acquired in foreign subsidiaries that is consolidated for the first time is translated on the reporting date using the historical rate as of the acquisition date. The resulting currency translation differences are recognised directly in equity.

The CHF exchange rate against the euro is shown in the following table:

Currency	Spot rate		Average rate	
in EUR	6/30/2010	12/31/2009	6/30/2010	12/31/2009
1 CHF	1.3303	1.4856	1.3803	1.4836

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 recognised with effect on net income.

2.2 CHANGES TO ACCOUNTING AND VALUATION PRINCIPLES

2.2.1 Impact of new accounting regulations

The following accounting standards or interpretations were applicable for the first time during the financial year 2009/2010:

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 deals with the principles and the structure of financial statements and also includes minimum requirements for their content. For the preparation of a statement of comprehensive income we have chosen the form of a separate income statement and a statement of income and expenses recognised in Group equity, which shows the progression from earnings after income tax to comprehensive income. The presentation of changes in Group equity has been adjusted accordingly.

IAS 23 removes the previous option with regard to the capitalisation of borrowing costs and stipulates that borrowing costs attributable to the construction, acquisition or production of a qualifying asset must be capitalised. Borrowing costs have been capitalised for investments begun after 31 December 2008. This leads to higher capitalised acquisition and production costs for future investments.

Significant amendments to IAS 27 concern the balance sheet reporting of the acquisition or disposal of shares in companies 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, the reporting of negative balances is permissible, in other words losses are allocated in proportion to the respective equity interests without limitation.

IFRS 3 is concerned particularly with the introduction of an option 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 company acquisition in stages, and changes to the inclusion of consideration which is dependent on future events.

Marseille-Kliniken AG applied IFRS 8 for the first time in the financial year 2009/2010. This standard stipulates that companies must disclose segment information on the basis that is available to the most senior decision-making body of internal reporting for operating activities. We have ascertained that the operating segments as defined by IFRS 8 correspond to those identified under IAS 14.

There have been no changes as a result of the general standard Improvements to International Financial Reporting Standards 2008, which contains 35 alterations to various standards to eliminate inconsistencies and clarify wording.

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.

2.2.2 New accounting regulations published but not implemented before mandatory date

As of 30 June 2009, 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 will not be applied, moreover, until they have been adopted by the EU under the IFRS endorsement process.

The material changes for the Marseille-Kliniken AG Group concern the following:

IAS 24:	Related Party Disclosures (no EU endorsement yet)
IFRS 9:	Financial Instruments: Classification and Measurement

The amendments to IAS 24 will simplify disclosures on transactions with related parties. This means that in future there will be exceptions from the obligation to disclose certain transactions if the data can only be provided at great expense or if they only provide users with minimal information. The revised IAS 24 is applicable for the first time to financial years starting on or after 1 January 2010.

IFRS 9 will successively replace IAS 39 – Financial Instruments: Recognition and Measurement – in its entirety. The newly published standard states that the previous measurement categories are to be replaced by just two measurement categories – amortised cost and fair value. IFRS 9 is to be applied for the first time in the financial year beginning on or after 1 January 2013.

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 2010:

IAS 32:	Financial Instruments: Presentation, Classification of Rights Issues
IFRS 2:	Group Cash-settled Share-based Payment Transactions
IFRS 1:	Additional Exceptions for the First-time Adoption of IFRS
IFRIC 19:	Extinguishing Financial Liabilities with Equity Instruments
IFRIC 14/IAS 19:	Prepayment of a Minimum Funding Requirement
Various changes:	Annual Improvement Project 2007-2009 and Annual Improvement Project 2008-2010

2.3 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 accounting for and measurement of

- goodwill
- non-current assets
- provisions for pensions and similar obligations
- deferred tax assets, particularly from losses carried forward

Assumptions and estimates are made in determination of useful lives for property, plant and equipment (incl. redundant properties), for discounted cash flows as part of impairment tests and in the formation of provisions, such as those for legal disputes and taxes.

Measurement of redundant properties was carried out partly on the basis of independent valuations or of internal estimates of market value.

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 value in use of the cash-generating units to which the goodwill is allocated.
In estimating value in use, management must estimate probable future cash flows from the cash-generating units and choose an appropriate discount rate in order to determine the present value of the cash flows. The carrying amount of goodwill as of 30 June 2010 was EUR 27,024 thousand (previous year: EUR 28,198 thousand). Further details are presented in the notes to the balance sheet under the heading „Goodwill".

Determination of the economic 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 mainly 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 long-term aspects of this planning.

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

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.

2.4 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:

Intangible assets are recognised at the cost of production or acquisition. With the exception of goodwill, intangible assets are amortised over useful lives of three to thirty years. Loan interest is not currently included in production costs.

Development costs are recognised as internally generated intangible assets if the asset is sufficiently likely to generate future cash inflows, allocable expenses can be reliably determined, and technical and economic feasibility has been established. This is usually the case if a 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 occurred, an impairment charge is recognised for that asset.

Goodwill is shown at acquisition cost, adjusted for impairment if necessary. Pursuant to IFRS 3 in conjunction with IAS 36 goodwill is not subject to amortisation.

In order to assess value reductions, each year on 30 June impairment tests are carried out on goodwill at the level of cash-generating units in order to identify any necessary impairment losses pursuant to IAS 36. In addition to this, an impairment test for goodwill is made when actual circumstances demand it. A value reduction is determined based on the recoverable amount of the cash-generating unit to which the goodwill relates. If the recoverable amount from the cash-generating unit is lower than its carrying amount, an impairment charge is recognised. The recoverable amount is the higher of net realisable value or the present value of the estimated cash inflows (value in use). In order to estimate value in use pursuant to IAS 36, the probable future cash flows from the cash-generating unit are estimated and discounted by an appropriate interest rate in order to determine their present value. For the fixed planning period of five years used in determining the value in use of a cash-generating unit, the assumption was made that the last planning year would also be in perpetuity, as it is assumed that the asset has a longer period of use.

For two subsidiaries the planning period for the impairment test is limited to a contractually agreed period, as the companies' operations depend largely on the duration of a license.

All **property, plant and equipment** is recognised using the historical cost method at acquisition cost or production cost less accumulated depreciation and accumulated impairment expenses. Production costs for self-developed assets include directly allocable costs as well as pro rata overheads and depreciation. In accordance with IAS 23, borrowing costs are only capitalised if they are incurred in direct connection with the financing of the acquisition or production of a qualifying asset. A qualifying asset is one which requires a considerable period of time between its production and its readiness for use. All other borrowing costs are recognised as expenses in the period in which they are incurred. Repair and maintenance costs are recognised 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 generally depreciated using the straight-line method based on a useful life of 50 years. Technical equipment and machinery are generally depreciated on the basis of a useful life of 5 to 20 years, other plant, operating and office equipment generally over a period of 3 to 15 years. Depreciation is carried out using the straight-line method based on the customary useful life expectancy of the assets. Buildings are depreciated to a residual value as defined in IAS 16.6, which amounts to 10% of acquisition or production costs.

The carrying amounts of property, plant and equipment are examined and, if necessary, adjusted if there are any indications of impairment.

Property, plant and equipment used on the basis of lease agreements are capitalised and depreciated in accordance with IAS 17 if the requirements for a 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 to be true if the present 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 have a term until maturity of up to five years and are recognised at fair value or at the present value of minimum lease repayments at the beginning of the lease agreement, whichever is lower. Depreciation methods and useful lives assumed 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 recognised with effect on net income. The proportion accounted for by redemption is offset against the liability without affecting income.

The buildings in Herrenalb and Ortenau, which were not acquired by the buyer of the shares in the rehabilitation companies, are still the property of the Marseille-Kliniken Group. They have been let on long-term leases to the buyer since 1 May 2010. In accordance with IAS 17 the leases for these properties, in which the Marseille-Kliniken Group is lessor, are classified as finance leases. The carrying amounts of property, plant and equipment have been reduced accordingly and at the same time receivables from finance leases have been recognised for the present value of the minimum lease payments. No earnings contribution was realised at the time of classification.

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

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 present 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 measured at fair value through profit or loss comprise financial assets held for trading. This measurement 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 on 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 measurement 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 significant.

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 in the fair value of available-for-sale financial assets are recognised directly in equity and not recognised in profit or loss until they are sold or impaired. In situations where the market value of equity or debt instruments can be determined, they will be recognised 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 the impairment 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 present 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 impairment include operating losses over several years for a company, a reduction in its market value, a significant deterioration in its creditworthiness, a specific breach of contract, the high probability of insolvency or another form of financial restructuring for the debtor, or the collapse of an active market.

Where the reasons for the impairment charges no longer apply, appropriate write-ups will be carried out but not in excess of the amortised 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 material risks and opportunities are transferred. Treatment of financial and commodity price risks, and in particular derivative financial instruments and hedging with derivative financial instruments, are explained in more detail under the section "Management of financial risks".

Shares in an **associated company** are accounted for under the equity method or at amortised cost if immaterial. 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 recognised in the balance sheet using the equity method at acquisition cost plus any post-acquisition 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 amortisation nor a separate impairment test.

After applying the equity method, the Group ascertains whether it is necessary to include an additional impairment charge 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 recognised with effect on income as a write-up or an impairment charge.

Pursuant to IAS 2, **inventories** include those assets held for sale in normal business operations (merchandise), 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).

Inventories are valued using the weighted average method at the lower of acquisition or production costs or net realisable value (realisable proceeds in normal business operations less estimated cost of completion and selling costs). Write-downs are made where there is a lower net realisable 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), 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.

Other receivables and assets are shown at nominal value less provisions for bad debts. Provisions for bad debts are in particular made for receivables which are unlikely to be collected. Receivables and other assets are written off when they are regarded as uncollectible.

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

Treasury stock is deducted from equity. The purchase or sale, or the issue or buy-back, of treasury shares is recognised with effect on income. All consideration given or received is recognised directly in equity.

Non-current assets held 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 amount or at fair value less costs to sell, 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 costs to sell is lower than the carrying amount. Any write-ups on grounds of an increase in fair value less costs to sell are limited to the impairment charges previously recognised for the respective assets.

Provisions for pensions 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 the payments of our pensions fund. Obligations include those for existing pensions and also for future pension claims. Company pensions within the Group are usually defined benefit plans. For defined contribution 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. Ongoing contributions are recognised as expenses each year. 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, excluding interest, 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.

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 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.

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 **financial liabilities** consist of primary liabilities and the negative fair value of derivative financial instruments. Primary 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. Primary 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 present value of minimum lease payments.

Derivative financial instruments are measured 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 included in financial liabilities. The recognition of derivative financial instruments and hedge accounting with derivative financial instruments in the financial statements is discussed further in the section "Management of financial risks". Financial liabilities are removed from the accounts when financial obligations are met or cancelled or have expired. As far as possible, 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 recognised 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 associated 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 allocate revenue to income for the correct reporting period.

With regard to temporary differences between 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 for 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 sales of goods if the significant risks and opportunities 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 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 recognised net of value added tax and after deduction of rebates. 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 on the Group's business operations. The fluctuation margin in balance-sheet precautions taken for 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 taxes for the financial year ended.

Operating expenses are recognised as of the time when the service incurring the expenses is utilised. Borrowing costs for non-qualified assets are recognised 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.

3 Events after the balance sheet date

The financial crisis and in particular the stricter capital adequacy rules that are to apply in future (Basel III) have caused many banks to alter their lending policies. As a result we intend to restructure the company's equity and liabilities in financial year 2010/2011. By the end of the financial year we intend to repay the existing current account credit lines of EUR 10.5 million with two banks as scheduled.

The repayment is to be financed by issuing a corporate bond for at least EUR 10 million. The company has taken all the steps necessary to be able to complete this funding transaction in the second quarter of the financial year 2010/2011. The bond is to have a term of one year.

Furthermore, the Management Board has decided to table a proposal at the Annual General Meeting to create authorised capital in order to carry out a capital increase of up to 30%. Subject to the approval of the Supervisory Board, this could take place in the third quarter. The main shareholder has indicated its willingness to take up its pro rata share of this capital increase.

The operating activities of SWP Montabaur were transferred to the lessor of the building with effect from 30 September 2010.

4 Explanatory notes to the consolidated balance sheet

4.1 CONSOLIDATED BALANCE SHEET – ASSETS

4.1.1 Intangible assets

Changes in intangible assets in the financial year 2009/2010 and in the previous year are shown in the tables below:

Financial year 2009/2010

€ '000	AC/PC 6/30/2009	Additions	Additions from first time con-solidations	Reclassi-fications	Disposals from decon-solidation	Disposals	AC/PC 6/30/2010	Carrying amount 6/30/2009	Carrying amount 6/30/2010
Franchises, licences, commercial property rights	2,923	1,428	0	0	1	0	4,350	1,367	308
Software	11,909	523	0	182	816	126	11,672	3,088	2,117
Intengible license (licensing agreement)	0	0	3,572	0	0	0	3,572	0	3,572
Customer base	0	0	644	0	0	0	644	0	644
Goodwill	28,501	0	2,386	0	2,366	0	28,521	28,198	27,024
Deposits paid and assets under construction	171	0	0	– 171	0	0	0	171	0
Total	**43,504**	**1,951**	**6,602**	**11**	**3,183**	**126**	**48,759**	**32,824**	**33,665**

Previous year

€ '000	AC/PC 6/30/2008	Additions	Reclassi-fications	Disposals from decon-solidation	Disposals	AC/PC 6/30/2009	Carrying amount 6/30/2008	Carrying amount 6/30/2009
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
Goodwill	28,317	184	0	0	0	28,501	28,014	28,198
Deposits paid and assets under cons-truction	36	135	0	0	0	171	36	171
Total	**40,963**	**2,328**	**295**	**82**	**0**	**43,504**	**32,552**	**32,824**

Following the acquisition of the shares in AAP-Allgemeine Ansgar Pflegedienste GmbH, accounting gains of EUR 3,572 thousand relating to an intangible asset (licensing agreement) and EUR 644 thousand relating to the purchased customer base were realised in the course of the purchase price allocation based on an independent valuation. The remaining purchase price was qualified as goodwill.

Additions to franchises, licences and trademarks consist of EUR 1,428 thousand for the capitalisation pro rata temporis of expenses for the purchase of a concept paper on the construction of a specialised incontinence centre. Towards the end of the financial year 2009/2010 the Management Board decided as part of a strategic realignment following the sale of the rehabilitation clinics not to pursue the incontinence centre project. The previously capitalised expenses of EUR 1,952 thousand were therefore written off.

Additions to software mainly consist of software programs for purchasing, personnel and time recording.

No development costs were capitalised in the financial year 2009/2010 or the previous year.

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

All depreciation, amortisation and impairment charges are recognised in income.

4.1.2 Goodwill

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 present values deduced from planned cash flows 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 relevant regional markets. Increases in personnel expenses and other operating expenses are taken into consideration. The regular discount rate used to discount cash flows in the planning period was the weighted average cost of capital of 7.56 % (previous year: 6.14 %). The growth discount was 0.5 % (previous year: 0.5 %).

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 the accompanying goodwill or when there are other criteria for a value adjustment. An impairment loss of EUR 1,194 thousand was calculated for the financial year 2009/2010 (previous year: EUR 0 thousand).

The addition of EUR 2.4 million relates to the acquisition of the shares in AAP-Allgemeine Ansgar Pflegedienste GmbH, which was consolidated for the first time as of 30 June 2010. In the course of allocating the purchase price, the excess of the price paid over the net assets acquired was allocated to the existing customer base (EUR 644 thousand) and to a licensing agreement (EUR 3,572 thousand). We believe that the recognition of the acquisition at fair value is appropriate and therefore exercise our option under IDW HFA RS 2.

Goodwill consists of the following:

€ '000	6/30/2008	Additions	30/6/2009	Additions from first time consolidations	Disposal from deconsolidation	Impairment	6/30/2010
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
AAP Betreutes Wohnen Gera	0	0	0	2,317	0	0	2,317
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
SWP Klausa	800	0	800	0	0	0	800
SWP Schollene	796	0	796	0	0	0	796
Astor Park	596	0	596	0	0	0	596
SWP Erkner	512	0	512	0	0	0	512
SWP Coswig	381	0	381	0	0	0	381
Fachklinik Blankenburg	1,173	0	1,173	0	1,173	0	0
Kasanag	876	0	876	0	0	876	0
Algos Fachklinik	722	0	722	0	722	0	0
Sigmund Weil	472	0	472	0	472	0	0
VDSE	250	0	250	0	0	250	0
Other goodwill	2,431	184	2,615	69	0	68	2,617
Total	**28,014**	**184**	**28,198**	**2,386**	**2,367**	**1,194**	**27,024**

4.1.3 Property, plant and equipment

Property, plant and equipment consists of the following:

Financial year 2009/2010

€ '000	AC/PC 6/30/2009	Additions	Additions from first time con-solidations	Reclassi-fications	Disposals from decon-solidation	Disposals	AC/PC 6/30/2010	Carrying amount 6/30/2009	Carrying amount 6/30/2010
Land, leasehold rights and buildings including buildings on third-party land	175,291	119	0	– 12,197	40	0	163,172	119,086	102,589
Technical equipment and machinery	2,747	5	0	0	1,171	937	643	346	140
Other plant, operating and office equipment	54,195	1,081	10	275	16,161	3,029	36,371	14,279	10,897
Finance leases for operating and office equipment	7,908	2,177	0	0	736	508	8,841	5,105	4,237
Deposits paid and assets under construction	4,380	3,813	0	– 1,101	27	760	6,305	3,866	6,305
Total	**244,521**	**7,195**	**10**	**– 13,023**	**18,135**	**5,234**	**215,332**	**142,682**	**124,168**

Previous year

€ '000	AC/PC 6/30/2008	Additions	Additions from first time con-solidations	Reclassi-fications	Disposals from decon-solidation	Disposals	AC/PC 6/30/2009	Carrying amount 6/30/2008	Carrying amount 6/30/2009
Land, leasehold rights and buildings including buildings on third-party land	173,511	1,188	0	1,050	0	457	175,292	120,822	119,086
Technical equipment and machinery	2,674	73	0	0	0	0	2,747	369	346
Other plant, operating and office equipment	50,956	3,041	0	616	22	396	54,195	13,156	14,279
Finance leases for operating and office equipment	4,430	3,477	0	0	0	0	7,907	3,389	5,105
Deposits paid and assets under construction	5,422	2,348	0	– 3,226	0	164	4,380	5,091	3,866
Total	**236,993**	**10,127**	**0**	**– 1,560**	**22**	**1,017**	**244,521**	**142,827**	**142,682**

A detailed overview of property, plant and equipment can be found in the statement of changes in consolidated assets.

As of 30 June 2010, land and buildings include redundant properties (one rehabilitation clinic is still partly in use) with a total carrying amount of EUR 9,175 thousand (previous year: EUR 16,031 thousand). As a triggering event has occurred for the redundant properties, they have been subjected to an impairment test. The triggering event was the decision by the Management Board to begin active marketing for the redundant properties. The properties are carried at fair value less cost to sell. In contrast to the previous year, the fair value less cost to sell (FVLCTS) was not determined by discounting cash flows but on the basis of external information. Estimating uncertainties have been taken into account. The impairment tests did not confirm the carrying amounts. The carrying amounts were written down accordingly by EUR 7,289 thousand.

In the financial year 2009/2010, additionally, the Group acquired operating and office equipment in the amount of EUR 1,081 thousand (previous year: EUR 3,041 thousand). This relates in particular to VDSE GmbH (EUR 48 thousand; previous: year EUR 158 thousand) and Marseille-Kliniken AG's operating facilities in Waldkirch (EUR 85 thousand) and AMARITA Hamburg (EUR 90 thousand).

The additions from finance leases for operating and office equipment amounting to EUR 2,177 thousand (previous year: EUR 3,477 thousand) result from the conclusion of contracts in the financial year 2009/2010 which under IAS 17 must be classified as finance leases.

Additions to assets under construction primarily relate to the properties in Herne (Koppenbergs Hof and Flora Marzina) which account for EUR 3,754 thousand (previous year: EUR 400 thousand).

The reclassifications mainly concern the classification of the leases for the properties in Ortenau and Herrenalb as finance leases.

Impairment losses (IAS 36) of EUR 8,103 thousand were recognised on items of property, plant and equipment. EUR 7,289 thousand of these relate to properties in Reinerzau, Waldkirch and Bad Oeynhausen that are vacant or only partly in use and EUR 578 thousand relate to the nursing homes in Herne. The other impairment losses on items of property, plant and equipment consist of EUR 236 thousand for operating and office equipment.

The following parameters were used for the impairment tests, to the extent that value in use was measured. The detailed planning phase is five years (discount rate 7.56 %, previous year: 6.14 %), thereafter perpetuity is assumed (growth discount of 0.5 %; previous year: 0.5 %). Revenue planning is carried out using a bottom-up process and cost and investment planning using a top-down process. These are largely based on past experience.

Fair value less cost to sell is primarily used for the valuation of redundant properties. To the extent that no offers are currently available, measurements are made using independent valuations and information from local property valuation committees.

Due to the special features of the redundant properties and their restricted range of alternative uses, the valuations are subject to considerable uncertainties; this risk is reflected in discounts.

4.1.4 Properties held as financial investments

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

4.1.5 Other financial assets

As of the balance sheet date, other financial assets amounted to EUR 8.6 million (previous year: EUR 3.6 million) and consisted of the following:

Financial year 2009/2010

€ '000	AC/PC 6/30/2009	Additions	Disposals from decon-solidation	Impairment	Disposals	AC/PC 6/30/2010	Carrying amount 6/30/2009	Carrying amount 6/30/2010
Equity investments	136	0	0	4	0	132	91	88
Reinsurance of pensions	2,026	0	0	542	495	989	2,026	989
Other securities	188	0	0	0	0	188	188	188
Other loans	1,286	239	180	1	91	1,613	1,286	1,613
Finance leases for buildings	0	0	13,012	0	0	13,012	0	5,699
Total	**3,636**	**239**	**13,192**	**547**	**586**	**15,934**	**3,591**	**8,577**

Previous year

€ '000	AC/PC 6/30/2008	Additions	Disposals from decon-solidation	Impairment	Disposals	AC/PC 6/30/2009	Carrying amount 6/30/2008	Carrying amount 6/30/2009
Equity investments	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**

In accordance with IAS 17, other financial assets include the properties in Ortenau and Herrenalb for which the Marseille-Kliniken Group is lessor. The historical acquisition costs and accumulated depreciation for property, plant and equipment were reduced accordingly.

The change in **reinsurance for pensions** stands in direct correlation with the corresponding change in pension provisions. The assets mainly relate to Karlsruher-Sanatorium AG (EUR 729 thousand; previous year: EUR 741 thousand) and Mineralquelle Waldkirch Verwertungsgesellschaft mbH (EUR 260 thousand; previous year: EUR 253 thousand). Disposals due to deconsolidation of EUR 542 thousand included reinsurance entitlements for the rehabilitation companies sold, particularly for Psychosomatischen Fachklinik Gengenbach GmbH (EUR 174 thousand; previous year: EUR 193 thousand) and Fachklinik für psychische Erkrankungen Ortenau GmbH (EUR 131 thousand; previous year: EUR 128 thousand).

Other loans consist of rent deposits of EUR 186 thousand (previous year: EUR 215 thousand), saving instalments of EUR 1,247 thousand (previous year: EUR 1,009 thousand) for a non-current loan, and the non-current portion of rent surcharges of EUR 180 thousand, which were reclassified from current assets.

4.1.6 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 2010 there were total corporation tax losses carried forward amounting to EUR 39.7 million (previous year: EUR 29.0 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 profits of a company will allow for a tax reduction to be realised due to existing losses carried forward, deferred tax assets cannot in principle be used against losses carried forward, i.e. appropriate value adjustments will be made to deferred tax assets.

Deferred tax assets for tax-loss carryforwards not matched by deferred tax liabilities were recognised for three Group companies. For one of these companies the recognition took place due to a tax restructuring currently underway. The other two companies are connected with facilities undergoing expansion that generate losses in the start-up phase. One of these companies has already reached break-even. The facilities being expanded are developing according to plan or are slightly ahead of plan.

The following overview shows the tax losses carried forward for which deferred tax assets were formed:

			Taxes on this amount	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Tax losses carried forward	5,653	5,284	895	836

4.1.7 Inventories

Inventories declined by EUR 3.8 million to EUR 1.2 million compared with the previous year (EUR 5.0 million).

Raw materials, consumables and supplies amounted to EUR 1.1 million (previous year: EUR 1.5 million) as of the balance sheet date. These consisted mainly of medical supplies and energy resources. Payments made on account amounted to EUR 0 thousand (previous year: EUR 144 thousand) as of the balance sheet date.

In the previous year inventories included the property under construction at the time in Bremerhaven at EUR 3.1 million, which was sold in a sale-and-lease-back transaction in the financial year 2009/2010 for EUR 16.0 million. The realised accounting profit came to EUR 2.0 million, which is recognised in other operating income.

4.1.8 Trade receivables

Trade receivables decreased by EUR 6,294 thousand, from EUR 15,554 thousand on 30 June 2009 to EUR 9,260 thousand on 30 June 2010. Disposals due to deconsolidation account for EUR 6,317 thousand of the total. Adjusted for these disposals, trade receivables rose slightly by EUR 23 thousand.

€ '000	2009 | 2010	2008 | 2009
Receivables before value adjustments	10,841	17,277
less value adjustments	– 1,581	– 1,723
Receivables after value adjustments	**9,260**	**15,554**

Trade receivables from related parties and their affiliated companies which are more than one year old bore interest of 8.12 % (previous year: 6.0 %). Interest amounted to EUR 102 thousand (previous year: EUR 141 thousand) as of the balance sheet date.

Trade receivables contain value adjustments for ascertained default risks amounting to EUR 1.6 million (previous year: EUR 1.7 million). The value adjustments developed as follows:

Write-downs

€ '000	2009 | 2010	2008 | 2009
As of 7/1/	1,723	1,155
Additions	1,575	717
Disposal from deconsolidation	826	0
Reversals	891	149
As of 6/30/	**1,581**	**1,723**

Receivables older than 360 days are written down at a fixed rate of 20 %, those older than 720 days by a fixed rate of 40 %. Receivables that lawyers have been appointed to recover are written down by 60 %.

The term structure of non-impaired receivables is shown in Section 12.5 in the notes on credit risk.

4.1.9 Other receivables and assets

Other receivables and assets are made up as follows:

€ '000	6/30/2010	6/30/2009
Loan to Mrs Marseille	2,844	2,724
SCS loan	2,516	2,499
Other loans	202	205
Prepaid expenses	163	500
Loan to Mr Marseille	106	4,847
Prepayments for employers' liability insurance	46	126
Purchase price claim from the sale of Held Bau GmbH	0	760
Receivables from Trump Organisation	0	500
Other	1,116	799
	6,993	**12,960**

The decline in other receivables and assets by EUR 5,967 thousand to EUR 6,993 thousand results mainly from offsetting the receivable owed by Mr Marseille, originally for EUR 4.5 million, plus accrued interest, with parts of the purchase price liability for the shares in the out-patient nursing company AAP-Allgemeine Ansgar Pflegedienste GmbH. The balance of EUR 106 thousand includes accrued interest that was not offset.

In addition, the receivable of EUR 760 thousand from the sale of the shares in Held Bau Consulting Projekt Steuerungsgesellschaft mbH was settled in spring 2010.

The loan to SCS Standard Computersysteme AG amounting to EUR 2.5 million increased on the previous year by the amount of interest incurred in the financial year 2009/2010. There has been no redemption as yet. The loan is secured through the pledging of the shares in SCS Betrium GmbH, a wholly owned subsidiary of SCS Standard Computersysteme AG. There is also a loan liability for the same amount to SCS Betrium GmbH.

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

Apart from the loans to Mrs Marseille and SCS AG, the other receivables are due within one year, as they are repaid at any time following consultation.

Value adjustments amounting to EUR 2,374 thousand (previous year: EUR 2,222 thousand) were carried out for other receivables and assets, as shown below:

€ '000	2009 | 2010	2008 | 2009
Other receivables and assets before value adjustments	9,367	15,182
less value adjustments	– 2,375	– 2,222
Other receivables after value adjustments	**6,993**	**12,960**

Cumulative value adjustments

€ '000	2009 | 2010	2008 | 2009
As of 7/1/	2,222	641
Additions	634	1,581
Reversals	– 481	0
As of 6/30/	**2,375**	**2,222**

4.1.10 Current tax refund claims

Current tax receivables of EUR 3.3 million (previous year: EUR 3.6 million) are made up of current corporation tax receivables, including the solidarity surcharge, of around EUR 1.5 million in total (previous year: EUR 1.7 million), trade tax receivables of EUR 401 thousand (previous year: EUR 41 thousand) and a tax credit pursuant to § 37 German Corporation Tax Act (KStG) of EUR 1.4 million (previous year: EUR 1.9 million). The year-on-year change largely results from disposals of EUR 0.4 million in connection with deconsolidation, of which the corporation tax credit accounts for EUR 0.3 million.

4.1.11 Cash and cash equivalents

As of 30 June 2010, the cash and cash equivalents totalling EUR 10,104 thousand (previous year: EUR 9,631 thousand) contained cash on hand amounting to EUR 373 thousand (previous year: EUR 380 thousand) and cash at banks totalling EUR 9,731 thousand (previous year: EUR 9,251 thousand).

Of the cash and cash equivalents, a total of EUR 5.1 million (previous year: EUR 6.3 million) cannot be disposed of freely. Specifically, these consist of:

- Collateral for sureties: EUR 413 thousand (previous year: EUR 412 thousand)
- Cash invested in time deposits (terms up to three months) is pledged up to the amount of EUR 3,697 thousand as of the balance sheet date (previous year: EUR 4,303 thousand).
- Bad Langensalza maintenance account EUR 0 thousand (previous year: EUR 500 thousand)
- Security deposit accounts, including allowance accounts for residents, amounting to EUR 1,021 thousand (previous year: EUR 1,109 thousand)

The fixed-term balances are for terms of less than 3 months.

4.1.12 Non-current assets held for sale

As of 30 June 2010 there were no non-current assets held for sale.

4.2 CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

4.2.1 Equity

Group equity as of 30 June 2010 was EUR 24,938 thousand (previous year: EUR 25,195 thousand). 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 its financing and lease agreements the Group has also signed agreements on financial covenants. The financial covenants relate among other things to the maintenance of a minimum equity ratio of 12 %. The equity ratio is calculated by adding 70 % of the special item and deducting 50 % of goodwill, receivables due from shareholders, treasury shares and disagio. This covenant was met in the reporting year. 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, such as the depositing of additional security or the possible extraordinary termination of the loan agreement. By keeping the necessary cash reserves available it is possible to make additional security deposits. 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. In this respect, the capital control also relates to compliance with these minimum requirements.

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 to net indebtedness. 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 (equity 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 2010 at EUR 31,100,000.00 and is divided into 24,300,000 no-par-value bearer shares, each representing capital of EUR 1.28. The subscribed capital is fully paid in.

At the Annual General Meeting on 12 December 2008, it was resolved to 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. The intention is to table a proposal at the next Annual General Meeting to revoke the share split.

At the Annual General Meeting held on 12 December 2008, the Management Board was 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 EUR 3.11 million (authorised capital).

At the Annual General Meeting held on 18 December 2009, the authorisation of the Management Board granted at the Annual General Meeting held on 12 December 2008 to buy treasury shares was withdrawn and a new authorisation issued. The authorisation is valid until 18 December 2014 and is limited to a maximum of 10 % of current share capital. The authorisation was made so that the company could act quickly, flexibly and cost-effectively when buying companies or investing in companies.

The Management Board is authorised, subject to the approval of the Supervisory Board, to resell treasury shares other than via the stock exchange or by an offer to all shareholders and to suspend shareholders' subscription rights. If certain conditions are fulfilled, the Management Board, with the consent of the Supervisory Board, is authorised to suspend shareholders' subscription rights.

Capital reserve

The capital reserve concerns the premium from cash deposits within the framework of the capital increases. The reduction in the capital reserve is due in full (EUR 15,635 thousand) to a transfer at Marseille-Kliniken AG to balance the loss reported under commercial accounting law. A detailed description of the change can be found in the statement of changes in equity.

Revenue reserve

The revenue reserve of EUR 627 thousand (previous year: EUR 627 thousand) includes a statutory reserve in the amount of EUR 207 thousand (previous year: EUR 207 thousand) and other revenue reserves in the amount of EUR 420 thousand (previous year: EUR 420 thousand).

Treasury stock

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.

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 in the section „Earnings per share".

No transactions involving treasury shares took place in the financial year 2009/2010. The previous year 93,763 treasury shares were purchased and 54,623 were sold. In the previous year the average price was EUR 8.54.

The market value of the treasury shares is unchanged from the previous year at EUR 902,579.62. The amount of share capital represented by the treasury shares is unchanged at EUR 270,493.21 and as of 30 June 2010 there were 105,675 treasury shares, again no change from the previous year. As in the previous year this represents a proportion of around 0.87 % of the share capital.

Time valuation reserve

The interest hedging transactions 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 2010 the time valuation reserve contains negative market values of EUR 869 thousand (previous year: EUR 434 thousand), less deferred taxes of EUR 138 thousand (previous year: EUR 69 thousand). The market value was ascertained using the mark-to-market method.

Foreign currency differences

The balancing item for currency translation amounting to EUR 5 thousand (previous year: EUR 0 thousand) refers to the currency translation for the financial statements of the foreign subsidiary in Switzerland.

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 2010 amounted to EUR 573 thousand (previous year: EUR 1,032 thousand). The decline in minority interests is largely due to the deconsolidation of the rehabilitation companies.

4.2.2 Deferred investment grants

The following table shows the development of government grants:

€ '000	6/30/2010	6/30/2009
Opening balance	44.428	47.511
Granted in this financial year	0	0
Offset with Büren	0	– 1.241
Deferred income	0	0
Reversed through profit and loss	1.435	1.842
Closing balance	**42.993**	**44.428**
of which non-current	*42.993*	*44.428*

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 Immobilien-Verwaltungsgesellschaft mbH.

In the previous year the public grants and subsidies amounting to some EUR 1.2 million attributable to the hospital in Büren were offset against the accounting gains realised on the acquisition of the hospital.

4.2.3 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 comes to a total of EUR 44,593 thousand (previous year: EUR 48,508 thousand) and is made up of liabilities to banks of EUR 40,862 thousand (previous year: EUR 44,411 thousand), derivative financial instruments of EUR 869 thousand (previous year: EUR 434 thousand) and finance lease liabilities of EUR 2,862 thousand (previous year: EUR 3,662 thousand).

Current debt comes to a total of EUR 17,881 thousand (previous year: EUR 35,464 thousand) and is made up current liabilities to banks of EUR 16,091 thousand (previous year: EUR 33,577 thousand) and finance lease liabilities of EUR 1,790 thousand (previous year: EUR 1,887 thousand).

Total non-current and current financial debt as at the balance sheet date was EUR 62,474 thousand (previous year: EUR 83,972 thousand). The utilisation of current lines of credit (including euro-denominated loans) and interest-bearing loans as of 30 June 2010 and at last year's reporting date can be seen from the following table.

€ '000	Original amount	Valuta 6/30/2010	of which < 1 year	of which > 1 year
Liabilities to banks	**101,913**	**56,953**	**16,091**	**40,862**
of which:				
interest-bearing loans	91,361	47,315	6,453	40,862
current lines of credit	10,552	9,638	9,638	0

€ '000	Original amount	Valuta 6/30/2009	of which < 1 year	of which > 1 year
Liabilities to banks	**123,722**	**77,988**	**33,577**	**44,411**
of which:				
interest-bearing loans	93,670	50,150	10,239	39,911
current lines of credit	30,052	27,838	23,338	4,500

Liabilities to banks in the amount of EUR 46.5 million (previous year: EUR 47.5 million) are secured by mortgages bearing interest of 0.4%, pledged assets and third-party guarantees (including local authority guarantees). In order to secure liabilities to banks incurred in connection with the purchase of shares in ADG, the shares of this company were pledged.

Of the reported financial debt, EUR 32.2 million (previous year: EUR 41.3 million) is at long-term fixed interest rates (> 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 %	6/30/2010 Original amount € '000	6/30/2010 Carrying amount € '000
6/30/2011	4.46	51,605	24,735
6/30/2012	5.28	10,635	3,677
6/30/2013	5.76	7,799	6,450
6/30/2014	4.93	27,570	18,944
6/30/2015	6.89	405	198
7/1/2015	4.60	3,899	2,949
		101,913	**56,953**

Term of interest rate	Interest rate %	6/30/2009 Original amount € '000	6/30/2009 Carrying amount € '000
6/30/2010	3.93	50,543	36,731
6/30/2011	4.93	22,565	8,617
6/30/2012	5.30	10,635	4,336
6/30/2013	5.62	11,039	9,400
6/30/2014	4.88	24,635	17,894
6/30/2015	6.89	405	240
6/30/2016	5.20	3,900	770
		123,722	**77,988**

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 2010 the time valuation reserve within equity contains negative market values of EUR 869 thousand (previous year: EUR 434 thousand), less deferred taxes of EUR 138 thousand (previous year: EUR 69 thousand). 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 those 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 under „Management of financial risks".

Regarding the finance lease liabilities we refer to the explanatory notes on Leasing.

4.2.4 Pension obligations

Some employees have been promised regular payments 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.

Pension obligations are fully funded and cover 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 2009/2010 are shown in the following table:

€ '000	6/30/2010	6/30/2009
Present value of total commitment at the beginning of the financial year	16,364	16,898
Disposal from deconsolidation	– 2,901	0
Service cost	13	37
Interest expenses	574	937
Pension payments	458	0
Actuarial	– 1,137	– 1,245
gains and losses	897	– 263
Present value of total commitment at the end of the financial year	**14,268**	**16,364**
Commitments with similar character to pensions	14,268	16,364

Pension obligations had the following present values at the reporting dates for the financial years 2006/2007 to 2008/2009:

€ '000	6/30/2009	6/30/2008	6/30/2007
Balanced provision	16,364	16,898	18,268

The calculations used a discount rate of 5.00 % (previous year: 6.00 %), salary increases of up to 1.00 % (previous year: 2.00 %), an average fluctuation of 6.00 % p.a. (previous year: 5.00 % to 10.00 % p.a.) and pension increases of 1.10 % (unchanged).

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.

Actuarial gains and losses are recognised in full in income. The consolidated income statement contains income/expenses from actuarial gains or losses amounting to EUR 897 thousand (previous year: EUR – 263 thousand) and interest expenses amounting to EUR 574 thousand (previous year: EUR 937 thousand). The interest expenses were reported in the financial result, while the actuarial gains or losses were reported in personnel expenses.

Payments for defined-contribution plans to the company's own pension fund for employees and payments for two nursing homes to the federal and state pension fund amounted to a total of EUR 1,042 thousand for the financial year 2009/2010 (previous year: EUR 997 thousand). The expenses for the subsequent financial year can be expected to be of a similar magnitude.

4.2.5 Deferred tax liabilities

Deferred tax liabilities amounting to EUR 6,357 thousand (previous year: EUR 9,174 thousand) 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 relate to 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		Taxes on these amounts	
€ '000	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Intangible assets	339	348	54	55
Property, plant and equipment	26,702	26,251	4,226	4,154
Reserves under § 6b Income Tax Act (EStG)	16,364	28,388	2,590	4,492
Reserves under § 7f Income Tax Act (EStG)	0	3,868	0	612
Pension provisions (deferred tax assets)	– 2,349	– 1,447	– 372	– 229
SWAP	– 868	434	– 137	69
Current debt, other	120	150	19	24
Non-current debt, other	– 138	– 22	– 22	– 3
Total	**40,170**	**57,970**	**6,357**	**9,174**

4.2.6 Other non-current liabilities

In the previous year the other non-current liabilities related in full (EUR 272 thousand) to the company in Büren deconsolidated in 2009/2010.

4.2.7 Other provisions

Changes in current other provisions are shown in the following table:

€ '000	6/30/2009	Use	Reversal	Disposals from deconsolid.	Addition	6/30/2010
Litigation risks	648	574	0	74	1,501	1,501
Outstanding incoming invoices	2,425	2,056	10	359	4,167	4,167
Legal and consultancy costs	480	464	0	16	443	443
Personnel provisions						
Holiday bonus	2,240	1,276	625	339	2,419	2,419
Christmas bonus	1,257	558	546	153	786	786
Employer's liability insurance	508	288	89	131	255	255
Disability contribution	115	90	20	5	121	121
Overtime pay	653	345	231	77	1,678	1,678
Personnel severance payments	110	104	0	6	1,516	1,516
Emoluments	884	610	8	266	359	359
Other	461	336	0	61	2,018	2,082
Other	1,908	790	768	414	4,255	4,191
	11,689	**7,491**	**2,297**	**1,901**	**19,518**	**19,518**

€ '000	6/30/2008	Use	Reversal	Disposals from deconsolid.	Addition	6/30/2009
Litigation risks	2,251	1,469	610	172	648	648
Outstanding incoming invoices	2,337	2,020	317	0	2,425	2,425
Legal and consultancy costs	374	209	164	1	480	480
Personnel provisions						
Holiday bonus	2,241	2,235	0	6	2,240	2,240
Christmas bonus	1,274	1,007	267	0	1,257	1,257
Employer's liability insurance	469	420	43	6	508	508
Disability contribution	139	107	32	0	115	115
Overtime pay	1,329	1,325	0	4	653	653
Personnel severance payments	348	116	50	182	110	110
Emoluments	693	613	80	0	884	884
Other	512	512	0	0	461	461
Other	2,043	903	1,135	5	1,908	1,908
	14,010	**10,936**	**2,698**	**376**	**11,689**	**11,689**

Other provisions have remaining terms of up to one year and are not interest-bearing. The only exception is a provision made in connection with a former consolidated company. A discount rate of 8 % was used. Raising or lowering the interest rate by 1 % would increase or reduce the provision by EUR 35 thousand.

Possible claims against third parties were offset against the amount of the provision.

Provisions for the employers' liability insurance association include the employers' liability insurance premiums expected for the financial year 2009/2010. 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 always 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 earnings for the business year 2009/2010 and to 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. The decline in the provision for bonuses is largely due to the deconsolidation of the rehabilitation companies.

The **provisions for severance payments** relate to redundancy packages in connection with the insolvency of a former consolidated company and to severance payments for staff made redundant as part of the job cuts that took place as of 30 June 2010.

The **other personnel provisions** relate principally to possible obligations for employees taken on in prior years.

Miscellaneous provisions are principally made up of rental obligations (EUR 2.7 million) and purchase price obligations from the sale of the rehabilitation companies (EUR 0.7 million).

4.2.8 Trade payables

Trade payables amounted to EUR 8,256 thousand as at the reporting date (previous year: EUR 13,843 thousand), a decline of EUR 5,587 thousand. This represents an decrease of some 40%. The proceeds of the rehabilitation sale enabled current liabilities to be reduced by a similar amount. Liabilities of EUR 1,221 thousand were disposed of along with the deconsolidated rehabilitation companies.

4.2.9 Current tax liabilities

Current tax liabilities totalling EUR 4,833 thousand (previous year: EUR 7,451 thousand) consist of the following:

€ '000	6/30/2010	6/30/2009
Corporate income tax	2,755	4,079
Trade tax	584	1,504
Value-added tax	164	793
Wage income tax, other	1,329	1,075
Total	**4,833**	**7,451**

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

4.2.10 Other current liabilities

The following table shows the components of miscellaneous current liabilities:

€ '000	6/30/2010	6/30/2009
Deferred income	5,682	5,921
Loans from third parties	2,648	2,522
Customers with credit balances	2,058	1,947
Purchase price liabilities from the acquisition of AAP (Gera)	1,462	0
Rent deposits and securities received	345	335
Liabilities from social security contributions	189	375
Purchase price for heat-generating installation	0	821
Remaining other liabilities	2,120	2,283
	14,505	**14,204**

The accrued income item principally consists of prepaid revenue for the following month, particularly from the nursing care segment.

Loans from third parties consist mainly of a loan totalling EUR 2.5 million (previous year: EUR 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 under other receivables in the amount of EUR 2.5 million (previous year: EUR 2.5 million).

Miscellaneous other liabilities consist largely of liabilities to the residents in our facilities of EUR 716 thousand (previous year: EUR 641 thousand) and liabilities of EUR 267 thousand for the use of assets (previous year: EUR 240 thousand).

5 Explanatory notes to the consolidated income statement

In accordance with IFRS 5.33 A, the Marseille-Kliniken Group presents discontinued operations separately in the income statement and the cash flow statement. The previous year's comparative figures for the areas of rehabilitation and acute treatment hospitals were adjusted accordingly. For the matrix format in the income statement the incremental approach was chosen in view of the discontinued operations.

5.1 REVENUES

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

In the reporting year Group revenue increased by around 2 % (previous year: 3 %) from EUR 235.5 million to EUR 240.7 million. Continuing operations accounted for EUR 193.2 million of the total (previous year: EUR 182.3 million), which represents an increase of around 6 %. The rise in the financial year 2009/2010 is predominantly due to the new operating facilities in Bremerhaven and Oberhausen and to improved capacity utilisation at the two start-up facilities in Meerbusch.

Revenues for 10 months in the discontinued rehabilitation segment totalled EUR 47.6 million (previous year for 12 months: EUR 53.2 million).

5.2 OTHER OPERATING INCOME

In this financial year, other operating income amounted to EUR 12.0 million (previous year: EUR 10.4 million) and consists of the following:

€ '000	2009 | 2010	2008 | 2009
Income from reversal of provisions	2,297	2,699
Income from asset disposals	2,185	21
Income from reversal of investment grants	1,448	1,844
Grants for personnel	1,349	754
Neutral income	699	244
Rental and leasehold income	627	435
Income from other accounting periods	618	914
Income from reversal of pension provisions	481	442
Benefits in kind (vehicles)	198	226
Other refunds	194	262
Income from deconsolidation	0	457
Income from exchange rate differences	0	30
Other	1,948	2,116
	12,044	**10,444**

The proceeds on disposal of non-current assets include EUR 2.0 million from the sale of the property in Bremerhaven as part of a sale-and-leaseback transaction.

5.3 COST OF MATERIALS

Materials include expenses for raw materials, consumables and supplies, purchased goods and the cost of purchased services. Operating expenses are recognised 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.

Expenses for raw materials, consumables and supplies fell by EUR 3.0 million, from EUR 28.1 million the previous year to EUR 25.1 million, due particularly to a decline of EUR 2.2 million in energy costs and the absence of swap transactions included the previous year (EUR 0.7 million).

The cost of purchased services went up by EUR 0.8 million, from EUR 4.4 million in the previous year to EUR 5.2 million, primarily due to the increased cost of external medical services.

5.4 PERSONNEL EXPENSES

Personnel expenses are as follows:

€ '000	2009 | 2010	2008 | 2009
Wages and salaries	103,463	99,968
Emoluments and bonuses	1,768	2,106
Employer's liability insurance	955	1,250
Social security contributions	19,392	18,718
Old-age provisions	5,863	2,355
	131,441	**124,397**

There was no share-based payment in the sense of IFRS 2.

The average number of employees in the financial year 2009/2010 (headcount), divided into groups, is shown in the following table:

Full-time employees	2009 | 2010	2008 | 2009
Doctors	144	166
Nursing staff	3,329	3,144
Medical-technical staff	13	19
Total medical staff	**3,486**	**3,329**
Housekeeping staff	1,370	1,424
Technical staff	135	160
Administrative staff	593	622
	2,098	**2,206**
Total	**5,584**	**5,535**

The Group lost an average of 509 employees due to the deconsolidation of the rehabilitation companies (as of 30 April 2010) and the hospital in Büren (as of 30 June 2010).

The average number of employees in the financial year 2009/2010 does not include the 44 employees of Allgemeine Ansgar Pflegedienste GmbH, which was consolidated for the first time as of 30 June 2010.

In the financial year 2009/2010, expenses amounting to EUR 969 thousand (previous year: EUR 276 thousand) were incurred as a result of the termination of employment contracts (severance payments) related to job cutbacks.

5.5 DEPRECIATION AND AMORTISATION

Depreciation and amortisation in the reporting year amounted to EUR 21.6 million (previous year: EUR 10.4 million).

This includes impairment of intangible assets amounting to EUR 3.2 million (previous year: EUR 0.0 million), with write-downs on goodwill accounting for EUR 1.2 million and the write-off of planning work for the construction of an incontinence centre accounting for EUR 2.0 million. Impairment of property, plant and equipment amounted to EUR 8.1 million (previous year: EUR 0.4 million), EUR 7.3 million of which was recognised on redundant properties. Amortisation of capitalised finance leases amounted to EUR 2.1 million (previous year: EUR 1.8 million).

We refer to the statement of changes in consolidated assets attached as an appendix to these notes.

5.6 OTHER OPERATING EXPENSES

Other operating expenses came to EUR 84.9 million (previous year: EUR 84.3 million), largely unchanged from the previous year.

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

€ '000	2009 | 2010	2008 | 2009
Rent and lease payments	49,742	46,951
Administrative expenses	8,761	8,166
Legal and consultancy costs	7,733	6,298
Repair and maintenance costs	4,453	5,411
Marketing and representation expenses, Annual General Meeting	2,710	3,527
Funding for Promint	2,427	2,436
Impairment losses, bad debt losses	2,208	3,714
Vehicle and aircraft costs	1,156	1,483
Insurance	880	1,102
Fees, contributions	666	528
Other social security costs	480	380
Ongoing education and training	441	426
Damages	413	231
Loss from the deconsolidation (hospital Büren)	333	0
Costs from exchange rate differences	247	6
Losses on disposal of property, plant and equipment	199	192
Other expenses	2,041	3,483
	84,890	**84,334**

The increase in rental and lease payments was mostly due to the addition to provisions for rental obligations in connection with a former consolidated company, rental expenses for the start-up facilities in Oberhausen and Bremerhaven in the financial year 2009/2010 and rent adjustments for various nursing facilities. The upturn in rental expenses was offset by the absence of rental expenses for the deconsolidated rehabilitation companies in May and June 2010.

The administrative expenses consist primarily of expenses for outside staff amounting to EUR 3.8 million (previous year: EUR 3.8 million), expenses for reading material, postal charges, telephone, fax and IT amounting to EUR 2.8 million (previous year: EUR 2.6 million), and for office materials amounting to EUR 0.5 million (previous year: EUR 0.6 million).

The increase in legal and consulting costs mainly resulted from litigation risks in connection with the company Karlsruher-Sanatorium-Aktiengesellschaft. For further details please see item 12.1. The majority of the increase in consulting costs arose from the disposal of the rehabilitation activities.

Impairment charges and bad debt losses comprise impairment charges amounting to EUR 1.1 million (previous year: EUR 2.3 million) and bad debt losses amounting to EUR 1.1 million (previous year: EUR 1.4 million).

Please see section 2.1.3 for information about the loss on the deconsolidation of the Büren hospital (incl. its subsidiaries).

Voluntary social services and overnight costs accounted for the majority of other expenses.

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 2010:

€ '000	2009 | 2010	2008 | 2009
Audit of financial statements 2009 | 2010	328	0
Audit of financial statements 2008 | 2009	0	381
Audit of financial statements 2007 | 2008	0	60
Other certification and valuation services	70	0
Other services	278	28
	676	**469**

5.7 GAIN ON THE DISPOSAL OF THE REHABILITATION SEGMENT

Please see section 2.1.3 for information about the gain on the disposal of the rehabilitation segment.

5.8 FINANCIAL RESULT

The financial result is as follows:

€ '000	2009 | 2010	2008 | 2009
Interest from capital investments	1,035	1,137
Financial income	**1,035**	**1,137**
Interest paid on loans	4,002	5,749
Interest paid on finance leases	651	652
Financial expenses	**4,653**	**6,401**
Financial result	**– 3,618**	**– 5,264**

5.9 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 taxes are multiplied by the corporation tax rate of 15.825 % (including solidarity surcharge), which has remained unchanged since the previous year.

€ '000	2009 | 2010	2008 | 2009
Earnings before taxes	**78**	**– 12,067**
Group tax rate	15,825 %	15,825 %
Expected tax charge	**12**	**– 1,910**
Effects of tax rate changes	0	0
Effects of varying domestic tax rates	483	722
Tax increase due to non-deductible expenses	16	319
Tax increase due to off-balance sheet additions	587	67
Effects of non-profit losses	0	172
Tax reduction due to use of tax-loss carryforwards, previous year of no value	– 201	– 1
Value adjustment/changes in deferred tax assets	0	0
Tax increase due to losses in current year, of no value	1,439	1,408
Effects from variations in the tax assessment basis for which no deffered taxes may be set up	– 1	17
Taxes from other accounting periods	1,677	793
Tax effects from deconsolidation	– 4,089	– 72
Other effects	51	13
Actual tax charge	– 26	**1,528**
Actual tax rate	– 32,89 %	– 12,67 %

The tax increase of EUR 1,439 thousand resulting from losses in the current year (of no value) consists of deferred taxes on current year losses which are eligible for capitalisation but which have not been capitalised. The tax reduction due to use of tax-loss carryforwards (of no value in previous year) is due to income from losses carried forward which were not used in the previous year.

The breakdown of income taxes is as follows:

€ '000	2009 | 2010	2008 | 2009
Deferred tax income	2,759	639
Current tax charge	– 2,733	– 2,167
Income taxes	**26**	**– 1,528**

The reversal of reserves made pursuant to § 6b and § 7f German Income Tax Act (EStG) at individual financial statement level made up the majority of deferred tax income. This was almost completely offset by the current tax charge. The current tax charge for the previous year contained the EUR 1.4 million reserve formed for the external audits between 2001 and 2004.

As of the balance sheet date, the balance sheet included deferred taxes on expenses recognised directly in equity of EUR 68 thousand (previous year: EUR 69 thousand).

5.10 OTHER TAXES

Other taxes include, in particular, motor vehicle tax and property tax. The decline was mainly due to the formation of the reserve for property taxes in the previous year.

5.11 MINORITY INTERESTS

The proportion of Group net profit/loss attributable to minority interests is EUR – 96 thousand (previous year: EUR – 83 thousand), with continued operations accounting for EUR – 48 thousand (previous year: EUR – 206 thousand) and discontinued operations totalling EUR 144 thousand (previous year: EUR 123 thousand).

5.12 GROUP NET PROFIT/LOSS

The Group net profit/loss for the financial year 2009/2010 amounts to EUR 660 thousand (previous year: EUR – 13,596 thousand). Of the total, EUR 564 thousand (previous year: EUR – 13,513 thousand) was attributable to the shareholders of the parent company and EUR 96 thousand (previous year: EUR – 83 thousand) to minority interests.

The Group loss carried forward amounted to EUR 21.9 million as of 30 June 2009, and fell to EUR 5.7 million as of 30 June 2010, largely due to the reversal of the capital reserve of Marseille-Kliniken AG at individual financial statement level. Details of this development are contained in the statement of changes in equity.

6 *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:

€ '000	Measurement category under IAS 39	Carrying amount 6/30/2010	Fair value 6/30/2010	Carrying amount 6/30/2009	Fair value 6/30/2009
ASSETS					
Non-current financial assets					
Loans	LaR	1,613	1,613	1,286	1,286
Asset-side pension obligations	FVTPL	989	989	2,026	2,026
Other securities	AfS	188	188	188	188
Finance leases for buildings	IAS 17	5,699	5,699	0	0
Current financial assets					
Trade receivables	LaR	9,260	9,260	15,554	15,554
Other receivables	LaR	5,669	5,669	11,897	11,897
Cash and cash equivalents	n.a.	10,104	10,104	9,631	9,631
LIABILITIES					
Non-current financial liabilities					
Financial debts	FLAC	40,862	40,862	44,412	44,412
Finance leases	IAS 17	2,862	2,862	3,662	3,662
Derivative financial instruments	Derivatives in effective hedging relationship	869	869	434	434
Derivative financial instruments	FVTPL	0	0	47	47
Current financial liabilities					
Financial debts	FLAC	16,091	16,091	33,577	33,577
Finance leases	IAS 17	1,790	1,790	1,887	1,887
Trade payables	FLAC	8,256	8,256	13,843	13,843
Other current financial liabilities	FLAC	8,635	8,635	7,908	7,908

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

€ '000	Assets Carrying amount 6/30/2010	Assets Fair value 6/30/2010	Liabilities Carrying amount 6/30/2010	Liabilities Fair value 6/30/2010	Assets Carrying amount 6/30/2009	Assets Fair value 6/30/2009	Liabilities Carrying amount 6/30/2009	Liabilities Fair value 6/30/2009
Loans and receivables (LaR)	16,542	16,542	–	–	28,737	28,737	–	–
Financial instruments measured at fair value through profit and loss (FvtpL)	989	989	0	0	2,026	2,026	47	47
Available-for-sale financial assets (AfS)	188	188	–	–	188	188	–	–
Finance lease receivables valued at present value (IAS 17)	5,699	5,699	–	–	0	0	–	–
Financial liabilities at amortised cost (FLAC)	–	–	73,844	73,844	–	–	99,740	99,740
Finance lease liabilities valued at present value (IAS 17)	–	–	4,652	4,652	–	–	5,549	5,549
Derivatives in an effective hedging relationship	–	–	869	869	–	–	434	434

Cash and cash equivalents, trade receivables and other receivables primarily have short remaining 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 securities are valued at acquisition cost, which likewise corresponds to its estimated fair value, and have an insignificant influence on the Group.

The interest terms agreed for existing financial liabilities to banks largely take account of prevailing 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 corresponds 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 liabilities and other liabilities regularly have short remaining terms. The values recognised therefore represent fair value.

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

In addition, the Marseille-Kliniken Group has the pre-emption right to acquire further shares in a company in which the Group has a 50% shareholding. The estimated value of the pre-emption right is EUR 0.00.

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

€ '000	Interest income/ expense 6/30/2010	Net result 6/30/2010	Time valuation reserve 6/30/2010	Interest income/ expense 6/30/2009	Net result 6/30/2009	Time valuation reserve 6/30/2009
Loans and receivables (LaR)	1,035	– 2,208	0	1,137	– 3,714	0
Financial instruments measured at fair value through profit and loss (FvtpL)	0	0	0	0	– 836	0
Financial liabilities at amortised cost (FLAC)	– 4,002	0	0	– 5,207	0	0
Finance lease liabilities valued at present value (IAS 17)	– 651	0	0	– 652	0	0
Derivatives in an effective hedging relationship	0	0	869	0	0	434
Total	**– 3,618**	**– 2,208**	**869**	**– 4,722**	**– 4,550**	**434**

The net result relates to impairment expenses in the category of loans and receivables of EUR – 2,208 thousand (previous year: EUR – 3,714 thousand).

7 Segment reporting

For segment reporting, financial figures are classified by segment in accordance with the internal reporting system. For internal 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 geographical level of classification used for segment reporting as Marseille-Kliniken AG only operates in Germany and Switzerland. Information about the revenue generated in Switzerland is available in a separate operating segment report.

Financing decisions are made on a Group-wide level rather than on a segment by segment basis. For this reason, interest expenses and interest income are not reported on a segment level.

The Group is organised into three operating segments:

Nursing care

The company focuses on the nursing care segment, which includes the operation of care homes for the elderly, the provision of inpatient care for the elderly and outpatient nursing services (assisted living). The segment result improved in comparison to the previous year, largely due to income from the sale of property in Bremerhaven as part of a sale-and-leaseback transaction (EUR 2.0 million).

Services (incl. Marseille-Kliniken AG)

This segment contains the provision of centralised services for the facilities. 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 fell by EUR 4.0 million to EUR – 12.7 million, particularly due to impairment totalling EUR 6.4 million.

Other

The „Other" segment contains medical follow-up treatment services and therapies still provided by the Group after the disposal of the nine rehabilitation clinics. Marseille-Kliniken AG, Zug (Switzerland), which mostly provides hospital management services, was allocated to this segment in financial year 2009/2010. This segment includes the companies which provide care and services related to hospitals and medical care centres.

7.1 STATEMENT OF SEGMENT EARNINGS

The following table shows the segment reporting with regard to segment results for the financial year 2009/2010 and the comparative figures from the previous year:

	Continuing operations							
	Nursing care		Services, incl. AG		Rehabilitation			
	Germany		Germany		Germany		Abroad	
€ '000	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009
External revenues	190,280	180,617	1,321	1,025	668	664	882	0
Internal revenues with other segments	0	0	61,104	62,887	0	0	0	0
Other operating income	7,612	5,362	27,226	26,111	1,475	1,892	0	0
Total revenues	197,893	185,979	89,652	90,023	2,144	2,556	882	0
Cost of materials	– 38,860	– 41,723	– 12,817	– 13,241	– 280	– 1,356	– 124	0
Personnel expenses	– 78,738	– 69,019	– 31,898	– 33,366	– 4,424	– 1,847	– 33	0
Other operating expenses	– 67,782	– 66,057	– 47,196	– 48,218	– 4,482	– 1,811	– 552	0
Other taxes	– 259	– 140	– 92	– 443	29	– 491	0	0
Depreciation and amortisation	– 4,953	– 4,859	– 3,930	– 3,472	– 756	– 560	– 34	0
Extraordinary depreciation	– 578	0	– 6,102	0	– 7,525	0	0	0
Write-downs on goodwill	0	0	– 319	0	– 876	0	0	0
Earnings from operating activities	6,723	4,181	– 12,701	– 8,717	– 16,171	– 3,509	139	0
Gain from the disposal of the rehabilitation activities								
Earnings from interest and financial investments								
Interest and similar expenses								
Earnings before taxes								
Taxes on income and earnings								
Group net profit/loss								

The segment result was influenced negatively by impairment totalling EUR 8.4 million.

The segment values are reported separately for each country.

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

The annual transaction figures of the deconsolidated rehabilitation companies and the insolvent St. Nikolaus Hospital Büren GmbH are shown in a separate column as discontinued operations.

Continuing operations				**Discontinued operations**				**Total**	
Setting-off		Total				Setting-off			
2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009
0	0	193,152	182,307	47,590	53,228	0	0	240,742	235,535
– 50,964	– 52,251	14,209	15,841	0	0	– 10,139	– 10,636	0	0
– 21,778	– 20,335	10,465	7,824	1,580	2,620	– 4,070	– 5,205	12,045	10,444
– 72,743	– 72,586	217,827	205,972	49,170	55,849	– 14,209	– 15,841	252,787	245,979
27,857	30,420	– 17,958	– 18,581	– 12,335	– 13,869	6,265	7,318	– 30,293	– 32,451
1,023	1	– 114,194	– 104,231	– 17,247	– 20,166	-124	0	– 131,441	– 124,397
42,883	43,149	– 69,185	– 64,414	– 15,705	– 19,920	7,944	8,523	– 84,890	– 84,334
0	1	– 323	– 1,074	– 19	– 80	0	0	– 342	– 1,154
328	21	– 9,345	– 8,869	– 673	– 1,577	0	0	– 10,019	– 10,446
3,769	0	– 10,435	0	0	0	0	0	– 10,435	0
0	0	– 1,194	0	0	0	0	0	– 1,194	0
3,118	1,006	– 4,807	8,802	3,190	237	– 124	0	– 15,826	– 6,803
								20,080	0
								1,035	1,137
								– 4,653	– 6,400
								634	– 12,066
								26	– 1,529
								660	– 13,596

7.2 OTHER SEGMENT INFORMATION

The following table shows additional segment reporting information for the financial year 2009/2010 and a comparison with the previous year's figures:

	Continuing operations							
	Nursing care		Services, incl. AG		Rehabilitation			
	Germany		Germany		Germany		Abroad	
€ '000	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009
Investments	12,071	6,435	2,935	3,218	113	981	0	0

The segment investments do not include the sale of property with the Group from the „Other" segment to the services segment, which totalled EUR 3.1 million.

	Continuing operations							
	Nursing care		Services, incl. AG		Rehabilitation			
	Germany		Germany		Germany		Abroad	
€ '000	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009
Other non-cash expenses (+) / income (-)								
income (-) and	– 2,812	– 2,825	– 805	– 1,446	– 468	– 741	0	0
expenses (+)	819	537	64	2,567	830	360	0	0

Other non-cash expenses and income do not include the impairment, depreciation and amortisation explained above in the „Statement of segment earnings" section.

The item mainly includes reversals of provisions and expenses resulting from the reversal of investment subsidies and expenses for lump sum provisions for bad debts, individual write-downs and bad debt losses. Unlike in the previous year, non-cash expenses and income include income from the adjustment of the asset values of pension provisions and the reversal of lump sum provisions for bad debts.

8 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. without 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 and will be revoked at the next Annual General Meeting.

Continuing operations				Discontinued operations				Total	
Setting-off		Total				Setting-off			
2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009
0	0	15,119	10,633	879	1,822	0	0	15,998	12,456

Continuing operations				Discontinued operations				Total	
Setting-off		Total				Setting-off			
2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009	2009 | 2010	2008 | 2009
349	480	– 3,737	– 4,532	– 619	– 602	0	0	– 4,355	– 5,134
145	– 500	1,744	2,964	465	429	– 114	0	2,208	3,394

Taking into account the share split from originally 12,150,000 shares to 24,300,000 shares that was resolved at the Annual General Meeting held on 18 December 2008 and entered in the Commercial Register on 5 February 2009 but has not yet been implemented by the stock exchange, earnings per share came to EUR 0.02 (previous year: EUR – 0.56). Based on the original number of no-par shares (12,150,000), earnings per share amounted to EUR 0.05 (previous year: EUR – 1.12).

The total number of shares is 24,300,000 (previous year: 24,300,000), comprising 211,350 treasury shares (previous year: 211,350) and 24,088,650 shares in circulation (previous year: 24,088,650) as of the balance sheet date. 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.

Date	Number of shares bought	Number of shares sold	Price in €	Number of shares	Market value in €	Percentage of share capital in %	Amount of share capital in €
As of 7/1/2009	0	0	8.541	105,675	902,579.62	0.87	270,493.21
As of 6/30/2010	**0**	**0**	**8.541**	**105,675**	**902,579.62**	**0.87**	**270,493.21**

In the period between the balance sheet date and the preparation of the consolidated financial statements, Marseille-Kliniken AG carried out no transactions with ordinary shares or potential ordinary shares.

9 Dividends paid and proposed

The net loss of Marseille-Kliniken AG, Berlin, amounts to EUR 311,136.05 (previous year: net profit of EUR 1,320 thousand). The net loss will be carried forward.

10 Consolidated statement of changes in equity

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

11 Consolidated cash flow statement

The cash flow statement shows how the funds of the Marseille-Kliniken Group (cash on hand, cash at banks) have changed over the reporting period. The cash flows are classified as from operating activities, investing activities or financing activities. Cash flow from operating activities is presented according to the indirect method.

The funds as of 30 June 2010 include cash and cash equivalents of EUR 10,104 thousand (previous year: EUR 9,631 thousand), which comprise cash on hand amounting to EUR 373 thousand (previous year: EUR 380 thousand) and cash at banks amounting to EUR 9,251 thousand (previous year: EUR 9,251 thousand). Of the cash and cash equivalents, a total of EUR 5,129 thousand (previous year: EUR 6.3 million) cannot be disposed of freely. See 4.1.11 for more details.

The changes mainly concern the reporting of interest paid and received which is reported as cash flow from financing activities.

Income from the disposal of property in Bremerhaven totalling EUR 15,993 thousand, which was reported under inventories in the consolidated balance sheet in the previous year, was reported under income from the disposal of property in cash flow from investment activities in the consolidated cash flow statement. The payment of EUR 10,771 thousand for completing the properties was reported under outflows from asset investments in the Property, plant and equipment section.

12 Miscellaneous information

12.1 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.

On 6 July 2004, Marseille-Kliniken AG issued a letter of comfort for loan obligations of DaTess Gesellschaft für Datendienste mbH to Sparkasse Prignitz totalling EUR 405 thousand. As of the reporting date, the loan was valued at EUR 198 thousand. DaTess Gesellschaft für Datendienste mbH is expected to make its repayments; we therefore expect that there will be utilisation arising from this letter of comfort.

Some lease agreements entitle the lessor to terminate sale-and-leaseback contracts if the counterparty is in default.

In connection with the insolvency of a former Group company, legal action initiated against Karlsruher-Sanatorium-Aktiengesellschaft by former employees on grounds of the termination of employment contracts is pending. The provisions take the risk that we anticipate into account. In addition, the lease agreement between this company and the lessor was terminated prematurely by the insolvency administrator. The rent is currently being paid by a subsidiary. Lawsuits are also pending with regard to these circumstances. Provisions amounting to EUR 4.1 million have been set aside for the obligations mentioned above and other litigation risks. The maximum possible risk arising from these obligations and litigation risks is EUR 7.8 million.

The contracts related to the sale of the rehabilitation companies contain tax exemption clauses for previous financial years.

There is also the general risk of sale-and-leaseback contracts being terminated if the contractual financial covenants are not met.

Marseille-Kliniken AG is involved in several passive legal disputes, in which the company expects claims to be extremely unlikely.

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

12.2 LEASING

Lessees – finance leases

The assets classified as finance leases include the capital goods assigned to operating and office equipment. In the classification of lease agreements for moveable goods, an internal interest rate of 11.1 % (previous year: 11.1 %) was used as the basis for calculating their present value. This interest rate was derived on the basis of a review of agreements for selected leased items.

The significant obligations entered into during the term of the lease agreements concern, in addition to the lease payments themselves, the bearing of 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:

€ '000	6/30/2010	6/30/2009
Acquisition costs	8,841	7,908
less: accumulated depreciation	– 4,605	– 2,803
Net carrying amount	**4,236**	**5,105**

€ '000	6/30/2009	6/30/2008
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 for the finance leases described above amount to:

€ '000	Present value 6/30/2010	Interest 6/30/2010	Minimum leasing rate 6/30/2010
During the first year	1,790	457	2,247
1st to 5th year	2,862	453	3,315
After 5 years	0	0	0
Total	**4,652**	**910**	**5,562**

The previous year's figures as of 30 June 2009 are as follows:

€ '000	Present value 6/30/2009	Interest 6/30/2009	Minimum leasing rate 6/30/2009
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**

Lessors – finance leases

The other financial assets classified as receivables from finance leases are the result of leases for the properties in Herrenhalb and Ortenau from financial year 2009/2010. In the classification of lease agreements for property, a weighted internal interest rate of 7.42 % was used as the basis for calculating their present value.

The terms for the leasing agreements are 22.5 years.

€ '000	6/30/2010
Outstanding minimum lease payments	11,851
+ not guaranteed residual values	570
= Gross investment	**12,421**
– Unrealised financial income	6,722
= Net investment	**5,699**
– Present value of not guaranteed residual values	148
= Present value of minimum lease payments	**5,551**

€ '000	Total gross investment 6/30/2010	Present value of minimum lease payments 6/30/2010
During the first year	527	485
1st to 5th year	2,107	1,597
After 5 years	9,787	3,617
Total	**12,421**	**5,699**

12.3 CONTINGENT CLAIMS

The Marseille-Kliniken Group is involved in various active legal disputes with the objective of settling significant investment cost ratios. Should the Marseille-Kliniken Group prevail in these legal disputes, investment costs will be retrospectively higher. These claims had not been capitalised as of 30 June 2010.

12.4 OPERATING LEASE AGREEMENTS AND OTHER FINANCIAL OBLIGATIONS

The Group's overall obligations from operating lease and other financial obligations amount to EUR 634.4 million (previous year: EUR 804.8 million) as of the balance sheet date of 30 June 2010. The annual lease payments resulting from operating lease agreements were reported in the amount of EUR 49.7 million (previous year: EUR 47.0 million) with effect on expenses in the reporting year.

Of the operating lease agreements, the sum of EUR 621.5 million (previous year: EUR 791.0 million) is accounted for by property rented under long-term arrangements. The long-term agreements covering these 45 (previous year: 51) rented or leased properties are classified as operating leases by 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.

Property was sold under a sale-and-leaseback agreement in the financial year 2009/2010. The income from the sale totalled EUR 2.0 million and was recognised with effect on income, because the sale price was considered in line with the market. The so-called recovery of investment test using an internal interest rate of 8.81 % resulted in a ratio below 90 %. The other criteria for being classified as a finance lease were also not met. For this reason, it was classified as an operating lease.

Lease agreements are mainly for the properties in Tangerhütte, Aschersleben, Coswig, Lemwerder, Klötze, Waldkirch, Bad Langensalza, Wolmirstedt, Thale, Leipzig, Berlin-Lichtenberg, Buxtehude, Hennigsdorf, Hohen Neuendorf, Langen, Schollene, Datteln, Lutzerath, Kreuztal-Krombach, Büren, Arnsberg, Hamburg, Düsseldorf and Meerbusch. The other financial obligations no longer include leases for the properties of the rehabilitation facilities in Blankenburg, Bad Klosterlausnitz, Gengenbach, Schömberg and Bad Schönborn that were sold as from 1 May 2010.

		Remaining terms		
€ '000	2009 | 2010	up to 1 year	1–5 years	> 5 years
Rental and lease agreements (property and movable goods)	621,451	34,342	138,117	448,992
Building lease obligations	7,462	203	814	6,445
Lease agreements (operating/office equipment incl, vehicles)	10,914	4,648	6,266	0
Service agreements	1,034	668	322	44
Total	**640,861**	**39,861**	**145,519**	**455,481**

Previous year

		Remaining terms		
€ '000	2008 | 2009	up to 1 year	1–5 years	> 5 years
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 (operating/office equipment incl, vehicles)	5,878	2,770	3,070	38
Service agreements	253	84	105	64
Total	**804,784**	**44,090**	**167,132**	**593,562**

Contractual price escalation clauses (indexing) and changes in duration have been taken into account for the measurement of other financial obligations.

Purchase commitments came to approximately EUR 1.5 million as of 30 June 2010, mainly for the property in Herne, which accounts for EUR 1.0 million (previous year: EUR 4.8 million), and software licenses totalling EUR 0.5 million.

Marseille-Kliniken AG is committed to acquiring 10 % of the shares in a foreign hospital company. The purchase price has yet to be determined.

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

12.5 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.

See the Risk report section in the management report for further information.

Interest rate risk / Market price risk

Derivative financial instruments were held in the form of one commodity swap and two interest rate swaps in the financial year 2009/2010, whereby the commodity swap expired in the financial year under review.

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.

As of the due dates, the Group received equalisation payments amounting to EUR 37 thousand (previous year: outpayment of EUR 714 thousand), which were recognised in the income statement with effect on net income.

In addition, Marseille-Kliniken AG concluded a loan agreement with Commerzbank AG (formerly Dresdner Bank) in the amount of EUR 7,500 thousand in order to finance the 100% shareholding in Allgemeine Dienstleistungsgesellschaft mbH (ADG). The loan is repayable in 20 quarterly instalments of EUR 375 thousand, 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 2010 meant that Marseille-Kliniken AG would have to pay EUR 8 thousand on the sale of the derivative (previous year: EUR 47 thousand). 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 change in market value is recognised in the income statement with effect on income.

Marseille-Kliniken AG had concluded two loan agreements with HSH Nordbank in the financial year 2008/2009 which serve to finance the construction project in Herne. Two 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 2009/2010.

As of 30 June 2010, negative market values including deferred taxes totalling EUR 869 thousand (previous year: EUR 434 thousand) were accrued in the time valuation reserve directly under equity. The market value was ascertained using the mark-to-market method. Equalisation payments resulting from interest-rate hedge agreements amounting to EUR 272 thousand became due in the financial year 2009/2010. These payments were removed from the time valuation reserve with effect on income and recognised in net interest. The derivative financial instruments consist of the following:

€ '000	Nominal volume	Market value* as of 6/30/2010
SWAP 1	8,199	– 505
SWAP 2	3,100	– 364
Total	**11,299**	**– 869**

€ '000	Nominal-volumen	Market value* as of 6/30/2009
SWAP 1	8,967	– 392
SWAP 2	3,100	– 42
Total	**12,067**	**– 434**

** = Clean Prices*

The redemption payments (anticipated cash flows) of the swaps are apportioned as follows:

€ '000	6/30/2010
0 to 1 years	859
1 to 2 years	920
2 to 3 years	964
3 to 4 years	1,011
4 to 5 years	1,060
5 to 12 years	6,485
Total	**11,299**

€ '000	6/30/2009
0 bis 1 Jahr	786
1 bis 2 Jahre	883
2 bis 3 Jahre	925
3 bis 4 Jahre	970
4 bis 5 Jahre	319
5 bis 12 Jahre	8,184
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 2010, 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 primary 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 primary 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 2010 had been 100 basis points higher (or lower) than it was, earnings before taxes would have been around EUR 0.2 million (previous year: EUR 0.4 million) lower (or higher). This hypothetical effect on earnings results from the potential effects of primary floating-rate financial debt amounting to some EUR 22.9 million (previous year: EUR 42.0 million) and the positive effects of financial investments amounting to some EUR 3.7 million (previous year: EUR 4.1 million).

With regard to cash flow hedges, a change in the interest rate of +/– 100 basis points would have the following effect on equity:

Increase/decrease in basis points	Effect on equity in € million
+ 100	+ 0.4
– 100	– 0.4

Previous year

Increase/decrease in basis points	Effect 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 2010, 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.

	Maturities			Total
€ '000	< 1 year	1-5 years	> 5 years	
Interest-bearing loans1) and interest-rate hedges	19,071	25,505	42,879	87,455
Finance leases	2,247	3,315	0	5,562
Trade payables	7,670	586	0	8,256
Other current liabilities	8,478	0	345	8,822
Total	**37,466**	**29,406**	**43,224**	**110,095**

[1] *Interest and redemption payments without credit lines*

Previous year

	Maturities			Total
€ '000	< 1 year	1-5 years	> 5 years	
Interest-bearing loans1) and interest-rate hedges	33,383	30,048	34,608	98,039
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	**57,076**	**34,802**	**35,414**	**127,292**

[1] *Interest and redemption payments without credit lines*

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.

The credit lines freely available as of 30 June 2010 amounted to EUR 10.5 million. In the course of the planned restructuring of the liabilities side in the financial year 2010/2011, the existing credit lines will be paid back in two stages and replaced by issuing a corporate bond amounting to at least EUR 10.0 million. Furthermore, the Management Board is preparing for a capital increase in the third quarter of the financial year 2010/2011 in order to secure its liquidity. For further details, please refer to the sections on financial risks and events after the balance sheet date in the combined management and Group management report.

Financial covenants

Binding financial ratios were agreed with the lessors of properties. These are being fulfilled in their entirety by Marseille-Kliniken AG.

Credit risk

The Group's business activities expose it to a credit risk. Credit risk means the risk of insolvency or deterioration in the credit standing of a contractual partner.

The maximum default risk from financial assets (e.g. cash and cash equivalents, securities, loans, receivables, derivatives) corresponds to the carrying amount shown in the balance sheet.

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 a default risk 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 individual write-downs and general write-downs based on the term 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 measurement category „Loans and receivables".

€ '000	6/30/2010	6/30/2009
Receivables neither due nor written down	7,282	12,478
Receivables due, but not written down		
less than 30 days	4,820	9,786
between 31 and 90 days	710	2,330
between 91 and 180 days	221	306
between 181 and 360 days	759	0
more than 360 days	0	0
Total	**13,792**	**24,900**
Residual carrying amount of written-down receivables	2,751	3,837
Net carrying amount	**16,543**	**28,737**

Currency risk

The transactions in foreign currencies were only of low amounts, with the result that no hedging transactions for currency risks were necessary.

12.6 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 Agio 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).

12.7 DIRECTOR'S DEALINGS

Pursuant to § 15a of the German Securities Trading Act (WpHG), persons who hold a management position in a company which issues shares, or have a close relationship with such a person, are required to report their trading in such shares or financial instruments based on them if the total amount of the transactions exceeds EUR 5,000.00 per calendar year.

In the financial year 2009/2010, the Group was not notified of any securities transactions subject to notification requirements in accordance with § 15a of the German Securities Trading Act (WpHG).

12.8 SUPERVISORY BOARD

The members of the Supervisory Board are:

Ulrich Marseille, businessman, Hamburg
(Chairman up to 5 March 2010)

- Chairman of the Supervisory Boards:
  - Karlsruher-Sanatorium-AG, Hamburg
  - SCS Standard Computer Systeme 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 (up to 30 June 2010)

Uwe Bergheim, communications manager, Düsseldorf
(Chairman from 5 March 2010)

- Management Board:
  - Falke KGaA, Schmallenberg
- Advisory Board:
  - Nordmilch AG

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

Mathias D. Kampmann, business manager, Hamburg

Prof Dr med Matthias Schönermark, M.D., university professor, management consultant, Hanover

Dr Peter Schneider, medical specialist, Hohen Neuendorf
(up to 18 December 2009)

Dr Thomas Middelhoff, businessman, Essen
(from 18 December 2009)

- Chairman of the Management Board:
  - Senator Entertainment AG, Berlin
- Member of the Supervisory Board:
  - New York Times Company, New York, USA
- Advisory Board:
  - BHF-Bank, Frankfurt am Main
  - Fitch, Frankreich
  - NRW, Bank, Düsseldorf
  - RWE AG, Essen

Estella-Maria Marseille, Lawyer, Hamburg (since 31 August 2010)
- Member of the Supervisory Board:
  - TD Treasury Deutschland AG, Berlin
  - Columbia Hospital AG, Berlin

In the financial year 2009/2010, members of the Supervisory Board received aggregate remuneration of EUR 115 thousand (previous year: EUR 205 thousand).

12.9 MANAGEMENT BOARD

The following are or have been members of the Management Board:
- **Ulrich Marseille**, businessman, Hamburg, Chairman (since 5 March 2010)
- **Axel Regenhardt**, IT specialist, Seesen, CIO (since 1 March 2010)
- **Dr Thomas Klaue**, businessman, Pullach, CFO and Deputy Chairman (since 1 July 2010)
- **Claus Dobrowolski**, businessman, Hamburg (from 2 April 2010 to 30 June 2010)
- **Axel Hölzer**, businessman, Hamburg, Chairman (up to 5 March 2010)
- **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).

The members of the management bodies were paid as follows for 2009/2010:

€ '000	2009 | 2010 fixed	2009 | 2010 variable	2009 | 2010 total
Management Board			
Mr Ulrich Marseille (Chairman of the Management Board)	0	0	0
Mr Axel Regenhardt (Management Board member)	96	**1**	**97**
Mr Claus Dobrowolski (Management Board member)	54	41	95
Mr Axel Hölzer (Chairman of the Management Board till february 2010)	320	11	331
Mr Peter Paul Gardosch von Krosigk (Management Board member)	25	0	25
Total	**495**	**53**	**548**

Remuneration for members of the Management Board in the financial year 2009/2010 was paid exclusively by Marseille-Kliniken AG. The only loans between the company and members of the Management Board in the reporting year concerned the Chairman of the Management Board, Mr Ulrich Marseille. A detailed list can be found in section 12.10 below.

Pension payments to former Management Board members and their surviving dependents amounted to EUR 57 thousand (previous year: EUR 58 thousand). Provisions amounting to EUR 453 thousand (previous year: EUR 471 thousand) have been set aside for future obligations.

12.10 RELATED PARTY DISCLOSURES

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 companies in the Marseille-Kliniken Group and related parties are disclosed as follows:

All in all, trade receivables and receivables arising from loans to the Marseille family and these related companies amount to EUR 7.5 million (previous year: EUR 12.5 million), while liabilities amount to EUR 5.9 million (previous year: EUR 5.7 million). The Marseille-Kliniken Group acquired or made use of goods and services, as well as assets, from related persons and companies in the amount of EUR 24.7 million (previous year: EUR 9.3 million). The Marseille-Kliniken Group delivered or rendered goods and services totalling EUR 0.3 million (previous year: EUR 0.2 million) to related persons and companies during 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 following: 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. In accordance with the amendment of 2 November 2009 the monthly rent was adjusted to EUR 60 thousand from 1 November. In accordance with the amendment of 21 December 2009 the lease agreement was extended for a further 10 years, beginning on 1 January 2010. Rental expenses in the financial year 2009/2010 totalled EUR 702 thousand.

- Fee for the takeover of the nursing care service from Hansel/Gehrckens Grundstücks GbR by Allgemeine soziale Dienstleistungsgesellschaft GmbH. The licensing agreement effective 1 April 1998 has an indefinite duration and was not terminated in the financial year 2009/2010. The notice period is six months to the end of a calendar half-year. The expenses incurred in the reporting period amounted to EUR 45 thousand.

- Marseille-Kliniken AG had granted a loan with an indefinite term to SCS Standard Computersysteme AG in accordance with the loan agreement dated 9 March 2001. As of 30 June 2010, this loan, including the accrued interest receivables, was valued at EUR 2,516 thousand. The loan is secured in accordance with a notarial security agreement through the pledging of the shares in SCS Standard Computersysteme AG to SCS Betrium GmbH. The interest is calculated using the German central bank's base rate plus a margin of 2.0% and a risk premium of 4.5%. Interest income amounted to EUR 167 thousand.

- On 25 May 2000, Marseille-Kliniken AG had 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 EUR 325 thousand were incurred in the financial year 2009/2010.

- 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 EUR 55 thousand were incurred in the financial year 2009/2010.

- On 27 June, VDSE GmbH signed a service agreement with SCS Standard Computersysteme for the assumption of its financial and staff accounting activities. The agreement took effect on 1 July and was initially valid until 30 June 2001. When this period expired, the agreement was extended by a further year. Income of EUR 2 thousand was earned in the financial year 2009/2010.

- Mrs Estella-Maria Marseille was granted a loan of EUR 1,722 thousand with a loan agreement dated 9 April 2001 for the acquisition of 6.0% of the shares in Karlsruher-Sanatorium AG. The loan is secured through the pledging of the 28,802 Karlsruher-Sanatorium AG shares acquired. Including the accrued interest of EUR 860 thousand, the loan was valued at EUR 2,582 thousand as of 30 June 2010. The interest rate is calculated at the refinancing rate of the lender plus a profit margin of 1.0% per annum. From 30 June 2010 the loan was no longer fully secured and the difference between the loan amount and the pro rata asset value of the shares in Kasanag totals approximately EUR 683 thousand. The interest income came to EUR 114 thousand in the reporting year.

- Mrs Estella-Maria Marseille was granted a loan of EUR 151 thousand 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 EUR 24 thousand in November 2005. The loan is not secured. Including the accrued interest of EUR 88 thousand, the loan amount was EUR 263 thousand as of 30 June 2010. The loan receivable is offset by liabilities of Marseille-Kliniken and its subsidiaries due to Mrs Estella-Maria Marseille amounting to EUR 323 thousand. The interest rate is calculated at the refinancing rate of the lender plus a profit margin of 1.0% per annum. The interest income came to EUR 7 thousand in the reporting year.

- Contract dated 11 February 2002 for the maintenance of a management information system (MIS) between SCS Standard Computersysteme 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 EUR 27 thousand were incurred in the financial year 2009/2010.

- 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 and InformationWarehouse, and to adapt them to future requirements as defined by VDSE GmbH. The remuneration amounts to EUR 1 thousand per development day plus the statutory value-added tax. Expenses of EUR 334 thousand were incurred on total in the financial year 2009/2010.

- Marseille-Kliniken AG and its subsidiaries were provided with the service and maintenance work for IT licences by SCS Standard Computersysteme AG. Expenses of EUR 477 thousand were incurred in the financial year 2009/2010.

- SCS Standard Computersysteme AG has concluded a licence agreement with Marseille-Kliniken AG for the hospital information system Senator@Hospital. The total order volume amounts to EUR 714 thousand. Advance payments amounting to EUR 238 thousand are attributable to the financial year 2009/2010.

- In the financial year 2009/2010 the law firm Rechtsanwaltskanzlei Marseille rendered a variety of consulting services totalling EUR 654 thousand for Marseille-Kliniken AG and its subsidiaries.

- As of 30 June 2010, Marseille-Kliniken AG acquired 100 % of the shares in AAP-Allgemeine Ansgar Pflegedienste GmbH, Zirchow, from Telekommunikation TV Service – TTVS – GmbH (hereinafter referred to as TTVS) for a purchase price of 6,500 thousand ascertained by experts. The purchase price is due as of 30 June 2010. As from 1 July 2010, interest of 8.0 % per year must be charged on the residual purchase price liabilities. If the residual purchase price has not been paid by 31 December 2010, the selling party, if it so requests, shall be entitled to the amount that corresponds to the pro rata profit-sharing right instead of the interest payment until the purchase price has been paid in full. TTVS has assigned part of the purchase price claim of EUR 5,500 thousand to Mr Ulrich Marseille, who set off the amount assigned against loan liabilities (including interest) vis-à-vis the company amounting to EUR 5,039 thousand. After the assignment and offsetting, there remain residual purchase price liabilities of EUR 1,000 thousand vis-à-vis TTVS and of EUR 461 thousand vis-à-vis Mr Ulrich Marseille. No interest expenses were incurred in the reporting year. The loan amounting to EUR 4,500 thousand granted to Mr Ulrich Marseille by Marseille-Kliniken AG in the financial year 2007/2008 was secured by means of a land charge in favour of the owner amounting to EUR 4,500 thousand on the premises of DL Immobilienverwaltung GmbH & Co. „Altmark Ansgar" KG. Including the accrued interest amounting to EUR 645 thousand, the loan inventory (before offsetting against the purchase price liabilities arising from the acquisition of 100 % of the shares in AAP-Allgemeine Ansgar Pflegedienste GmbH) totalled EUR 5,145 thousand as of 30 June 2010. The interest rate was calculated at the refinancing rate of the lender plus a profit margin of 1.0 % per annum. Interest income amounted to EUR 297 thousand in the reporting year. After offsetting, there remain interest receivables totalling EUR 106 thousand vis-à-vis Mr Ulrich Marseille.

- In the financial year 2009/2010 Mr Ulrich Marseille granted a short-term loan of EUR 5,000 thousand to Marseille-Kliniken AG, which was repaid in full during the reporting period. The expenses resulting from the interest charged at 7 % per annum (EUR 51 thousand) and from passed-on handling fees (EUR 21 thousand) totalled EUR 72 thousand.

- A loan agreement between SCS Betrium GmbH and Marseille-Kliniken AG was concluded on 18 August 1999. As of 30 June 2010, the loan, including the accrued interest receivables, was valued at EUR 2,501 thousand. In the financial year 2009/2010, SCS Betrium GmbH received interest (5.5 % p.a.) totalling EUR 145 thousand from Marseille-Kliniken AG.

- On 25 November 2008 a rent contract was signed between VDSE GmbH und SCS Standard Computersysteme AG for premises in the Alsterkrugchaussee 283. This resulted in income of EUR 4 thousand.

- 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 2009/2010 amounted to EUR 39 thousand.

- 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 EUR 5 thousand.

- Within the scope of the lease contract with Held Bau Consulting GmbH for the use of operating and office equipment, VDSE GmbH generated income of EUR 8 thousand in the financial year 2009/2010.

- Motor vehicles are operated on behalf of 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 of EUR 8 thousand.

- A sublease agreement dated 12 December 2006 exists for the premises at Heselstücken 7, Hamburg, between Marseille-Akademie GmbH and Held Bau Consulting GmbH. The agreement resulted in income of EUR 35 thousand in the financial year 2009/2010.

- Loan agreement between TD Artos Verwaltungsgesellschaft mbH and Marseille-Kliniken AG. The loan amount is EUR 160 thousand as of 30 June 2010. The loan bears interest of 6 %. The interest for the financial year 2009/2010 amounts to EUR 9 thousand. The loan was increased by a total of EUR 19 thousand in the course of the reporting year and written down in full as of 30 June 2010 due to the company's lack of assets. The write-down led to expenses amounting to EUR 19 thousand.

- Held Bau Consulting GmbH brought to account a diversity of construction services on a contractual basis for Marseille-Kliniken AG and its subsidiaries. In the financial year ended, these totalled EUR 15,035 thousand.

- On 1 August 1998 a use and supply contract for the temporary concession of the right to use an aircraft was concluded between SGS GmbH (formerly Katharina-Wohnanlage GmbH) and VDSE – Verwaltungsdienstleister sozialer Einrichtungen GmbH with an initial validity until 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 – Verwaltungsdienstleister sozialer Einrichtungen GmbH commits itself to utilising the aircraft for 300 to 450 flying hours per year over the duration of the contract. Provisions amounting to EUR 240 thousand were formed for this purpose in the reporting year.

- There is a contract for the rendering of various administrative services between VDSE GmbH and Held Bau Consulting GmbH. The resultant income in the reporting year amounted to EUR 26 thousand.

- 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 was for EUR 6,200 thousand. M. Held GmbH & Co. Baubetreuungs-KG has made the payments owed as a result of the settlement. The letter of comfort was returned to Marseille-Kliniken AG on 12 July 2010. The effect on income in the reporting period was zero.

- Marseille-Kliniken AG had sold its shares in Held Bau Consulting Projekt Steuerungsgesellschaft mbH to DL-Holding GmbH in the financial year 2007/2008. The purchase price came to EUR 760 thousand and was to be paid by 31 May 2009. Payment was in fact not made until 24 March 2010. However, as Held Bau Consulting performed considerable services in the reporting year on favourable terms and in view of the remaining duration, no additional interest was charged for deferring the purchase price obligation. The postponement of the payment deadline therefore did not result in any interest income. The theoretical resultant interest loss sustained by Marseille-Kliniken AG at an interest rate of 8.12 % in accordance with § 247, in conjunction with § 288, of the German Civil Code (BGB) amounts to EUR 46 thousand.

- A service agreement for rendering financial accounting and wage and salary accounting services was concluded between DaTess GmbH and various related companies. DaTess GmbH generated income of EUR 119 thousand from the contractual relationship in the reporting year.

- Marseille-Kliniken AG pursued a growth strategy in its clinics for acute cases division. Part of this strategy was the construction of a specialised incontinence centre, for which M. Held GmbH & Co. Baubetreuungs KG was commissioned to provide concept and planning services. The sale of the rehabilitation clinics as of 30 April 2010 marked the end of the growth strategy in the clinics for acute cases division, and it was decided to change the strategy to concentration on the core business of nursing care. Due to this change of strategy, the capitalised concept and planning expenses are no longer an asset with intrinsic value, with the result that this item was subjected to non-scheduled amortisation for its full amount in the financial year 2009/2010. Marseille-Kliniken AG hereby incurred expenses amounting EUR 1,952 thousand in addition to the scheduled amortisation of EUR 393 thousand.

- Trade receivables and other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. VDSE – Verwaltungsdienstleister sozialer Einrichtungen GmbH generated interest income amounting to EUR 20 thousand from charging interest on receivables from Mr Marseille.

- Trade receivables and other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. VDSE – Verwaltungsdienstleister sozialer Einrichtungen GmbH generated interest income amounting to EUR 9 thousand from charging interest on receivables from Telekommunikation TV Service – TTVS – GmbH.

- Trade receivables and other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. The following interest income was generated from charging interest on receivables from Held Bau Consulting GmbH in the reporting year: Marseille-Kliniken AG EUR 9 thousand, VDSE GmbH EUR 8 thousand, and ProTec Dienstleistungsgesellschaft mbH EUR 5 thousand.

- Trade receivables and other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. The following interest income was generated by charging interest on receivables from EWG Hansel Wohnungs KG in the reporting year: Pro Work Dienstleistungsgesellschaft mbH EUR 26 thousand, ProTec Dienstleistungsgesellschaft mbH EUR 2 thousand and Marseille-Kliniken AG EUR 1 thousand.

- Trade receivables and other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. Marseille-Kliniken AG generated interest income amounting to EUR 14 thousand from charging interest on receivables from Columbus Nr. 13 GmbH in the reporting year.

- Other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. Allgemeine Dienstleistungsgesellschaft mbH generated interest income amounting to EUR 12 thousand from charging interest on receivables from Mr Ulrich Marseille in the reporting year.

- Trade receivables and other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. Marseille-Kliniken AG generated interest income amounting to EUR 9 thousand from charging interest on receivables from Mr Ulrich Marseille in the reporting year.

- Sundry trade receivables and other receivables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. Marseille-Kliniken AG generated interest income amounting to EUR 13 thousand from charging interest on other receivables from Mr Ulrich Marseille.

- Trade payables and other payables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 BGB, accordingly at 8.12 % per annum. The payment of interest on liabilities vis-à-vis Held Bau Consulting GmbH led to interest expenses of EUR 10 thousand for Mineralquelle Waldkirch Verwertungsgesellschaft mbH.

- Sundry trade payables and other payables bear interest of 8.0 percentage points above the base rate in accordance with § 247 in conjunction with § 288 of the German Civil Code (BGB), accordingly at 8.12 % per annum. The payment of interest on liabilities vis-à-vis Mr Ulrich Marseille and Mrs Estella-Maria Marseille led to interest expenses of EUR 77 thousand for Marseille-Kliniken AG and its subsidiaries.

- Marseille-Kliniken AG acquired all the shares in AAP-Allgemeine Ansgar Pflegedienste GmbH as of 30 June 2010. The purchase due on 30 June was EUR 6,500 thousand. At the same time, the receivables and payables between AAP-Allgemeine Ansgar Pflegedienste GmbH and related companies were acquired in full. Consequently, as of 30 June 2010 there were receivables, including interest, vis-à-vis the following companies related to Mrs and Mr Marseille in the amounts of:

	€ '000
Mr Ulrich Marseille	43
Service Gesellschaft sozialer Einrichtung – SGS – GmbH	42
U M H GmbH	21
Norddeutsche Lignum AG	20
Ligni Term GmbH	18
Aladin Kino gGmbH	12
Diverse	28
Total	**184**

The liabilities vis-à-vis the related companies specified below, including interest, amounted to: Telekommunikation TV Service – TTVS – GmbH EUR 104 thousand, Citycomp Grundstücks GbR EUR 39 thousand, and SDG – Soziale Dienste Gesellschaft mbH EUR 31 thousand.

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.

Except for a loan to Mrs Marseille, the receivables and other assets are not secured.

12.11 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 29 November 2010. The consolidated financial statements for the financial year 2009/2010 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,
- 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,
- Senioren-Wohnpark Leipzig – Am Kirschberg GmbH,
- Senioren-Wohnpark soziale Grundbesitzgesellschaft mbH,
- AMARITA Buxtehude GmbH,
- PRO WORK Dienstleistungsgesellschaft mbH,
- Senioren-Wohnpark Cottbus – SWP – GmbH,
- Marseille-Klinik 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.

12.12 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 permanently accessible to the shareholders in its most up-to-date version on the company's website (*www.marseille-kliniken.de*).

Berlin, Germany, 26 November 2010

Marseille-Kliniken Aktiengesellschaft

Ulrich Marseille	Dr Thomas Klaue	Axel Regenhardt
Chairman of the Management Board	*CFO Deputy Chairman*	*CIO*

Responsibility statement issued by the legal representatives of Marseille-Kliniken AG (Balance Sheet Oath)

"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 2010 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".

Ulrich Marseille	Dr Thomas Klaue	Axel Regenhardt
Chairman of the Management Board	*CFO Deputy Chairman*	*CIO*

Auditors' report

The following unqualified certificate annotated with an indicative addendum has been issued about the complete annual accounts as at 30 June 2010 and the management report combined with the Group management report for the business year 2009/2010:

"We have audited the annual accounts – consisting of the balance sheet, profit an 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 2009/2010 that began on 1 July 2009 and ended on 30 June 2010. 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 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 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 issuing a qualification of our opinion, we refer to the remarks made by the Management Board in section 11.4 "Financial risks" of the combined separate and Group management report and the issues discussed therein. This section presents Marseille-Kliniken AG's intended comprehensive reorganisation of its financial structure in detail with the aim of strengthening its equity base and replacing its existing short-term financing via banks. In the event that the measures required for the reorganisation of the financial structure cannot be implemented in time or at all, liquidity risks which would pose a threat to the continued existence of Marseille-Kliniken AG and the Group as a going concern may result."

Hamburg, 29 November 2010

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Werner von Salzen	Thomas Götze
Wirtschaftsprüfer	Wirtschaftsprüfer

Auditors' report

The following unqualified certificate annotated with an indicative addendum has been issued about the complete Group annual accounts as at 30 June 2010 and the Group management report combined with the Management report for the business year 2009/2010:

"We have audited the Group annual accounts – consisting of the balance sheet, income statement, statement of comprehensive income, statement of cash flow, statement of changes in equity and notes – and the Group management report combined with the management report prepared by MARSEILLE-KLINIKEN AKTIENGESELLSCHAFT, BERLIN, for the financial year 2009/2010 that began on 1 July 2009 and ended on 30 June 2010. 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 Commerial 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 made our audit of the Group 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 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 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 appliedand 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 apllied 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 issuing a qualification of our opinion, we refer to the remarks made by the Management Board in section 11.4 "Financial risks" of the combined separate and Group management report and the issues discussed therein. This section presents Marseille-Kliniken AG's intended comprehensive reorganisation of its financial structure in detail with the aim of strengthening its equity base and replacing its existing short-term financing via banks. In the event that the measures required for the reorganisation of the financial structure cannot be implemented in time or at all, liquidity risks which would pose a threat to the continued existence of Marseille-Kliniken AG and the Group as a going concern may result."

Hamburg, 29 November 2010

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Werner von Salzen	Thomas Götze
Wirtschaftsprüfer	Wirtschaftsprüfer

"There are no actions for which no one is responsible."

Create security!

Otto Fürst von Bismarck (1815 - 1898)

Corporate Governance Report

STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH § 289A GERMAN COMMERCIAL CODE (HGB)

The statement on corporate governance in accordance with § 289a(1) of the German Commercial Code (HGB) includes the statement of compliance pursuant to § 161 of the German Companies Act (AktG), information about corporate governance practices and a description of working procedures for the Management Board and Supervisory Board. Marseille-Kliniken AG strives to keep the presentation of corporate governance in the statement clear and succinct.

» Statement of compliance
» Information on the corporate governance practices applied
» Working procedures for Management Board and Supervisory Board

The statement on corporate governance has been made publicly available on the company's website, www.marseille-kliniken.de, under the heading "Investor Relations".

STATEMENT ON THE GERMAN CORPORATE GOVERNANCE CODE (THE CODE) IN ACCORDANCE WITH § 161 GERMAN COMPANIES ACT (AKTG)

On 29 November 2010 the Management Board and Supervisory Board issued the statement of compliance with the recommendations of the Federal Commission on the German Corporate Governance Code pursuant to § 161 of the German Companies Act (AktG) and made it permanently available to the public on the company's website, http://www.marseille-kliniken.de, under the heading "Investor Relations". The statement of compliance reads as follows:

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 Gazette includes a number of recommendations and suggestions in addition to legal regulations.

The Management Board and Supervisory Board of Marseille-Kliniken AG declare in accordance with § 161 German Companies Act (AktG) that since the last statement of compliance issued in September 2009, the company has with the exception of the following recommendations complied with the recommendations of the Federal Commission on the German Corporate Governance Code as amended on 18 June 2009 and since it took effect with the Code as amended on 26 May 2010, and with the following exceptions will continue to do so:

» Notwithstanding section 2.3.3 of the Code the company does not yet offer the option of postal voting in addition to the option of appointing a proxy for the Annual General Meeting. The company is waiting for the legal and technical developments necessary for a secure postal voting procedure.

» The company has taken out D&O insurance for the Supervisory Board. Contrary to the recommendation of section 3.8 of the Code, the company has not provided for any excess for the Supervisory Board members, which according to the Code should amount to at least 10 % of the loss, up to at least one and a half times fixed annual salary. No excess has been agreed for the Supervisory Board, as in the opinion of the company an excess is not likely to have a significant influence on the motivation and sense of responsibility with which the Supervisory Board members carry out their duties. Furthermore, the company is of the opinion that an excess would be unreasonable given the remuneration of Supervisory Board members and would make it difficult to attract suitable members to the Supervisory Board.

» In line with the recommendations of the Federal Commission, the compensation paid to the members of the Management Board consists of fixed and variable components in the form of a bonus. The amount of the bonus is linked to targets agreed individually with each member of the Management Board. Stock options or similar arrangements for variable compensation have not been agreed with the members of the Management Board. Since no stock option plans or similar arrangements for variable compensation have been agreed, there is no need to provide information about the compensation system on the website, in the annual report or in the corporate governance report in line with section 7.1.3 of the Code, and the Chairman of the Supervisory Board is also not required to provide details to the Annual General Meeting.

» At present the Supervisory Board does not believe that a fixed age limit, as recommended in section 5.1.2 of the Code, for members of the company's Management Board is 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. For the Supervisory Board the age of a Management Board member is just one of several decision-making criteria, so that in the opinion of the Supervisory Board this single criterion should not constitute a general impediment. It would also run contrary to European principles on age discrimination. Furthermore, an absolute age limit does not appear to be necessary given the current age structure of the Management Board.

» The Finance and Investment Committee discusses and deals with issues relating to accounting, risk management and compliance, the necessary independence required of the auditors, the appointment of the auditors, the focal points of the audit and the fee agreement; a separate Audit Committee has not been set up by the Supervisory Board for this purpose, contrary to the recommendation of section 5.3.1 of the Code. The Supervisory Board does not currently believe it would make sense to establish such an Audit Committee in addition to the existing Finance and Investment Committee and in view of its size.

» 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(3) of the German Companies Act (AktG). Remuneration is not shown on an individual basis, also not for the additional components, contrary to the recommendation of section 5.4.6 of the Code, because shareholders can calculate it themselves based on the articles of association.

» There is also no additional individual disclosure of the shares held by the Chairman of the Management Board in the notes or in this report. Total shareholdings by other members of the Management and Supervisory Boards are also not broken down as recommended in section 6.6 of the Code, as the statutory disclosure obligations on significant voting rights and directors' dealings announcements already provide sufficient transparency in this regard.

» In accordance with the German Commercial Code the consolidated financial statements are published within four months of the end of the financial year and not within 90 days as recommended in section 7.1.2 of the Code. The particular difficulties involved in preparing the consolidated financial statements and the interim reports require the figures to be compiled and checked thoroughly, which given the complex structure of the company cannot be completed with the necessary deliberation within the short period of 90 days from the close of the financial year. For the financial year 2009/2010 the publication of the consolidated financial statements was also delayed because considerable reviews took place.

» The Supervisory Board strives to increase the proportion of women on the Supervisory Board. The Supervisory Board believes it makes sense to have an appropriate proportion of female managers within the Group. The quota has only been partially achieved, as there have been no further elections since the elections for the entire Supervisory Board at the end of 2009. As the company's business is concentrated in Germany, the Supervisory Board sees no need to represent an international orientation in its choice of members. No age limit has been defined for Supervisory Board members as the current age structure is already balanced.

INFORMATION ON CORPORATE GOVERNANCE PRACTICES APPLIED

The company applies all the corporate governance practices stipulated by law. There are no other additional standards that apply to the whole company, either ethical standards, labour or social standards.

WORKING PROCEDURES FOR THE MANAGEMENT BOARD AND SUPERVISORY BOARD

A basic principle of German stock corporation law is the dual governance system, with a management board and a supervisory board that each have their own independent responsibilities. The Management Board and Supervisory Board of Marseille-Kliniken AG work closely and in confidence to manage and monitor the company. The Management Board of Marseille-Kliniken AG currently has three members. As the executive body, they conduct the company's business on their own responsibility and in the interests of the company with the aim of creating sustainable value.

The Chairman of the Management Board manages the operating business and coordinates the activities of the Management Board members. The Financial Director is the Deputy Chairman of the Management Board and as such is also closely involved in the operating activities. The third Management Board member is the IT Director, responsible for organisational management and special projects.

The divisional directors report to the Management Board on the divisions and carry responsibility for the results of their respective divisions.

The Supervisory Board appoints the members of the Management Board. The Supervisory Board decides how many members the Management Board should have, whether it should have a chairman, appoints one as necessary and decides on whether deputy members or a deputy chairman should be appointed. The Supervisory Board lays down rules of procedure for the Management Board, which includes a list of transactions requiring authorisation and a division of responsibilities. Finally, the Supervisory Board lays down its own rules of procedure.

A Management Board made up of three members has proved effective for Marseille-Kliniken AG. Responsibilities are divided between the Board members as stipulated in the rules of procedure. The Management Board is present at all Supervisory Board meetings, provides written and oral reports on the individual items of the agenda and proposals for resolution, and answers questions from individual Supervisory Board members.

Proposals for resolution are given to the Supervisory Board members in writing at least ten days before the meeting; detailed written documents are provided to the Supervisory Board before the meeting. The option of taking resolutions by circulation of documents is only used comparatively seldom and only in particularly urgent cases. The Chairman of the Supervisory Board comments on the activities of the Supervisory Board and its committees every year in its report to the shareholders and at the Annual General Meeting.

The Chairman of the Supervisory Board in particular meets with the Management Board regularly to discuss current issues. Outside these meetings the Management Board notifies the Chairman of the Supervisory Board orally and in writing of current developments. The Supervisory Board has formed committees to prepare certain types of transactions and the relevant proposals for resolution and to monitor their implementation.

The main task of the committees is to prepare resolutions and topics for discussion in the Supervisory Board meetings. The composition of the committees is described above. The Finance and Investment Committee met five times during the financial year. The committee chairman reported regularly in the full Supervisory Board meetings on the contents and results of the committee meetings.

Report by the Supervisory Board

The Supervisory Board carried out its duties in accordance with statutes, the company's articles of association and rules of procedure in the reporting year. The Supervisory Board held a total of seven meetings in the 2009/2010 financial year (on 10/23/2009, 11/02/2009, 12/17/2009, 12/18/2009, 03/05/2010, 03/19/2010, 06/10/2010), at which it was informed in detail by the Management Board about the situation and strategy of the company and the Group. It monitored and assisted the Management Board in its work. 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 company profitability or liquidity. The members of the Management Board also reported outside the meetings to the Chairman of the Supervisory Board about major business transactions, particularly those that required the approval of the Supervisory Board. The Supervisory Board passed resolutions on these business transactions, including those that involved personnel matters, at its meetings. Due to the reports presented to the Chairman and other members of the Supervisory Board by the Management Board, the Supervisory Board was kept informed of all activities and business transactions of major importance and involved in the decision-making processes.

All the members of the Supervisory Board attended the meetings of the Supervisory Board in the 2009/2010 financial year, unless otherwise mentioned below.

Dr Peter Schneider was absent from the meeting on 23 October 2009 but presented his excuses and gave Mr Hans-Hermann Tiedje written voting instructions. Mr Mathias Kampmannn was absent on 10 June 2010 but presented his excuses. The Supervisory Board has formed a Steering Committee and a Finance and Investment Committee. The Steering Committee met six times in the financial year 2009/2010.

The Finance and Investment Committee met five times in the financial year 2009/2010. No conflicts of interest arose within the Supervisory Board in the past financial year with respect to members of the Supervisory Board.

In the Supervisory Board meeting held on 23 October 2009 the Management Board presented the results and background information to the annual financial statements and management report for the financial year 2008/2009 and answered the Supervisory Board's questions. One important point involved the report and explanations by the auditors on their audit report for the (consolidated) financial statements and the (Group) management report for the 2008/2009 financial year, which was included in the Supervisory Board's discussion, as were the comments and explanations given about it by the auditors. Following the review by the Supervisory Board the (consolidated) financial statements and (Group) management report for the financial year 2008/2009 were approved and adopted on 30 October 2009 by circulation of documents after the meeting. The report on relationships with affiliated companies drawn up by the Management Board in accordance with § 312 German Companies Act (AktG) and audited by the auditors was approved by the Supervisory Board following its own review.

In the meeting held on 2 November 2009, the draft agenda proposed by the Management Board for the Annual General Meeting to be held on 18 December 2009 was approved. The Supervisory Board concurred with the proposed resolutions. Reports were also presented on individual legal transactions concerning contracts and personnel that required approval, following which resolutions were passed.

The subject of the Supervisory Board meeting held on 17 December 2009 was a status report on the sale of shares in the rehabilitation facilities and the further strategic direction of the company.

On 18 December 2009 the Supervisory Board held its constitutive meeting with the new members elected at the preceding Annual General Meeting, each of whom expressly accepted the election, and formed its committees.

At the meeting held on 5 March 2010 the Chairman of the Management Board, Mr Axel Hölzer, was relieved of his duties. The Supervisory Board decided that in accordance with § 105(2) German Companies Act (AktG), Mr Ulrich Marseille from the Supervisory Board should assume the position of Chairman of the Management Board. The Supervisory Board dealt with the company's financial performance in the financial year 2009/2010.

The Supervisory Board received detailed status information on the sale of shares in the rehabilitation clinics at the meeting held on 19 March 2010 and passed the necessary resolutions. The meeting also examined reports from the Finance and Investment Committee and on the restructuring of the nursing care segment. In this meeting Mr Ulrich Marseille resigned his abeyant seat on the Supervisory Board. The Supervisory Board appointed him to the Management Board of Marseille-Kliniken AG with immediate effect as its Chairman. The Supervisory Board approved the proposed transactions requiring authorisation.

On 10 June 2010 the Supervisory Board took a close look at personnel matters and the direction of the company following the completed sale of the rehabilitation clinics. Axel Hölzer's Management Board seat was revoked with immediate effect. His contract of employment was terminated without notice. Dr Thomas Klaue was appointed as a full member of the Management Board as of 1 July 2010 and was nominated as Deputy Chairman and Financial Director. The Supervisory Board chose Dr Klaue for his outstanding expertise and his successful work as a finance director and manager in well-known companies.

The Supervisory Board also heard presentations on the budget and financial and investment planning for the financial year 2010/2011. The Supervisory Board was notified of developments in the nursing care and assisted living divisions. The Supervisory Board took reports on other personnel matters and transactions requiring authorisation and passed the relevant resolutions.

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 its duties under law and the articles of association. The Management Board's work was reviewed to ensure that it was lawful, orderly, appropriate and cost-effective. This review included not only business activities that were already in progress but also decisions and plans by the Management Board for the future. Outside the meetings of the Supervisory Board and on its behalf, members of the Supervisory Board and its committees examined specific business transactions and advised the Management Board by inspecting company documents, accounts and other records.

The findings of the Steering Committee and the Finance and Investment Committee 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 separate financial statements, management report, consolidated financial statements and Group management report compiled by the Management Board for the 2009/2010 financial year (including the bookkeeping records) were audited by the auditors chosen at the Annual General Meeting held on 18 December 2009, Ebner Stolz Mönning Bachem GmbH & Co. KG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Hamburg, at the request of the Supervisory Board. An unqualified audit certificate was issued. The audit certificate includes an additional reference, which does not qualify the unqualified audit certificate. The Supervisory Board reviewed the annual financial statements and their audit at the meetings held on 30 September 2010 and 29 November 2010. The auditors took part in the Supervisory Board's discussions about the documents submitted by the Management Board at the meeting of the Supervisory Board and reported on the results of their audit.

The Management Board presented the main items in the accounts, commented on the management report and explained opportunities, risks and liability issues as well as the expectations for the current financial year. The Management Board answered questions from the Supervisory Board on the documents it submitted. The Supervisory Board approved the outcome of the audit by the auditors. The Supervisory Board concurs with 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 2009/2010 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 reason. The Supervisory Board therefore had no objections to raise after completing its review of the Marseille-Kliniken AG separate financial statements, management report, consolidated financial statements and Group management report for the 2009/2010 financial year. The Supervisory Board agreed with the results of the audit by the auditors. The Supervisory Board approved the separate and the consolidated annual financial statements prepared by the Management Board as per 30 June 2010 and concurred with the proposal made by the Management Board for the allocation of the profits for the 2009/2010 financial year.

The review of the documents submitted by the Management Board at the meeting held on 29 November 2010 included the report on relationships with affiliated companies compiled by the Management Board as stipulated by § 312 German Companies Act (AktG). The auditors also audited the Management Board report and informed the Supervisory Board of their findings. The auditors gave the following audit statement on the report:

"As a result of our thorough audit and assessment, we confirm that

1. the factual information provided in the report is correct,
2. the consideration given by the company in the legal transactions listed in the report was not unreasonably high."

Following the completion of its review, the Supervisory Board concurs with 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 its report on relationships with affiliated companies. The Supervisory Board approved the financial statements prepared by the Management Board, which were thereby adopted.

The Supervisory Board examined the recommendations of the Federal Commission for the German Corporate Governance Code and the Management Board's statement of compliance pursuant to § 161 German Companies Act (AktG), and approved both the statement and the explanations and reasons given for non-compliance.

Ms Estella-Maria Marseille was appointed to the Supervisory Board by a ruling of the Charlottenburg District Court dated 31 August 2010.

The Supervisory Board would like to express its thanks to all employees for their commitment and hard work in the 2009/2010 financial year.

Berlin, November 2010

Marseille-Kliniken Aktiengesellschaft
The Chairman of the Supervisory Board

Uwe Bergheim

Financial Calendar

Publication Consolidated Financial Statements 2009 | 2010	November 2010
Analyst meeting	November 2010
Press conference	Dezember 2010
Report on the 1st quarter 2010 | 2011	Dezember 2010
Annual General Meeting	Januar 2011
Report on the 2nd quarter 2010 | 2011	Februar 2011
Report on the 3rd quarter 2010 | 2011	Mai 2011

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