Annual Report 2011

CURANUM

THE GROUP AT A GLANCE

as of December 31, 2011

in € mill.	2011*	2010**	2009**	2008	2007
Revenue	265.9	256.8	253.1	257.1	230.1
Personnel expense (excluding one-off effects)	136.9	129.6	126.3	127.8	115.1
Other expenses (excluding one-off effects)	48.2	47.2	44.8	45.4	39.2
Rental expense (excluding one-off effects)	53.8	53.7	54.0	54.6	45.1
Operating EBITDA	27.0	26.3	28.0	29.3	30.7
as % of revenue	10.2	10.2	11.1	11.4	13.3
One-off effects	1.8	6.6	0.0	0.0	0.0
EBITDA after one-off effects	25.2	19.7	28.0	29.3	30.7
as % of revenue	9.4	7.7	11.1	11.4	13.3
Depreciation / amortization	11.1	10.2	9.7	9.5	8.5
EBIT before impairment charges	14.1	9.5	18.3	19.7	22.1
Impairment charges	22.2	16.7	0.0	0.0	0.0
EBIT	-8.1	-7.2	18.3	19.7	22.1
as % of revenue	-3.1	-2.8	7.2	7.7	9.6
Net financial result	-11.1	-9.7	-8.9	-9.5	-9.4
Earnings before tax	-19.2	-16.9	9.4	10.2	12.7
Taxes on income	-6.3	-1.1	3.0	3.2	8.6
Earnings after tax	**-12.9**	-15.8	6.4	7.0	4.1
Earnings per share (EPS) in €	-0.35	-0.54	0.18	0.22	0.13
Cash flow (from operating activities)	21.0	25.7	19.8	19.8	10.5
CPS in €	0.54	0.80	0.62	0.61	0.34
Net debt	50.4	61.3	76.7	79.1	62.4
Equity	46.8	49.1	66.1	64.1	64.1
as % of total equity and liabilities	16.9	20.8	28.0	27.0	26.8
Total assets	277.6	236.1	236.4	237.7	240.7
Employees	7,078	6,348	6,179	5,953	5,263

* Since November 1, 2011, includes 6 facilities acquired from GWA
** Excluding discontinued operation in Vienna

OUR VISION:

We aim to consolidate our position as one of the leading private operators of senior residences and care facilities by delivering outstanding services tailored to our residents' needs. Humanity, respect and understanding are the essential qualities that underpin our innovative care and support concepts.

CURANUM AG

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OUR PHILOSOPHY

In our activities at all our facilities we are committed to the claim: "Good care has a home". Therefore, in serving our occupants and interacting with our staff we adhere to the following guiding principles:

Proximity – regional presence of our homes

Nationwide footprint and yet close at hand: we provide our residents with a home in our care facilities and senior residences by adopting innovative support concepts in a variety of residential forms. Our homes are oriented to individual requirements in all areas. Attractive cultural activities and good links with the local community make them a veritable home from home.

Individuality – outstanding quality in care

We know our residents, and our inpatient facilities feature flexible, 24/7 admissions for new residents, with care designed to maintain the individual's independence by making full use of their existing capabilities. We place particular emphasis on utilizing our care and management concepts to encourage and support our residents in pursuing their well-being. With our multifaceted offerings and activities, which are reviewed by a quality and complaints management system that is implemented across the whole of Germany, we ensure that all occupants' expectations are met with respect to a lifestyle that is safe, secure and characterized by respect.

Commitment – promotion of our employees

We are well aware that the training and motivation of our employees is the decisive factor in the quality of our care and support. Our employees are on hand around the clock for residents, providing each individual with the care he or she may need. Our IT systems are designed to largely relieve our staff of administrative tasks in this context. We actively foster team spirit and encourage our employees to take initiative. With our foundation CURANUM Academy, we are establishing new directions in training and development, and we are deploying this attractive institution to train our new up-and-coming staff.

Stability – a strong framework

Our commercial stability allows us to create long-term security for our residents and staff. Our solid business approach makes us a reliable contractual partner providing above-average services in the serviced apartments area.

In view of these strengths, we stand firmly behind our claim of "Good care has a home".

Look no further – CURANUM!

LETTER TO SHAREHOLDERS

Dear shareholders,

Our task in 2011 was to consistently address the burdens that the past had placed on the company, and at the same time to prepare CURANUM AG's operations for successful future development. In operational terms, our occupancy fed through for the first time in years to a slight improvement in EBITDA, and to an almost 50 %, and thereby significant, improvement in EBIT before impairment charges. Our profit and loss was nevertheless characterized by extraordinary valuation adjustments (impairment charges). These adjustments had no cash impact, so that we succeeded in reducing net debt by one fifth.

Our business concept is based on the following focal areas of action:

Firstly, on reorienting the operating business. We introduced a new regional director management level. We also launched pilot projects to electronically arrange both work schedules and care documentation, in order to give our staff more time for their actual task, in other words, care.

Secondly, we improved the central departments' powers in order to more successfully implement projects to realize synergy effects in the future. We also founded the CURANUM Academy with the aim of our staff becoming better qualified.

Thirdly, we were particularly concerned to sustainably improve the terms of our debt funding. Our current basis financing, which is through a borrower's note loan, expires at the end of 2012. Despite our business growth, we rapidly reduced our net debt by around one fifth in order to ensure a smooth transition to follow-on financing.

Fourthly, we increased our investment volumes, and attended to our facilities' structural deficits. Wherever we identified deficits, we launched corresponding measures thanks to the capital increase that we implemented, and we were guided in our planning by individual competitive analyses that reflected the respective conditions of the facilities' environments. This resulted in noteworthy extraordinary valuation adjustments.

Fifthly, we continued the growth path that we had announced with the capital increase in spring 2010 with the opening of a new facility in Hennef-Mitte, and the purchase of six residences from the GWA Group. This increased our capacity to 8,100 care beds and 2,050 managed living apartments.

We are confident that we will return to rofitability again in 2012, and that sustainable earnings growth will feed through to continuous rise in our share price.

Munich, February 15, 2012

Walther Wever
(CEO)

Judith Barth
(CFO)

THE CURANUM SHARE

Stock market and CURANUM share in 2011

The German share index (DAX) was on a general uptrend until the end of July 2011. It then fell significantly due to the Eurozone debt crisis, before recovering slightly in the last two months. The DAX opened at 6,989 points at the start of the year, falling 15.6 % to 5,898 points by December 31, 2011.

The CURANUM share performed similarly. The share opened the year at € 2.34. The share then appreciated to around € 2.70 in a general trend until early August, before subsequently falling significantly. The share closed the year on December 31 at € 2.00. Our market capitalization was consequently some € 78.2 million at the end of the year. A total of around 4.7 million shares with a value of € 11.6 million were traded in total in the financial year elapsed.

Peer group

In light of the small number of German listed senior home operators in Germany, the CURANUM share's European peer group includes the domestic operators Marseille Kliniken AG and Maternus Kliniken AG as well as the two French competitors Group Orpea S.A. and Korian S.A. While the CURANUM share price outperformed in the first half-year, it fell significantly and in line with the general decline of listed equities as a consequence of the Eurozone debt crisis. Except for one competitor, the peer group's share prices followed this trend.

Key stock market data for the share as of December 31, 2011

ISIN	DE 0005240709
WKN	524070
Class	Ordinary no par value bearer shares
Share capital	€ 39,192,000
Number of shares	39,192,000
Number of treasury shares from share repurchase program	405,102
Listings and indices	Regulated Market Frankfurt, Munich, Prime Standard, Regulated Unofficial Market Hamburg, Düsseldorf, Berlin, Stuttgart
Designated Sponsor	VEM Aktienbank AG
Financial year	January 1 to December 31
Ticker symbol	BHS, Reuters: BOHG.DE, Bloomberg: BHS GR
Market capitalization	€ 78,227,232
Year high / low	€ 2.85 / € 1.86
Opening / closing price	€ 2.34 / € 2.00

REPORT OF THE SUPERVISORY BOARD 2011

We were required to deal with numerous statutory and regulatory changes in 2011. We discussed in detail with the Management Board the strategy and further implementation of the measures in the agenda submitted by the Management Board. We were updated extensively about the business policy and basic issues surrounding company management and planning, financial development and performance, the improvement of risk management, as well as transactions and events which were significant to the company. We advised the Management Board and supervised its management activities. Votes on resolutions were taken using the notational voting process where such decisions had to be taken between the scheduled meetings.

Supervisory Board meetings

Six Supervisory Board meetings were held in the financial year under review. At our first meeting on February 11, 2011, we were particularly concerned with personnel matters, the business distribution plan and the marketing strategy. The main agenda items at the March 16, 2011, meeting were the annual financial statements, the investment and financing strategy, and the equity capital increase that the Management Board had proposed. We utilized a checklist to review the Supervisory Board's efficiency, and established that no conflicts of interests had arisen due to consultancy mandates or board functions at business partners with respect to any of the Supervisory Board members. Personnel matters relating to the Management Board were on the agenda again at the third meeting on June 21, 2011. At the fourth meeting on July 12, we discussed the key financial aspects of the forthcoming GWA transaction, and the status of the new financing facility planned by the Management Board. The 2012 corporate planning formed the central topic of the fifth meeting on September 15, 2011. We also discussed the company's risk management again. Dr. Ganzer was elected Mr. Quade's successor to the audit committee. At the sixth meeting on December 14, 2011, we discussed structural topics that owed their origins to the past, and personnel matters. The agenda also included operating trends and the integration of the GWA facilities.

Supervisory Board committees

The Audit Committee convened for a total of eight meetings. Discussions focused on the annual financial statements on the audit committee meetings held on January 13, March 15 and March 29. The quarterly reports were discussed at further meetings held on May 5, August 1 and October 25. The meetings on December 14 and December 20 covered preparatory topics related to the 2011 annual financial statements. The Strategy Committee convened three times. Various options for the company's strategic further development formed the focus of discussions on March 16, July 12 and December 14. The Human Resources and Nomination Committee met eleven times: on January 17, January 24, February 11, February 24, March 16, April 28, May 5, June 27, September 15, September 16 and December 13.

Single-entity and consolidated financial statements for 2011

The financial accounting, the single-entity annual financial statements with the management report for 2011, and the consolidated financial statements and Group management report have been audited by the external auditor WirtschaftsTreuhand GmbH, Stuttgart, elected by the Shareholders' General Meeting. The auditor issued an unqualified audit opinion in each case. The Audit Committee discussed at length the documents relating to the annual financial statements and consolidated financial statements, taking into consideration the auditor's report and discussions with the auditor concerned. The chairman of the Audit Committee reported on these deliberations in today's Supervisory Board meeting. We have approved on the recommendation of the Audit Committee the findings of the audits after examining the auditor's reports and following detailed discussions with the auditor, and established that no objections were to be raised following the conclusive results of our reviews.

The annual financial statements and the consolidated financial statements prepared by the Management Board have been approved today. The annual financial statements are thereby adopted. Following its own review, the Supervisory Board concurs with the Management Board proposal to refrain from paying a dividend for 2011, and to carry forward the loss to new account.

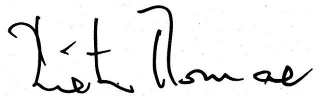
Personnel changes

Mr. Bernd Quade relinquished his Supervisory Board mandate on August 3 for personal reasons. The company would like to extend special thanks to him for his many years of commitment.

Mrs. Merazzi-Weirich left our company on September 30, 2011. We would like to thank her for many years of successful collaboration, and wish her all the best for the future.

Also on behalf of my Supervisory Board colleagues, I would like to thank the Management Board and the staff members of the CURANUM Group for their dedication and genuine commitment.

Munich, February 27, 2012
On behalf of the Supervisory Board



Dr. Dieter Thomae

CORPORATE GOVERNANCE REPORT 2011

CURANUM AG's activities are governed by the principles of responsible corporate management and supervision, driven by a sense of proper collaboration between the Management Board and Supervisory Board, while preserving the shareholders' interests and appropriately managing risks, which maintain and promote confidence among business partners, staff and the public at large.

We regard corporate governance as an ongoing process that involves coming to terms with the requirements of the German Corporate Governance Code. CURANUM AG complies with the Corporate Governance Code in its latest version dated May 2010 with only a few exceptions.

Since 2005 the company has been preparing its consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS) and its single-entity financial statements according to the provisions of the German Commercial Code (HGB). The consolidated financial statements which have been audited by the independent auditor and adopted by the Supervisory Board will be published within 90 days. The Shareholders' General Meeting elected WirtschaftsTreuhand GmbH, Stuttgart, as auditor for the year under review.

CURANUM AG treats all shareholders, financial analysts, and similar target groups on an equal basis. All information is provided immediately, in full and consistently, through appropriate communications media. All verbal communication, whether via telephone conference, individual meetings, or road shows, conveys the same information content. CURANUM AG's business position and results are reported in the annual report, at the annual press conference, in the half-yearly financial report and in the two quarterly reports. Full information about CURANUM AG is available on our website at www.curanum.de. The company also uses its website to publish information requiring ad-hoc (current) disclosure, directors' dealings, corporate management statements, press releases, as well as information about the CURANUM share, key figures and the financial calendar. CURANUM AG has set up the mandatory insider register and the persons concerned have been notified about their statutory duties, and sanctions.

Supervisory Board

The Supervisory Board consists of six members as representatives of the shareholders, namely the chairman and his deputy, as well as four further ordinary members. The term of office of the Supervisory Board members expires at the close of the Shareholders' General Meeting that passes a resolution concerning the discharge of the Supervisory Board for the 2014 financial year.

The Supervisory Board has set up an Audit Committee, a Strategy Committee and a Human Resources and Nomination Committee, each comprising two members. The Audit Committee looks at issues relating to accounting, risk management and compliance, defines key areas for the audit, and engages the external auditor. Apart from supporting Management Board members, the Human Resources Committee also constitutes the Nominations Committee for proposing suitable Supervisory Board election candidates to the Shareholders' General Meeting. The Strategy Committee is involved with the company's further strategic development.

At the end of the financial year, the Supervisory Board held 12.9 % of the company's shares in total. The Supervisory Board member Dr. Michael Treichl holds an indirect 12.8 % of CURANUM's issued share capital through Audley European Opportunities Master Funds Ltd., which corresponds to 4,188,109 shares.

No members of the Supervisory Board were involved in conflicts of interest in 2011.

Management Board

CURANUM AG's Management Board currently consists of two members. In the financial year under review, the Management Board ensured compliance with the statutory provisions and the company's internal guidelines. This also includes the further expansion of Group risk management and controlling. D&O insurance has been taken out for the Management Board with a deductible of 10 %. The Management Board holds none of the company's shares. None of the Management Board members were involved in conflicts of interest.

Management Board compensation is composed of a fixed and a variable component. The variable compensation is based firstly on the attainment of short-term corporate objectives measured using EBITDA earnings. Secondly, variable compensation in the form of a phantom stock program is based on sustainable corporate objectives.

Securities transactions and voting rights notifications requiring mandatory announcement

Please refer to our publications on the Internet at www.curanum.de for information about directors' dealings notified pursuant to § 15 of the German Securities Trading Act (WpHG) and threshold notifications pursuant to §21 of the German Securities Trading Act (WpHG).

Declaration of Compliance of the Management and Supervisory Boards

CURANUM AG has complied with the recommendations of the German Corporate Governance Code released by the Government Commission on May 26, 2010, with the exceptions as listed in the compliance declaration of March 9, 2011. It continues to comply with these, with the following exceptions:

Re. section 3.8.:

The German Corporate Governance Code envisages that an appropriate deductible should be agreed for the Supervisory Board as soon as the company takes out directors & officers (D&O) insurance. There is no deductibles agreement for the CURANUM Supervisory Board since CURANUM AG believes that this is not required to encourage the Supervisory Board members to properly discharge their supervisory functions.

Re. section 4.2.5.:

The German Corporate Governance Code recommends that management board compensation should be published as part of the corporate governance report. The company fully complies with this requirement by publishing this information in the notes to the annual report, and consequently refrains from publishing a separate compensation report.

Re. section 5.4.1.:

The German Corporate Governance Code recommends that supervisory boards should comprise an appropriate number of women in their composition. CURANUM AG's Supervisory Board currently includes no female members. Qualified female candidates are nevertheless taken into consideration. There should be at least two women on the Supervisory Board within two election periods.

Re. section 5.4.6.:

The German Corporate Governance Code recommends that supervisory board compensation should be published as part of the corporate governance report. The company fully complies with this requirement by publishing this information in the notes to the annual report, and consequently refrains from publishing a separate compensation report.

The German Corporate Governance Code recommends that supervisory board members should also receive performance-based remuneration along with fixed remuneration. The Supervisory Board members at CURANUM AG only receive a fixed remuneration since CURANUM AG is convinced that a fixed remuneration contributes substantially to ensuring the neutrality of the Supervisory Board.

Munich, February 10, 2011

Management and Supervisory Boards of CURANUM AG

GROUP MANAGEMENT REPORT

for the 2011 financial year of CURANUM AG, Munich

1. Overall environment and business progress

Macroeconomic trends

While the economy was characterized by a general upturn in the first half of 2011, it cooled again in the second half of the year. Total gross domestic product growth of 3 % over the year was nevertheless significantly positive. Inflation increased slightly. Both exports and the domestic economy contributed to positive trends on the labor market. The insolvency of some highly indebted Eurozone countries nevertheless precipitated a crisis of confidence on European financial markets, which fed through to a weak Euro and a growing reticence on the part of banks to lend.

Sector trends

The economic development of the care sector is predominantly dependent on demographics and medical advances. General economic trends play a secondary role for the care sector. The positive growth trend in our market segment due to the increase in the number of senior citizens as a share of the total population resulted in only a slight rise in demand. This was particularly due to the statutory-driven principle that preference should be given to outpatient over inpatient care, and related benefit payments for care by relatives, as well as preferential payments for outpatient services. The supply side for inpatient facilities continues to be characterized by a rising number of new care homes. This is intensifying the competitive situation, particularly for smaller operators. The consequence is a continuing consolidation trend in the sector.

Business progress

The CURANUM Group is one of the leading German operators of senior citizens residences and care centers with a comprehensive geographic network made up of 77 facilities with some 8,100 care places, as well as 2,050 serviced apartments. We opened our new Hennef-Mitte senior citizens' residence in June 2011. This residence has 80 care beds and 59 apartments, and is constructed according to the most up-to-date care requirements. The new facility was very well received within the shortest period so that it was already two-thirds occupied just a few months after going to operation of the year-end. In December, we decided that the residents at our Ennepetal facility should move to our facility at Ochsenkamp, Schwelm.

In spring, we increased our share capital through issuing new shares at a price of € 1.80 per share from approved capital, in order to improve our equity ratio, and to be able to perform a corporate transaction again for the first time in several years. This capital increase was several times oversubscribed. In summer, we signed a purchase agreement for six facilities with the GWA Group from Bremen. These facilities are located in northern Germany and largely correspond to the character of our residences. They are predominantly located within the extended environments of our existing facilities, thereby supplementing our real estate strategy that is characterized by so-called cluster formations. The deal was closed in early November, and has delivered new growth impulses for our business since then.

We launched a regional director structure entailing a total of four regional directors in spring. In overall terms, this has not only increased our occupancy, but has also allowed us to successfully defend above-average quality grades as issued by the Medical Service of Health Funds (MDK). It also enabled us for the first time to realistically plan our occupancy campaign at the level of individual residences within their respective competitive environments. We also bundled expertise from the legal and personnel areas as new central departments. Finally, in spring, we founded the CURANUM Academy foundation, with the aim of both promote the development of new care concepts, and sustainably improving the training and development of care staff and specialists, as well as managers.

2. The Group's position

Profitability

Revenue trends

Our consolidated revenue grew by € 9 million year-on-year to reach € 266 million in the year under review. This increase is due to both higher utilization of our facilities and the start of operations of our new facility in Hennef-Mitte. The takeover of the six GWA facilities in Bremen, Timmendorf, Salzgitter, Goslar and Lingen, which occurred in November 2011, also contributed € 3.6 million to the revenue increase.

Operating earnings

The cost of sales appreciated by € 9 million. This is largely due to higher personnel expenses of around € 7 million. In turn, this higher personnel expenditure reflects an increased number of facilities, the newly introduced regional director structure, and the strengthening of some management functions at our headquarters. This figure also reflects the high proportion of temporary help, which is proof of strains in the care personnel labor market.

Rental expenditure was almost unchanged year-on-year, despite the additional number of facilities. It again stood at almost € 54 million. This was mainly due to the alleviating factor arising from the discontinuation of the central areas in Munich and Nuremberg, which were closed last year. The growth in food costs and repair expenses was offset by savings in the area of energy.

Selling and marketing expenses, which without exception related to marketing for our facilities, increased only marginally to € 1.5 million. In this context, we paid particular attention to the launch of facility-based and Internet-based information, in order to demonstratively express information about the respective character of our facilities on the broadest possible platform.

General administrative costs were up by around € 2.1 million, particularly due to higher consulting costs, and settlement payments for the Management Board member who left the company. Consulting costs include one-off effects amounting to € 1.3 million in connection with the equity capital increase, the refinancing of bank loans, and the GWA transaction.

At € 25 million, other operating expenses were almost at the previous year's level. These include € 0.4 million of one-off items.

Operating EBITDA reported its first overall improvement for years, rising by € 0.7 million to € 27.0 million. This is due to an earnings improvement on existing residences of € 2.8 million, and for new facilities of € 0.4 million, less operating central start-up costs for IT and personnel concepts totaling € 2.5 million.

When taking into account general administrative costs and one-off effects reported among other operating expenses totaling € 1.8 million, EBITDA after one-off effects stands at € 25.2 million (previous year: € 19.7 million).

Scheduled depreciation and amortization amounted to € 11.1 million in the year under review, which was consequently ahead of the previous year's figure due to leases newly concluded in the reporting year, and the first-time consolidation of the GWA facilities. EBIT before impairment charges amounted to € 14.1 million as a consequence, representing an almost 50 % year-on-year improvement.

This year, we were again prompted to apply impairment charges (extraordinary valuation adjustments) of around € 22.2 million to goodwill and real estate. These adjustments were primarily due to our new planning process at facility level, and, in particular, the further restructuring measures that we have approved. As a consequence, earnings before interest and tax (EBIT) amounted to € -8.1 million (previous year: € -7.2 million).

After deducting the net financial result, earnings before tax (EBT) stood at € -19.2 million. We consequently report after-tax earnings of € -12.9 million. This corresponds to earnings per share of € -0.35.

Net assets

Our cash position increased by € 5.3 million year-on-year to reach € 21 million, which was also due to targeted cash management. Overall, current assets were up by around one third to approximately € 36 million.

Property, plant and equipment rose by almost 19 % to € 157 million. This reflects both the new facilities, and our investments of almost € 8 million in equipping our locations, the laundry and our IT systems. Goodwill fell by around € 10 million because of impairment charges, although it increased by € 7 million due to the GWA transaction. At € 57 million, it is thereby almost € 3 million below the previous year's figure. The increase to almost € 242 million in non-current assets due to new leases totaling € 33 million contributed to the 18 % increase in total assets to € 278 million.

Current and non-current provisions rose to € 2.1 million, partly due to the takeover of the new facilities, and the measurement of the real estate purchase obligation. Other liabilities also rose by 50 % to almost € 25 million. Lease liabilities were up by € 35 million to € 113 million due to the new facilities. At the same time, our bank borrowings fell by 7 % to almost € 72 million. When including our liquid resources, our net debt (excluding lease liabilities) reduced by around one fifth to almost € 51 million.

Equity fell to € 47 million due to the impairment charges. Thanks to the € 12 million capital increase, we were able not only to acquire new facilities, but also to reduce our net debt (excluding lease liabilities), and to form the valuation adjustments required for structural improvements. The net debt-to-equity ratio improved from 125 % to 108 % as a consequence.

Financial position

The CURANUM Group's cash flow amounted to € 5.3 million in the year under review. It comprises € 21.0 million of cash inflow from operating activities (previous year: € 25.7 million), € 7.7 million of cash outflow from investing activities (previous year: € 6.5

million), and € 8.0 million of cash outflow from the financing activities (previous year: € 12.1 million).

The € 21.0 million of cash inflow from operating activities was above the average of several past years.

The cash outflow from investing activities was slightly above the previous year's level due to the increase in our investment volumes to almost € 8 million. The outgoing payments for the purchase of the six GWA facilities were more than offset by the liquid funds acquired, which exceeded the purchase price by € 0.1 million. The residual purchase price is predominantly due in 2012.

The cash outflow from financing activities reflects the almost € 12 million capital increase, and year-on-year higher debt redemptions and outgoing payments for finance leases.

3. Organization and administration

Supervisory Board

Mr. Bernd Quade relinquished his Supervisory Board mandate in early August 2011 for personal reasons. We would like to thank him for his valuable contribution to our company. We plan to propose a new Supervisory Board member in time for the next Shareholders' General Meeting. Total gross remuneration paid to Supervisory Board members amounted to T€ 210 (previous year: T€ 196). Remuneration for individual members is disclosed in the notes to the consolidated financial statements.

Management Board

Mrs. Merazzi-Weirich left our company on September 30, 2011. We would like to thank her for many years of successful collaboration, and wish her all the best for the future. In the 2011 financial year, the Management Board of CURANUM AG received total remuneration of T€ 922 (previous year: T€ 679). The notes to the consolidated financial statements include individual compensation paid, and details about the compensation components.

Employees

The average number of Group staff grew from 6,243 in 2010 to 6,535 individuals in the year under review. Of this number, an average of 313 trainees, students and interns were employed across the Group. The 5 % workforce growth is primarily attributable to additional staff in the new facilities. As of December 31, 2011, the absolute headcount within the Group was 7,078 persons (previous year: 6,348 staff members).

Ancillary care and specialist staff are trained at all facilities in cooperation with established care colleges. Through our newly founded foundation CURANUM Academy, which also provides training to employees outside the Group, we offer our staff extensive additional training programs ranging from basic knowledge through to expert standards. At the end of the year, we conducted so-called staff conversations with our managers that included target agreements. We aim to introduce these comprehensively from next year. Individual training and development programs at the Academy will be selected on this basis from now on.

4. Risks and opportunities attached to business development

Numerous opportunities and risks that could affect the performance of the business are associated with our operations. The Management Board reviewed the risk management system and the risk inventory list in 2011. According to our risk inventory list, which the Management Board assesses regularly, these risks are broken down into sector-related, operational, personnel, financial and other risks. The risk management system aims to attach measurable controls to the respective risks in order to ensure that risks are identified when they exceed defined thresholds, allowing countermeasures to be launched. The Management Board has defined responsibilities relating to risk monitoring, and the form in which risks should be reported to the Management and Supervisory boards.

Sector-related opportunities and risks

Our economic success depends crucially on average occupancy. We see opportunities in successfully implementing our marketing strategies, and risks of a falling ratio, particularly as competitive pressure rises even further. Our business is based on negotiated care rates. This entails the risk that rising procurement costs cannot be fully reimbursed. In the inpatient care area, around two thirds of our revenue comes from public funding, which may feed through into further cuts due to the tight financial situation faced by care insurers.

Changes to the general political framework of care insurance, as well as changing preferences of senior citizens in relation to new forms of accommodation can also affect demand for inpatient care places. We strive to shield ourselves from these market risks by monitoring the market closely, developing our own innovative concepts, and nurturing an extensive network with institutions involved in care research, or that may have an influence on the overall environment for care.

The constant changes to statutory conditions offer opportunities to invoice additional care services. Risks may also be connected with them due to the cutting of care benefit payments, however. The same applies for the care quality appraisals conducted by the Medical Service of Health Funds (MDK). The large number of regulatory controls, laws and other ordinances to which our facilities are subject may lead to additional regulation as part of statutory inspections. Our facilities also face rating and assessment risks as well as cost risks due to increased paperwork expenses. With the help of our internal Total Quality Management (TQM) team we strive to preempt and minimize potential risks from the Medical Service of the Health Funds (MDK) assessment.

Operational opportunities and risks

Our occupancy campaign, and our growth strategy of opening new facilities and taking over already existing facilities, offer opportunities for sustainable earnings improvement. Risks arise from the respective market environments of our facilities, the conditions of their buildings and the qualified personnel that they employ. Growth requires that the processes and systems that are connected with opportunities and risks are integrated successfully. When opening new facilities, opportunities for boosting revenue contrast with occupancy risks during the start-up phase.

Personnel-related opportunities and risks

Our business stands and falls with well qualified and highly motivated staff. Despite our quality management, frequent inspections, and employee training courses, errors cannot be ruled out as a result of the personnel-intensive nature of the business, which may result in quality problems. Where serious quality problems do occur, the care home regulatory authorities may prohibit the acceptance of new residents, and even order the facility's closure. Early-warning systems built into the internal inspection system tend to ensure that problems that do occur are spotted in time.

Given the tight labor market for trained care staff, there is a general problem with hiring staff, which especially affects the recruitment of facility managers. In order to minimize specialist staff shortages in the care areas of our facilities, we are actively involved in recruiting new staff. We are also promoting in-house training, and we employed more trainees, interns and students in 2011 than in the previous year. Finally, with the founding of our foundation CURANUM Academy, we have made a contribution to the training and development of our staff, in order to retain these professionals within the company on a long-term basis.

Financial risks

A € 27.3 million borrower's note loan, which the previous management raised in 2007, serves as our basic financing. This loan includes the covenant whereby CURANUM AG obligates itself to show that it complies with a pre-defined net debt to EBITDA ratio at the end of every quarter. If the predetermined ratio is exceeded, the providers of the borrower's note loan are entitled to a special cancellation right. This was the case as of December 31, 2010. Apart from two banks, the other banks participating in the borrower's note loan waived this right. This covenant was not breached as of the year-end. The financing banks would be entitled to a renewed right of cancellation if CURANUM AG fails to comply again with this covenant as of the end of each quarter during the course of 2012. This could give rise to a going-concern risk. New financing must be secured during the current year in order to avoid such a going-concern risk, since the borrower's note loan expires at the end of the 2012 financial year. Negotiations with various banks and investors are currently being held to this end. The Management Board is assuming that these discussions, which focused initially on the waiver of special cancellation rights last year, can be concluded soon.

The interest-rate risk of CURANUM essentially relates to interest-bearing financial debt. For this reason, we have largely agreed fixed interest rates for their duration. As a consequence, real-estate-collateralized loans have fixed and long-term interest-rate arrangements.

We have set variable interest for an acquisition loan and the borrower's note loan. These loans are subject to interest-rate risk as a consequence. Swaps with matched maturities and redemption payments were entered into for this purpose. The borrower's note loan, as well as a number of working capital lines are subject to an extraordinary right of cancellation if predefined financial covenants are not met at the end of each quarter by providing details of the net debt to EBITDA ratio.

Our current account lines are also subject to interest-rate risk. We minimize the risk from unexpected increases in interest expense by distributing the related risks among several banks, a low utilization of such loans, and the constant monitoring of current interest-rate trends.

Other risks

Current litigations, which had not been concluded as of the balance sheet date, might result in charges in the future. The risk relating to potential expense has been estimated for this purpose, and provisions of T€ 700 (previous year: T€ 873) have been formed to hedge this risk. There are also opportunities and risks relating to our centralized procurement and environmental risks where drugs or other hazardous materials are not disposed of properly. Total Quality Management also monitors these risks.

Internal control and risk management system with respect to the accounting and financial reporting process

CURANUM AG operates an internal control and risk management system with respect to its accounting and financial reporting process. It ensures compliance with the statutory regulations, accounting and financial reporting standards, which are binding for all companies included in the consolidated financial statements. Amendments to legislation, accounting and financial reporting standards are constantly analyzed with respect to their effects on the consolidated financial statements. Group-internal systems are adjusted to reflect any resultant changes.

Besides defined control mechanisms, such as system-based and manual reconciliation processes, the internal control system is based on functional separation, as well as compliance with directives and operating procedures. At CURANUM, the finance and accounting departments manage the Group accounting and financial reporting process.

As part of the accounting and financial reporting process, measures are implemented that are intended to ensure the regulatory compliance of consolidated financial statements. The consolidated financial statements are prepared centrally on the basis of the data of the subsidiaries included in the consolidation scope. The finance and accounting departments are responsible for the consolidation measures, certain reconciliation operations, and the monitoring of the related time schedules and processes. At least one additional check by a second person is carried out at every level. Specific approval processes are included throughout the accounting process.

Risk management and financial instruments

CURANUM AG is subject to credit, market and liquidity risks with respect to its assets, liabilities and planned transactions. CURANUM AG's risk management system pursues the goal of limiting these risks. To this end, the treasury department makes particular use of selected derivative hedging instruments to hedge risks.

Managing financial market risks is a primary task incumbent on the Management Board of CURANUM AG. The Management Board determines the main features of financial policy each year. The Management Board is informed regularly about current risk exposure and management, which includes the use of a system based on sensitivity analyses. Outstanding trade receivables are monitored constantly. Default risks are reflected using specific valuation adjustments. There are no significant concentrations of risk due to the company's diversified customer structure, as well as the creditworthiness of any providers of social security benefits. The carrying amount of receivables represents the maximum default risk.

In order to reduce risk, derivative financial instruments are utilized exclusively with contractual partners that enjoy investment-grade credit ratings. Cash resources are invested exclusively in overnight and term deposits with a maximum duration of up to three months, and exclusively with German banks of investment grade rating.

Since the CURANUM Group carries out its operating activities exclusively in the Eurozone, there are no currency-specific risks.

The CURANUM Group is exposed to interest-rate risk in the case of its variable interest-rate liabilities. The CURANUM Group endeavors to limit such risks through the use of interest rate derivatives. CURANUM AG also counters the risk from unexpected increases in interest expense by distributing related risks among several banks, and constant monitoring of current interest rate trends. Interest-rate swaps are also concluded to hedge interest-rate risks.

Since the financing facilities carry variable interest rates, and become more expensive as interest rates rise, the interest-rate swaps hedge against rising interest rates by swapping the variable interest rate for a fixed interest rate. The interest rate swaps are monitored constantly by the treasury function, and changes to the interest rate and relevant spreads are reported directly to the Management Board. CURANUM AG also cultivates intensive exchange with commercial banks so as to be informed about current interest rate developments and relevant influencing factors. The bank also reports regularly regarding the development of the interest rate derivatives.

CURANUM AG measures interest rate risks either on the basis of their value, or a cash flow sensitivity analysis, and aggregates these in order to calculate overall risk for the Group. On the investment side, interest rate risks exist with respect to falls in variable market interest rates, and, on the borrowing side, with respect to fixed interest rates when market interest rates decrease.

The CURANUM Group's liquidity risk relates to its potentially being unable to satisfy its financial obligations, for example, the redemption of finance debt, the payment of trade payables or other liabilities, and finance lease obligations. CURANUM AG limits this risk through effective cash management, as well as access to credit lines at various banks with good credit ratings.

CURANUM AG limits liquidity risks through continuous improvement to its treasury function and payment reminders system.

The central treasury department is responsible for the monitoring of financial assets and liabilities. The overall view of liquidity and debt is established through calculating the net debt position, and is used for internal financial management, as well as for external communications with financial investors, analysts, and banks.

Group management is responsible for the implementation and supervision of the internal control system. The CURANUM Management Board has assessed the efficacy of the internal control system for accounting and financial reporting, and has determined that it is functional.

5. Compliance

In order to record all risks without delay, we have a risk management system in the form of a risk matrix, which documents the individual risks and the likelihood of such risks occurring. The CURANUM risk management system consists of a loop made up of four elements. (1) This involves the particular responsible areas identifying risks; (2) The internal information system acts as an information hub throughout the Group by providing training for all staff at head office and in the facilities; (3) The external communications system in the form of extensive complaints management which, following handling at local level as a second stage, includes the involvement of a department from Group head office, as well as (4) The internal control system, which is responsible for checking all functions are working in line with statutory requirements, including a department in Schwelm responsible for auditing accounts receivable management and the finances of our facilities.

All of CURANUM facilities and service companies are networked with the administrative headquarters in Munich via our SAP system. Realtime availability of all SAP data ensures efficient planning, management, and evaluation, as well as the subsequent utilization of data in the internal and external accounting system. As a consequence, we operate a coordinated cycle consisting of planning, controlling, and financial accounting, which allows potential risks to be identified at an early stage, and to be forwarded to the management in summarized form.

6. Takeover law disclosures

The Subscribed Capital of CURANUM AG amounts to € 39,192,000 (previous year: € 32,660,000), and is split into 39,192,000 (previous year: 32,660,000) ordinary bearer shares. It is fully paid in. The ordinary shares having nominal amount of € 1.

The following shareholdings exceed 10 % of the voting rights according to the notifications in our possession:

- Young Luxco S.à.r.l (Triton)
- NAVITAS B.V.
- Norddeutsche Landesbank
- Audley European Opportunities Master Fund Limited

Due to the composition of the subscribed capital and information on the acquisition of treasury shares we would like to draw your attention to our remarks on shareholders' equity in the notes to the consolidated financial statements.

The appointment and withdrawal of members of the Management Board and the amendment to the Articles of Incorporation are based on the statutory provisions of the German Stock Corporation Act; none of the provisions of the Articles of Incorporation are in derogation of the above.

The following Management Board authorizations exist to issue or repurchase shares: Pursuant to § 4 of the Articles of Incorporation, the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the company's issued share capital until June 21, 2016, through the issue, either once or several times, of new ordinary bearer shares against cash contributions or contributions in kind by a total of up to € 8,000,000 (Approved Capital 2011). The authorization may be utilized in partial amounts. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the further nature of share rights and the terms of the share issue. Subscription rights are to be granted to shareholders as a matter of principle when performing the capital increase. The shares must be accepted by a bank or another company operating according to § 53 Paragraph 1 Sentence 1 or § 53b Paragraph 1 Sentence 1 or Paragraph 7 of the German Banking Act (KWG) with the obligation to offer them for subscription to shareholders.

Subject to the approval of the Supervisory Board, the Management Board is, however, authorized to exclude shareholders' subscription rights in the case of capital increases against contributions in kind in order to grant shares for the purpose of acquiring companies, parts of companies, or equity stakes in companies.

Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the case of capital increases against cash contributions, to the extent that the shares issued against cash contributions during the period of this authorization under exclusion of shareholders' subscription rights do not in total exceed 20 % of the issued share capital, neither at the time when this authorization becomes effective nor at the time when it is utilized. Further details can be found in § 4 of the Articles of Incorporation which are published on our website.

At the Shareholders' General Meeting on July 13, 2011, the Management Board was authorized to acquire and sell treasury shares under exclusion of shareholders' subscription rights. This authorization expires on June 30, 2015, and is limited to 10 % of the issued share capital. The authorization may be exercised either wholly or in partial amounts, once or several times, in the pursuit of one or several purposes on the part of the company, its Group companies, or by third parties either on behalf of the company or Group companies. At the discretion of the Management Board, the purchase may be made either via the stock exchange or by means of a public offer. The Management Board is authorized to utilize all company shares acquired on the basis of this authorization for all legally permissible purposes. Further details can be found in the Invitation to the Ordinary 2011 Shareholders' General Meeting which is published on our website.

CURANUM has agreed change-of-control clauses in certain lease and loan contracts. Accordingly, the contractual partners are entitled to terminate the agreements if changes occur relating to the control of the company. Use is made of the statutory safeguard clause as regards further disclosures.

7. Report on events subsequent to the reporting date

No events of special significance occurred up to the date on which the consolidated financial statements were prepared.

8. Forecast report

Outlook

Despite unsolved structural problems in the global economy, leading economic indicators continuosly suggest slight growth in German gross domestic product. With a look to serviced apartments and inpatient care, we forecast a slight increase in demand in the care market as a whole as a result of demographic change and medical advances.

Given the financially strained situation of care insurance providers, we are assuming that policy will continue to focus on the "outpatients before inpatients" concept, although outpatient care is significantly more expensive when higher care rates apply. We anticipate that a new care concept will be introduced with a statutory initiative towards private top-up insurance that is capital-backed, since the current refinancing of care insurance as a cost-share system cannot fulfill its role in the long term. We also anticipate further statutory changes relating to the standardization of the very different regional standards for care facility quality grades as issued by the Medical Service of Help Funds (MDK).

Outlook for the company

We are assuming that our operating reorientation will feed through to a further increase in the utilization of our serviced apartments and in our facilities' inpatient areas. We also plan to boost the powers of our central departments in order to successfully implement projects to realize synergy effects, particularly for the six residences acquired from the GWA Group. Corresponding marketing campaigns, the launch of new IT systems and the planned refinancing are to serve this purpose. As a consequence, we are assuming that revenue, EBIT and after-tax earnings will report growth over the coming years.

Thanks

The Management Board would like to extend its thanks to all staff members for their dedication and outstanding performance. In view of the particular challenges of the care market, and our streamlined organizational structure, we particularly appreciate their absolute commitment, as well as their customer-focused approach which places quality firmly center stage.

In concluding, we would also like to thank our residents, and their families for the confidence they have invested in us. As before, we are endeavoring to repay this trust by once again delivering first-class services in 2012.

Munich, February 15, 2012

CURANUM AG
The Management Board

Walther Wever (CEO)	Judith Barth (CFO)

Consolidated balance sheet

as of December 31, 2011

Assets

In T€	Note	31/12/2011	31/12/2010
Current assets			
Cash and cash equivalents	(1)	21,192	15,850
Trade receivables	(2)	7,535	5,916
Inventories	(3)	1,067	946
Other assets	(4)	4,940	2,908
Income tax receivables	(5)	1,084	1,273
Total current assets		35,818	26,893
Non-current assets			
Property, plant and equipment	(6)	157,433	132,829
Other intangible assets	(7)	5,225	1,530
Goodwill	(7)	57,385	59,802
Deferred tax	(20)	17,619	11,145
Other assets	(4)	4,112	3,920
Total non-current assets		241,774	209,226
Total assets		**277,592**	**236,119**

Equity and liabilities

In T€	Note	31/12/2011	31/12/2010
Current liabilities			
Leasing liabilities	(8)	6,018	4,554
Financial liabilities	(9)	32,298	34,909
Trade payables	(10)	11,870	7,543
Provisions	(11)	750	898
Income tax liabilities	(12)	1,500	1,122
Other liabilities	(12)	25,961	17,006
Total current liabilities		78,397	66,032
Non-current liabilities			
Leasing liabilities	(8)	107,129	73,831
Financial liabilities	(9)	39,336	42,275
Deferred tax	(20)	4,483	3,925
Provisions	(11)	1,304	910
Total non-current liabilities		152,252	120,941
Equity	(13)		
Share capital		39,192	32,660
Additional paid-in capital		37,460	32,303
Treasury shares		-1,241	-1,241
Revenue reserve and profit/loss carried forward		-14,438	3,037
Consolidated net profit/loss		-12,864	-17,368
Other comprehensive income		-1,205	-292
Non-controlling interests		39	47
Total equity		46,943	49,146
Total equity and liabilities		**277,592**	**236,119**

Consolidated income statement

for the period from January 1 to December 31, 2011

in T€	Note	2011	2010
1. Revenue	(14)	265,927	256,788
2. Cost of sales	(15)	231,783	222,830
3. Gross profit		34,144	33,958
4. Selling and marketing expenses	(16)	1,476	1,152
5. General administration expenses	(17)	21,052	18,913
6. Other operating expenses	(18)	24,690	24,894
7. Other operating income	(18)	5,002	3,749
8. Operating profit		-8,072	-7,252
9. Interest and similar expenses	(19)	11,339	9,863
10. Interest and similar income	(19)	257	132
11. Earnings before income taxes		-19,154	-16,983
12. Taxes on income	(20)	-6,283	-1,170
13. Profit/loss after tax from continuing operations		-12,871	-15,813
14. Profit/loss after tax from discontinued operations		0	-1,652
15. Profit/loss after income taxes		**-12,871**	**-17,465**
of which profit/loss attributable to non-controlling interests	(13)	-8	-97
of which profit/loss attributable to CURANUM AG shareholders	(13)	-12,863	-17,368
Basic and deleted earnings per share on basis of profit/loss attributable to bearers of CURANUM AG ordinary shares	(21)	***-0.35***	***-0.54***
Basic and deleted earnings per share on basis of profit/loss from continuing operations attributable to bearers of CURANUM AG ordinary shares	(21)	***-0.35***	***-0.49***

Number of outstanding shares taken as basis		36,478,328	32,254,898

Consolidated statement of comprehensive income

in T€	2011	2010
Profit/loss after income taxes	-12,871	-17,465
Gains/losses from change in fair value of financial instruments deployed for hedging purposes	-1,229	99
Gains/losses from measurement of available-for-sale securities	0	5
Losses from other earnings-neutral changes	-57	-910
Deferred tax relating to earnings-neutral components of comprehensive income for the period	373	-29
Actuarial gains/losses on pension provisions	-94	0
Total value changes reported in equity	-1,007	-835
Total of earnings after income taxes and value changes reported in equity	**-13,878**	**-18,300**
of which attributable to non-controlling interests	-8	-97
of which attributable to CURANUM AG shareholders	-13,870	-18,203

Consolidated statement of changes in equity

For the period from January 1 to December 31, 2011

			Revenue reserve		
all amounts in T€	Share capital	Capital reserves	Accumulated profits/losses	Other revenue reserves	Actuarial gains/losses
01/01/2010	32,660	32,303	2,014	-181	0
Total of profits/losses after income taxes and value changes reported in equity	0	0	-17,368	0	0
Deconsolidation effects	0	0	0	233	0
Reclassification of non-controlling interests' share of profits/losses	0	0	0	-144	0
Miscellaneous changes	0	0	0	1,115	0
31/12/2010	32,660	32,303	-15,354	1,023	0
Total of profits/losses after income taxes and value changes reported in equity	0	0	-12,863	0	-94
Cash capital increase after capital issue costs/taxes	6,532	5,157	0	0	0
Miscellaneous changes	0	0	0	-14	0
31/12/2011	**39,192**	**37,460**	**-28,217**	**1,009**	**-94**

Repurchase of own shares	Other comprehensive income: Revaluation reserve	Other comprehensive income: Cash flow hedge	Equity attributable to CURANUM shareholders: Total	Non-controlling interests: Total	Equity: **Total**
-1,241	1,448	-905	66,098	0	66,098
0	-905	70	-18,203	-97	-18,300
0	0	0	233	0	233
0	0	0	-144	144	0
0	0	0	1,115	0	1,115
-1,241	543	-835	49,099	47	49,146
0	-57	-856	-13,870	-8	-13,878
0	0	0	11,689	0	11,689
0	0	0	-14	0	-14
-1,241	**486**	**-1,691**	**46,904**	**39**	**46,943**

Consolidated cash flow statement

for the 2011 financial year of CURANUM AG, Munich

in T€	31/12/2011	31/12/2010
I. Operating activities		
Profit/loss before taxes and non-controlling interests	-19,154	-16,983
Depreciation/amortization and impairments of non-current assets	33,320	26,904
Other interest and similar income	-257	-132
Interest and similar expenses	11,339	9,863
Gains from the disposal of assets	25	-139
Other	0	748
Increase/decrease in provisions	186	265
Change in working capital	484	11,684
Income taxes paid	-1,511	-2,915
Income taxes received	1,391	1,516
Interest paid	-4,985	-5,229
Interest received	130	77
Cash inflow from operating activities	20,968	25,659
II. Investing activities		
Cash inflows from corporate acquisitions	99	0
Cash outflows for investments in property, plant and equipment and intangible assets	-7,757	-6,529
Cash outflow from investing activities	-7,658	-6,529
III. Financing activities		
Cash inflows from drawing down of financial liabilities	1,357	1,040
Cash outflows for redemption of financial liabilities	-10,924	-9,842
Cash inflows from sale-and-finance-leaseback	0	5,385
Cash outflows for finance leasing (interest and redemption components)	-10,158	-8,709
Cash inflow from capital increase	11,757	0
Cash outflow from financing activities	-7,968	-12,126
Net change in cash and cash equivalents	**5,342**	**7,004**
Cash and cash equivalents at the start of the period	15,850	8,846
Cash and cash equivalents at the end of the period	**21,192**	**15,850**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2011 financial year of CURANUM AG, Munich

A. General remarks

1. Principles and methods

CURANUM Aktiengesellschaft (referred to below as "CURANUM AG", the Group or the "Company") is headquartered at Engelbertstrasse 23-25, 81241 Munich, Germany. The business objective of CURANUM AG and its subsidiaries is the creation and operation of senior citizen and residential care homes. CURANUM AG, Munich, as the parent company of the CURANUM Group, has prepared this set of consolidated financial statements.

The consolidated financial statements of CURANUM AG as of December 31, 2011, have been prepared according to International Financial Reporting Standards (IFRS), as applicable in the European Union. We have taken into account the standards of the International Accounting Standards Board (IASB), London, applicable in the EU as of the reporting date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid for the financial year. We have satisfied the requirements of the applied standards and interpretations without exception. The financial statements consequently convey a true and fair view of the net assets, financial position and results of operations of the CURANUM Group.

The consolidated financial statements in this version comply with the requirements of § 315a of the German Commercial Code (HGB). This forms the legal basis for consolidated accounting according to international accounting standards in Germany, together with EC Regulation Number 1606/2002 of the European Parliament and Council of July 19, 2002, concerning the application of international accounting standards.

The financial statements of the subsidiaries have been prepared using the reporting date of the consolidated financial statements, which corresponds to the reporting date of CURANUM AG.

The financial year of the CURANUM Group comprises the period from January 1 to December 31. The consolidated financial statements have been prepared in thousands of euros (T€). Figures in the notes to the financial statements are presented in thousands of euros (T€), unless stated otherwise. Rounding differences may occur in the figures provided in tables and notes. The consolidated financial statements have been prepared on the going-concern principle.

The 2011 consolidated financial statements were affected by the takeover of six residences from the Bremen-based Gesellschaft für Wohnen im Alter (GWA), and the 2010 consolidated financial statements were affected by the deconsolidation of the Armbrustergasse facility in Vienna (for details please refer to Section A 2 "Scope of consolidation").

The income statement has been prepared according to the cost of sales accounting format.

The consolidated financial statements and Group management report are published in the official register of companies (www.unternehmensregister.de), and in the electronic Federal Gazette.

The Management Board approved CURANUM AG's consolidated financial statements and Group management report for forwarding to the Supervisory Board on February 15, 2012, which will decide concerning the approval of the consolidated financial statements at its meeting on February 27, 2012.

2. Scope of consolidation

The consolidated financial statements of CURANUM AG include all companies where CURANUM AG, either directly or indirectly, enjoys the opportunity to determine the financial and business policy, and to draw related benefits (control relationship). A company is included for the first time when possibility of control is achieved. Inclusion ends when the possibility of control no longer exists.

Along with CURANUM AG, the group of fully-consolidated companies includes the 34 (previous year: 27) German subsidiaries, which are listed separately in an annex. Please also refer to the overview: "Consolidation scope and utilization of the release provision".

Changes to the consolidation scope

On April 18, 2011, CURANUM founded CURANUM Dienstleistung GmbH (hereinafter referred to as "Services") which is based in Munich, Germany. This company was entered in the commercial register on June 1, 2011. The company's purpose is to render services for the operation of senior citizen and care homes. This particularly includes the commercial transfer and mediation of staff, and the rendering of similar personnel services.

On June 30, 2011, CURANUM AG founded CURANUM Akademie Stiftung gemeinnützige GmbH (hereinafter referred to as the "Academy") which is based in Munich. This company was entered in the commercial register on September 22, 2011. The company's purpose is to conduct training sessions and courses, and to arrange working groups, lectures, seminars and other events for the purpose of professional training and development relating to the care of elderly and other people in need of care. The Academy was founded with the aim of making a general contribution to improving the qualifications of care and specialist staff.

On November 7, 2011, CURANUM AG acquired six residences from the Bremen-based Gesellschaft für Wohnen im Alter (GWA). The Supervisory Board approved this transaction on July 8, 2011. The contractual parties amicably agreed to postpone the closing of the transaction, which was initially planned for September 30, 2011, until November 7, 2011, in order to ensure that all closing conditions were satisfied.

CURANUM Holding GmbH acquired 100% of the shares of Lucullus GmbH, Wohnstift Lingen gemeinnützige GmbH ("Lingen" care facility) and of Wohnstift Salzgitter-Bad gemeinnützige GmbH ("Salzgitter-Bad" and "Goslar" care facilities). Wohnstift Salzgitter Bad gemeinnützige GmbH wholly owns Timmendorfer Wohnstift gemeinnützige GmbH ("Timmendorf" care facility), which in turn wholly owns Bremer Wohnstift gemeinnützige GmbH ("Findorff" and "Weidedamm" care facilities).

According to these companies' bylaws, their purpose is to operate in the areas of care of the elderly, and medical assistance and care. A further purpose is to train care personnel, and the provision of comprehensive outpatient and inpatient care services for elderly people, the sick and disabled, and other people who have difficulties in performing their daily tasks, as well as the creation and operation of homes for the elderly, and training centers for care personnel. According to its bylaws, the purpose of Lucullus GmbH is to provide catering for community facilities and individual households (Meals on Wheels).

These companies were accounted for on a provisional basis in the consolidated financial statements. The best information available at the time when the financial statements were compiled was utilized since performing the purchase price allocation, and the required and precise examination of a large number of individual transactions is time-intensive. Uncertainties remain concerning assets and liabilities, where a detailed review has not yet been concluded as part of the takeover. According to the contractual terms, such changes could also have an effect on the purchase price to be rendered.

The companies were included in the consolidated financial statements from November 7, 2011.

The purchase price for the acquired companies amounted to T€ 10,556, of which T€ 3,200 was paid in cash in 2011, and the remaining payments of T€ 7,356 are due mainly in 2012. Goodwill amounted to T€ 7,044.

The fair values of the companies' identifiable assets and liabilities were as follows as of the acquisition date:

Fair value on acquisition date

in T€	Carrying amounts	Fair value
Non-current assets		
Intangible assets	29	3,328
Real estate	23,323	25,555
Other assets	970	970
Deferred tax assets	1,179	346
Current assets		
Inventories	53	53
Trade receivables	160	160
Other assets	448	448
Cash and cash equivalents	3,299	3,299
Liabilities		
Lease liabilities and bank borrowings	-27,132	-25,751
Trade payables	-158	-158
Other liabilities	-3,539	-3,539
Deferred tax liabilities	-19	-1,199
Net asset values		**3,512**

The acquired cash amounted to T€ 3,299, and the cash inflow amounted to T€ 99 including the purchase price payments rendered in 2011. The fair value of acquired trade receivables amounted to T€ 160, reflecting the receivables' nominal value of T€ 209 and expected defaults of T€ 49.

The acquired companies contributed T€ 3,604 to revenue since the acquisition date, and T€ 117 to consolidated after-tax earnings. Revenue would have increased by T€ 17,602 if the merger had already occurred at the start of the year. The earnings contribution excluding synergy effects would have amounted to T€ 233 between January 1, 2011 and the acquisition date. Information about the effects of the purchase price allocation with respect to earnings for this period pursuant to IFRS 3.60 in combination with IFRS 3.B64 (q) (ii) is not presented, since both far-reaching assumptions concerning the management's targets would have been required, and a large number of assumptions would have been required to determine the earnings contributions, which would have made it almost impossible to differentiate between objective information and assumptions.

The recognized goodwill of T€ 7,044 arises from the expected earnings contributions and synergies. It has been assumed that the reported goodwill is not tax-deductible. It was distributed among three acquired care facilities on the basis of significant comparative company valuations, and was allocated to the North-East region.

The transaction costs of T€ 404 were reported among general administrative costs in the consolidated income statement, and among cash inflow from operating activities in the cash flow statement. No business areas were relinquished or sold as part of the acquisition. No further acquisitions occurred up to and including December 31, 2011.

Changes to the consolidation scope in the comparable period

As of December 31, 2010, shares in CB Seniorenresidenz Armbrustergasse GmbH (Vienna/Austria) and its wholly-owned subsidiary CB Managementservice GmbH (Kitzbühel/Austria) were sold to Kräutergarten Betriebs- und Beteiligungsgesellschaft mbH for a symbolic purchase price of € 1 (please refer to the 2010 annual report).

The results of operation of the Vienna business are as follows:

Vienna business operation in T€	Note	01/01 to 31/12/2010
1. Revenue	(14)	6,322
2. Cost of sales	(14)	6,625
3. Gross profit	**(15)**	**-303**
4. Selling and marketing expenses	(16)	36
5. General administration expenses	(17)	584
6. Other operating expenses	(18)	33
7. Other operating income	(18)	31
8. Operating profit/loss		**-925**
9. Interest and similar expenses	(19)	39
10. Other interest and similar income	(19)	3
11. Profit/loss before income tax from discontinued operations		**-961**
12. Taxes on income	(20)	-5
13. Profit/loss after tax from discontinued operations		**-956**
14. Profit/loss after tax from deconsolidation of business operations		-696
15. Profit/loss after tax and deconsolidation from discontinued operations		**-1,652**

The profit/loss after tax on the deconsolidation for the 2010 financial year included a T€ 720 subsidy paid to the purchaser, and T€ 35 of notary costs.

The carrying amounts of the operations that were discontinued and deconsolidated in 2010 include T€ 25 of cash, T€ 424 of receivables, T€ 20 of inventories, T€ 301 of property, plant and equipment, T€ 604 of intangible assets, T€ 134 of deferred tax assets, T€ 48 of other assets, T€ 636 of lease liabilities, T€ 443 of trade payables, T€ 261 of other provisions and tax provisions, T€ 5,871 of other liabilities, and T€ 161 of deferred tax liabilities.

The discontinued operations affected cash inflows and outflows presented in the cash flow statement as follows:

Vienna business operation

in T€	31/12/2010
Cash inflow from operating activities	73
Cash outflow from investing activities	-14
Cash outflow from financing activities	-86
Total	-27

3. Principles of consolidation

Corporate mergers are recognized using the purchase method in accordance with IFRS 3 ("Business Combinations”). Acquired assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. If shares in companies are acquired, the consideration paid for the acquired shares is offset with the subsidiary's proportional revalued equity. Any remaining positive difference from the offsetting of the consideration paid with the identified assets and liabilities is reported as goodwill among intangible assets. Where assets and liabilities are acquired ("asset deal"), the differential amount between the consideration paid and the identified assets is reported as goodwill.

If the consideration paid for the corporate merger is less than the identified assets as measured according to IFRS 3, the remeasured fair values are immediately recognized in the income statement in the year of the merger.

Expenses and income, as well as receivables, liabilities, and provisions between consolidated companies, are netted. Deferred tax is formed for consolidation measures with income tax effects. Besides this, warranties and guarantees that either CURANUM AG or one of its consolidated subsidiaries acquires to the benefit of other consolidated subsidiaries are eliminated.

A non-controlling interest is the equity of a subsidiary that is allocated to a parent company either directly or indirectly. This interest must be reported among equity in the consolidated balance sheet, although separately from the equity attributable to the owners of the parent company. Profits and losses of non-controlling interests are reported separately in the income statement.

4. Summary of significant accounting principles

The following section covers the underlying accounting principles applied when preparing the consolidated financial statements.

The assets and liabilities of CURANUM AG, and those of its fully consolidated subsidiaries, are recognized and measured using uniform accounting principles that apply across the whole of the CURANUM Group. Comparable information for the 2010 financial year is based on the same accounting principles as applied in the 2011 financial year. With the exception of certain items such as derivative financial instruments, the consolidated financial statements have been prepared according to the historical cost principle.

Accounting matters sensitive to estimates and assumptions

Discretionary decisions and estimates are required to a certain extent in the preparation of the consolidated financial statements. These have an impact on the recognition, measurement and reporting of assets, liabilities, income and expenses, as well as contingent claims and liabilities. All information currently availability is taken into account in this respect. Assumptions and estimates are based on premisses that reflect the respective currently available status of knowledge. In particular, expected future business trends are based on circumstances existing at the time when the consolidated financial statements are prepared, and the anticipated future trend for the sector-related environment. Where actual developments differ from expected trends, the assumptions, and, if required, carrying amounts of the respective assets and liabilities are adjusted accordingly. Until the time when the Management Board approved the financial statements for forwarding to the Supervisory Board, there was no information relating to any significant adjustment that might be required to the carrying amounts of assets and liabilities as reported in the consolidated balance sheet. The management's estimates and appraisals were based on assumptions that are presented below.

The main items affected by such discretionary decisions and estimates relate to Group-standard useful lives, and the recoverable amounts for tangible and intangible fixed assets, including goodwill, the classification of leases as operating or finance leases, the measurement of derivative financial instruments, the extent to which receivables can be realized, the accounting treatment and measurement of deferred tax, as well as the accounting treatment and measurement of provisions. The values that actually occur may diverge from estimates in individual cases. The carrying amounts of assets and liabilities affected by estimates are presented in the breakdown of individual balance sheet items.

Impairments pursuant to IAS 36 – CURANUM tests goodwill and its trademark right for impairment once per year in accordance with Group accounting guidelines. Determining the recoverable amount of a cash generating unit to which goodwill is allocated requires management estimates. The selection of the cash generating units and the allocation of goodwill to these units are subject to discretionary scope that might have a significant impact on a goodwill impairment test. Please refer in this connection to the remarks in section A 4 "Impairment test pursuant to IAS 36".

The company generally calculates the recoverable amount using valuation methods based on discounted cash flows. These discounted cash flows are based on three-year forecasts, which in turn are based on financial plans approved by the management. The cash flow forecasts take into account past experience, and are based on the management's best estimate of future trends. Cash flows beyond the planning period are extrapolated using individual growth rates. The most important assumptions on which the value in use calculation is based contain estimated growth rates, weighted average costs of capital (WACC), and tax rates. These assumptions and the underlying methodology may have a considerable impact on the relevant outcomes, and finally on the level of any potential goodwill impairment.

Please refer to the "Impairment test pursuant to IAS 36" in section A 4 concerning assumptions made, and potential effects of modifications to budget assumptions, for the goodwill impairment test, as well as impairment tests for non-current assets.

Categorization of leases into finance leases and operating leases pursuant to IAS 17 – CURANUM categorizes the leases into which it enters as either finance leases or operating leases. The key factor with a finance lease is that all risks and opportunities connected with ownership are transferred to the lessee. This is not the case with operating leases. Among other things, the present values of future lease payments are compared with the fair value of the assets for the purposes of categorization. As far as the calculation of the property fair values and present values is concerned, the company's management has discretionary scope, particularly with respect to interest rates and useful lives, which might result in divergent classification of leases where estimates change. Above and beyond this, assumptions are also made when splitting the recognized present values between land and buildings.

Measurement of real estate – The valuations of real estate assets in the consolidated balance sheet were largely corroborated by real estate surveys of developed and undeveloped land conducted by independent surveyors. This entails recognizing a price for the value of the administration buildings that could be achieved at the time when the calculation was performed, as follows: that it should be in the normal course of business and according to its legal circumstances and actual characteristics, as well as taking into account the further particularity and location of the land without regard for unusual or personal relationships. The market value of care facilities is calculated using the capitalized value of potential earnings, which is derived from the income per bed achievable over the long term while taking into account management costs for the building. This is mainly based on the remuneration rates for the investment cost portion, taking into account subsidies per care bed. Property surveys are generally based on calculable data and facts such as land registry extracts, floor area calculations, and building descriptions as far as the building valuation is concerned, and fixed data as far as the calculation of the capitalized earnings value is concerned. Recourse must also generally be made to parameters that are subject to discretion, such as an assessment of location, residual useful life, competitive situation, rental cost per square meter, and interest rates.

For this reason, market valuations may differ significantly when parameters that are subject to major scope for discretion are varied. The surveyors compiled their valuations to the best of their knowledge and belief after having conducted personal and in-depth viewings of the properties, and having conducted precise reviews of the related circumstances.

Measurement of financial instruments – CURANUM has entered into interest rate derivative transactions to hedge variable interest rate loans. The market values of these derivatives are calculated using the present value method, and are reported on the balance sheet dates. In doing so, the management has scope for the use of discretion, particularly when estimating interest rates and future changes in interest rates, as well as the company's credit ratings, which may result in significant changes in market value when the related parameters change. The same applies to reporting the hedging relationship of cash flow hedges. The efficacy of the hedging relationship may be negatively affected by a change in the parameters when determining the fair values of the hedged items and hedging instruments.

Please refer to section E 24 "Additional disclosures about financial instruments pursuant to IFRS 7" regarding assumptions that have been made for financial instruments, and the potential effects of changes to planning assumptions.

Deferred tax – When recognizing and measuring deferred tax, assumptions are made as to whether, in individual cases, temporary differences exist between the tax balance sheet and the IFRS financial statements, which will reverse in the future. When capitalizing deferred tax on loss carry forwards, the management also makes estimates as to whether these loss carry forwards can be used for tax purposes within a given timeframe.

Provisions – Depending on the respective underlying transaction, the measurement of provisions can sometimes be complex and significantly dependent on estimates. The assumptions made by management about the event risk and potential level of utilization are based on empirical values, estimates and discounting factors, among other factors. As a consequence, the actual outflow of benefits can diverge from the recognized provisions.

Changes to estimates pursuant to IAS 8.32 ff

As a change to an estimate, additional tax claims and tax arrears due to an external audit in 2011 must be recognized through profit and loss during the period in which this information becomes known. Consequently, T€ 387 of provisions were formed in the 2011 financial year, and receivables for tax and interest of T€ 733 were recognized.

Property, plant and equipment

Property, plant, and equipment is measured at cost, and depreciated corresponding to economic useful life and, if required, additional impairment charges. Repair and maintenance costs are reported as current expense. With the exception of plant under construction, straight-line depreciation is applied to cost in line with the expected consumption of future economic benefits. An impairment test is conducted for property, plant and equipment, and capitalized finance leases, if there are specific indications of impairment. In this instance, the recoverable amounts of the real estate or capitalized finance leases are compared with their carrying amounts.

Depreciation is based mainly on the following useful lives:

Buildings	22 to 50 years
Fittings	8 to 20 years
Technical equipment and machinery / operating and office equipment	3 to 20 years

Investment properties comprise land and buildings that are held to generate rental income or value appreciation, and not for the company's own rendering of services, administration purposes, or for sale as part of normal business operations. In order to expand the range of services it offers to occupants, the CURANUM Group leases commercial and other spaces (for example, hairdressing salons, doctors' consulting rooms etc.) to third parties on the basis of operating leases. These comprise minor sub-areas of buildings, as a consequence of which we have refrained from making a separate related presentation.

Financing costs

Financing costs are not recognized as part of purchase and production costs due to the lack of qualifying assets.

Leases

Determining whether an agreement contains a lease is performed on the basis of the economic content of the agreement at the time of the conclusion of the agreement. It requires an estimate as to whether the satisfaction of the contractual agreement depends on the use of a particular asset, or particular assets, and whether the agreement provides a right to the use of the asset. As a lessee, the CURANUM Group is a contractual partner to a number of leases for property, as well as individual assets or groups of other assets. Leases where all opportunities and risks connected with ownership of the transferred asset are essentially transferred to the CURANUM Group are classified as finance leases, and recognized accordingly.

Assets arising from finance leases are capitalized at the lower of either the fair value of the lease asset at the start of the lease, or the present value of the minimum lease payments. They are depreciated over the shorter of either the duration of the agreement or the economic useful life of the lease asset. The payment obligations arising from leases are recognized as liabilities. Lease payments are split into the financing component, and the repayment component of the residual debt. Depreciation is performed over 20 years for fittings of care facilities capitalized as part of finance leasing, where 90% of capitalized carrying amounts are depreciated in the first 10 years, and the remaining 10% are depreciated from the 11th to the 20th years. For reasons of immateriality, no separation was made between land real estate as operating leases, and buildings as finance leases.

Leases where essentially all opportunities and risks connected with ownership remain with the lesser are classified as operating leases. The lease payments for operating leases are reported on a straight-line basis over the duration of the leasing agreement.

Disposal of property as part of a sale-and-lease-back transaction

With a notary deed dated March 23, 2010, two properties in which CURANUM AG operates care facilities were transferred to a new owner as part of a transaction in the 2010 financial year. The Group received a cash inflow of € 5.4 million in 2010 from the sale of the properties owned by CURANUM AG. The disposal proceeds in excess of the carrying amount totalled T€ 156, and are distributed over the lease's duration.

Public authority subsidies

Public authority subsidies are not reported until there is sufficient security that the company will be able to fulfill the conditions attached to them, and that the company will in fact receive the subsidies. Insofar as the public authority subsidies have been granted on the basis that the company will acquire property, plant and equipment, they reduce the carrying amount of these assets.

Intangible assets / goodwill

Intangible assets include intangible assets acquired as part of corporate acquisitions, such as customer bases as well as purchased software, licenses, and similar rights. Intangible assets are recognized if it is likely that they will generate a future inflow of financial benefit. These assets' cost corresponds to their fair value at the acquisition date.

In accordance with IAS 38, intangible assets of finite useful life are capitalized at cost, and amortized on a straight-line and scheduled basis over their economic useful life; additional impairment charges are reported if required. The useful life for software and licenses is generally five years. Useful lives of customer bases have been calculated on the basis of statistics relating to occupancy and durations of stay, and amount to between two and five years.

The useful life of a trademark right was classified as of indeterminable duration in line with the contractual agreements. Modifications to useful lives are treated as modifications of estimates. Besides this, residual values and methods of amortization are reviewed at the end of the financial year, and adjusted if required. Intangible assets with useful lives of indeterminable duration are not subjected to scheduled amortization but are instead subjected to an impairment test at least once per year, or on an even more regular basis if there are indications that their values have been impaired (goodwill, occupancy rights and brand rights).

Impairment test pursuant to IAS 36

An impairment test is performed at least once per year as of September 30 for goodwill, for other intangible assets of indefinite or indeterminable useful life, and otherwise when there are specific signs that impairment has occurred in the case of other intangible assets of limited useful life, as well as for property, plant, and equipment, and capitalized finance leases. An impairment charge is carried through the income statement if the recoverable amount of the asset is less than its carrying amount. A review is performed at least once per year to establish whether there is an indication that the reason for impairment charge no longer exists, or the amount of the impairment charge has fallen. In this instance, the recoverable amount is recalculated, and, with the exception of goodwill, the impairment charge previously applied is reversed correspondingly.

The recoverable amount is always calculated individually for each asset. If this is impossible, the calculation is performed on the basis of a group of assets representing a cash-generating unit (CGU). The recoverable amount is the higher of either fair value less costs to sell, or value in use. Fair value less costs to sell corresponds to the recoverable amount arising from the sale of an asset or cash generating unit established between professional contracting parties on normal market terms, less costs to sell. Value in use is the present value of future cash flows that can be prospectively derived from an asset or cash generating unit.

Distribution was performed at the CGU level for the goodwill impairment test. This was based on an individual care facility as a CGU. Goodwill is presented by regions for better overview.

For the IAS 36 impairment test of assets, both assets and financial plans are aggregated according to the cash generating units, taking the equivalence principle into account. If possible, costs for centrally rendered services, and assets that are attributed to them, are directly allocated to the cash generating units.

The recoverable amount of these cash-generating units is calculated on the basis of value in use, applying cash flow forecasts, as in the previous year. The cash generating units are regarded as continuing units producing ongoing cash flows.

The cash flow forecasts are based on three-year budgets for each individual facility. The growth rates for the individual care facilities are based on realistic utilization rates per facility while taking into account the respective competitive environment and assumed negotiation results for care rates. The growth discount was set at 1% on the basis of this detailed planning. The basis for this is the average growth rate assumed in the observation period of three years, which was modeled using average growth rates for care rates over the last five years. Revenues were calculated on the basis of occupancy and forecast care levels. Personnel costs and other significant cost types were budgeted on a volume-dependent basis where appropriate. Sensitivity analyses were performed as part of the budget, and values in use were calculated for each facility applying the discounted cash flow method. Budgeted post-tax cash flows taken from financial plans approved by the management are used for this purpose.

The weighted average cost of capital (WACC) used for the discounting is based on a risk-free rate of 3.23% p.a. and a risk premium of 5.50%. CURANUM AG's beta factor as of September 30, 2011, and the Group's capital structure and financing costs were also applied. Due to the further centralization of Group financing, a standard debt interest rate for the entire Group was used to calculate the discounting factor for the first time from 2011. The debt interest rate as of September 30, 2011 was calculated at 6.43% p.a.

This generated a weighted average cost of capital (WACC) of 5.78% after tax as of September 30, 2011 (previous year: 5.33-5.69%), and 8.19% before tax (previous year: 7.29-7.56%).

The value in use calculated as of the reporting date is compared with the carrying amount of the cash generating unit. No impairment is required if the calculated value in use is greater than the carrying amount of the relevant cash generating unit. Impairment charges totaling T€ 9,461 were applied to goodwill in the 2011 financial year (previous year: T€ 5,916).

The following section presents goodwill as of September 30, 2011, and September 30, 2010, after impairment charges for the individual regions:

For the North-West region, goodwill after impairment charges totaled T€ 12,910 (previous year: T€ 20,332), distributed among a total of 18 locations. In 2011, the North-West region incurred total impairment charges of T€ 7,422, which were distributed among the following locations: Geseke (T€ 2,082), Werl (T€ 3,821), Liesborn (T€ 755) and two further locations (T€ 764).

For the North-East region, goodwill after impairment charges totaled T€ 9,351 (previous year: T€ 9,831), distributed among a total of 11 locations. Impairment charges totaling 480 were incurred in the North-East region in 2011, which related to one location. The impairment test for the identified goodwill of the GWA Group companies resulted in no impairment charge.

For the West region, goodwill after impairment charges totaled T€ 14,486 (previous year: T€ 14,811), distributed among a total of 14 locations. Impairment charges totaling T€ 325 were reported for the West region in 2011, relating to three locations.

For the South region, goodwill after impairment charges totaled T€ 13,594 (previous year: T€ 14,828), distributed among a total of 15 locations. Impairment charges totaling T€ 1,234 were reported for the South region in 2011, relating to the Bad Dürrheim location.

Sensitivity analyses performed on the basis of a 10% higher discounting rate as of September 30, 2011, would have resulted in impairment charges of T€ 2,800 (previous year: T€ 19) for the three CGUs, if the remaining parameters were unchanged. The carrying amounts of the CGUs totaled T€ 28,883 as of September 30, 2011, after the recognition of impairment charges in 2011.

As of December 31, 2011, the significant assumptions and estimates made as part of budgeting and the discounting factor were subject to no significant changes. There were also no particular events between the impairment testing and December 31, 2011, which would indicate potential additional requirements for impairment charges.

If there are specific indications of potential impairment, the company performs an impairment test for non-current assets, and for non-current assets arising from finance leases that the company owns.

Indications of potential impairments to real estate were identified on the basis of the results of current budget/actual divergence analysis, and impairment tests were performed as of the balance sheet date.

The calculated market values were derived from the future achievable revenue per bed, or apartment, while taking into account property management costs. The management costs were calculated specifically for the respective property, and, depending on property, amounted to between 1% and 1.5% for administration costs, 4% for rental default, and between € 8.0 and € 12.5 per square meter for maintenance costs, as a consequence of which the property-specific management costs lay between 10.3% and 18.5%. The management costs included in the external valuation surveys amounted to between 10.3% and 17% depending on care facility, and to 25.0% in one instance. The key factor influencing the value in use calculation is the forecast utilization for the respective facilities, which the management applies for the residual useful life. A further significant impacting factor is the remuneration rates for the investment portion in the care area. These are derived from an economic analysis calculation between production costs that are relevant for subsidies and calculations, and the sum of refinancing funds of total expenses for maintenance expenditure and capital service costs, respectively monthly rent excluding heating in the apartment area. Along with remuneration rates for investment costs and rent excluding heating, monthly gross rents also take into account room and direct pay premiums, as well as income from third party rentals.

The ground value is deducted when calculating building values. The land value is based on the relevant community land reference values and the land size of the respective properties, as well as the applicable discount rate.

The interest rate applied for calculating market value is based on the interest rate for land use. The interest rate for land is the interest rate used to calculate the average market value of real estate. The level of this interest rate is determined according to the type and location of the property, the residual useful life, and the conditions prevailing on the real estate market as of the valuation date. A discount rate between 5.4% and 7.5% was utilized to calculate value in use (previous year: 6.5% p.a.). The discount rates applied in the external valuations lay between 5.4% and 7.0% p.a.

The impairment tests conducted according to the above assumptions led to the following results:

An impairment charge of T€ 9,137 was applied to property that the company holds for the long term (previous year: T€ 8,020). Of this impairment charge, T€ 0 (previous year: T€ 689) was applied to land and rights equivalent to land. An impairment charge of T€ 3,639 (previous year: T€ 1,501) was applied to real estate capitalized as part of leases.

Impairment charges of T€ 1,304 were applied to other plant, operating and office equipment in the previous year. Prepayments of T€ 4,078 for lease and rental agreements for two properties were reported as long-term.

Impairments reported in the financial year under review are recognized in the income statement under the "other operating expense" item.

As part of the impairment tests for long-term assets, sensitivity analyses were also performed for the values in use that were calculated. The sensitivity analysis showed that a 10% interest rate increase could result in additional impairment charges of T€ 906 for real estate held on a long-term basis by the company. An additional impairment charge of T€ 2,572 would arise for assets capitalized as part of finance leases.

Inventories

Raw materials and supplies are reported among inventories. Inventories are recognized at cost, and are largely reported at fixed values due to their subordinate significance for the net assets, financial position and results of operations.

Within the CURANUM Group, there is essentially no need for charges for inventory risks arising from duration of warehousing and reduced usability, since raw materials and supplies comprise consumables for daily requirements.

Financial instruments

A financial instrument is an agreement that simultaneously gives rise to a financial asset at one company, and to a financial liability or equity instrument at another company.

Financial instruments are reported at the time of the conclusion of the related agreement. In the case of normal market purchases, the settlement date is used instead of the date of the agreement. A financial instrument is generally derecognized if the contractual right to cash flows expires, or if this right is transferred to a third party.

Financial instruments include primary financial assets, financial liabilities and derivatives.

Primary financial assets

Financial assets include, in particular, trade receivables, other financial assets, and cash and cash equivalents.

Financial assets are measured at fair value on initial recognition. Incidental costs directly attributable to the purchase are taken into account as part of amortized cost for those assets that are not subsequently measured at fair value through profit and loss. The measurement of financial assets depends on their allocations to IAS 39 categories. The assets are allocated to the relevant measurement category as of the date of the addition.

For the purposes of subsequent measurement, a differentiation should be made between the following categories according to IAS 39:

- Financial Assets Held for Trading – FAHfT
- Financial assets Held to Maturity – HtM
- Loans and Receivables – LAR
- Financial assets Available for Sale – AfS

The CURANUM Group makes no use of the option to designate financial assets as at fair value through profit and loss at the time of their addition (fair value option).

Fair value corresponds to the market or stock exchange price, to the extent that the financial instruments being measured are traded on an active market. If there is no active market for a financial instrument, the fair value is calculated using appropriate finance-mathematical methods, such as recognized option pricing models, or the discounting of future cash flows applying the risk-adjusted market interest rate. Amortized cost corresponds to cost less redemptions, impairments, and the amortization of any difference between cost and the amount repayable at maturity.

Financial assets held for trading (FAHfT) are measured at fair value through profit and loss. Financial assets held to maturity (HtM) are measured at amortized cost using the effective interest rate method. There were no primary financial instruments in the HtM category in the CURANUM Group as of the balance sheet date of either the year under review or the previous year. Financial assets in the LaR category are measured at amortized cost, if required using the effective interest rate method, and taking impairments into account.

Financial assets not attributed to the categories presented above are categorized as "available-for-sale" (AfS) and are measured at fair value. Gains and losses arising on measurement are carried to equity, taking deferred tax into account (revaluation reserve). Measurement is performed through profit and loss in the case of a significant or long-lasting reduction of fair value to below purchase cost. Cumulative changes in value reported in equity are rebooked through the income statement at the time of the disposal of the financial asset.

Impairment of financial assets

The carrying amount of financial assets that are not measured at fair value through profit and loss is tested on each balance sheet date as to whether there are objective and substantial indications that the fair value has fallen below the carrying amount.

Fair value is generally calculated for each individual asset. The CURANUM Group measures financial assets on the basis of various parameters, such as interest rates, the specific creditworthiness of customers, and the risk structure of the financing transaction. Objective indications of impairment may consist of the following:

- Significant financial difficulties on the part of the issuer or counterparty;
- Default, or delay in payment, of interest or redemption payments; or
- Increased probability that the debtor enters insolvency, or another type of reorganization.

A review is performed at least once per year to establish whether there is an indication that the reason for impairment charge no longer exists, or the amount of the impairment charge has fallen. In this case, the fair value of the financial assets is recalculated, and the impairment previously applied is reversed correspondingly if required. Two inactive associate companies, in each of which CURANUM holds a less than 20% interest, are measured at a fair value of zero, rather than at equity, for reasons of materiality.

Cash and cash equivalents

Cash and cash equivalents include cash positions, current account deposits, and bank deposits with residual maturities of up to three months. They are measured at cost. Deposits of up to three months count as cash and cash equivalents where the risk of value fluctuation is minor, or cancellation is possible at any time as the result of contractual agreements.

Primary financial liabilities

Financial liabilities represent contractual obligations giving rise to a repayment claim in cash or another financial asset. These particularly include trade payables, others securitized liabilities, bank borrowings, finance lease liabilities, and borrower's note loans.

Financial liabilities are measured at fair value on recognition. Incidental costs directly attributable to purchase are deducted from cost for those liabilities that are not subsequently measured at fair value through profit and loss. Primary financial liabilities are generally subsequently measured at amortized cost using the effective interest rate method.

Primary financial liabilities relate particularly to financial liabilities measured at amortized cost (FLAC). These include trade payables, financial liabilities (bank borrowings and borrower's note loans), and other financial liabilities. Non-current, non-interest-bearing liabilities are recognized at their settlement amount discounted to the balance sheet date, as long as the difference to the nominal value is not included in the valuation of an asset financed with a non-current non-interest-bearing liability. A pre-tax interest rate is used that reflects current market expectations with respect to the interest rate effect, as well as risks applying specifically to the circumstances.

Derivative financial instruments

At the CURANUM Group, derivative financial instruments relate to interest rate derivative transactions that are generally used to hedge interest rate risks. Derivative financial instruments are measured at fair value, which is predominantly derived from stock market or market values. If no stock market or market values are available, fair value is calculated using recognized finance-mathematical models. Accordingly, fair value is determined by discounting the expected future cash flows over the contractual period remaining as of the measurement date, on the basis of risk-adjusted zero-interest-rate curves.

When measuring derivatives, a differentiation should be made as to whether there is an (effective) hedging relationship between the derivative and the hedged item. Derivative financial instruments that do not form part of an effective hedging relationship in the meaning of IAS 39 must be categorized as "held for trading" (HfT), and recognized at fair value through profit and loss. Positive fair values result in their recognition as "financial assets held for trading" (FAHfT). Negative fair values are categorized as "financial liabilities held for trading"- FLHfT.

If the requirements of IAS 39 regarding hedge accounting have been satisfied, the hedges are designated from this time either as at fair value or as cash flow hedges.

Fair value hedging entails the hedging of the fair value of a reported asset or liability, or of an unreported fixed obligation. The changes in the fair values of derivative financial instruments, and their related underlying transactions, are carried through the income statement.

A cash flow hedge entails the hedging of highly probable future cash flows. Where a cash flow hedges exists, the effective portion of the value change in the hedging instruments is reported in the cash flow hedge reserve in miscellaneous equity – if required, taking into account deferred tax – until the profit or loss from the hedged item is reported.

When the hedged item and its related earnings impact come into effect, the earnings-effective transaction is booked out of comprehensive income and rebooked through the income statement. The ineffective portion of the value change of the hedging instruments is reported immediately through the income statement under the financial result.

The CURANUM Group uses derivative financial instruments mainly to hedge interest rate risks, and generally concludes such transactions with banks as contractual partners that enjoy investment-grade ratings. Derivatives used by the company are presented in detail in Section B 9 "Non-current and current financial liabilities" and in Section "Risk management and financial derivatives" under Section E 24 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

Deferred tax

Deferred tax is formed by applying the balance sheet-oriented liability method to all temporary differences arising between the fiscal valuations of an asset or liability, and IFRS valuations, as well to consolidation measures. Deferred tax relating to loss carryforwards are capitalized as long as it is anticipated with a degree of probability bordering on certainty that they can be utilised. Adjustments are applied to deferred tax assets whose realization is no longer expected within the foreseeable future. Unrecognized deferred tax claims are reviewed, and capitalized to the extent that it has become likely that future taxable earnings will make it possible to realize them.

The tax rates used at the time of realization as the basis for the measurement of deferred tax are those applying on the basis of the current legal situation, or which are expected to apply. Deferred tax relating to items reported directly in equity is also reported directly in equity. Deferred tax assets and liabilities are offset against each other if the Group would have an enforceable claim to net actual tax reimbursement claims against each other, and these relate to income tax applying to the same tax object, levied by the same tax authority.

Actual tax

Actual tax claims and liabilities of the current or prior periods are measured using the amount that the tax authority is expected to reimburse, or the amount expected to be paid to the tax authority. If the period until realization is estimated to be in excess of one year, the claims or liabilities are discounted to present value. Calculation of the amount is based on tax rates and tax laws applying as of the reporting date.

Non-current assets held for sale and discontinued operations

Discontinued operations are business areas that can be demarcated, and which either have already been sold, or where their sale is planned, and which

- represent a separate significant business segment or geographic business areas,
- form part of an individual coordinated plan to sell such business areas, or
- comprises a subsidiary that was acquired exclusively with the intention of resale.

Discontinued operations that are being removed from the scope of consolidation are reported separately in line with IFRS 5. Expenses and income incurred until the deconsolidation date, and disposal gains or losses, are reported separately in the income statement as profit or loss on discontinued operations, and after the profit or loss on continuing operations. The previous year's figures in the income statement are adjusted accordingly.

Non-current assets and groups of assets classified as held for sale are measured at the lower of their carrying amount, and their fair value less costs to sell. Non-current assets and groups of assets are classified as held for sale if the respective carrying amount is realized predominantly through a disposal transaction, and not through continued use. This is only the case if disposal is highly likely, and the asset or group of assets can be sold immediately in their current condition. The management must have decided on the disposal, which must be expected to occur within one year from the time of classification for reporting as a concluded sale. Scheduled depreciation is not applied to property, plant and equipment classified as held for sale, and scheduled amortization is not applied to intangible assets classified as held for sale.

Share-based compensation – phantom shares

The performance-based compensation system for the Management Board members of CURANUM AG is based on an appreciation of the company's value. To this end, value-appreciation rights in the form of so-called phantom shares were granted to the Management Board in the 2011 financial year, which can be settled only in cash (so-called cash-settled transaction). These phantom shares comprise virtual shares which are based on the total value of one CURANUM share. There fair values are measured applying the so-called Monte Carlo simulation method. The fair values are distributed over the period until the end of the performance period through profit and loss while recognizing a corresponding liability. The liability is remeasured on each balance sheet date and settlement date. Fair value changes are carried through profit and loss.

Value-appreciation rights that cannot be exercised are not expensed. Changes to cash-settled transactions are reflected as part of remeasurement on the respective balance sheet date.

Other provisions

Other provisions are formed if a current legal or de facto obligation based on a past event exists with respect to third parties that would lead to a probable future outflow of resources, and the extent of the obligation can be estimated reliably. Non-current provisions are recognized using the amount required to satisfy the obligation, and discounted to the reporting date. The interest rate used is a pre-tax interest rate that reflects current market expectations with respect to the interest rate effect, as well as risks specifically applying to the circumstances.

Commitments arising from an employer-funded company pension scheme as part of plant agreements existed until 2005. CURANUM AG measures benefit claims arising from defined benefit pension plans using the projected unit credit method, which reflects the actuarial present value of vested rights to future pension payments. Actuarial measurement is based on various assumptions which can differ from actual future outcomes. These include determining discounting rates and mortality rates (Prof. Dr. Klaus Heubeck's "Richttafel 2005G" mortality tables). Expected salary and pension trends, and staff turnover rates, are not included in the calculation.

Liabilities

Non-current liabilities are reported at amortized cost. Differences between cost and repayment amount are reflected using the effective interest rate method. Current liabilities are recognized at their repayment or fulfillment amount.

Income and expenses

Income is always reported if it is likely that the economic benefit will accrue to the Group, and the extent of the income can be determined reliably. Income from the supply of services is reported in the period in which the service is rendered.

Services rendered by CURANUM AG consist mainly of care services in both the inpatient and outpatient areas, as well as rental and supplementary services connected with serviced apartments. Residents as well as sponsors such as health insurance funds/care funds and social services institutions are invoiced on a monthly basis for services.

Expenses-related to operations are expensed at the time of delivery or utilization of the service, and all other expenses are expensed at the time when they are incurred.

Interest income is reported at the time when the interest claim arises. Interest and other debt costs are booked pursuant to periodic expense, to the extent that there is no qualifying asset.

Contingent liabilities and assets

Contingent liabilities represent potential obligations to third parties arising from past events, and whose existence must yet be confirmed by the occurrence or non-occurrence of one or several uncertain future events not entirely within the control of the CURANUM Group. Contingent liabilities also arise from a current obligation based on past events, but which cannot be recognized in the balance sheet because the outflow of resources is unlikely, or the extent of the obligation cannot be estimated sufficiently reliably.

Contingent liabilities cannot be recognized, but are instead subject to the reporting requirement pursuant IAS 37.89 to the extent that the future inflow of resources is likely.

5. New and amended accounting methods

New and amended standards and interpretations applied for the first time

The previous year's accounting methods continued to apply for the preparation of the consolidated financial statements as of December 31, 2011. The following standards and interpretations that were applied for the first time as of January 1, 2011, form an exception to this principle. These exceptions generally had no effects on the Group's net assets, financial position and results of operations. They resulted in additional disclosures, however.

Standard	Title	Published by the IASB	Comes into force*	EU endorsement as of 31/12/2011	Effects on CURANUM AG
New and amended standards and interpretations					
IAS 24	Related Party Disclosures (revised)	11/2009	01/01/2011	Yes	Immaterial
IAS 32	Classification of Rights Issues (amended)	10/2009	01/01/2011	Yes	Immaterial
IFRIC 14	Prepayments of a Minimum Funding Requirement	11/2011	01/01/2011	Yes	None
IFRIC 19	Extinguishing of Financial Liabilities with Equity Instruments	11/2009	01/07/2010	Yes	Immaterial
diverse	IFRS Annual Improvements**	05/2010	01/01/2011	Yes	Immaterial

* For financial years commencing on or after this date

** The following standards are affected: IFRS 3 Business Combinations, IFRS 7 Financial Instruments – Disclosures, IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income, IAS 34 Interim Reporting, IAS 27 Consolidated and Separate Financial Statements, IFRIC 13 Customer Loyalty Programs

Accounting regulations that have not yet been applied

The IASB/IFRIC has published the following standards, amendments, and revisions of standards and interpretations, whose application is not yet mandatory. Among other factors, the pre-requisite for the application of these new and revised standards and interpretations is that they are adopted by the European Union as part of the IFRS adoption procedure.

Standard	Title	Published by the IASB	Comes into force*	EU endorsement	Effects on CURANUM AG
New and amended standards and interpretations					
IAS 1	Amendment IAS 1 – Presentation of Items of Other Comprehensive Income	06/2011	01/01/2013	Planned for Q1 2012	Immaterial
IAS 12	Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets	12/2010	01/01/2012	Planned for Q2 2012	Immaterial
IAS 19	Amendment to IAS 19 – Employee Benefits	06/2011	01/01/2013	Planned for Q1 2012	Immaterial
IAS 27	New version of IAS 27 – Consolidated and Separate Financial Statements	05/2011	01/01/2013	Planned for Q3 2012	Immaterial
IAS 28	New version of IAS 28 – Shares in Associates and Joint Ventures	05/2011	01/01/2013	Planned for Q3 2012	None
IAS 32	Amendments to IAS 32, Offsetting Financial Assets and Financial Liabilities	11/2011	01/01/2014	Planned for Q3 2012	Immaterial
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	11/2011	01/01/2013	Planned for Q2 2012	None
IFRS 1	Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	12/2010	01/01/2012	Planned for Q2 2012	None
IFRS 7	Amendments to IFRS 7 – Financial Instruments: Disclosures	10/2010	01/01/2012	22/11/2011	Immaterial
IFRS 9 **	Financial instruments: Revision and replacement of all existing standards (classification and measurement)	11/2009	01/01/2013	Still open	Immaterial
IFRS 9 / IFRS 7	Amendments to IFRS 9 and IFRS 7, mandatory application date and disclosures on transition	12/2011	01/01/2015	Still open	Immaterial
IFRS 10	Consolidated Financial Statements	05/2011	01/01/2013	Planned for Q3 2012	Immaterial
IFRS 11	Joint Arrangements	05/2011	01/01/2013	Planned for Q3 2012	Immaterial
IFRS 12	Disclosure of Interests in Other Entities	05/2011	01/01/2013	Planned for Q3 2012	Immaterial
IFRS 13	Fair Value Measurement	05/2011	01/01/2013	Planned for Q3 2012	Immaterial

* For financial years commencing on or after this date

** Note: planned postponement until 2015

CURANUM AG does not intend to make early voluntary application of these standards and interpretations.

B. Notes to the consolidated balance sheet

(1) Cash and cash equivalents

Cash and cash equivalents of T€ 21,192 (previous year: T€ 15,850) relate to cash holdings and bank accounts in credit with a term of up to three months. The change in cash and cash equivalents is presented in the consolidated statement of cash flows.

Credit lines and guarantee credit facilities were reported in an amount of € 26.8 million as of December 31, 2011, (previous year: € 32.5 million), which were utilized through guarantees in an amount of € 13.7 million (previous year: € 4.9 million).

The Group provided € 2.6 million of short-term deposits as collateral (previous year: € 0.7 million). Operating facilities using the credit lines have assigned receivables as collateral for the overdrafts. Besides this, there are no cash and cash equivalents that are held by companies, and over which the Group has no control. Maximum default risk corresponds to the carrying amounts.

(2) Trade receivables

in T€	2011	2010
Trade receivables	8,084	6,621
Charges for doubtful receivables	-549	-705
Trade receivables, net	**7,535**	**5,916**

The term structure of overdue receivables excluding impairments is as follows:

in T€	Total	Neither overdue nor impaired	Overdue but not impaired < 3 months	3-6 months	6-12 months	> 12 months
2011	8,084	5,109	1,264	258	140	764
2010	6,621	3,770	1,366	179	226	375

Receivables that are neither overdue nor impaired relate to a large number of customers and care funds. This counters systematic default risk and risk concentration.

Valuation allowances to trade receivables changed as follows:

in T€	2011	2010
Opening position	705	572
Release	-264	-384
Addition	512	576
Utilization	-404	-59
Closing position	**549**	**705**

The adjustments to doubtful receivables relate to a significant extent to estimates and assessments of individual receivables based on the creditworthiness of the relevant customer and the analysis of historic receivables default rates on the basis of individual items.

The fair values of trade receivables approximately correspond to their carrying amounts due to the fact that their terms are up to one year.

There is no significant concentration of risk among the trade receivables as a result of the diversified customer structure. Maximum default risk corresponds to the carrying amounts. Besides additions to the valuation adjustments of T€ 512 (previous year: T€ 576), receivables of T€ 155 (previous year: T€ 152) were written off as uncollectible.

(3) Inventories

in T€	2011	2010
Raw materials, consumables and supplies	**1,067**	**946**

The holdings comprise mainly food, commercial and medical-care items, and fuel for facilities. With the exception of fuel and food, the holdings are recognized at a fixed value. Inventories of T€ 19,486 were expensed in the year under review (previous year: T€ 19,001). An additional T€ 418 was attributable to discontinued operations in the previous year. No inventories were assigned as collateral for liabilities during the periods under review.

(4) Non-current and current assets

in T€	IAS 39 category	2011	2010
Prepayments			
Lease prepayments	n.a.	3,580	3,977
Rent prepayments	n.a.	1,503	361
Prepayments and accrued income		415	520
Other receivables	LaR / n.a.	3,554	2,824
Individual valuation adjustments to other receivables		0	-854
		9,052	6,828
of which non-current		4,112	3,920
of which current		4,940	2,908

The fair values of other assets mainly correspond to their carrying amounts.

The prepayments for corporate lease agreements relate to prepayments for leases that in each case commenced on January 1, 2006, and which have been entered into for an initial period of 15 years. Amounts of T€ 3,182 (previous year: T€ 3,562) have a residual term of longer than one year, and amounts of T€ 398 (previous year: T€ 415) a residual term of up to one year. Further rental prepayments of T€ 328 (previous year: T€ 358) have a residual term of more than one year, and of T€ 1,175 (previous year: T€ 3) of up to one year.

The assets-side deferred and accrued items relate to prepayments for consultancy services in connection with relocation measures, vehicle tax, insurance, as well as rent, leasing and maintenance for technical plants, and have a residual term of up to one year.

As a consequence of the impairment tests conducted for Westfalen GmbH and Altenheimbetriebsgesellschaft Süd in 2010, lease and rental prepayments in an amount of T€ 2,538 and T€ 1,539 respectively were released through the previous year's income statement.

Other receivables contain financial assets in the following categories in the meaning of IAS 39, as well as miscellaneous assets as follows:

in T€	IAS 39 category	2011	2010
Receivables due from suppliers arising from good reimbursements, and creditor accounts in debit	LaR	1,783	1,057
Receivables due from staff and deposits	LaR	315	269
VAT reimbursement claims	n.a.	3	974
Loan to Kräutergarten	LaR	350	0
Fixed-interest securities	AfS	253	0
Miscellaneous assets	LaR /n.a.	850	524
		3,554	2,824

There were no overdue receivables as of the December 31, 2011, and December 31, 2010 balance sheet dates. Other assets of T€ 854 were impaired in the previous year, which largely related to VAT reimbursement claims.

(5) Income tax receivables

in T€	2011	2010
Current income tax receivables	**1,084**	**1,273**

Income tax receivables primarily comprise corporation and trade tax receivables. The claims contain a sub-amount of T€ 72 (previous year: T€ 82) arising from capitalized corporation tax credits. They also include a VAT receivable of T€ 733, which was reclassified from other assets to income tax receivables after the conclusion of the 2002-2007 audit.

Recognition at present value arises from the amendment to § 37 Paragraph 5 of the German Corporation Tax Act effected by the German Act concerning Fiscal Accompanying Measures for the introduction of the European Company and for the Modification of Further Fiscal Regulations (SEStEG). The present value of the resultant tax claim of T€ 77 was capitalized for the first time in 2006. This claim will be paid out in equal installments over 10 years.

(6) Property, plant and equipment

Change in 2011 in T€	Land, rights equivalent to land, and constructions	Other plant, operating and office equipment	Prepayments rendered	Total
Cost				
01/01/2011	176,973	60,618	260	237,851
Additions	15,922	3,900	1,358	21,180
Disposals	0	-100	0	-100
Transfers	360	-114	-246	0
Additions due to the acquisition of subsidiaries	25,555	943	27	26,525
31/12/2011	**218,810**	**65,247**	**1,399**	**285,456**
Cumulative depreciation and impairment charges				
01/01/2011	61,858	43,164	0	105,022
Depreciation	5,960	4,332	0	10,292
Impairment charges	12,777	0	0	12,777
Disposals	0	-68	0	-68
Transfers	146	-146	0	0
Additions due to the acquisition of subsidiaries	0	0	0	0
31/12/2011	**80,741**	**47,282**	**0**	**128,023**
Carrying amount	**138,069**	**17,965**	**1,399**	**157,433**

Please refer to section A 4 "Impairment test pursuant to IAS 36" the notes relating to impairment charges applied to land, buildings and operating facilities, and capitalized finance leases.

Operating and office equipment includes assets arising from hire purchase agreements of T€ 465 (previous year: T€ 516), which were assigned as collateral for the respective obligations arising from these agreements. Please refer to our remarks under section B 9 "Non-current and current financial liabilities" concerning collateral for land and rights equivalent to land.

Change in 2010 in T€	Land, rights similar to land and constructions	Other plant, operating and office equipment	Prepayments rendered	Total
Cost				
01/01/2010	154,866	58,688	189	213,743
Additions	27,796	3,520	259	31,575
Disposals	-5,563	-154	0	-5,717
Transfers	188	0	-188	0
Disposals arising from deconsolidation	-314	-1,436	0	-1,750
31/12/2010	**176,973**	**60,618**	**260**	**237,851**
Cumulative depreciation and impairment charges				
01/01/2010	47,520	38,970	0	86,490
Depreciation *	5,427	4,193	0	9,620
Impairment charges	9,521	1,304	0	10,825
Disposals	-331	-133	0	-464
Additions due to the acquisition of subsidiaries	-279	-1,170	0	-1,449
31/12/2010	**61,858**	**43,164**	**0**	**105,022**
Carrying amount	**115,115**	**17,454**	**260**	**132,829**
* of which depreciation on discontinued operations	28	107	0	135

Investment grants

The federal states of Saxony-Anhalt, Thuringia, and Mecklenburg-Vorpommern granted subsidies of T€ 13,902 to the company in the years 1998-2000 in order to construct care properties; the grants were made subject to them being used to create residential homes for senior citizens and nursing homes. The grants were deducted from the carrying amounts of the tangible fixed assets to which the grants apply.

An interest-free, repayable loan was granted to finance a care property on the basis of a grant decision by the Landschaftsverband Westfalen-Lippe. The benefit from the interest-free nature of the loan was included in the calculation of the present value of the property, and consequently formed part of the purchase price allocation for the corresponding corporate acquisition.

(7) Other intangible assets / goodwill

Intangible assets include customer bases, occupancy and brand rights, licenses and software. Recognized goodwill arises from corporate acquisitions. Amortization of intangible assets is reported under the two functional areas of cost of sales and general administrative costs.

Change in 2011 in T€	Goodwill	Software/licenses/ similar rights	Total
Cost			
01/01/2011	65,718	5,424	71,142
Additions (purchased individually)	0	1,155	1,155
Additions due to the acquisition of subsidiaries	7,044	3,329	10,373
31/12/2011	**72,762**	**9,908**	**82,670**
Cumulative amortization and impairment charges			
01/01/2011	5,916	3,894	9,810
Amortization	0	789	789
Impairment charges	9,461	0	9,461
31/12/2011	**15,377**	**4,683**	**20,060**
Carrying amount	**57,385**	**5,225**	**62,610**

As in the previous year, as of December 31, 2011 there were no assets with restricted ownership rights, and no assets that have been assigned as collateral.

Please refer to section A 4 "Impairment test pursuant to IAS 36" for the allocation of impairment charges to individual CGUs.

The column "Software, licenses, and similar rights" includes a trademark brand of unlimited useful life for the company FAZIT with a carrying amount of T€ 500 (previous year: T€ 500). The brand name that was acquired as part of the acquisition of the FAZIT Group was capitalized at the acquiring company since the brand was appraised to have future benefit for the company. When appraising its useful life, this brand was imputed to have an indefinite economic useful life on the basis of past data and management estimates relating to future developments for this brand. This entailed, in particular, an examination of considerations concerning the prospective utilization of the brand, potential commercial obsolescence, the competitive position, the sector environment, the level of maintenance expenditures, legal or similar restrictions on use, and the dependency of the useful life relating to other company assets.

The brand name was impairment-tested on December 31, 2011, on the basis of value in use. The calculation reflected a three-year budget. Appropriate growth rates were taken as the basis for the timeframe extending beyond this period. The weighted average cost of capital (WACC) used for the discounting is based on a risk-free interest rate of 3.23% (previous year: 3.18%) and a risk premium of 5.5% (previous year: 5.5%). CURANUM AG's beta factor, and the individual capital structures and relevant financing costs of the CGUs, were also applied. The pre-tax discount rate that was applied amounted to 8.19% (previous year: 7.29%). The growth discount was set at 1% on the basis of this detailed planning (previous year: 1%). The impairment test resulted in no impairment charge in the period under review.

Change in 2010 in T€	Goodwill	Software/licenses/ similar rights	Total
Cost			
01/01/2010	65,718	6,036	71,754
Additions (purchased individually)	0	21	21
Disposals arising from deconsolidation	0	-633	-633
31/12/2010	**65,718**	**5,424**	**71,142**
Cumulative amortization and impairment charges			
01/01/2010	0	3,241	3,241
Amortization*	0	682	682
Impairment charges	5,916	0	5,916
Disposals arising from deconsolidation	0	-29	-29
31/12/2010	**5,916**	**3,894**	**9,810**
Carrying amount	**59,802**	**1,530**	**61,332**
*of which amortization arising from discontinued operations	0	4	4

(8) Leases and other financial obligations

Finance leases

Property rented by the company includes land, buildings, and other facilities and equipment. The main obligations that have been entered into during the period of the leasing agreements, besides the lease payments themselves, are the costs of maintenance for the operating locations and facilities, the granting of tenant loans, insurance contributions, and property taxes. The lease agreements may contain extension or purchase options, as well as price adjustment clauses. In general, the durations of leasing agreements for land, buildings, and operating and office equipment range between three and 50 years. For reasons of immateriality, no separation was made between land real estate as operating leases, and buildings as finance leases. Rental expenses (impairment charges/depreciation of asset items in connection with finance leasing, and interest payments arising from finance leasing) in connection with finance leases amounted to T€ 11,032 in 2011 (previous year: T€ 8,945). They are reported as expense under the items depreciation and interest payments in the period in which they are incurred. In the cost of sales method, depreciation is reported in the functional areas of production, administration and sales costs, depending on which area the underlying lease agreement is attributed to. The interest expenses are included in the financial result. The terms of the leases contain no restrictions with respect to dividends, additional borrowings, or further leases.

The purchase option relates to one real estate lease (previous year: two real estate leases), which were classified as finance leases. The purchase option can be exercised from May 1, 2016. The exercise price corresponds to the fiscal residual book value at the exercise date. The right to purchase the property was measured at T€ 5,345.

The carrying amounts of capitalized property, plant and equipment arising from financing leases are as follows:

in T€	2011	2010
Cost	154,836	117,466
of which land	884	884
of which buildings	124,587	86,958
of which fittings and operational equipment	29,365	29,624
Cumulative depreciation and impairment charges	-60,762	-52,686
of which land	0	0
of which buildings	-37,204	-29,992
of which fittings and operational equipment	-23,558	-22,694
Carrying amounts *	**94,074**	**64,780**
of which land	884	884
of which buildings	87,383	56,966
of which fittings and operational equipment	5,807	6,930

* The carrying amounts of buildings, facilities and operational equipment include additions due to the acquisition of subsidiaries in the 2011 financial year in an amount of T€ 22,799 and T€ 308.

The future minimum lease payments (MLPs) and present values for the abovementioned finance leases are as follows:

in T€	2011 MLP	2011 Present value	2010 MLP	2010 Present value
Up to 1 year	13,298	6,528	9,526	4,967
1 to 5 years	53,994	29,168	37,807	21,242
Longer than 5 years	133,183	80,300	83,723	55,025
Total of minimum lease obligations	200,475	115,996	**131,056**	**81,234**
Special lease payments for buildings (purchase option)	-3,068	-2,849	-3,068	-2,849
Total of net minimum lease obligations	197,407	113,147	**127,988**	**78,385**
less interest	-84,260	0	-49,603	0
Present value of minimum lease obligation	**113,147**	**113,147**	**78,385**	**78,385**

The lease liabilities have the following terms:

in T€	2011	2010
Up to 1 year	6,018	4,554
1 to 5 years	26,829	21,654
Longer than 5 years	80,300	52,177
Total	**113,147**	**78,385**

Operating leases

Various operating lease agreement for buildings, office equipment, and other facilities and fittings were entered into. Most leases contain extension options allowing extensions for periods of five or ten years. Some contain price adaptation clauses in the form of indexation, and provide for rental payments that are conditional on the basis of fixed percentages of turnover generated by the assets held as part of operating lease agreements. The terms of the leases contain no restrictions with respect to dividends, additional borrowings or further lease agreements. Lease expenses for the continuing operations amounted to T€ 53,966 in 2011 (previous year: T€ 54,273).

Other financial obligations

The other financial obligations of the CURANUM Group consist of obligations arising from rental, leasing, and maintenance agreements. These contain further obligations arising from finance lease agreements with respect to the office and operating equipment, and which have largely ended, or have only very short residual durations, and are inseparable from the remaining leases due to cost- benefit relationships.

The maturities of the minimum lease payments arising from non-cancellable leases relating to real estate and maintenance service agreements, among other items, are as follows as of the December 31, 2011 reporting date:

in T€	Up to 1 year	1 to 5 years	Longer than 5 years
Building rents	62,581	249,644	401,108
Maintenance agreements	2,398	2,148	269
Total	64,979	251,792	401,377

The maturities of the minimum lease payments arising from non-cancellable leases relating to real estate and maintenance service agreements, among other items, are as follows as of the December 31, 2010 reporting date:

in T€	Up to 1 year	1 to 5 years	Longer than 5 years
Building rents	57,257	236,494	402,707
Maintenance agreements	2,284	2,548	317
Total	59,541	239,042	403,024

There is also a put option for one property, in which one CURANUM AG subsidiary operates a facility. The purchase price for the property would amount to € 19.9 million if the put option were to be exercised (previous year: € 19.9 million). The put option can be exercised between January 1, 2015 and December 31, 2017. A contingent loss provision in an amount of € 1.1 million was formed in 2011 due to the valuation circumstances as of the balance sheet date (previous year: € 0.7 million).

As of the December 31, 2011, balance sheet date, the company does not anticipate that guarantees, warranties or the provision of collateral for third- party liabilities will be utilized.

(9) Non-current and current financial liabilities

in T€	Residual term < 1 year	Residual term 1-5 years	Residual term > 5 years
31/12/2011			
Liability component of FAZIT participation right	0	0	4,035
Negative fair value from cash flow hedge	0	2,431	0
Bank loans	32,298	16,102	16,768
Total	32,298	18,533	20,803

The bank loans item with a residual maturity of up to one year includes a borrower's note loan in an amount of T€ 27,300. Please refer in this connection to the remarks in Section E 24 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

in T€	Residual term < 1 year	Residual term 1-5 years	Residual term < 5 years
31/12/2010			
Liability component of FAZIT right	0	0	4,223
Negative fair value from cash flow hedge	0	1,202	0
Bank loans	34,909	11,430	25,420
Total	34,909	12,632	29,643

Three interest-rate swaps (previous year: four) had been concluded to hedge the variable interest-rate risk for the borrower's note loan and one further variable-rate loan, four of which remained as of the balance sheet date. The nominal value of these interest rate hedge the variable interest-rate risk for the derivatives transactions amounted to T€ 33,650 as of the December 31, 2011 balance sheet date (previous year: T€ 25,950).

No.	Interest/reference rate	Term: Start	Term: End	Nominal T€
1	3M-EUR-EURIBOR / max. 4.10%. min. 3.10%	19/03/2008	26/01/2011	10,000
2	3M-EUR-EURIBOR / max. 4.05%. min. 1.90%	24/11/2008	26/01/2011	10,000
3	3M-EUR-EURIBOR / 4.99%	04/08/2008	29/06/2012	1,275
4	3M-EUR-EURIBOR / 4.5%	06/10/2008	29/06/2012	1,275
5	3M-EUR-EURIBOR / 3.7%	27/01/2011	30/12/2014	31,100

The year-on-year change in fair values was as follows:

No. in T€		2011	2010
1	3M-EUR-EURIBOR / max. 4.10%. min 3.10%	0	-542
2	3M-EUR-EURIBOR / max. 4.05%. min. 1.90%	0	-489
3	3M-EUR-EURIBOR / 4.99%	-22	-91
4	3M-EUR-EURIBOR / 4.5%	-19	-79
5	3M-EUR-EURIBOR / 3.7%	-2,390	0
	Total	**-2,431**	**-1,201**

The fair values of the four remaining swaps have been recognized as financial liabilities with no earnings effect (other comprehensive income) taking into account deferred tax.

Banks calculated the fair values. The fair values were also verified by expert reports by discounting the expected future cash flows (discounted cash flow method).

The fair values from cash flow hedging are recognized among financial liabilities with residual terms of between one and three years.

CURANUM AG has obligated itself contractually to several banks as part of a borrower's note loan to provide evidence that it abides by a predetermined financial previous year indicator, the net debt to EBITDA ratio, at the end of each quarter. The banks enjoy the right to special cancellation of the loan agreement if this fixed ratio is exceeded. Please refer in this connection to the remarks in Section E 24 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

Normal banking collateral is in place for the bank borrowings, particularly land charges of T€ 64,144 (previous year: T€ 62,047).

(10) Trade payables

Trade payables contain open items arising from invoices received for supplies and services that have been utilized. They amounted to T€ 11,870 as of the balance sheet date (previous year: T€ 7,543). They have a residual maturity of less than one year. The reported carrying amounts correspond approximately to their fair values due to their short maturities.

(11) Non-current and current provisions

Provisions changed as follows:

in T€	Status 01/01/2011	Utilization	Release	Addition	Status 31/12/2011
Phantom shares	0	0	0	61	61
Other	1,808	333	394	912	1,993
Total	**1,808**	**333**	**394**	**973**	**2,054**

in T€	Status 01/01/2010	Utilization	Release	Addition	Status 31/12/2010
Bonuses	588	551	37	0	0
Other	870	460	83	1,481	1,808
Total	**1,458**	**1,011**	**120**	**1,481**	**1,808**

Provisions contain non-current provisions (residual duration of greater than one year) of T€ 1,304 (previous year: T€ 910).

Phantom shares
Virtual shares were granted to the Management Board members in the 2011 financial year. On the exercise date, they receive a cash payment that reflects the value of the CURANUM share at the end of the so-called performance period. The virtual share plan represents a cash-settled share-based compensation system. This plan was not cancelled in the 2011 financial year, nor was it modified. The virtual shares are subject to the following terms:

- The payment on the vested virtual shares occurs in May 2013.
- The level of the payment is measured as the product of the number of vested virtual shares and the so-called closing price.
- The closing price is defined as the average price of the CURANUM shares (closing price in XETRA trading on the Frankfurt Stock Exchange) between January 1, 2013 and the day before the 2013 accounts meeting of the Supervisory Board of CURANUM AG.
- During the plan's duration, the beneficiaries are entitled to the payments of a dividend equivalent.
- The number of vested phantom shares is calculated as the ratio between the allocation volume of the respective beneficiary and the opening price.
- The opening price is calculated as the average price of the CURANUM share (opening price in XETRA trading on the Frankfurt Stock Exchange) between January 1, 2011 and March 15, 2011 as the last trading day before the accounts meeting of the Supervisory Board of CURANUM AG at which agreement was reached concerning the phantom shares. This opening price amounts to € 2.31.
- All vested virtual shares lapse in the instance of cancellation, irrespective of which party makes such cancellation. The virtual shares are paid out on a proportional basis based on the number of phantom shares allocated at the start of the plan if the beneficiary leaves the company for another reason (for example, end of employment contract, amicable dissolution of employment contract, retirement, decease). Payment is proportional on the basis of a 12-month duration.

The virtual shares changed as follows during the 2011 financial year.

Virtual shares outstanding at the start of the reporting period	0
Virtual shares granted during the reporting period	104,032
Virtual shares forfeited during the reporting period	0
Virtual shares exercised during the reporting period	0
Virtual shares that lapsed during the reporting period	0
Virtual shares outstanding at the end of the reporting period	104,032
Virtual shares that can be exercised at the end of the reporting period	0

The weighted average expected residual terms for the value-appreciation rights outstanding as of December 31, 2011 amounts to 1.21 years.

The fair value of the virtual shares is calculated applying the Monte Carlo simulation. The expense for payments received, respectively the liability to settle these payments, is reported over the vesting period. The liability is premeasured on each balance sheet date and settlement date. Fair value changes are carried through profit and loss.

The weighted average fair value of the virtual shares granted during the year under review amounts to € 2.00. Measurement as of December 31, 2011 was based on the following parameters:

Parameter	31/12/2011
Dividend yield (%)	n.a.
Expected volatility (%)	32.77%
Risk-free rate (%)	0.04%/0.06%
Residual term (years)	1.21
Share price on measurement date (EUR)	2
Exercise price	0
Model applied	Monte Carlo simulation

The expected duration of the value-appreciation rights is based on contractual details, and must correspond to the exercise behavior that actually occurs.

The expected volatility is based on the assumption that, over a period that corresponds to the expected duration of the value-appreciation rights, conclusions can be drawn from the historical volatility, as a consequence of which the volatility that actually occurs can diverge from the assumptions that have been made.

The risk-free rates were derived from the market using a residual term that corresponds to the expected term of the options being valued. Since the beneficiaries are entitled to the payment of an annual dividend equivalent to the level of the dividends that are actually distributed on genuine CURANUM shares during the duration of the virtual shares, the vested virtual shares are to be measured as if no dividends were distributed on the underlying shares.

The reported personnel expenditure for benefits received during the year under review is as follows:

T€	2011
Expense arising from cash-settled share-based compensation transactions	61

As of December 31, 2011, the carrying amount of the liability arising from the virtual shares amounts to T€ 61 (previous year: T€ 0). This liability is reported among non-current provisions.

The other provisions are composed as follows:

in T€	2011	2010
Current litigation / lawyers' fees	700	873
Contingent loss provision arising from purchase commitment	1,140	700
Other	153	235
Total	**1,993**	**1,808**

The T€ 1,140 contingent loss provision for purchase commitments (previous year: T€ 700) relates to a property whose purchase price at the exercise date is higher than its fair value as of the December 31, 2011 balance sheet date. Cumulative interest of T€ 53 was applied to the contingent loss provision.

Until 2005, works agreements resulted in obligations for employer-funded pension benefits that qualify as defined benefit plans pursuant to IAS 19.7. The obligation's present value was calculated at T€ 1,426 as of December 31, 2011 (previous year: T€ 1,215), on the basis of an actuarial appraisal applying the projected unit credit method, which entailed a 5.25% interest rate (previous year: 5.15%). At the same time, claims of T€ 1,538 existed that arise from reinsurance that was held for this purpose (previous year: T€ 1,079). The assets-side surplus of T€ 11 existing as of December 31, 2011 was reported among other receivables, and the liabilities-side surplus of T€ 136 existing in the previous year was reported among other provisions.

The actuarial gains/losses of T€ -94 that arose in the 2011 financial year (previous year: T€ 0) were carried directly to other comprehensive income in equity, and are primarily attributable to the change in the discount rate from 5.15% to 5.25%.

(12) Current liabilities arising from income tax and other liabilities

in T€	IAS 39 category*	2011	2010
Corporation tax liabilities	n.a.	1,483	1,115
Trade tax liabilities	n.a.	17	7
Income tax liabilities		**1,500**	**1,122**
Other current liabilities			
Liabilities to staff	FLAC	3,240	2,983
Salary and wage liabilities	FLAC	24	23
Social security liabilities	FLAC	11	218
Liability as part of corporate acquisition	FLAC	7,356	0
Wage/church tax and VAT liabilities	n.a.	1,045	892
Prepayments received	n.a.	3,111	3,048
Liabilities to occupants	FLAC	3,297	1,630
Debtor accounts in credit	FLAC	1,344	1,072
Deferred income	n.a.	382	85
Outstanding invoices	FLAC	4,364	3,872
Professional cooperative contributions	FLAC	787	672
Other	FLAC/n.a.	1,000	2,511
Total other current liabilities**		**25,961**	**17,006**

* Please refer to the remarks concerning financial instruments in the "Accounting principles" chapter for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

** The residual duration of other liabilities is predominantly less than one year. For this reason, they have not been split into current and non-current other liabilities.

The corporation tax liabilities of T€ 1,082 arise mainly from the relinquishing of non-profit status of the facilities that were newly acquired in 2011. A further T€ 387 are attributable to the 2002-2007 external tax audit.

Liabilities to employees are composed of outstanding claims for vacation days of T€ 1,051 (previous year: T€ 887), T€ 1,798 relating to overtime, bonuses, contributions for the severely disabled, short-term age-related short-time working obligations and settlements (previous year: T€ 1,783), and time allowances of T€ 391 (previous year: T€ 312).

The obligation arising from age-related short-time working agreements with employees amounts to T€ 23 (previous year: T€ 75), less insolvency-protected value credits of T€ 23 (previous year: T€ 63). When calculating the obligation, provisions were formed for the employer's supplements to gross salaries and pension insurance contributions, as well as the company's employee remuneration arrears in the case of the "Blockmodell". The residual duration of the obligation arising from age-related part-time working agreements is less than one year as of December 31, 2011. In the previous year, the share of the obligation with a residual maturity of over one year was discounted applying a rate of 5.5%. Earnings for the 2011 period include income from the reduction of the obligation of T€ 52 (previous year: T€ 94), which was reported in the income statement as a reduction to personnel expense.

A land charge of T€ 1,272 (previous year: T€ 1,272) was issued as collateral for loans to residents to finance serviced apartments, which were acquired as part of the acquisition of the company in 2007.

Other liabilities comprise financial liabilities measured at amortized cost (FLAC) in the meaning of IAS 39 as follows:

in T€	IAS 39 category	2011	2010
Deferred interest and participation right interest	FLAC	351	347
Deferred tax/ fiscal charges	n.a.	0	330
Supervisory Board remuneration	FLAC	204	193
Deferred rental payments	n.a	0	809
Auditing and financial statement liabilities	FLAC	137	418
Miscellaneous liabilities	n.a.	308	414
Total		**1,000**	**2,511**

(13) Equity

The change in equity is presented in the consolidated statement of changes in equity.

Share capital

The subscribed capital of CURANUM AG amounts to € 39,192,000 (previous year: € 32,660,000), and is split into 39,192,000 (previous year: 32,660,000) ordinary bearer shares. It is fully paid in. The ordinary shares having nominal amount of € 1.

Approved Capital (2011)

As the result of a resolution of the Shareholders' General Meeting on July 13, 2011, the Management Board was authorized, with the approval of the Supervisory Board, to increase the issued share capital of the company in exchange for cash or non-cash capital contributions, once or on several occasions until June 21, 2016, by a total, however, of up to T€ 8,000 through the issue of a maximum of 8,000,000 new ordinary bearer shares. Subscription rights are to be granted to shareholders as a matter of principle when performing the capital increase. Under certain preconditions, the Management Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights.

Additional paid-in capital

Additional paid-in capital exclusively contains premiums arising from share issues.

Capital increase

With Supervisory Board assent, the Management Board of CURANUM AG passed a resolution on March 31, 2011 to increase the company share capital by utilizing the capital that was approved by the 2009 Shareholders' General Meeting through granting subscription rights to all shareholders. The new shares were offered to shareholders in a 4.9:1 ratio at a subscription price of € 1.80 per share. The subscription period ran between April 12, 2011 and May 2, 2011.

The capital increase raised CURANUM AG's share capital from T€ 32,660 to T€ 39,192. The gross issue proceeds from the capital increase that accrued to CURANUM AG after deduction of issue costs amounted to T€ 11,757. This cash inflow served to finance the company's growth path.

The transaction was entered in the commercial register on May 10, 2011, after which the Approved Capital 2009 was fully utilized. The capital increase totaling T€ 11,757 increased subscribed capital by T€ 6,532 in the year under review (nominal amount of the shares), and additional paid-in capital by the T€ 5,226 (less T€ 69 of transaction costs). For further information please refer to the unscheduled announcements published on March 31, 2011 and May 3, 2011.

Purchase of own shares

Through a resolution of the 2010 Shareholders' General Meeting the company was authorized until June 30, 2015, with the approval of the Supervisory Board, to acquire or resell once or on several occasions own shares in the company. The arithmetic interest of the shares acquired as part of this authorization may not exceed 10% of the subscribed capital.

The following table shows the change in the treasury shares item in equity in 2011.

	Treasury shares in T€	Number of treasury shares
Status as of 01/01/2011 / 31/12/2011	1,241	405,102

The equity item "treasury shares" represents the value of CURANUM AG shares purchased on the market, which are held by a trustee. CURANUM AG held 405,102 of its own shares as of the balance sheet date. This corresponds to share of € 405,102 of the issued share capital, or 1.03% (previous year: 1.24%). These treasury shares are reported in equity to an amount of T€ 1,241. No treasury shares were acquired in 2011.

Revenue reserve and profit/loss carried forward

The revenue reserve essentially contains the cumulative results of previous years, and other revenue reserves of CURANUM AG. The cumulative results contain gains and losses generated by CURANUM AG and its consolidated subsidiaries in previous years, which were neither distributed nor allocated to other revenue reserves.

Repayments connected with participation right capital are reported in revenue reserves with no impact on income to the level to which the participation right capital was classified as equity at the time of the purchase price allocation. Actuarial gains/losses of T€ -94 (previous year: T€ 0) from the measurement of pension commitments are reported in the revenue reserve.

Appropriation of earnings

The annual financial statements of CURANUM AG as of December 31, 2011, which are based on German commercial law (HGB), report unappropriated retained earnings of T€ 4,813. A proposal is submitted to the Shareholders' General Meeting to apply the unappropriated retained earnings as follows:

The Management and Supervisory boards recommend that the unappropriated retained earnings be carried forward to a new account.

No distribution was performed in the 2011 financial year.

Other comprehensive income

Other comprehensive income contains revaluations of property, plant and equipment that are booked through equity (revaluation reserve), and the market valuation booked through equity of derivative financial instruments in the cash flow hedge area totaling T€ -1,205 (previous year: T€ -292). Recognition takes into account deferred tax assets of T€ 373 (previous year: T€ -29). Please refer to our remarks in section A 4 "Financial instruments" and E 24 "IFRS 7 disclosures".

The revaluation reserve, which is reported in other comprehensive income, arises from the first-time consolidation of VGB GmbH (proportional release of hidden reserves of companies that were previously included at equity, in line with IAS 16 revaluation regulations) from the year 2006, and are released in line with the depreciation of the property.

C. Notes to the consolidated statement of comprehensive income

(14) Revenue

Revenue is mainly composed of the following:

in T€	2011	2010
Inpatient care including related services (catering / cleaning and laundry)	226,145	220,398
Rental income from serviced apartments / outpatient care services	33,452	30,207
Other	6,330	6,183
Total for continuing operations	**265,927**	**256,788**
Discontinued operations	0	6,322
Total	**265,927**	**263,110**

(15) Cost of sales

Cost of sales contains:

in T€	2011	2010
Personnel expense for care / services	124,047	117,753
Rents	53,844	53,740
Miscellaneous expense	43,257	41,766
Depreciation / amortization	10,635	9,571
Total for continuing operations	**231,783**	**222,830**
Discontinued operations	0	6,625
Total	**231,783**	**229,455**

Miscellaneous expense contains the following:

in T€	2011	2010
Food	11,091	10,812
Water / energy / electricity	10,350	9,745
Maintenance / repairs and building services	5,323	5,090
Business requirements	2,481	2,505
Medical care supplies	2,295	2,316
Property and other charges	2,619	2,350
Third-party cleaning services for buildings / laundry	963	906
Vehicle fleet expenses	1,390	1,388
Insurance	965	992
Care expense	840	830
Miscellaneous	4,940	4,832
Total for continuing operations	**43,257**	**41,766**
Discontinued operations	0	1,154
Total	**43,257**	**42,920**

Depreciation/amortization relates to scheduled amortization to intangible assets (mainly software), and depreciation of buildings and of operating and office equipment.

(16) Selling and marketing expenses

Selling and marketing expenses are composed as follows:

in T€	2011	2010
Personnel expenditure	273	244
Miscellaneous expense	1,198	907
Depreciation / amortization	5	1
Total for continuing operations	**1,476**	**1,152**
Discontinued operations	0	36
Total	**1,476**	**1,188**

Miscellaneous expenses include mainly expenses for advertising and public relations activities of T€ 1,169 (previous year: T€ 914, including discontinued operations).

(17) General administration expenses

The administration costs are composed as follows:

in T€	2011	2010
Personnel expenditure	12,580	12,185
Miscellaneous expense	8,031	6,137
Depreciation / amortization	441	591
Total for continuing operations	**21,052**	**18,913**
Discontinued operations	0	584
Total	**21,052**	**19,497**

The miscellaneous expense includes mainly legal and consultancy costs of T€ 4,118 (previous year: T€ 2,491). Of this amount, T€ 1,312 (previous year: T€ 0) is attributable to one-off effects. Miscellaneous expense also includes telecommunications charges of T€ 591 (previous year: T€ 587), and office materials, postage, ancillary money transfer costs, and other administrative costs of T€ 924 (previous year: T€ 935).

Depreciation/amortization relates to scheduled amortization to intangible assets (mainly software), and depreciation of buildings and of operating and office equipment.

Personnel expense and average number of employees

The personnel expense is allocated to the individual functional areas (15) to (17) as follows:

in T€	2011	2010
Wages and salaries (including settlements)	113,882	108,763
Professional cooperative	1,097	963
Social contributions	21,921	20,456
Total for continuing operations	**136,900**	**130,182**
Discontinued operations	0	4,308
Total	**136,900**	**134,490**

In the case of defined contribution pension plans, the company pays contributions to state and private pension funds on the basis of statutory and contractual provisions. The company is exposed to no further payment obligations once the amounts have been paid. Expenses of T€ 10,668 (previous year: T€ 10,064) were reported for defined contribution pension plans in the 2011 financial year.

The average number of staff employed during the financial year, counted by heads, was:

	2011	2010
Salaried employees	5,429	5,068
Temporary personnel	793	783
Total excluding trainees	6,222	5,851
Trainees	313	287
Total for continuing operations	**6,535**	**6,138**
Discontinued operations	0	0105
Total	**6,535**	**6,243**

(18) Other operating expenses / income

in T€	2011	2010
Income from continuing operations	5,002	3,749
Discontinued operations	0	31
Total	**5,002**	**3,780**

in T€	2011	2010
Expenses for continuing operations	24,690	24,894
Discontinued operations	0	33
Total	**24,690**	**24,927**

Other operating income mainly includes income from reimbursements of T€ 1,341 (previous year: T€ 1,052), income from the release of valuation adjustments to receivables of T€ 593 (previous year: T€ 384), of liabilities of T€ 769 (previous year: T€ 327), and income unrelated to the period of T€ 1,620 (previous year: T€ 1,537).

Other operating expenses include impairment losses due to asset impairment in an amount of T€ 22,239 (previous year: T€ 16,741) (please refer to Section A 4 "Impairment test pursuant to IAS 36"). This item also contains expenses for in addition to the pending loss provision in an amount of T€ 440 (previous year: T€ 700), individual impairment charges applied to other assets of T€ 198 (previous year: T€ 576), expenses unrelated to the reporting periods of T€ 432 (previous year: T€ 451), and expenses of T€ 411 (previous year: T€ 0) incurred as part of an external tax audit.

In the 2010 financial year, this item contained extraordinary expenses arising from the release of corporate lease prepayments for Westfalen GmbH and Altenheimbetriebsgesellschaft Süd in an amount of T€ 4,078. The 2010 financial year also included the expense from the currency loss of T€ 748, and expenses connected with the purchase of shares of T€ 215.

(19) Interest expense / income

in T€	2011	2010
Interest income from continuing operations	257	132
Discontinued operations	0	3
Total interest income	**257**	**135**
Interest expense for diverse loans	3,501	3,646
Interest expense for finance lease agreements	5,963	4,349
Other financing expenditure / interest rate derivatives	1,875	1,868
Total for continuing operations	**-11,339**	**-9,863**
Discontinued operations	0	-39
Total interest expense	**-11,339**	**-9,902**

The net financial result was composed as follows:

in T€	Arising from financial instruments in category (IAS 39 *)	2011	2010
Interest income from cash and cash equivalents	n.a.	257	132
Total for continuing operations		**257**	**132**
Discontinued operations		0	3
Total interest income		**257**	**135**
Interest expense for diverse loans	FLAC	3,501	3,646
Interest expense for finance lease agreements	IAS 17	5,963	4,349
Interest expense relating to participation rights	FLAC	329	329
Interest expense for current financial liabilities	FLAC	250	204
Guarantee commissions	n.a.	64	69
Interest expense from interest rate derivatives	FAHfT	807	900
Interest expense on financial assets	LaR	164	0
Other interest expense	n.a.	261	366
Total for continuing operations		**11,339**	**9,863**
Discontinued operations		0	-39
Total interest expense		**11,339**	**9,902**

*Please refer to the remarks concerning financial instruments in the "Accounting principles" chapter for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

(20) Income tax

The breakdown of the reported income tax expense is as follows:

in T€	2011	2010
Actual tax expenditure	135	2,112
Deferred income tax	-6,418	-3,282
Total for continuing operations	**-6,283**	**-1,170**
Discontinued operations	0	-5
Total income tax	**-6,283**	**-1,175**

in T€	2011	2010
Income tax for the current year	334	1,190
Income tax for previous years	-199	922
Total for continuing operations	**135**	**2,112**
Discontinued operations	0	0
Actual tax expenditure, total	**135**	**2,112**

After the previous control and profit-and-loss transfer agreement between CURANUM Holding GmbH and CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG was cancelled as of December 31, 2010, CURANUM AG as the controlling company concluded a control and profit-and-loss transfer agreement with CURANUM Holding GmbH as the controlled company on the basis of a resolution passed by the Shareholders' General Meeting of July 13, 2011. This agreement was entered in the commercial register on Monday July 18, 2011.

On the basis of the profit-and-loss transfer agreement, the total profits and losses of the fiscal group of companies accrued to CURANUM AG for income tax purposes. The trade tax loss carryforwards can be utilized in the future as a consequence. CURANUM AG reports a trade tax loss of approximately € 20.7 million as of December 31, 2010. The tax expense fell considerably in the year under review as a consequence.

The net change in deferred tax in the year under review is presented in the following overview:

in T€	2011	2010
Deferred tax assets status January 1	7,220	3,664
Consolidation change	40	1,568
Changes without impact on income	-503	274
Changes carried through income statement	6,378	1,714
Deferred tax assets status December 31	13,135	7,220

An average income tax rate of 30.10% (previous year: 29.83) is applicable to the German companies. The applicable tax rates for foreign companies amounted to 25% in the previous year.

The consolidation disclosures relate primarily to effects arising from the first-time consolidation of the newly acquired companies of the GWA Group, and from the subsequent consolidation of the VGB GmbH sub-group.

The change of T€ 23 that was reported without impact on the income statement primarily reflects the release of deferred tax liabilities arising from the subsequent consolidation (hidden reserve) of the VGB subgroup. The further change of T€ 853 arises from the first-time consolidation of the newly acquired companies of the GWA Group.

As in the previous year, the loss carryforwards can be carried forward indefinitely. No deferred tax assets were formed with respect to the loss carry forwards of two subsidiaries amounting to T€ 14,673 (previous year: T€ 14,763).

Deferred tax assets of T€ 2,660 were carried through the income statement due to the profit-and-loss transfer agreement that was concluded between CURANUM AG and CURANUM Holding GmbH, and the future usability of the trade tax loss carryforward that this generated. The foreign companies were sold with effect as of the December 31, 2010 balance sheet date. Please refer to section A 2 Scope of consolidation.

Consequently, the company's deferred tax assets and liabilities arising from temporary differences are composed follows:

in T€	Deferred tax assets 2011	Deferred tax liabilities 2011	Deferred tax assets 2010	Deferred tax liabilities 2010	Change carried through P&L 2011	Change carried through equity 2011
Property, plant and equipment						
Divergent useful life and impairment charges	3,027	1,012	449	828	2,394	0
Finance leasing	0	11	0	339	328	0
Goodwill / customer base / brand right	734	1,310	1,052	1,107	-521	0
Market value of derivatives	732	0	359	0	0	373
Provisions	343	0	208	0	135	0
Special reserve item § 6b Income Tax Act (EstG)	0	0	0	406	406	0
Finance leasing	6,934	0	6,350	0	584	0
Tax loss carryforwards	3,361	0	904	0	2,457	0
Other items	2,259	23	1,662	21	595	0
Total	**17,390**	**2,356**	**10,984**	**2,701**	**6,378**	**373**
Consolidation	228	2,127	161	1,224	40	-876
Consolidated balance sheet	**17,618**	**4,483**	**11,145**	**3,925**	**6,418**	**-503**

The differences between the expected tax expense based on the arithmetic rate of taxation, and the income tax expense reported in the income statement, is presented in the following reconciliation:

in T€	2011	2010
Gain/loss before tax	-19,154	-16,983
Expected tax expense / income applying tax rate applicable to the parent company of 30.1% (2010: 29.825%)	-5,765	-5,065
Other, non tax-deductible expenses/trade tax additions	153	695
Trade tax adjustment effects	-3,093	-1,450
Prior years' tax	-401	819
First-time consolidation of "GWA"	-1,578	0
Other effects	4,401	3,831
Tax expense (actual and deferred) on continuing activities	**-6,283**	**-1,170**

The other effects item primarily contains effects arising from the goodwill impairment test, and impairment losses applied to the carrying amounts of equity participation interests. The latter had no effect on consolidated profit/loss.

(21) Earnings per share

	2011	2010
Net income on continuing operations attributable to CURANUM AG shareholders (in T€)	-12,863	-15,716
Net income on discontinued operations attributable to CURANUM AG shareholders (see section A 2)	0	-1,652
Net income attributable to CURANUM AG shareholders (in T€)	-12,863	-17,368
Weighted average number of ordinary shares outstanding (in thousands)	36,478	32,255
Earnings per share (basic and diluted) in €	-0.35	-0.54
Earnings per share (basic and dilutive) from continuing operations in €	**-0.35**	**-0.49**

The basic earnings per share and earnings per share on continue operations have been calculated by dividing the periodic result attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of shares includes the weighted average effect due to the capital increase in the 2011 financial year. There were no dilution effects in the 2010 and 2011 reporting years that needed to be taken into consideration.

(22) Segment reporting

The CURANUM Group renders all services for an identical group of customers, and operates exclusively on the German market following the deconsolidation of both Austrian companies as of December 31, 2010. The profile of opportunities and risks relating to the services is not significantly different, and is interdependent. For this reason, the identified business segments are aggregated pursuant to the provisions of IFRS 8. Since there are no separate reporting segments in the meaning of IFRS 8, there is no presentation by business divisions. Austrian companies were still included in the company's portfolio at the end of 2010. To this extent, the company-wide disclosures required pursuant to IFRS 8 are presented.

Revenue of T€ 6,322 was generated in the Austrian subsidiaries in 2010. The consolidated financial statements as of December 31, 2010 no longer contain any non-current assets for these facilities, since these companies were sold at the end of 2010.

D. Notes to the consolidated cash flow statement

(23) Information about the consolidated cash flow statement

The cash and cash equivalents item reported in the cash flow statement is identical with the reported balance sheet item, and comprises cash holdings and bank deposits. Cash and cash equivalents amount to T€ 21,192 in the CURANUM Group (previous year: T€ 15,850). Please refer to section B 1 "Cash and cash equivalents" in these notes to the financial statements.

The item for depreciation/amortization and impairment losses for non-current assets include impairment losses of T€ 22,239 (previous year: T€ 16,741). Please refer in this connection to our remarks in section A 4 "Summary of significant accounting principles".

The cash flow statement shows how the cash and cash equivalents of the CURANUM Group changed during the course of the reporting year as a result of cash inflows and outflows. This entails separating the cash flows into the areas of operating activities, investing activities, and financing activities. The cash inflows and outflows from operating activities are calculated using the indirect method. This entails adjusting pre-tax earnings to reflect non-cash expenses (mainly composed of depreciation/amortization and changes in provisions), as well as changes in operating assets and liabilities.

The changes in balance sheet items used in the cash flow statement are adjusted to reflect non-cash effects. For this reason, changes in the related balance sheet items cannot be reconciled directly with the corresponding values in the consolidated balance sheet. Non-cash effects include, among other items, additions arising from finance leases. Further notes relating to finance leases can be found in Section B 8 "Leases and other financial liabilities".

The cash inflows and outflows from investment and financing activities are presented using the direct method.

Outgoing interest payments totaled T€ 10,948 (previous year: T€ 9,578). Of this amount, T€ 4,985 is reported in the operating area (previous year: T€ 5,229). The interest portion from finance leasing is reported in the financing area.

The cash flow hedge is reported in the item "cash outflows for redemption of financial liabilities" in the cash flow statement; please refer to the statement of changes in equity for the related figures.

In the previous year, the "payments received from the sale-and-finance- leaseback" item includes the proceeds from the disposal of the Greiz property in an amount of T€ 5,385. This transaction had the character of the drawing down of a loan due to the finance lease arrangement.

The outgoing payments for finance leases contain both the interest and redemption components. The interest portion amounted to T€ 5,963 in the reporting year (previous year: T€ 4,349). In the previous year, the "cash outflow for the redemption of financial liabilities" item in the cash flow from financing activities area contains a cash outflow arising from a currency exchange-rate loss for a property loan of T€ 748.

E. Other disclosures and notes

(24) Additional disclosures relating to financial instruments pursuant to IFRS 7

The following section shows the significance of financial instruments for the CURANUM Group, and provides additional information about balance sheet items that contain financial instruments.

Please refer to the remarks concerning financial instruments in Section A 4 "Summary of significant accounting principles" for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

The following table shows the carrying amounts of all categories of financial assets and liabilities (FV: Fair Value; AC: Amortized Cost):

in T€		2011	2010
Financial assets			
Cash and cash equivalents	AC	21,192	15,850
Financial assets available for sale	FV	253	0
Loans and receivables	AC	9,983	6,912
Total		**31,428**	**22,762**
Financial liabilities			
Financial liabilities at amortized cost	AC	215,336	172,755
Derivative financial instruments with hedging relationships	FV	2,431	1,202
Total		**217,767**	**173,957**

Financial assets available for sale as of December 31, 2011 relate to securities that are traded on an active market. For this reason, the CURANUM Group applied the fair value as of the balance sheet date (Level 1 pursuant to IFRS 7.27A). The company had no available-for-sale financial assets as of December 31, 2010.

The company uses derivative financial instruments exclusively to hedge interest rate risks, and generally concludes such transactions with banks, as contractual partners, which enjoy investment-grade ratings. The derivative financial instruments (interest-rate swaps) satisfied the formal criteria of a hedging relationship in the meaning of IAS 39, and were formally designated as hedges pursuant to IAS 39. The fair values were calculated using bank valuations; the fair values were also verified by expert third-party reports by discounting the expected future cash flows (discounted cash flow method) (Level 2 pursuant to IFRS 7.27A).

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortized cost:

in T€	Fair value 2011	Carrying amount 2011	Fair value 2010	Carrying amount 2010
Financial assets measured at (amortized) cost				
Cash and cash equivalents	21,192	21,192	15,850	15,850
Trade receivables	7,535	7,535	5,916	5,916
Other receivables	2,448	2,448	996	996
Financial assets measured at (amortized) cost				
Trade payables	11,870	11,870	7,543	7,543
Bank borrowings and participation right capital	71,515	69,203	79,702	75,981
Finance lease liabilities	116,561	113,147	81,707	78,385
Other financial liabilities	21,116	21,116	10,845	10,845

The fair values of cash and cash equivalents, trade receivables, other current financial receivables, trade payables, and other current financial liabilities, mainly correspond to their carrying amounts. This is particularly due to the short maturity of these instruments.

CURANUM AG determines the fair value of bank borrowings, other financial debt, and other non-current financial liabilities through discounting the interest income from assets measured at amortized cost expected future cash flows using interest rates for similar types of financial debt with comparable maturities.

When determining the fair value of finance lease liabilities, the nominal value of the minimum lease payments is distributed evenly over the assumed average residual maturity. Maturity is calculated on the basis of weighted average residual maturity. This is used to calculate the interest rate for similar financial debt. It is used to discount future cash flows.

The net gains and losses on financial instruments are as follows:

in T€	2011	2010
Interest income from assets measured at amortized cost	0	132
Financial assets available for sale	0	-2
Loans and receivables	93	40
Financial liabilities held for trading		
of which interest	-807	-190
of which fair value measurements	0	-710
Interest expenses and Income from financial instruments measured at amortized cost	-10,207	-8,528

Due to the disposal of available-for-sale financial assets in the previous year, impairments of T€ -2 that had previously been booked directly to comprehensive income were derecognized through the income statement.

Net gains and losses arising from loans and receivables contain changes in adjustments, gains or losses arising from elimination, and cash inflows and revaluations relating to loans and receivables originally written off.

Net gains and losses arising from financial assets and liabilities held for trading purposes contain changes to fair value, as well as realized disposal gains relating to the derivative financial instruments (including interest income and expenses), for which no hedge accounting is applied.

Interest expenses and income arising from financial instruments measured at amortized cost comprise interest income and expenses from loans that have been drawn down, the profit-sharing certificate of FAZIT GmbH, and finance lease liabilities.

Risk management and financial derivatives

CURANUM AG is subject to credit, market and liquidity risks with respect to its assets, liabilities and planned transactions. CURANUM's risk management system pursues the goal of limiting these risks. To this end, the treasury department makes particular use of selected derivative hedging instruments to hedge risks that have an impact on the CURANUM Group's cash flow.

Managing financial market risks is a primary task incumbent on the Management Board of CURANUM AG. The Management Board of CURANUM AG carries overall responsibility, and delegates this responsibility to the central treasury department for operating reasons. The Management Board determines the main features of financial policy each year. The Management Board is regularly informed about the current risk position and its management. CURANUM AG pursues risk management using a system based on sensitivity analyses. These sensitivity analyses enable the treasury department to approximately gauge the risk emerging within given assumptions as part of an observation performed on a ceteris paribus basis, and when particular variables are changed within a defined scope. The analysis of interest rate risk regularly entails parallel movements of yield curves by up to 100 basis points (+/- 1.0%).

Credit and default risks

CURANUM AG is exposed to certain default risks as a result of its operating business and its financing activities. Outstanding trade receivables are monitored constantly. Specific valuation adjustment take default risks into account (please see section B 2 "Trade receivables"). There are no significant concentrations of risk due to the company's diversified customer structure, as well as the creditworthiness of any providers of social security benefits. The carrying amount of receivables represents the maximum default risk.

In the case of derivative financial instruments, CURANUM AG is exposed to credit risk in the instance that contractual partners fail to satisfy their contractual obligations. In order to reduce risk, financing agreements are entered into exclusively with contractual partners with investment grade ratings.

Cash resources are invested exclusively in overnight and term deposits with a maximum duration of up to three months, and exclusively with German banks of investment-grade rating.

Maximum default risk reflects the carrying amounts of the financial assets reported in the balance sheet, including derivative financial instruments with positive market values.

Market price risks

Market price risks generally existed in the form of exchange rate, interest and other price risks.

Currency risk

The Group's financial assets and liabilities are denominated exclusively in euros as of the balance sheet date. Since the CURANUM Group carries out its operating activities exclusively in the Eurozone, there are no currency-specific risks.

Interest-rate risk

CURANUM AG is subject to interest-rate risk mainly as a result of its variable-rate bank borrowings. In the case of finance debt measured at amortized cost, changes in the market interest rates of finance debt with fixed and normal market rates of interest do not have an impact on earnings and equity. An effect on earnings can result only from early repayment or at maturity. The differences between the carrying amounts and the fair values are presented in the tabular overview of financial instruments according to IAS 39 categories.

Variable-rate finance debt is subject to payment fluctuation risk due to changes in market interest rates. CURANUM AG endeavors to limit such risks through the use of interest rate derivatives. CURANUM AG also counters the risk from unexpected increases in interest expense by distributing related risks among several banks, and constant monitoring of current interest rate trends.

When such hedging transactions are entered into, a check is performed to see whether the preconditions for hedge accounting according to IAS 39 are satisfied. If all of these prerequisites are satisfied, the hedge is formally designated as such. The accounting treatment of interest rate derivatives and cash for hedging relationships used is presented under Section A 4 "General accounting principles".

As of the balance sheet date, CURANUM AG has entered into three interest-rate swaps to hedge the interest-rate risk arising from a borrower's note loan with DZ Bank AG, as well as a further loan with Hypo Vereinsbank. Since the financing facilities carry variable interest rates, and become more expensive as interest rates rise, the interest-rate swaps hedge against rising interest rates by swapping the variable interest rate for a fixed interest rate.

Some interest rate derivatives reduce in volume equivalent to the repayment of the corresponding loans.

The interest rate swaps are monitored constantly by the treasury function, and changes to the interest rate and relevant spreads are reported directly to the Management Board. CURANUM AG also cultivates intensive exchange with commercial banks so as to be informed about current interest rate developments, relevant influencing factors, and their effects on future interest rates. The bank also reports regularly regarding the development of the interest rate derivatives.

CURANUM AG measures interest rate risks either on the basis of their value, or a cash flow sensitivity analysis, and aggregates these in order to calculate overall risk for the Group. On the investment side, interest rate risks exist with respect to falls in variable market interest rates, and, on the borrowing side, with respect to fixed interest rates when market interest rates decrease; in the case of investments with fixed rates, and borrowings with variable rates, the risk results from rising market interest rates.

When calculating the sensitivities of the fair values of fixed interest rate instruments (including derivative financial instruments), the change in fair value, defined as net present value, is simulated by a parallel movement of the yield curve by 100 basis points. In the first step of the calculation, gross cash flows are discounted using the term-congruent interest rates taken from the yield curve, in other words, the net present value of the future interest and redemption payments of the fixed-interest financial instruments calculated. In the second step of the calculation, the gross cash flows are discounted by moving the yield curve in parallel by 100 basis points (-1.0%). As a result of the fixed interest or collar structure of the interest rate derivatives on the part of CURANUM AG, the variable gross cash flows of the relevant bank (and, as far as relevant, those of CURANUM AG) are calculated using a 100 basis point shift in the yield curve (-1.0%), and discounted using the corresponding discount rate. Generally recognized and published yield curves as of the relevant reporting date are used as the basis for the calculation. The interest rate risk of the fair values results primarily from long-term fixed-interest finance debt, as well as from interest-bearing investments.

On the basis of the premises presented above, the sensitivity analysis generated an interest-rate risk to the fair values of T€ 40 as of December 31, 2011 (previous year: T€ 1,944). Due to the measurement of the respective financial instruments at amortized cost, this would only have had an effect on profit and loss if the financial instruments were disposed of early.

In the case of variable interest rate instruments, CURANUM AG measures interest rate risk using a cash flow sensitivity analysis. In this case too, a parallel shift in the yield curve of 100 basis points (+1.0%) is applied to the interest rate paid, and discounted correspondingly from the financial instrument. Such risks result mainly from variable interest rate finance debt.

Based on the assumptions described above, the sensitivity analysis generates a cash flow interest- rate risk of T€ 207 as of December 31, 2011, (previous year: T€ 653). Due to the hedging of interest-rate risk using swaps, a corresponding counter position is in place, as a consequence of which a net cash flow risk of T€ 0 exists as of December 31, 2011.

Liquidity risk

CURANUM AG's liquidity risk relates to its potentially being unable to satisfy its financial obligations, for example, the redemption of finance debt, the payment of trade payables or other liabilities, and finance lease obligations. CURANUM AG limits this risk through effective cash management, as well as access to credit lines at various banks with good credit ratings.

CURANUM AG limits liquidity risks through continuous improvement to its treasury function and payment reminders system.

The following table presents all contractually fixed, non-discounted cash outflows and payments as of December 31, 2011, for redemptions, repayments, and interest rate payments arising over coming years from financial liabilities/obligations entered in the balance sheet.

31/12/2011 in T€	2012	2013- 2016	2017 and after
Non-derivative financial liabilities			
Bank borrowings	35,318	24,057	19,098
Miscellaneous financial liabilities (participation right)	319	1,274	n/a**
Trade payables	11,870	0	0
Other financial obligations*	86,095	251,792	401,377
Finance lease liabilities	13,298	53,994	133,183
Derivative financial liabilities			
Swap liabilities	560	1,509	0

* Other financial liabilities include future obligations arising from rental, lease, and maintenance agreements

** Due to the indeterminable duration of the participation right, no disclosures are made in the presentation of future cash flows from 2017.

31/12/2010 in T€	2011	2012- 2015	2016 and after
Non-derivative financial liabilities			
Bank borrowings	36,592	16,347	33,137
Miscellaneous financial liabilities (participation right)	333	1,334	n/a**
Trade payables	7,543	0	0
Other financial obligations*	70,386	239,042	401,409
Finance lease liabilities	9,526	37,807	83,723
Derivative financial liabilities			
Swap liabilities	640	525	0

* Other financial liabilities include future obligations arising from rental, lease, and maintenance agreements

** Due to the indeterminable duration of the participation right, no disclosures are made in the presentation of future cash flows from 2016.

The tables solely present the risk of payment outflows. Liabilities arising from finance leasing, trade payables, and other financial liabilities derive from the financing of utilized operating assets, such as property, plant, and equipment, and from the financing of working capital (e.g. inventories and trade receivables). Other financial liabilities presented as part of this overview are generally not financial liabilities pursuant to IFRS 7. CURANUM AG nevertheless takes them into account in the same way as miscellaneous financial liabilities as part of its effective management of overall liquidity risk. The central treasury department is responsible for the monitoring of financial assets and liabilities that are in place, and for effectively managing future risks. The overall view of liquidity and debt is established through calculating the net debt position, and is used for internal financial management, as well as for external communications with financial investors, analysts, and banks.

CURANUM AG has obligated itself contractually to several banks as part of a borrower's note loan to provide evidence that it abides by a predetermined financial indicator, the net debt to EBITDA ratio, at the end of each quarter. If the ratio is exceeded, each of the loan-providers is entitled to special right of cancellation, which could give rise to a going-concern risk. The carrying amount of the borrower's note loan stood at T€ 27,300 as of December 31, 2011. New financing must be secured during the current year in order to avoid such a going-concern risk, since the borrower's note loan expires at the end of the 2012 financial year. This borrower's note loan is reported among current financial liabilities.

The following table presents the net debt position:

in T€	31/12/2011	31/12/2010
Cash and cash equivalents	21,192	15,850
Current financial liabilities	32,298	34,909
Non-current financial liabilities	39,336	42,275
Total financial liabilities	**71,634**	**77,184**
Net debt	**50,442**	**61,334**

The net debt position reflects total cash and cash equivalents less current and non-current financial liabilities. Finance lease liabilities of € 139 million (previous year: € 109 million) are not reported separately in this context.

(25) Related parties

According to IAS 24, disclosure must be made of persons or companies that control CURANUM AG, or are controlled by CURANUM AG. The disclosure requirements of IAS 24 extend to include persons and their close relatives who may exercise a significant degree of influence on the company by participating in the company's financial and business policy, albeit without controlling the company. In the 2011 financial year, this concerned the members of the Supervisory Board and Management Board of CURANUM AG.

Supervisory Board members

Dr. Ganzer rendered T€ 20 of legal advisory services for Management Board matters, and Prof. Oberender rendered T€ 5 of internal training services.

CURANUM Verwaltungs GmbH

The Management Board members of CURANUM AG are the shareholders of CURANUM Verwaltungs GmbH as the general partner of CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG. To this extent, it qualifies as a related company in the meaning of IAS 24. CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG rendered annual compensation totaling T€ 17 (previous year: T€ 78) to this general partner as liability compensation and reimbursement of expenses. In 2010, CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG expensed T€ 5 due to a correction credit for the July 16, 2009 until December 31, 2010 period. There is no correction credit applicable to the year under review. As of the balance sheet date, there were receivables in an amount of T€ 10 (previous year: T€ 210), and liabilities in an amount of T€ 1 relating to this company (previous year: T€ 1). The receivables and liabilities open as of the balance sheet date are not collateralized. No valuation adjustments on receivables due from related companies were formed for the year under review (as in the previous year).

(26) Auditor's fee

Auditor's fees of T€ 336 relating to the audit of the separate and consolidated annual financial statements of CURANUM AG, and audit-related consultancy services, were expensed in 2011. Of this amount, T€ 82 relates to advisory services connected with auditing.

(27) Utilization of the release provision pursuant to § 264 Paragraph 3 / § 264 (b) of the German Commercial Code (HGB)

All companies included as part of full consolidation in the consolidated financial statements of CURANUM AG, and which utilize the release from the obligation to prepare, audit and publish annual financial statements and management reports in accordance with the provisions applying for stock corporations, are designated correspondingly in the list of the scope of consolidation attached as an annex.

(28) CURANUM AG boards and compensation report

The following section percent details about CURANUM AG's boards. The information also covers the compensation report, which explains the underlying principles, level and structure of compensation for the Management and Supervisory boards. The compensation report is based on the requirements of § 314 Paragraph 1 Number 6 of the German Commercial Code (HGB), the DRS 17 general accounting standard that was approved on December 13, 2010, "Reporting on board members' compensation", and the recommendations of the German Corporate Governance Code. This also takes into account the requirements as set out in IAS 24 "Related Party Transactions" at the International Financial Reporting Standards relating to information about the compensation of key managers "Key Management Personnel Compensation".

The Supervisory Board approves the compensation scheme for Management Board members as proposed by the Supervisory Board Chairperson, including its significant contractual elements, and reviews it regularly. The new statutory and regulatory requirements of the German Act concerning the Appropriateness of Management Board Compensation (VorstAG) of August 5, 2009 prompted the Supervisory Board to concern itself afresh with the compensation structure, and to restructure it while taking into account the following future aspects, in line with the legislator's intention in the VorstAG.

The new system focuses on orienting Management Board compensation to a corporate management approach that is sustainable and long-term. This requires an appropriate composition of fixed and variable compensation components. Multi-year measurement bases were established for the variable compensation, and large parts of the variable compensation were granted on a delayed basis. A long-term interest in the company is intended to combine Management Board members' interests with the company's interests.

The fixed components consist of basic salary and other payments, which are reviewed regularly, and paid monthly. Other payments comprise taxable expense reimbursement payments, and the monetary benefit of benefits-in-kind such as company cars for business and private use, and pension contributions.

In contrast to the past, the Management Board members' new employment contracts now include settlement caps.

Management Board

The company's Management Board comprises the following members:

Walther Wever, Hanover
(Management Board Chairman, CEO)

Judith Barth, Munich
(CFO)

Sabine Merazzi-Weirich, Munich
(Management Board member – until September 30, 2011)

The remuneration of the Management Board totaled T€ 892 in the year under review (previous year: T€ 679).

2011 Management Board member	Salary in T€	Bonus in T€	Phantom shares	Total in T€
Walther Wever	316	40	173	529
Judith Barth	169	40	35	244
Sabine Merazzi-Weirich (until 30/09/2011)	119	0	0	119

2010 Management Board member	Salary in T€	Bonus in T€	Total in T€
Walther Wever (from 01/10/2010)	76	0	76
Judith Barth	164	0	164
Sabine Merazzi-Weirich		0	182
Bernd Rothe	257	0	257

Management Board compensation was modified in 2011. Mr. Wever received exclusively fixed compensation in 2010. Besides fixed compensation, Mrs. Barth also received variable compensation of 1% of the measurement basis. The measurement basis was the net income for the year of CURANUM Holding GmbH including the special "reverse dependent" depreciation/amortization/write-downs included in the tax accounts, less income from the release of provisions. In this context, the measurement basis was limited to a maximum of € 7 million for the variable compensation calculation.

On July 1, 2011, variable compensation was agreed for Mr. Wever with effect as of January 1, 2011, and as of July 1, 2011 for Mrs. Barth. Variable compensation is measured on the basis of a short-term EBITDA target, and through the phantom share program reflecting sustainable share price performance (for more information about the Phantom share program, please refer to section A 4 "Share-based compensation – Phantom shares").

In the new compensation scheme, variable compensation for the short-term corporate target amounts to T€ 50 for a regular Management Board member, and to T€ 100 for the Management Board Chairperson. The measurement basis is the EBITDA reported in the consolidated financial statements for each business year. Management Board members receive a partial bonus for each year-on-year half percentage point improvement in earnings. Appropriate adjustments are applied if operating EBITDA is significantly impacted by special effects. Variable compensation is adjusted pro rata where a contract lasts for less than one year. Adjusted EBITDA of T€ 27,003 was calculated for the year under review, which exceeded the previous year's figure by T€ 566. As a consequence, Mrs. Barth achieved 80% total target attainment, and Mr. Wever 40%.

For the phantom share program, Mr. Walther Wever was granted 86,693 virtual shares, and Mrs. Judith Barth was granted 17,339 virtual shares. Payment is to occur in May 2013. The fair value is reported in the table above in addition to the provision recognized in section B 11 "Non-current and current provisions". Of this amount, T€ 61 was expensed in the 2011 financial year.

When Management Board activities are discontinued early without an important reason, the new regulation envisages a settlement to maximum of two thirds of the amount that would have been paid on satisfaction of the agreement from the start of the Management Board appointment until the end of the period. The virtual shares lapse in such instances.

In the event that a Management Board member leaves the services of CURANUM AG as the result of decease, the heirs are entitled to receive the fixed salary for the six months following the month of decease.

In the 2011 financial year, former Management Board member Mrs. Sabine Merazzi-Weirich was granted both the reported salary and a settlement of contractual claims of T€ 338 (previous year: T€ 0).

The contractually outstanding compensation for former Management Board member Bernd Rothe consisted of basic salary and the variable component depending on profit and loss. In the 2011 financial year, a salary of T€ 250 was granted to Mr. Rothe (previous year: T€ 257). Provisions for Mr. Rothe amounted to T€ 80 as of the December 31, 2011 balance sheet date, and are due exclusively short-term.

Supervisory Board

The company's Supervisory Board comprised the following members in the 2011 financial year:

Dr. Dieter Thomae, business studies graduate, member of the Bundestag (retired), health service partner, Sinzig-Bad Bodendorf (Supervisory Board Chairman, Chairman of the Personnel and Nomination Committee, member of the Strategy Committee)

Dr. Uwe Ganzer, lawyer, Hanover (Deputy Chairman of the Supervisory Board, member of the Personnel and Nomination Committee, and member of the Audit Committee since September 15, 2011)

Dr. Michael B. Treichl, managing shareholder of Audley Capital Advisors LLP in London, GB (member of the Strategy Committee)

Bernd Steffen Quade, business studies graduate, CFO of SimonsVoss Technologies AG, Unterföhring (Supervisory Board member, and member of the Audit Committee until August 3, 2011)

Dr. Martin Hoyos, auditor, Vienna/Austria (Audit Committee Chairman)

Prof. Dr. Dr. h.c. Peter Oberender, Bayreuth, Director of the Research Center for Social Law and the Health Sector at Bayreuth University (Strategy Committee Chairman)

Dr. Uwe Ganzer is a Supervisory Board member of expert AG, Langenhagen, and KUKA AG, Augsburg.

Dr. Treichl is a Supervisory Board member of TAS- NCH Holding S.p.r.l., Milan (Italy), and a member of the board of directors of Egmont Investments S.A., in Geneva (Switzerland).

Prof. Dr. Dr. h.c. Peter Oberender is a member of the following supervisory boards required by law:
-Supervisory Board Chairman of EconoMedic AG, Bayreuth
-Supervisory Board Chairman of Imaging Service AG, Niederpocking
-Supervisory Board Chairman of TruDent Zahnärztliche Behandlungskonzepte AG, Eckernforde
-Advisory Board member of the University Clinic of Jena
-Supervisory Board Chairman of HR Medico AG, München

Dr. Hoyos is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
-Supervisory Board member of KPMG AG, Berlin,
-Supervisory Board member of AMG NV (Advanced Metallurgical Group), Amsterdam (Netherlands)
-Supervisory Board member of CAG Holding GmbH, Marktl (Austria)
-Supervisory Board member of Prinzhorn Holding GmbH, Oberwaltersdorf (Austria).

Fixed remuneration for members of the Supervisory Board totaled T€ 210 gross (previous year: T€ 196).

Supervisory Board	in T€
Dr. Dieter Thomae	58
Dr. Uwe Ganzer	40
Dr. Martin Hoyos	32
Prof. Dr. Dr. Peter Oberender	38
Bernd Steffen Quade	18
Dr. Michael B. Treichl	24

The regulations for Supervisory Board compensation are set out in the bylaws of CURANUM AG. Along with reimbursement of expenses, all Supervisory Board members receive compensation plus VAT incurred. This compensation amounts to T€ 15 per calendar year. Supervisory Board members who belong to the Supervisory Board for only part of a given financial year receive pro rata compensation. These amounts are payable once the financial year has elapsed. The Chairperson receives three times this amount, and the Deputy Chairperson twice this amount. In addition, committee chairpersons receive twice the T€ 15 compensation, and each committee member receives one and a half times the T€ 15 compensation. When Supervisory Board members hold several offices simultaneously, they receive compensation only for the highest remunerated office. Supervisory Board members also receive € 200 per day as a meeting fee for Supervisory Board meetings and Supervisory Board committee meetings.

(29) Declaration relating to the Corporate Governance Code

The company's Management and Supervisory boards issued the declaration required pursuant to § 161 of the German Stock Corporation Act (AktG) (the so-called "declaration of compliance") relating to the German Corporate Governance Code on March 10, 2011 for the 2011 financial year, and on February 10, 2012 for the 2012 financial year, which has been made permanently available for shareholders on the company's website (www.curanum.de) within the Investor Relations area under "Statement of compliance".

Munich, February 15, 2012

CURANUM AG

The Management Board

Walther Wever
(CEO)

Judith Barth
(CFO)

SCOPE OF CONSOLIDATION AND UTILISATION OF THE RELEASE PROVISION

pursuant to § 264 Paragraph 3 / § 264 (b) of the German Commercial Code (HGB)

	Name	Headquarters	Interest held % [1]
	The following German companies were fully consolidated as of December 31, 2011 (in alphabetical order):		
1	Altenheimbetriebsgesellschaft Ost GmbH [2]	Munich	100.0
2	Altenheimbetriebsgesellschaft Süd GmbH [2]	Munich	100.0
3	Altenheimbetriebsgesellschaft West GmbH [2]	Munich	100.0
4	Alten-und Pflegeheim Sieglar GmbH [2]	Munich	100.0
5	Bad Schwartauer AVG Altenheim-Vermietung GmbH & Co. KG	Munich	95.0
6	Bremer Wohnstifte gemeinnützige GmbH [7]	Bremen	100.0
7	CURANUM AG (Muttergesellschaft)	Munich	--
8	CURANUM Akademie Stiftung gemeinnützige GmbH [3]	Munich	100.0
9	CURANUM Bad Hersfeld GmbH [2]	Munich	100.0
10	CURANUM Baubetreuung und Immobilienmanagement GmbH	Munich	100.0
11	CURANUM Bessenbach GmbH [2]	Munich	100.0
12	CURANUM Betriebs GmbH [2]	Munich	100.0
13	CURANUM Dienstleistung GmbH [4]	Munich	100.0
14	CURANUM Franziskushaus GmbH [2]	Gelsenkirchen	100.0
15	CURANUM Holding GmbH [2]	Munich	100.0
16	CURANUM Liesborn GmbH & Co. KG (vormals: ROSEA Grundstücksvermietungs-gesellschaft mbH & Co. Objekt Liesborn KG) [5]	Munich (previously: Düsseldorf)	94.0
17	CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG [2]	Munich	100.0
18	CURANUM Westfalen GmbH [2]	Munich	100.0
19	ELISA Seniorenstift GmbH [2]	Munich	100.0
20	FAZIT Betriebsträgergesellschaft für soziale Einrichtungen mbH [2]	Nürnberg	100.0
21	GAP Media Service GmbH [2]	Munich	100.0
22	Krankenheim Ruhesitz am Wannsee-Seniorenheimstatt GmbH [2]	Berlin	100.0
23	Lucullus GmbH [7]	Bremen	100.0
24	OPTICURA Service GmbH [2]	Munich	100.0
25	Residenz Niederrhein GmbH	Nettetal-Lobberich	100.0
26	RIAG Seniorenzentrum "Ennepetal" GmbH & Co. KG	Munich	99.6
27	RIAG Seniorenzentrum "Erste" GmbH & Co. KG	Munich	100.0
28	RIAG Seniorenzentrum Zweite GmbH & Co. KG	Munich	100.0
29	Seniorenzentrum Hennef GmbH [2]	Munich	100.0
30	Service Gesellschaft West GmbH [2] [6]	Munich	100.0
31	Timmendorfer Wohnstift gemeinnützige GmbH [7]	Bremen	100.0
32	VGB Beteiligungs-und Verwaltungs GmbH	Munich	94.0
33	Wäscherei Ellerich GmbH [2]	Kaisersesch	100.0
34	Wohnstift Lingen gemeinnützige GmbH [7]	Bremen	100.0
35	Wohnstift Salzgitter Bad gemeinnützige GmbH [7]	Bremen	100.0

1) Unless otherwise stated, the interest corresponds to the voting right share

2) These companies utilize the release from the obligation to prepare, audit and publish annual financial statements and a management report applicable to incorporated firms.

3) This company was founded on June 30, 2011, and was entered in the commercial register on October 6, 2011.

4) This company was founded on April 18, 2011, and was entered in the commercial register on June 1, 2011.

5) The company's change of name and headquarters was entered in the commercial register on May 25, 2011

6) CURANUM Betriebs GmbH sold this company to CURANUM AG on September 30, 2011.

7) CURANUM Holding GmbH acquired these companies with effect as of November 1, 2011. For further information, please refer to section A 2 "Scope of consolidation".

STATEMENT OF RESPONSIBILITY

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of operations of the Group, and the Group 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."

The Management Board of CURANUM AG

Munich, February 15, 2012

AUDIT OPINION

We have audited the consolidated financial statements prepared by CURANUM AG, Munich – consisting of consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and the notes to the consolidated financial statements – as well as the Group management report for the financial year from January 1 until December 31, 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to § 315a Paragraph 1 of the German Commercial Code (HGB), as well as the supplementary provisions of the company's bylaws, are the responsibility of the company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the auditing of financial statements as promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany / IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financing position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework, and in the Group management report, are detected with reasonable assurance. Knowledge of the business activities and of the economic and legal environment of the Group, and expectations as to possible misstatements, are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system, and the evidence supporting the disclosures in the consolidated financial statements and the Group management reports, are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the company's Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit led to no objections.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Paragraph 1 of the German Commercial Code (HGB), as well as the supplementary provisions of the company's bylaws, and provide a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, and, as a whole, provides an appropriate view of the Group's position, and suitably presents the opportunities and risks relating to future development.

Without limiting this assessment, we refer to the matters presented by the Management Board in Section 4 "Opportunities and risks attached to business development" in the "Financial risks" chapter of the Group management report, and in Section E 24 "Additional disclosures relating to financial instruments pursuant to IFRS 7" in the "Liquidity risk" chapter of the notes to the consolidated financial statements. These sections of the financial statements relate that a borrower's note loan of € 27.3 million is due for repayment in December 2012, and that no follow-on financing has yet been contractually agreed. Mention is also made of the risk that the borrower's note loan could be cancelled early if the agreed covenant is not complied with in the 2012 quarterly financial statements. The Management Board indicates the existence of going-concern risks for the company if it fails to secure follow-on financing for the borrower's note loan, or the agreed covenant is not complied with in the 2012 quarterly financial statements. As of the date when this audit opinion was issued, the Management Board was still conducting discussions with various banks and investors concerning follow-on financing.

Munich, February 22, 2012

WirtschaftsTreuhand GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Ernst	Dr. Fiebiger
Public Certified Auditor	Public Certified Auditor

CALENDAR

28/02/2012	Balance sheet press conference in Munich
15/05/2012	First quarterly report 2012
16/05/2012	Ordinary Shareholders' General Meeting in Bad Nenndorf
30/07/2012	Semi-annual financial report
30/10/2012	Third quarterly report 2012

IMPRINT

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