Annual Report 2010

CURANUM

The Group at a glance

as of December 31, 2010

In € mill.	2010*	2009*	2008	2007	2006
Revenue	256,8	253,1	257,1	230,1	215,7
Personnel expense (excluding one-off effects)	129,6	126,3	127,8	115,1	106,9
Other expenses (excluding one-off effects)	47,2	44,8	45,4	39,2	36,8
Rental expense (excluding one-off effects)	53,7	54	54,6	45,1	42,4
Operating EBITDA **	26,3	28	29,3	30,7	29,5
as % of revenue	10,2	11,1	11,4	13,3	13,7
EBITDA after one-off effects	19,7	28	29,3	30,7	29,5
as % of revenue	7,7	11,1	11,4	13,3	13,7
Depreciation / amortization	26,9	9,7	9,5	8,5	6,8
EBIT	-7,2	18,3	19,7	22,1	22,8
as % of revenue	-2,8	7,2	7,7	9,6	10,6
Net financial result	-9,7	-8,9	-9,5	-9,4	-7,2
Earnings before tax	-16,9	9,4	10,2	12,7	15,7
Earnings after tax ***	-15,8	6,4	7,0	4,1	9,3
Earnings per share (EPS) in	-0,54	0,18	0,22	0,13	0,31
Cashflow	25,7	19,8	19,8	10,5	15,8
CPS in	0,80	0,62	0,61	0,34	0,53
Cash and cash equivalents	15,9	8,9	10,0	25,6	9,1
Equity	49,1	66,1	64,1	64,6	38,6
as % of total equity and liabilities	20,8	28,0	27,0	26,8	17,6
Total assets	236,1	236,4	237,7	240,7	219,9
Employees	6.348	6.179	5.953	5.263	4.883

Excluding discontinued operation in Vienna *

Note concerning profitability in management report **

Continuing operations ***

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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Why CURANUM?

CURANUM pledges to provide our residents and staff with the following:

Proximity – regional presence of our homes

Nationwide footprint and yet near: 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 facilities are a veritable home from home, with menus geared to individual dietary requirements and preferences, attractive cultural activities and good links with the local community.

Individuality – outstanding quality in care

We get to know our residents, and our inpatient facilities boast 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 do our utmost to ensure our residents are kept mentally and physically fit and alert through our "body and mind" support concepts. Our professional services coupled with nationwide quality and complaints management help us meet all our residents' personal aspiration of growing old with dignity.

Commitment – promotion of our employees

We know 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 round the clock for residents, providing each individual with the care they need. Our unbureaucratic documentation system also plays its part. We actively foster team spirit and encourage our employees to take the initiative. A new dimension in training and development comes in the shape of our newly established foundation, the CURANUM Academy. The company is actively involved in hiring new trainees to cover our specialist care staff requirements.

For all our facilities we aim to live up to the claim:
"Good care has a home"

You don't need to look no further - CURANUM!

Letter to shareholders

Dear Sir or Madam,

with an area-wide network of around 8,000 care places and 1,600 serviced apartments, we are one of the leading German operators of senior citizens residences and care centers. This positioning puts us in a strong negotiating position in terms of procurement, enables us to leverage synergies with services, and underpins our Group-wide specialization, from quality management through to continual improvement in care. We aim to reinforce this aspiration by setting up our foundation, the CURANUM Academy for care.

In 2010, we focused our attention on consolidating existing business. Firstly, this included targeting inpatient care, which includes long-term care, specialist care (especially for individuals suffering from dementia) and short-term care. After having lost market share in the first half of the year, we managed to increase occupancy again in the second half. Secondly, consolidation also entailed eliminating structural weaknesses, including the merger of our two Munich head offices, the closure of the Nuremberg sub-Group head office and the sale of our Vienna facility. We also reported the necessary impairment losses, which fed through into a book loss in 2010. However, we did manage to further reduce net financial debt thanks to the overall positive cash flow from our operating business, thus creating the conditions to boost earnings going forward.

At the same time, we intend to bolster our investments in 2011 to further improve the structural appeal of our homes, thereby boosting our competitive strength. On the basis of the improvement in existing business, we are also planning to utilize transactions to return to the kind of growth we have seen over the past few years. We are convinced that we will be able to sustainably increase our earnings with these plans, thus creating the conditions for a sustainable increase in our share price.

Munich, March 2011

Walther Wever	Judith Barth	Sabine Merazzi-Weirich
(CEO)	(CFO)	(Management Board member)

The CURANUM share

Stock market and CURANUM share in 2010

The DAX recovery – signs of which were emerging in 2009 – continued in 2010. The DAX opened at 6,048 points at the start of the year, climbing 14% to 6,914 points by December 31, 2010. The CURANUM share did not manage to keep pace with such a rise. The share opened at € 3.11, falling to around € 2.00 through the end of November 2010, before recovering slightly to € 2.45 since then. Our market capitalization was therefore some € 80 million at the end of the year. A total of 5.2 million shares worth € 12.7 million were traded in 2010. The notifications forwarded to us pursuant to §§ 21, 22 German Securities Trading Act (WpHG) are published in the notes and on our website homepage at www.curanum.de.

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 operator Marseille Kliniken AG as well as the English Southern Cross Healthcare Group plc in addition to the two French competitors Group Orpea and Korian SA. While our share price only fluctuated slightly in the second half of 2010, the share prices of our competitors continued to fall, with the exception of one of our French competitors.

Key stock market data for the share as of December 31, 2010

ISIN	DE 0005240709
WKN	524070
Class	Ordinary no par value bearer shares
Registered capital	€ 32.660.000
Number of shares	32,660,000 shares
Number of treasury shares from share repurchase program	405,102 shares
Listing and indices	Regulated Market Frankfurt, München, Prime Standard, Freiverkehr Hamburg (Regulated Unofficial Market), 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 (December 31)	€80 million
Year high / low	€ 3.11 / € 2.00
Opening / closing price	€ 3.11 / € 2.45

Report of the Supervisory Board 2010

In 2010 we had to deal with numerous statutory and regulatory changes. We discussed in detail with the Management Board the strategy and further implementation of the measures in the agenda submitted by the Management Board. The Management Board regularly kept us up to date. Cooperation with the CEO increasingly led to differences of opinion in the first half of the year. In the second half we were extensively brought up to date about the business policy and basic issues surrounding company management and planning, financial development and performance, the improvement of risk management, as well as receiving information on 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

Ten Supervisory Board meetings were held in the financial year under review. In the first meeting on March 24, 2010, we looked at the Management Board's investment strategy and conducted the Supervisory Board's efficiency audit on the basis of a checklist. No member of the Supervisory Board was involved in a conflict of interest during the financial year under review due to advisory capacities or organizational functions with business partners. In the second meeting on June 7, 2010, we discussed the incipient difficult financial situation. On June 30, 2010, business progress as well as the Management Board's risk management system were again the subject of discussion. Implementation of the recommendations of the German Corporate Governance Code was also discussed. The Supervisory Board resolved, in accordance with the regulations governing Management Board remuneration, to introduce a deductible in the D&O insurance for the Management Board with immediate effect. On July 1, 2010, Dr. Martin Hoyos was elected chairman of the Audit Committee at the new Supervisory Board's constituent meeting. At the same time, two more Supervisory Board committees were set up. The Strategy Committee is chaired by Prof. Dr. Dr. Peter Oberender and the Human Resources and Nominations Committee by Dr. Dieter Thomae. On August 25, 2010 and on September 1, 2010, the Supervisory Board focused on human resources issues. Cooperation with the CEO proved increasingly difficult; in particular members of the Supervisory Board agreed unanimously that the company's strategic focus was not being driven forward with the necessary rigor. With repeated discussions only serving to exacerbate differences, Mr. Bernd Rothe was unanimously removed as CEO on September 3, 2010. On September 28, 2010, we appointed Mr. Walther Wever the interim CEO and COO, with effect from October 1, 2010. On October 13, the strategic realignment of the company was discussed in detail, with the current business situation top of the agenda on December 15, 2010, with a particular focus on the structural improvements proposed by the Management Board. The risk management system was also explained to us in detail during this meeting.

Supervisory Board committees

In the Audit Committee meeting on March 11, 2010, the annual financial statements and the German Federal Financial Supervisory Authority (BaFin) findings were discussed. The meetings on May 10, 2010, August 2, 2010 and October 13, 2010 focused on the quarterly financial statements. In a meeting held on February 10, 2011, individual measurement issues were discussed in the run-up to the annual financial statements. The Strategy Committee was set up on July 1, 2010 and on October 13, 2010 it discussed various options for the company's strategic further development. The Human Resources and Nominations Committee, also set up on July 1, 2010, convened on September 1, 2010 and on September 28 in relation to the change made to the CEO. In another meeting on February 10, 2011 the training requirements for new Supervisory Board members were discussed. Accounting, the annual financial statements with management report for 2010 and the consolidated financial statements with notes and the Group management report have been audited by the external auditor Wirtschaftstreuhand GmbH, Stuttgart, elected by the Shareholders' General Meeting, with the auditor issuing 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.

Annual and consolidated financial statements

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 2010, and to carry forward the loss to new account.

Personnel changes

On March 15, 2010, Mr. RA Sasse stepped down from his post as Supervisory Board member of our company for personal reasons. Dr. Martin Hoyos was appointed his successor by the Munich Municipal Court on May 5, 2010. Mr. Scheweling then informed us that for personal reasons he would no longer be available as a Supervisory Board member with effect from our Shareholders' General Meeting. At our Shareholders' General Meeting, which re-elected the entire Supervisory Board, Prof. Dr. Dr. Peter Oberender was appointed to the Supervisory Board in his place. We expressed our gratitude to Messrs. Scheweling and Sasse for their long-standing commitment to the company. 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, March 16, 2011

For the Supervisory Board
Dr. Dieter Thomae

Corporate Governance Report 2010

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 see corporate governance as an ongoing process that involves getting to grips 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. 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, the chairman and his deputy as well as four further ordinary members. The term of office of the Supervisory Board members expires with the Corporate Governance Report 2010, 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 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 2010 financial year, CURANUM AG's 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 2010.

Management Board

CURANUM AG's Management Board currently consists of three 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 160 of the company's shares.
No Management Board member had any conflicts of interest.

Directors' dealings and voting right notifications

We have not received any notifications from Management and Supervisory Board members, other directors, as well as their related parties, regarding the purchase or sale of CURANUM AG securities or related financial instruments.

With regard to the notifications relating to thresholds we refer to the information in the notes and on our website at www.curanum.de.

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 as at May 2010 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 if the company takes out directors & officers (D&O) insurance. There is no deductibles agreement for the 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 4.2.3.:

The German Corporate Governance Code recommends that the monetary remuneration component in the total remuneration of Management Board members should contain both fixed and variable components. The variable remuneration components should include both one-time and annually recurring components linked to business performance, as well as long-term incentives with an element of risk. When concluding Management Board contracts, steps must be taken to ensure that payments to a Management Board member in the event of early termination without cause of the Management Board duties must not exceed two years' remuneration including benefits (severance cap). While no severance cap has been agreed in Management Board employment contracts to date, we will comply with this regulation for any new Management Board employment contracts concluded after June 1, 2010. The total remuneration of the Management Boards includes both fixed and variable components. For 2011, the Supervisory Board has approved a stock option plan for the Management Board containing long-term incentives with an element of risk.

Re. section 5.4.1.:

The German Corporate Governance Code recommends that the Supervisory Board shall set out specific objectives regarding its composition which, taking into account the company's specific situation, factor in issues such as the company's international operations, potential conflicts of interest, an age limit to be stipulated for the members of the Supervisory Board, and the need for diversity. These specific objectives should in particular envisage appropriate participation of women. The requirements of section 5.4.1. should be taken into account as far as possible by virtue of the arrangements regarding the Human Resources and Nominations Committee adopted by the Supervisory Board on February 11, 2011. Given the international shareholder structure, at least one member of the Supervisory Board should accordingly have international experience and one member sector-specific experience. At least two Supervisory Board members should be neither members of the executive bodies, salaried employees or consultants of customers, suppliers, lenders or other business partners. As a rule, Supervisory Board members should be over 40 on the date they are elected and – with respect to CURANUM AG's particular business model – step down from the Supervisory Board upon reaching 75. The election of qualified women should be reviewed. At least two Supervisory Board members must be female within two election periods.

Re. section 5.4.6.:

The German Corporate Governance Code recommends that Supervisory Board members should receive performance-based remuneration along with fixed remuneration. The Supervisory Board members 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, March 9, 2011

Management and Supervisory Boards of CURANUM AG

Group management report

for the 2010 financial year of CURANUM AG, Munich

1. Overall environment and business progress

Macroeconomic trends

In the wake of the 2009 recession – the most severe downturn since the end of the Second World War – the global economy rebounded strongly in 2010, posting growth of almost 5 %. In Europe, Germany proved the strongest beneficiary, with gross domestic product rising 4.2 % thanks to the success of its heavily export-led economy. Combined with good labor market performance, these strong exports helped to jump-start the domestic economy. Concerns about the solvency of some highly indebted Euro zone countries, however, triggered a confidence crisis in the European financial markets, causing the euro to be devalued against many other currencies. The large amounts of liquidity injected into the financial system by central banks, coupled with the strong recovery of corporate earnings in the second half of the year helped many markets move to the upside.

Sector trends

The economic development of the care sector is predominantly dependent on demographics and medical innovation, while general economic performance tends to play a relatively minor role. The general positive growth in our market segment driven by the increasingly aging population did not, however, translate into an average increase in occupancy rates in the sector. This phenomenon is due to a host of newly built care homes over the past few years, transforming the former seller's market into the current buyer's market. New construction activity fell sharply in 2010, with professional investors investing less in new properties than in previous years due to the financial crisis, reduced lending, and the new regional care home legislation that make refinancing investment more complicated. Yet the construction projects started before the recession led to more care homes being opened, with no letup in competitive pressure.

New rules to curb care insurance spending exacerbated the complicated competitive situation even further. The introduction of a statutory minimum wage also increased the competitive pressure within the sector overall. New statutory rules governing quality audits for care facilities at federal *Land* level by the Medical Service of the Health Funds (MDK) made the quality of all assessed facilities more transparent.

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 70 facilities with some 7,800 care places, as well as 1,700 serviced apartments.

On June 1, 2010 we opened our new senior citizens residence in Wachtendonk (Kleve district, North Rhineland-Westphalia). The facility provides 43 single and 11 double rooms. The single-story building is based around a residential group concept tailored to state-of-the-art care requirements. Residents warmed to the new facility in no time at all, with occupancy hitting 94 % seven months after starting up at the end of the year.

The senior citizens residence in Vienna, which CURANUM had been operating as the only facility outside Germany since being taken over in 2006, was sold to an Austrian care home operator in December 2010. As the Vienna facility was not assigned to a cluster while it was part of the CURANUM Group it had not been possible to successfully leverage synergies or positive earnings contributions as a result.

The existing administrative functions in Nuremberg, Munich Maximilianstraße and Engelbertstraße were merged in the fourth quarter of 2010 to create a single centralized administrative function in Munich-Pasing. The corporate units should now be able to provide the operating units with even better support. Apart from bundling the corporate functions at a single location and the associated efficiency improvement this entails, such a move will also help significantly bolster future consolidated earnings.

2. The Group's position

2.1. PROFITABILITY

Revenue trends

Our consolidated revenue rose by € 3.7 million (1.5 %) year-on-year to reach € 256.8 million in 2010, when adjusted for the discontinued operation of our Vienna facility. This increase is mainly attributable to the start of operation of new facilities in Braunschweig in 2009, and in Wachtendonk in 2010. Consolidated revenue totaled € 263.1 million including the Vienna facility.

While the occupancy rate for our inpatient area fell by around one percentage point in the first two quarters, it recovered to the previous year's level in the second half of the year. In this respect, we also benefited from the above-average grading which the Medical Service of the Health Funds awarded to our facilities.

Operating earnings

The increase in revenue of € 3.7 million compares with an increase in personnel expenditure in the Group of € 3.9 million. This 3 % increase is essentially due to the start-up of the two new homes and the increase in contract staff due to the tight labor market for care staff, while the introduction of the statutory minimum wage only played a secondary role. The personnel expenditure ratio for operating, sales and administrative costs was thus 50.7 %.

Costs of sales were € 222.8 million, a year-on-year increase of € 5.1 million. This increase was essentially down to the rise in personnel expenses in our care facilities and service businesses. Compared with the previous year, rental expenses of € 53.7 million fell slightly by € 0.3 million. This was attributable to the savings associated with the conclusion of a new lease for our facility in Geseke: the previous operating lease was reclassified as a finance lease. 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 by € 0.05 million. By contrast, administrative costs increased by € 0.8 million to € 18.9 million due to projects.

After deducting operating expenses, EBITDA totaled € 26.3 million before one-time effects. Compared with the previous year's figure of € 28.0 million, this constitutes a decrease of € 1.7 million.

Earnings taking one-time effects into account

One-time effects totaling € 6.7 million had a negative impact on our earnings before interest, tax, depreciation and amortization for the 2010 financial year. These included valuation-related one-time effects (€ 4.8 million), expenses due to the merger of the head offices in Munich and Nuremberg into a single head office in Munich-Pasing, and other transaction-related extraordinary charges (€ 0.7 million), as well as expenses for former board members, and from a currency effect for the financing of an existing property (€ 1.2 million). EBITDA amounted to € 19.7 million including these one-time effects.

The valuation-related one-time effects include the impairment of assets connected with concluding corporate lease agreements in previous years, and the formation of risk provisions for previous transactions (provisions for anticipated losses for a purchase obligation). The valuation reflects the current management view of the impairment of the assets concerned depending on the sustainably achievable earnings contributions of these locations.

Depreciation/amortization and impairment charges rose at a disproportionately rapid rate to € 26.9 million in the year under review. Along with depreciation of € 10.2 million (previous year: € 9.7 million) applied to property, and operating and office equipment, impairments amounting to € 16.7 million were also applied. These impairments also include goodwill impairment of € 5.9 million, and € 10.8 million of impairments applied to real estate, and to operating and office equipment.

These goodwill measurement effects resulted from a conservative assessment of future cash flow and from an amendment to the IAS 36 accounting regulation, under which impairment tests are to be conducted at the level of individual locations from 2010, rather than on a higher level of aggregation, as in previous years.

Non-current assets and non-current assets from finance leases owned by CURANUM undergo an impairment test if CURANUM has identified specific indications of potential impairment.

On the basis of the results of ongoing target/actual variance analyses, CURANUM has identified indications of potential impairment and conducted impairment tests for multiple non-current assets on the accounting reporting date. The result was impairment losses affecting real estate and operating and office equipment, which reduced consolidated net earnings by € 10.8 million.

As a consequence, earnings before interest and tax (EBIT) came in at minus € 7.3 million for the year under review, and earnings before tax (EBT) at minus € 17.0 million after the deduction of interest. Earnings before tax from the discontinued Vienna operation amounted to almost minus € 1.7 million, thereby generating earnings after tax from continuing operations of minus € 15.8 million, and of minus € 17.4 million including the discontinued operation. This corresponds to earnings per share of minus € 0.54.

2.2. Net assets

Cash increased by € 6.9 million to € 15.9 million compared with as of December 31, 2009. At the same time the receivables related to care services decreased by € 0.6 million due to the deconsolidation of the facility in Vienna, and other current assets decreased by € 2.9 million due to measurement effects.

Overall, current assets increased by 17 % to € 26.9 million.
Taking into account current and non-current financial liabilities, which fell by € 8.3 million, our net financial debt improved by € 15.3 million from € 76.6 million to € 61.3 million.

Property, plant and equipment rose by € 5.6 million to € 132.8 million. Apart from additions totaling € 24.9 million as part of three new finance leases and investment of € 6.7 million in equipping our facilities, the laundry and our IT systems, this increase also includes disposals through a sale-and-lease-back transaction and the deconsolidation of the Vienna facility totaling € 5.3 million, along with depreciation and impairment losses of € 20.5 million.

Intangible assets were reduced by € 0.6 million due to impairment losses. As part of the sale of the facility in Vienna the occupancy right (€ 0.6 million) was also sold.

In addition, goodwill decreased by € 5.9 million to € 59.8 million through impairment losses resulting from the aforementioned IFRS revaluation. Non-current assets fell to € 209.2 million (previous year: € 213.4 million) as a result of impairment losses. As such, total assets remain virtually unchanged at € 236.1 million.

Financial liabilities fell by a total of € 8.3 million. While current financial liabilities increased by around € 20.3 million due to the restructuring of the borrower's note loan explained in the risk report, non-current financial liabilities fell by around € 28.6 million.

Lease liabilities increased by € 20.2 million to € 78.4 million especially as a result of signing new lease agreements, with current lease liabilities accounting for € 4.6 million of this amount.

Current and non-current provisions rose by € 0.4 million to € 1.8 million. Other liabilities rose by € 2.8 million to € 17.0 million.

Shareholders' equity fell by € 17.0 million to € 49.1 million due to the effect on earnings associated with the reported one-time effects. Our shareholders' equity ratio is 20.8 %.

2.3. Financial position

The CURANUM Group's cash flow amounted to € 7.0 million in the year under review. It comprises the cash flow from operating activities of € 25.7 million (previous year: € 19.8 million), the cash flow from investing activities of minus € 6.5 million (previous year: minus € 5.2 million) and the cash flow from financing activities of minus € 12.1 million (previous year: minus € 15.8 million).

Cash flow from operating activities rose by € 5.9 million to just under € 25.7 million. Cash flow from investing activities totaling € 6.5 million is the result of our increased investing activities of € 6.5 million in our facilities and the laundry.

Cash flow from financing activities which has fallen by € 3.7 million year-on-year is essentially due to the absence of dividend payments and the cash inflows from a sale-and-lease-back transaction totaling € 5.4 million. This is offset by the repayment of a loan liability in addition to scheduled redemptions.

3. Organization and administration

3.1. Supervisory Board, Management Board and employees

Supervisory Board

Our Shareholders' General Meeting on July 1, 2010 elected a new Supervisory Board whose composition is set out in the notes. Total gross remuneration paid to Supervisory Board members amounted to T€ 196 (previous year: T€ 160). Remuneration for individual members is disclosed in the notes. There were no consultancy agreements with Supervisory Board members or other personal remuneration in 2010.

Management Board member

On September 3, 2010, Mr. Bernd Rothe was removed from his office as CEO and Mr. Walther Wever appointed the new interim CEO and COO of the company on October 1, 2010. In the 2010 financial year, the Management Board of CURANUM AG received total remuneration of T€ 679 (previous year: T€ 939). Remuneration for individual members is disclosed in the notes to the consolidated financial statements.

Employees

The average number of Group staff grew from 6,055 in 2009 to 6,243 individuals in the year under review. Of this number, an average of 290 trainees, students and interns were employed across the Group. The increase of 3.1 % is essentially due to the additional staff in and for the new facilities as well as the care for people with dementia-related incapacities and mental illnesses. As of December 31, 2010, the absolute headcount within the Group was 6,348 persons (December 31, 2009: 6,179 staff members).

We are training ancillary and specialist care staff at all facilities in cooperation with established care schools, and we offer extensive further training programs for care staff, ranging from basic knowledge all the way through to expert standards. We provide a trainee facility management program for our managers.

The Curanum Academy, which is in the process of being set up, should in future greatly help us improve training of would-be managers in the residential and care service sectors as well as in home management.

4. Risks and opportunities attached to business development

Numerous risks that could impair the performance of the business are associated with our operations. According to our risk inventory list, which the Management Board assesses four times a year, these risks are broken down into sector-related, operational, personnel, financial and other risks.

Sector-related opportunities and risks

Our economic success depends crucially on average occupancy. We see opportunities in successfully implementing our marketing strategies, but also risks as competitive pressure is ratcheted up even further. Our business is also based on the level of our care rates which, in turn, depend on the successful outcome of care rate negotiations. The risk exists that it will prove impossible to pass on higher procurement costs via prices, as in other sectors. 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 also affect the demand for inpatient care places. We shield ourselves extensively 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.

Operational opportunities and risks

Our growth strategy of opening new facilities and taking over existing facilities in the market requires the successful integration of processes and systems. When opening new facilities, opportunities for boosting revenue contrast with occupancy risks during the start-up phase.

On the one hand, statutory regulations pose a downside risk. Added to which, 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.

New care home quality assessment regulations and their publication may constitute risks, as well as opportunities. With the help of our internal Total Quality Management (TQM) team we are trying to pre-empt and minimize potential risks from the Medical Service of the Health Funds (MDK) assessment.

Personnel-related risks

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 recruited more trainees, interns and students in 2010 than in the previous year.

Financial risks

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.

The acquisition loans for the operations acquired in 2006, Curanum Westfalen GmbH, Munich, and FAZIT Betriebsträgergesellschaft für soziale Einrichtungen mbH, Nuremberg, carry variable rates of interest, and are correspondingly subject to interest-rate risk. To this end, we concluded payer swaps with congruent maturities and adjusted to the relevant status of redemption, which entirely swapped the variable interest exposure for fixed interest exposure.

The variable interest-rate borrower's note loan issued in 2007 is subject to interest-rate risk associated with an increase in market interest rates. An interest-rate swap has been concluded to hedge this risk. The borrower's note loan, as well as a number of operating fund lines are subject to an extraordinary right of cancellation if predefined financial covenants are not met. Under the terms of this loan, we have to provide evidence of compliance at the end of each quarter by providing details of the "net debt to EBITDA ratio".

The financial covenants neither help to improve current net debt nor adequately reflect the level of earnings that is affected significantly by one-time effects. It is therefore unclear whether for the purposes of the loan agreements the impact of one-off effects should be included in the EBITDA result. If these effects are included, the financial covenants are not met as of December 31, 2010. Since the interest rate level of the borrower's note loan is also relatively high, the Management Board has taken steps to restructure external financing in the second quarter of 2011; the appropriate negotiations are now underway.

According to the regulations stipulated in the IAS Standards this borrower's note loan will be shown on the reporting date December 31, 2010 under current financial liabilities. On account of the negotiations underway with the lenders, the assessment of risks that could endanger the company's existence is low.

Our current account lines are also subject to interest-rate risk, since their terms may be adjusted at short notice to current market circumstances. We minimize the risk from unexpected increases in interest expense by distributing the related risks among several banks, and the constant monitoring of current interest rate trends. In addition, we also made no substantial utilization in 2010 of the lines that had been granted.

Liquidity risks are very minor as a result of the reliability of payments from public authorities and the efficiency of our system of invoice reminders. In addition, non-current and current assets are basically financed with congruent maturities, and negotiations are already underway regarding the refinancing of current liabilities in 2010.

Other risks

Current litigation, 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€ 873 (previous year: T€ 439) 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.

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. This assessment confirmed the functionality of the internal control system for accounting and financial reporting for the 2010 financial year, bearing in mind that no control system can guarantee absolute certainty.

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. Real-time 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 following shareholdings exceed 10 % of the voting rights according to the notifications in our possession:

- 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 should 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 24, 2014 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 € 6,532,000.00 (Approved Capital 2009). 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 homepage.

At the Shareholders' General Meeting on July 1, 2010 the Management Board was authorized to acquire and sell its 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 Shareholders' General Meeting which is published on our homepage.

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

Particular events following the balance sheet date

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

8. Forecast report

Outlook

The economic early indicators point toward a continuing upturn despite a host of unresolved structural economic problems in the global economy. The central banks in the United States and in Europe will essentially maintain their expansionary monetary policy in light of the risks in the financial system and low inflationary pressure. In this overall environment we assume that the German economy will also grow in the current year. Consumer prices will rise moderately over the forecasting timeframe according to the Bundesbank.

For serviced apartments and inpatient care, we forecast increasing demand in the market as a whole as a result of demographic change and medical innovation.

In light of the tight situation of the care insurers, the pronounced shortage of trained staff and an oversupply of inpatient care, the government declared 2011 the Year of Care. Since the current refinancing faced by care insurance as a contribution system is unsustainable over the long term, the intention is to create privately funded supplementary insurance. We also expect further legal changes and assume that the government will press ahead with standardizing the Medical Service of the Health Funds (MDK) grades, which vary widely across the individual federal *Länder*.

Outlook for the company

Due to our marketing campaigns we forecast increasing capacity utilization of our apartments in serviced accommodation. We also expect to see a further slight increase in occupancy in the inpatient areas in our facilities.

We are planning to open our new Hennef-Mitte citizens' residence in June 2011. All in all, we are aiming to boost sales revenue and especially earnings before interest, taxes, depreciation and amortization (EBITDA).

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 delivering first-class services in 2011 once again.

Munich, March 10, 2011

CURANUM AG

The Management Board

Walther Wever (CEO)	Judith Barth (CFO)	Sabine Merazzi-Weirich (Management Board member)

Consolidated financial statements

Consolidated balance sheet

as of December 31, 2010

ASSETS in T€	Note	31.12.2010	31.12.2009
Current assets			
Cash and cash equivalents	(1)	15.850	8.899
Trade receivables	(2)	5.916	6.482
Inventories	(3)	946	921
Trade payables and	(4)	2.908	5.413
Income tax receivables	(5)	1.273	953
Securities	(6)	0	372
Total current assets		26.893	23.040
Non-current assets			
Property, plant and equipment	(7)	132.829	127.253
Other intangible assets	(8)	1.530	2.794
Goodwill	(8)	59.802	65.718
Deferred tax	(21)	11.145	9.196
Other assets	(4)	3.920	8.443
Total non-current assets		209.226	213.404
Total assets		236.119	236.444

EQUITY AND LIABILITIES			
in T€	Note	31.12.2010	31.12.2009
Current liabilities			
Leasing liabilities	(9)	4.554	4.169
Financial liabilities	(10)	34.909	14.646
Other assets	(11)	7.543	5.226
Provisions	(12)	898	1.363
Income tax liabilities	(13)	1.122	78
Other liabilities	(13)	17.006	14.225
Total current liabilities		66.032	39.707
Non-current liabilities			
Leasing liabilities	(9)	73.831	54.089
Financial liabilities	(10)	42.275	70.891
Deferred tax	(21)	3.925	5.564
Provisions	(12)	910	95
Total non-current liabilities		120.941	130.639
Equity	(14)		
Share capital		32.660	32.660
Additional paid-in capital		32.303	32.303
Treasury shares		-1.241	-1.241
Revenue reserve		3.037	-4.037
Consolidated net income		-17.368	5.870
Other comprehensive income		-292	543
Non-controlling interests		47	0
Total equity		49.146	66.098
Total equity and liabilities		236.119	236.444

Statement of consolidated comprehensive income

for the period from January 1 to December 31, 2010

In T€		Note	2010	2009
1.	Revenue	(15)	256.788	253.102
2.	Cost of sales	(16)	222.830	217.710
3.	Gross profit		33.958	35.392
4.	Selling and marketing expenses	(17)	1.152	1.105
5.	General administration expenses	(18)	18.913	18.167
6.	Other operating expenses	(19)	24.894	979
7.	Other operating income	(19)	3.749	3.186
8.	Operating profit		-7.252	18.327
9.	Interest and similar expenses	(20)	9.863	9.041
10.	Interest and similar income	(20)	132	131
11.	Earnings before income taxes		-16.983	9.417
12.	Taxes on income	(21)	-1.170	3.031
13.	Earnings after tax from continuing operations		-15.813	6.386
14.	Earnings after tax from discontinued operations		-1.652	-546
15.	Earnings after tax		-17.465	5.840
	of which share of earnings attributable to other shareholders (non-controlling interests)	(14)	-97	-30
	of which earnings attributable to CURANUM AG shareholders	(14)	-17.368	5.870
	Earnings per share, basic and diluted	(22)	*-0,54*	*0,18*
	Number of outstanding shares taken as basis		*32.254.898*	*32.267.835*

Presentation of total comprehensive income for the period

Total Comprehensive Income Statement

In T€	2010	2009
Earnings after income taxes	-17.465	5.840
Gains/losses from change in		
Fair value of financial instruments deployed for		
hedging purposes	99	-399
Gains / losses from measurement of		
securities available for sale	0	-2
Realised gains/losses from measurement of		
securities available for sale	5	0
Losses from other earnings-neutral changes		
	-910	-54
Deferred tax relating to earnings-neutral components		
of comprehensive income for the period	-29	120
Total value changes reported in equity	-835	-335
Total of earnings after income taxes and value changes reported in equity	-18.300	5.505
of which attributable to minority interests	-97	-30
of which attributable to CURANUM AG shareholders	-18.203	5.535

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period from January 1 to December 31, 2010

			Revenue reserve	
(in T€)	Share capital	Capital reserves	Accumulated profit/loss	Other revenue reserves
01. Jan 09	32.660	32.303	-7.663	-136
Comprehensive after-tax income for the period			3.807	
Dividend distribution				
Repurchase of own shares				
Miscellaneous changes				-45
31. Dez 09	32.660	32.303	-3.856	-181
Comprehensive after-tax income for the period			5.870	
Deconsolidation effects				233
Reclassification of minorities' earnings share				-144
Miscellaneous changes				1.115
31. Dez 10	32.660	32.303	2.014	1.023

Repurchase of own shares	Consolidated profit/loss	Other comprehensive income: Revaluation reserve	Other comprehensive income: Cash flow hedge	Non-controlling interests	Equity
-970	7.032	1.504	-626	0	64.104
	2.033	-56	-279		5.505
	-3.225				-3.225
-271					-271
	30				-15
-1.241	5.870	1.448	-905	0	66.098
	-23.335	-905	70		-18.300
					233
				144	0
	97			-97	1.115
-1.241	-17.368	543	-835	47	49.146

Consolidated cash flow statement*

for the 2010 financial year of CURANUM AG, Munich

In T€	31.12.2010	31.12.2009
I. Operating activities		
Result before taxes and minority interests	*-16.983*	*9.417*
Depreciation/amortization and impairments of non-current assets	26.904	9.636
Other interest and similar income	-132	-131
Interest and similar expenses	9.863	9.041
Gains from the disposal of assets	-139	13
Other	748	0
Increase/decrease in provisions	265	-393
Change in working capital	11.684	27
Income taxes paid	-2.915	-3.089
Income taxes received	1.516	296
Interest paid	-5.229	-5.142
Interest received	77	112
Cash flow from operating activities	**25.659**	**19.787**
II.Investing activities		
Cash outflows for corporate acquisitions	0	-1.116
Cash outflows for investments in property, plant and equipment and intangible assets	-6.529	-4.033
Cash flow from investing activities	-6.529	-5.149
III.Financing activities		
Cash inflows from drawing down of financial liabilities	1.040	1.100
Cash outflows for redemption of financial liabilities	-9.842	-5.608
Cash inflows from sale-and-finance-leaseback	5.385	0
Cash outflows for finance leasing (interest and redemption components)	-8.709	-7.753
Cash outflow for repurchase of own shares	0	-271
Distributions to shareholders	0	-3.225
Cash flow from financing activities	-12.126	-15.757
Net change in cash and cash equivalents	7.004	-1.119
Cash and cash equivalents at the start of the period	8.846	9.965
Cash and cash equivalents at the end of the period	15.850	8.846

*Please refer to Notes 24 and 25 of the notes to the consolidated financial statements for more information about the consolidated cash flow statement.

Notes to the consolidated financial statements

for the 2010 financial year of CURANUM AG, Munich

A. General remarks

1. Principles and methods

CURANUM Aktiengesellschaft (referred to below as "CURANUM AG" or the "Company") is headquartered at Engelbertstraße 23-25, 81421 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 ultimate 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, 2010 have been prepared according to International Financial Reporting Standards (IFRS), as applicable in the EU. 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, financing 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 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. The consolidated financial statements have been prepared on the going-concern principle. CURANUM has obligated itself to several banks to adhere to certain predetermined covenants (key financial indicators) as part of a borrower's note loan. Please refer in this connection to the notes in Section B (10) and Section E (26). No further events occurred until the conclusion of the preparation of the consolidated financial statements that had a significant impact on the net assets, financing position and results of operations of the Group.

The 2010 consolidated financial statements have been significantly affected by the deconsolidation of discontinued operations. Please refer to the remarks in the "Scope of consolidation" section. While the comparable period's consolidated balance sheet remains unchanged in line with IFRS 5, expenses and income from the discontinued operations are presented on a netted basis in a separate item in the CURANUM Group income statement for both the period under review and the comparable period, as follows:

- Income statement items were split into continuing and discontinued operations for both the year under review and the comparable period. There is also presentation of which amounts are reclassified to "Earnings after tax from discontinued operations" in line with IFRS 5.
- Other notes to income statement items refer exclusively to the discontinued operations for both the period under review and the comparable period.

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 March 10, 2011, which will decide concerning the approval of the consolidated financial statements at its meeting on March 16, 2011.

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.

Besides CURANUM AG, the group of consolidated companies includes 28 German (previous year: 28) and no foreign (previous year: two) subsidiaries.

Changes to the scope of consolidation during the period under review

With a notary agreement dated December 21, 2010, shares in CB Seniorenresidenz Armbrustergasse GmbH (Vienna/Austria) and its wholly-owned subsidiary CB Managementservice GmbH (Kitzbühel/Austria) were sold for the symbolic purchase price of € 1 to Kräutergarten Betriebs- und Beteiligungsgesellschaft mbH with effect as of December 31, 2010. These companies' equity bases were strengthened directly before the transaction. At the same time, an outstanding loan receivable of CURANUM AG that was due from these companies was sold to the purchaser for a price of € 1.

This business operation's income statement is as follows:

Vienna Business Operation

In T€		Note	2010	2009
1.	Revenue	15	6,322	6,420
2.	Cost of sales	15	6,625	6,369
3.	**Gross profit**		**-303**	**51**
4.	Selling and marketing expenses	17	36	23
5.	General administration expenses	18	584	543
6.	Other operating expenses	19	33	38
7.	Other operating income	19	31	36
8.	**Operating profit**		**-925**	**-517**
9.	Interest and similar expenses	20	39	42
10.	Other interest and similar income	20	3	0
11.	**Earnings before tax from discontinued operations**		**-961**	**-559**
12.	Taxes on income	21	-5	-13
13.	**Earnings after tax from discontinued operations**		**-956**	**-546**
14.	Profit/loss after tax from deconsolidation of business operations		-696	0
15.	**Profit/loss after tax and deconsolidation from discontinued operations**		**-1,652**	**-546**

Earnings after tax arising from the deconsolidation includes a grant of T€ 720 disbursed to the purchaser. This item also contains notary costs in the amount of T€ 35.

The carrying amounts of the assets and liabilities that were relinquished due to the deconsolidation of the discontinued operations are as follows:

Carrying amounts of the Vienna business operation **In T€**	
Liquid funds	25
Receivables	424
Inventories	20
Property, plant and equipment	301
Intangible assets	604
Deferred tax assets	134
Other assets	48
Leasing liabilities	636
Trade payables	443
Other provisions and tax provisions	261
Other liabilities	5,871
Deferred tax liabilities	161

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

Vienne Business Oeration in T€	31.12.2010	31.12.2009
Cash flow from operating activities	73	134
Cash flow from investing activities	-14	-44
Cash flow from financing activities	-86	-86
Total	-27	4

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 re-measured 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. Profits and losses of non-controlling interests are reported separately as a supplement to the income statement. In the past, non-controlling interests were offset with the revenue reserve within equity. From 2010, these are reported separately in the "non-controlling interests" item.

4. Accounting principles

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 2009 financial year is based on the same accounting principles as applied in the 2010 financial year. There was nevertheless a modification to the CGU demarcation for the goodwill impairment test as of September 30, 2010 compared with the previous year due to an amendment to IAS 36.
Please refer in this connection to the remarks in the section concerning the IAS 36 impairment test. 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 premises 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 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 review of goodwill. In this connection, please refer to the remarks in Section 4 Accounting principles "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. If non-current assets are tested for impairment, the calculation of the recoverable amount of the assets is equally connected with management estimates, which may have a significant effect on the relevant outcomes, and finally on the level, of any potential impairment.

Please refer to the "Impairment test pursuant to IAS 36" section 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 into finance leases and operating leases. The key factor with a finance lease is that all risks and opportunities connected with ownership are transferred. 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 property 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 discretionary scope such as an assessment of the location, residual useful life, competitive position, rents 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 the section "(26) 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. As of the balance sheet date, deferred tax assets are reported at a carrying amount of T€ 11,145, and deferred tax liabilities at a carrying amount of T€ 3,925.

Changes to estimates pursuant to IAS 8.32ff

Government tax audits for the periods 1998-2001 and 2002-2007 conducted at the company Elisa Seniorenstift GmbH, which the CURANUM Group acquired in 2008, gave rise to additional tax demands including interest of T€ 945 for the period 2003-2007.

As a change to an estimate, additional tax demands due to an external audit must be recognized through profit or loss during the period in which this information becomes known. This resulted in T€ 945 of provisions for taxes and interest payments in this set of financial statements.

There also remain VAT surpluses at the CURANUM AG level, which constitute receivables due from the tax authorities. This topic was not conclusively treated as part of the current special VAT audit. This item cannot be measured precisely due to the related uncertainty. Pursuant to IAS 8.32, and on the basis of the most recently available reliable information, CURANUM AG applied an additional valuation adjustment of T€ 460 to these VAT reimbursement claims in 2010.

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 losses 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 occupancy right that was recognized in the previous year (the right of the facility to provide occupants with care services that can be invoiced to public sector/local authority cost providers) was derecognized due to the sale of both Austrian companies.

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).

Property, plant and equipment

Property, plant, and equipment is measured at cost, and diminished to reflect depreciation corresponding to economic useful life and, if required, additional impairment losses. Repair and maintenance costs are reported as current expense. Scheduled depreciation, generally linear, is performed corresponding to the expected progress of consumption of the future economic benefit. 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	22-40 years
Fittings	8-20 years
Technical equipment and machinery / operating and office equipment	3-20 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 (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 components, 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 a 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. CURANUM owned one of the two properties. The other property was not owned by CURANUM AG, and was sold by the previous owner as part of this purchase agreement. New leases were concluded with the new owner of both properties, which are classified as finance leases according to IFRS.

The Group received a cash inflow of € 5.4 million from the sale of the property owned by CURANUM AG. The disposal proceeds in excess of the carrying amount total T€ 156, and must be distributed over the lease's duration pursuant to IAS 17.59.

The recognition of the second property, which CURANUM AG does not own, as a finance lease occurred at the start of the lease agreement, which became effective when the purchase price was paid on August 2, 2010. A purchase obligation for CURANUM AG was extinguished with the disposal of this second property by the previous owner.

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.

Impairment test pursuant to IAS 36

An impairment test is performed at least once per year for goodwill and other intangible assets of indefinite or indeterminable useful life, and 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 is booked 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 loss no longer exists, or the amount of the impairment loss has fallen. In this instance, the recoverable amount is recalculated, and, with the exception of goodwill, the impairment previously applied is reversed correspondingly.

The recoverable amount is always calculated individually for each asset. If this proves 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 disposal costs. Value in use is the present value of future cash flows that can be prospectively derived from an asset or cash generating unit.

There was nevertheless a modification to the CGU demarcation for the goodwill impairment test as of September 30, 2010, compared with the previous year due to an amendment to IAS 36. As part of the annual improvement project, the wording of IAS 36.80 (b) was changed so that, for the purposes of goodwill impairment test, a business segment should be understood as a segment in the meaning of IFRS 8.5 (in other words, before aggregating business segments into reporting segments), and not in the meaning of IFRS 8.12. Pursuant to IAS 36.140E, this modification is to be applied prospectively for financial years commencing on or after January 1, 2010. The new regulation required the distribution of goodwill to the CGU level. Within the company, the CGUs were identified as locations, as a consequence of which the distribution of goodwill, and the performance of the impairment test, was made at CGU level in line with the new standard, although the management and supervision of goodwill is performed at a higher level. These are summarized according to the regions that have been newly determined by the Management Board.

The decision-making unit within the company in the meaning of IFRS 8 is, and remains, the Management Board, however. In other words, the Management Board always reaches its decisions – particularly those relating to resource allocation – on the basis of all information provided for all of its individual locations.

The following list provides the new goodwill distribution based on the relative values of the relevant locations to each other within the North West region before the impairment test was performed, as well as the relevant applicable weighted average cost of capital (WACC) for the impairment test both after and before tax for the relevant site. No goodwill was allocated to locations with negative EBT.

Location	Carrying amount of goodwill 30.09.2010 in T€	WACC after tax 30.09.2010 in %	WACC after tax 30.09.2009 in %	WACC before tax 30.09.2010 in %	WACC before tax 30.09.2009 in %
Geseke	3,440	5.69	5.84	7.56	7.76
Werl (Amadeus)	2,601	5.69	5.84	7.56	7.76
Gelsenkirchen (Bismarckpark)	1,892	5.69	5.84	7.56	7.76
Frankfurt	1,861	5.69	5.84	7.56	7.76
Liesborn (Wadersloh)	1,312	5.69	5.84	7.56	7.76
Wachtendonk	1,260	5.69	5.84	7.56	7.76
Werl (Mozart)	1,220	5.69	5.84	7.56	7.76
Oberhausen (Katharina)	1,208	5.69	5.84	7.56	7.76
Gelsenkirchen (Hagenstrasse)	1,119	5.69	5.84	7.56	7.76
Herne	1,028	5.65	6.10	7.45	8.11
Breyell	1,027	5.69	5.84	7.56	7.76
Kaldenkirchen	930	5.69	5.84	7.56	7.76
Bielefeld	709	5.69	5.84	7.56	7.76
Bad Hersfeld	506	5.69	5.84	7.56	7.76
Hagen	452	5.69	5.84	7.56	7.76
Lobberich	333	5.69	5.84	7.56	7.76
Dornum	255	5.69	5.84	7.56	7.76
Iserlohn	177	5.69	5.84	7.56	7.76
North West region	21,330				

The following list provides the new goodwill distribution based on the relative values of the relevant locations to each other within the North East region before the impairment test was performed, as well as the relevant applicable weighted average cost of capital (WACC) for the impairment test both after and before tax for the relevant site. No goodwill was allocated to locations with negative EBT.

Location	Carrying amount of goodwill 30.09.2010 in T€	WACC after tax 30.09.2010 in %	WACC after tax 30.09.2009 in %	WACC before tax 30.09.2010 in %	WACC before tax 30.09.2009 in %
Bad Schwartau (Geertz)	1,989	5.69	5.84	7.56	7.76
Berlin	1,920	5.69	5.84	7.56	7.76
Merseburg	1,467	5.69	5.84	7.56	7.76
Braunschweig	1,375	5.69	5.84	7.56	7.76
Bad Lauterberg	1,309	5.69	5.84	7.56	7.76
Halle	1,165	5.69	5.84	7.56	7.76
Barth	1,022	5.69	5.84	7.56	7.76
Zwickau	903	5.33	6.02	7.29	8.15
Greiz	834	5.33	6.02	7.29	8.15
Hameln	684	5.69	5.84	7.56	7.76
Uelzen	591	5.69	5.84	7.56	7.76
Jena	317	5.69	5.84	7.56	7.76
Vienenburg	219	5.69	5.84	7.56	7.76
Wolfenbüttel	5	5.69	5.84	7.56	7.76
North East region	13,800				

The following list provides the new goodwill distribution based on the relative values of the relevant locations to each other within the West region before the impairment test was performed, as well as the relevant applicable weighted average cost of capital (WACC) for the impairment test both after and before tax for the relevant site. No goodwill was allocated to locations with negative EBT.

Location	Carrying amount of goodwill 30.09.2010 in T€	WACC after tax 30.09.2010 in %	WACC after tax 30.09.2009 in %	WACC before tax 30.09.2010 in %	WACC before tax 30.09.2009 in %
Hennef	3,327	5.69	5.84	7.56	7.76
Troisdorf (Sieglar)	2,816	5.69	5.84	7.56	7.76
Hilden	1,864	5.65	6.10	7.45	8.11
Düsseldorf	1,519	5.69	5.84	7.56	7.76
Remagen	1,300	5.69	5.84	7.56	7.76
Ennepetal	1,029	5.69	5.84	7.56	7.76
Neuss	955	5.69	5.84	7.56	7.76
Frechen	862	5.65	6.10	7.45	8.11
Gevelsberg	730	5.69	5.84	7.56	7.76
Mönchengladbach	584	5.69	5.84	7.56	7.76
Wuppertal	385	5.69	5.84	7.56	7.76
Köln	144	5.65	6.10	7.45	8.11
Ennepetal (Pax)	130	5.69	5.84	7.56	7.76
Ennepetal (Concordia)	115	5.69	5.84	7.56	7.76
West region	15,760				

The following list provides the new goodwill distribution based on the relative values of the relevant locations to each other within the South region before the impairment test was performed, as well as the relevant applicable weighted average cost of capital (WACC) for the impairment test both after and before tax for the relevant site. No goodwill was allocated to locations with negative EBT.

Location	Carrying amount of goodwill 30.09.2010 in T€	WACC after tax 30.09.2010 in %	WACC after tax 30.09.2009 in %	WACC before tax 30.09.2010 in %	WACC before tax 30.09.2009 in %
Augsburg	2,808	5.69	5.84	7.56	7.76
Landshut	2,284	5.69	5.84	7.56	7.76
Karlsfeld	2,054	5.69	5.84	7.56	7.76
München (Germering)	1,532	5.69	5.84	7.56	7.76
Bad Dürrheim (Scheffelstraße)	1,234	5.69	5.84	7.56	7.76
Altötting	1,038	5.69	5.84	7.56	7.76
Rödenthal	802	5.33	6.02	7.29	8.15
Bessenbach	694	5.69	5.84	7.56	7.76
Erlangen (Erlfeld)	683	5.33	6.02	7.29	8.15
Bamberg (Nonnenbrücke)	528	5.33	6.02	7.29	8.15
Bamberg (Franz Ludwig)	433	5.33	6.02	7.29	8.15
Fürth	423	5.69	5.84	7.56	7.76
Aschaffenburg	151	5.65	6.10	7.45	8.11
Erlangen (Am Südpark)	93	5.33	6.02	7.29	8.15
Pfronten	71	5.69	5.84	7.56	7.76
South region	14,828				

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 financial plans approved by the company management for a period of three years (2011-2013), as in the previous year. The growth rates are adjusted to the individual locations of the relevant cash generating units, and depend mainly on their utilization, and the rise in 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 on a highly conservative basis using average growth rates for care rates over the last few years.

The detailed financial plans are based partly on past figures, partly on contractually regulated agreements/prices, and partly also on information currently available at the time of the preparation of the calculations. Local managers were asked to provide estimates of the future occupancy of their own facilities taking into account their local situation, since occupancy represents a key factor influencing the entire planning. Both revenues and the largest cost block, personnel costs, are calculated on the basis of absolute occupancy, and its distribution to individual care levels. Many materials expenses are also calculated on the basis of budgeted occupancy. Risks specific to the care sector were also taken into account, and included in the achievable cash flows. In the management's opinion, the parameters included in the planning represent the key assumptions that most strongly impact the cash flow levels, and consequently the recoverable amount, and therefore also represent the parameters to which the cash flows, and consequently also the recoverable amount, react with the greatest sensitivity.

The recoverable amount of a cash generating unit is determined by calculating the value in use 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 interest rate of 3.18% plus a risk premium of 5.5%. CURANUM AG's beta factor as of September 30, 2010, as well as the individual capital structures and relevant financing costs of the CGU's, are also applied.

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.

The impairment test gave rise to an impairment loss of T€ 5,916 (previous year: T€ 0), which was distributed among the following regions:

Region in T€	Carrying amount of goodwill as of 30/09/2010	Impairment loss	Carrying amount of goodwill after impairment loss as of 30/09/2010
North West	21,330	-998	20,332
North East	13,800	-3,969	9,831
West	15,760	-949	14,811
South	14,828	0	14,828
Total	65,718	-5,916	59,802

In the North West region, the Herne CGU incurred an impairment loss of T€ 441, and the Liesborn (Wadersloh) CGU incurred an impairment loss of T€ 557. The pre-tax WACC amounted to 7.45% p.a. for the Herne CGU, and to 7.56% p.a. for the Liesborn (Wadersloh) CGU.

In the North East region, the CGUs incurred impairment losses as follows: Bad Schwartau (Geertz) T€ 1,989, Bad Lauterberg T€ 1,309, Greiz T€ 354, and Jena T€ 317. The pre-tax WACC was as follows for the respective CGUs: Bad Schwartau (Geertz) 7.56% p.a., Bad Lauterberg 7.56% p.a., Greiz 7.29% p.a. and Jena 7.56% p.a.

In the West region, the Ennepetal (Nürnberger Str.) CGU incurred a T€ 949 impairment loss. The CGU's pre-tax WACC amounted to 7.56% p.a..

Sensitivity analyses performed on the basis of a 10% higher discounting rate would have resulted in impairment losses of T€ 19 (previous year: T€ 0) at the Greiz CGU, if the remaining measurement parameters were unchanged. The carrying amount of the Greiz CGU as of September 30, 2010 amounted to T€ 5,382 after the impairments reported as of December 31, 2010.

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

The company identified indications of potential impairment on the basis of the results of current target/actual variance analyses, and performed impairment tests as of the balance sheet date for several non-current assets.

The recoverable amount determined as part of these impairment tests generally corresponds to the value in use of the relevant asset. Solely for one plot of land was the impairment loss calculated as the recoverable amount on the basis of a survey concerning fair value less cost to sell.

The company itself calculates value in use. Value in use is derived from the future achievable revenue per bed, or apartment, while taking into account property management costs. At 3% rate is applied for management costs (1% for administration costs, and 2% for rent default risk). 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 cost 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.

Ground value interest is deducted when calculating building values. The interest rate from land use 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 value in use 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 6.5% p.a. discount rate was utilized to calculate value in use.

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

An impairment loss of T€ 8,020 (previous year: T€ 0) for real estate held on a long-term basis by the company.

An impairment loss of T€ 1,501 (previous year: T€ 0) for long-term real estate capitalized as part of leases.

Impairment losses of T€ 1,304 (previous year: T€ 0) for other plant, and operating and office equipment.

Impairment losses of T€ 4,078 (previous year: T€ 0) were reported for prepayments (reported as non-current) for corporate lease and rental agreements for two properties.

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, sensitivity analyses were also performed for the values in use that were calculated. This entailed a 10% higher interest rate, with the remaining parameters remaining the same.

The sensitivity analysis showed that a 10% interest rate increase could result in additional impairment losses of T€ 4,032 for real estate held on a long-term basis by the company. An additional impairment expense of T€ 1,618 would arise for non-current assets capitalized as part of finance leases, and an additional impairment loss of T€ 177 would arise for corporate lease and rental agreements.

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, financing position and results of operations.

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, cash and cash equivalents, and securities.

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 or 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 or 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 rate of interest. Amortized cost corresponds to cost less redemption, 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 or 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 FAHfT and HtM categories 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 reported in equity, taking deferred tax into account (revaluation reserve). Measurement is performed through profit or 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 or loss are 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.

The 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 loss no longer exists, or the amount of the impairment loss 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 less than 20%, 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.

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 a 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 or 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. 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 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. According to this, the 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 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 or 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 booked 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 cumulative miscellaneous equity 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, as a matter of principle, 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. 10 "Non-current and current financial liabilities" and in "Risk management and financial derivatives", as well as in Section B. 24 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

Deferred tax

The formation of deferred tax is performed 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 carry forwards are capitalized as long as it is anticipated with a degree of probability bordering on certainty that they can be used. 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 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 branch 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.

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.

Liabilities

Long-term liabilities are reported at amortized cost. Differences between cost and repayment amount are reflected using the effective interest rate method. Non-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 managed apartments. Residents as well as sponsors such as health insurance funds/care funds and social services institutions are invoiced on a monthly basis for the services.

Interest income is reported at the time when the interest claim arises. Operationally-related expenses are expensed at the time of delivery, or the utilization of the service, and all other expenses are expensed at the time when they are incurred. Interest and other debt costs are booked pursuant to periodic expense, to the extent that there is no qualifying asset.

Contingent liabilities

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.

5. New accounting regulations

Accounting regulations requiring mandatory first-time application in the year under review

The following accounting standards and interpretations required mandatory first-time application in 2010.

These standards and interpretations were applied in harmony with the relevant transitional regulations. Application was retroactive unless individual standards and interpretations expressly provided for other regulations, and are explained separately below. In other words, presentation is as if the new methods have always been applied in the past. Comparable figures are adjusted correspondingly in such instances.

Interpretation **IFRIC 17** (Distributions of Non-Cash Assets to Owners) was published on November 27, 2008, and sets out regulations concerning the recognition and measurement of liabilities in connection with distributions of non-cash assets. IFRIC 17 determines that when an obligation arising from the distribution of a non-cash assets requires recognition on the liability side of the balance sheet, it must be reported at fair value, and that the difference between the carrying amount of the asset to be distributed and the dividend obligation should be booked through the income statement on the distribution date.

The amendments to **IAS 39** (Financial Instruments: Recognition and Measurement), which were published on July 31, 2008, address the topic of the one-sided hedging of risks using options, as well as inflation as a risk requiring hedging The amendments serve to clarify under which circumstances a hedged risk or a part of a cash flow can be designated as an accounting hedge.

As part of its annual improvement project, the IASB published its **"Improvements to IFRSs (2007-2009)"** group of standards on April 16, 2009. The amendments provide more specific regulations for the recognition, measurement and reporting of business transactions, standardized terminology, and can be generally regarded as editorial corrections to existing standards. The IAS 36.80 (b) amendment had a significant impact on the CGU demarcation as part of the goodwill impairment test. Please refer to the remarks in Section 4 "Accounting principles".

Amendments to **IFRS 2** (Share-based Payment) were published on June 18, 2009 that relate to the accounting treatment of cash-settled share-based payment within the Group. The amendments determine how an individual subsidiary within a Group is required to report share-based payment agreements in its single-entity financial statements. The regulations of IFRIC 8 (Scope of IFRS 2) and IFRIC 11 (IFRS 2 – Group and Treasury Share Transactions) were adopted in IFRS 2 in connection with the revision.

Amendments to **IFRS 3** (Business Combinations) and **IAS 27** (Consolidated and Separate Financial Statements) were published on January 10, 2008. These particularly address the accounting treatment and measurement of non-controlling interests (minority interests).

The first-time application of the above-mentioned regulations had no significant impact on the presentation of the net assets, financing position and results of operations, nor on earnings per share.

Accounting regulations that have been published but 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 the 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
New standards and interpretations				
IFRS for SMEs	IFRS for SMEs	09.07.2009	-	Still open
IFRS 9	Financial instruments: Revision and replacement of all existing standards (classification and measurement)	12.11.2009	01.01.2013	Still open
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	26.11.2009	01.07.2010	24.07.2010
Amendments of standards and interpretations				
IAS 32	Financial instruments: Presentation (Classification of Rights Issues)	08.10.2009	01.02.2010	23.12.2009
IAS 24	Related Parties	04.11.2009	01.01.2011	20.07.2010
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction	26.11.2009	01.01.2011	20.07.2010
IFRS 1	Minor adjustments to IFRS 1 (Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters)	28.01.2010	01.07.2010	24.06.2010

* for financial years commencing on or after this date

Standard	Title	Published by the IASB	Comes into force*	EU endorsement
Amendments of standards and interpretations				
Diverse	Annual Improvement Project 2008 – 2010	06.05.2010	01.01.2011	21.02.2011
IFRS 7	Derecognizing financial assets – disclosure requirements	07.10.2010	01.07.2011	Expected Q2 2011
IAS 12	Deferred Tax: Recovery of Underlying Assets	20.12.2010	01.01.2012	Expected Q3 2011
IFRS 1	Minor amendments to IFRS 1 (Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters)	20.12.2010	01.07.2011	Expected Q3 2011

* for financial years commencing on or after this date

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

For reasons of reporting efficiency, the following section covers only those standards and interpretations where the current status of knowledge relating to the business model, and business transactions that occur within the CURANUM Group, suggest with a high degree of probability that there will be effects on future years' accounting, measurement, reporting and publication in the consolidated financial statements.

On November 12, 2009, the IASB published the **IFRS 9** (Financial Instruments) standard relating to the classification and measurement of financial assets. This publication represents the first part of a three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement", with the aim of fully revising the accounting treatment of financial instruments. IFRS 9 defines two, instead of four, IAS 39 measurement categories for financial instruments recognized on the asset side of the balance sheet. Classification is based, firstly, on the company's business model, and, secondly on properties of the contractual cash flows from the relevant financial asset. With respect to structured products with embedded derivatives, the test relating to the separation requirement and, if required, separate recognition, is intended to be retained solely for non-financial host contracts. It is intended that IFRS 9 must be applied for the first time for financial years commencing on or after January 1, 2013. Adoption into European law is still outstanding. CURANUM AG is currently examining the new standards' effects on the presentation of the net assets, financing position and results of operations.

The amendments to **IFRS 7** (Financial Instruments: Disclosures), which were approved on October 7, 2010, are intended to allow readers of financial statements greater insight into transactions relating to the transfer of financial assets. The resultant additional reporting requirements should be of subordinate importance for CURANUM AG.

B. Notes to the consolidated balance sheet

(1) Cash and cash equivalents

Cash and cash equivalents of T€ 15,850 (previous year: T€ 8,899) 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 € 32.5 million as of December 31, 2010 (previous year: € 32.7 million), which were utilized through guarantee credit in an amount of € 4.9 million (previous year: € 5.1 million). Of this amount, € 10.1 million are subject to banks' cancellation rights based on key financial indicators.

Operating facilities using the credit lines have assigned receivables as collateral for the overdrafts.

(2) Trade receivables

In T€	2010	2009
Trade receivables	6,621	7,054
Charges for doubtful receivables	-705	-572
Trade receivables, net	**5,916**	**6,482**

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

In T€	Total	< 3 months	3-6 months	6-12 months	> 12 months
2010	2,851	1,373	202	287	989
2009	3,511	2,028	243	575	665

The company has refrained from presenting the term structure of overdue but as yet unimpaired receivables due to the related cost-benefit relationship.

Valuation allowances to trade receivables changed as follows:

In T€	2010	2009
Opening position	572	544
Release	-384	-281
Addition	576	423
Utilization	-59	-114
Closing position	705	572

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€ 576 (previous year: T€ 423), receivables of T€ 152 (previous year: T€ 306) were written off as uncollectible.

(3) Inventories

In T€	2010	2009
Raw materials, consumables and supplies	**946**	**921**

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. All changes to inventories of fuel and food are reported through the income statement.

(4) Non-current and current assets

In T€	IAS 39 category *	2010	2009
Prepayments and accrued income			
- Prepayments for corporate lease agreements	n.a.	3,977	7,168
- Prepayments for leases	n.a.		
		361	2,082
0			
		520	2,206
Other receivables	LAR / n.a.	2,824	2,679
Specific adjustments to other receivables	LAR / n.a.	-854	-279
		6,828	**13,856**
of which non-current		3,920	8,443
of which current		2,908	5,413

The fair values of other assets mainly correspond to their carrying amounts. Adjustments were performed to Other receivables to reflect disputed VAT receivables.

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 income statement.

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€ 3,562 (previous year: T€ 6,516) have a residual term of longer than one year, and amounts of T€ 415 (previous year: T€ 652) a residual term of up to one year. Further rental prepayments of T€ 358 (previous year: T€ 1,927) have a residual term of more than one year, and of T€ 3 (previous year: T€ 155) of up to one year.

The assets-side deferred 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.

Other receivables contain financial assets in the "loans and receivables" (LAR) category in the meaning of IAS 39, as well as miscellaneous assets as follows:

In T€	IAS 39 category *	**2010**	**2009**
Receivables due from suppliers arising from good reimbursements, and creditor accounts in debit	LaR	1,057	1,015
Receivables due from staff and deposits	LaR	269	316
VAT reimbursement claims	n.a.	974	723
Miscellaneous assets	LaR	524	625
		2,824	**2,679**

Other receivables have a residual maturity of up to one year and have incurred impairment losses of T€ 854 (previous year: T€ 279). The impairments largely relate to VAT reimbursement claims. There were no overdue receivables as of the December 31, 2010 and December 31, 2009 balance sheet dates.

(5) Income tax receivables

In T€	**2010**	**2009**
Current income tax receivables	**1,273**	**953**

The income tax receivables mainly contain receivables arising from corporation and trade taxes. The claims contain a sub-amount of T€ 82 (previous year: T€ 92) arising from capitalized corporation tax credits.

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 Further 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) Securities

In T€	IAS 39 category	**2010**	**2009**
Money market fund shares	AfS	**0**	**372**

Available for sale (AfS) securities were measured in the previous year applying the repurchase price per share as of the reporting date. Valuation losses of T€ 5 in previous years arising from market valuation as of the reporting date were reported in equity. Deferred tax was not formed for reasons of materiality. These shares were sold in December 2010.

(7) Property, plant and equipment

Change in 2010 in T€	Land, rights similar to land and constructions	Other plant, office and operating equipment	Prepayments rendered	Total
Cost				
January 1, 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	**-1,75**
December 31, 2010	176,973	60,618	260	237,851
Cumulative depreciation and impairment losses				
January 1, 2010	47,520	38,970	0	**86,490**
Depreciation*	5,427	4,193	0	**9,620**
Impairment losses	9,521	1,304	0	**10,825**
Disposals	-331	-133	0	**-464**
Disposals arising from deconsolidation	-279	-1,170	0	**-1,449**
December 31, 2010	**61,858**	**43,164**	**0**	**105,022**
Carrying amount	**115,115**	**17,454**	**260**	**132,829**
***of which depreciation arising from discontinued operations**	***28***	***107***	***0***	***135***

Impairment losses were applied to land, buildings and operating equipment in the year under review, as well as to capitalized finance leases. Please refer to our remarks under Section A 4 in this context.

Change in 2009 in T€	Land, rights similar to land and constructions	Other plant, office and operating equipment	Prepayments rendered	Total
Cost				
January 1, 2009	148,417	57,618	746	**206,781**
Additions	5,874	3,418	189	**9,481**
Disposals	-152	-2,367	0	**-2,519**
Transfers	727	19	-746	**0**
December 31, 2009	**154,866**	**58,688**	**189**	**213,743**
Cumulative depreciation and impairment losses				
January 1, 2009	42,883	36,834	0	**79,717**
Depreciation*	4,652	4,470	0	**9,122**
Disposals	-15	-2,334	0	**-2,349**
December 31, 2009	**47,520**	**38,970**	**0**	**86,490**
Carrying amount	**107,346**	**19,718**	**189**	**127,253**
***of which depreciation arising from discontinued operations**	***31***	***136***	***0***	***167***

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.

(8) Other intangible assets / goodwill

Intangible assets include customer bases, occupancy and brand rights, licenses and software. Recognized goodwill arises from corporate acquisitions.

Change in 2010 in T€	Goodwill	Software/licenses/similar rights	Total
Cost			
January 1, 2010	65,718	6,036	**71,754**
Additions	0	21	**21**
Disposals arising from deconsolidation	0	-633	**-633**
December 31, 2010	**65,718**	**5,424**	**71,142**
Cumulative amortization and impairment losses			
January 1, 2010	0	3,241	**3,241**
Amortization*	0	682	**682**
Impairment losses	5,916	0	**5,916**
Disposals arising from deconsolidation	0	-29	**-29**
December 31, 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**

Please refer to Section 4 Accounting principles, Impairment test pursuant to IAS 36, for the allocation of impairment losses to the individual CGUs.

The column "Software, licenses, and similar rights" includes a trademark brand of unlimited useful life with a carrying amount of T€ 500 (previous year: brand and occupancy rights of T€ 1,100). The brand name that was acquired as part of the acquisition of the FAZIT Group was capitalized in 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 FAZIT brand name is reported at T€ 500 as of the balance sheet date (previous year: T€ 500). This brand name was tested for impairment on the basis of its value in use as of December 31, 2010. The calculation was based on three-year planning. 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 3.18% and a risk premium of 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 7.29%. The growth discount was set at 1% on the basis of this detailed planning. This calculation resulted in no impairment requirement.

This item still contained occupancy rights of in definite useful life in an amount of T€ 600 in the previous year, which were sold as part of the disposal of shares in CB Seniorenresidenz Armbrustergasse GmbH and CB Managementservice GmbH.

The additions to goodwill results in an amount of T€ 151 from the acquisition of the "Scheffelhof" senior care residence operations, Bad Dürrheim, the purchase of the outpatient care service in Coburg in an amount of T€ 7, and the purchase of the senior care residence facility, Braunschweig, in an amount of T€ 791.

Change in 2009 **in T€**	**Goodwill**	**Software/licenses/similar rights**	**Total**
Cost			
January 1, 2009	64,769	5,719	**70,488**
Additions	949	316	**1,265**
December 31, 2009	**65,718**	**6,035**	**71,753**
Cumulative amortization and impairment losses			
January 1, 2009	0	2,555	**2,555**
Amortization*	0	686	**686**
December 31, 2009	**0**	**3,241**	**3,241**
Carrying amount	**65,718**	**2,794**	**68,512**
***of which amortization arising from discontinued operations**	***0***	***3***	***3***

(9) 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 3 and 40 years. For reasons of immateriality, no separation was made between land real estate as operating leases, and buildings as finance leases. Rental expenses (write-downs/depreciation of asset items in connection with finance leasing, and interest payments arising from finance leasing) in connection with finance leases amounted to T€ 8,945 for the continuing operations in 2010 (previous year: T€ 8,051). 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.

Purchase options exist for two property leases that are classified as finance leases. The purchase rights may be exercised from May 1, 2016 and December 1, 2016 respectively. The exercise price corresponds to the fiscal residual book value at the exercise date. The rights to purchase the properties were measured at T€ 5,345 and T€ 2,655 respectively.

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

In T€	2010	2009
Cost	**117,466**	**94,877**
of which land	*884*	*884*
of which buildings	*86,958*	*61,868*
of which fittings and operational equipment	*29,624*	*32,125*
Cumulative depreciation and impairment losses*	**-52,686**	**-50,593**
of which land	*0*	*0*
of which buildings	*-29,992*	*-27,241*
of which fittings and operational equipment	*-22,694*	*-23,352*
Carrying amounts	**64,780**	**44,284**
of which land	*884*	*884*
of which buildings	*56,966*	*34,627*
of which fittings and operational equipment	*6,930*	*8,773*

**Cumulative depreciation and impairment losses include discontinued operations.*

The future minimum lease payments for the above-mentioned finance leases are as follows:

In T€	2010	2009
Up to 1 year	9,526	7,763
1 to 5 years	37,807	30,410
Longer than 5 years	83,723	48,055
Total of minimum lease obligations	**131,056**	**86,228**
Special lease payments for buildings (purchase option)	-3,068	-3,068
Total of net minimum lease obligations	**127,988**	**83,160**
less interest	-49,603	-24,902
Present value of minimum lease obligation	**78,385**	**58,258**

The lease liabilities have the following maturities:

In T€	2010	2009
Up to 1 year	4,554	4,169
1 to 5 years	21,654	19,296
Longer than 5 years	52,177	34,793
Total	**78,385**	**58,258**

Operating leases

The company and its subsidiaries have entered into various operating lease agreement for buildings, office equipment, and other facilities and fittings. Most leases contain extension options allowing extensions for periods of five or ten years. Some contain price adaptation clauses, for instance 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€ 54,273 in 2010 (previous year: T€ 55,246).

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, 2010 reporting date:

In T€	< 1 year	1 to 5 years	> 5 years
Building rents	57,257	236,494	402,707
Maintenance agreements	2,284	2,548	317
Total	**59,541**	**239,042**	**403,024**

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, 2009 reporting date:

In T€	< 1 year	1 to 5 years	> 5 years
Building rents	54,728	224,506	420,502
Maintenance agreements	1,921	1,955	663
Total	**56,649**	**226,461**	**421,165**

There is also a put option for one property (previous year: two properties), 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: € 35.8 million). The put option can be exercised between January 1, 2015 and December 31, 2017. A contingent loss provision in an amount of € 0.7 million was formed in 2010 due to the valuation circumstances as of the balance sheet date.

As of the December 31, 2010 balance sheet date, the company does not anticipate that guarantees, warranties or the provision of collateral for third-party liabilities will be utilized.

(10) Non-current and current financial liabilities

In T€	**Residual term up to 1 year**	**Residual term 1 to 5 years**	**Residual term longer than 5 years**
31.12.2010			
Liability component of FAZIT participation 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**

The bank loans item with a residual maturity of up to one year and includes a borrower's note loan in an amount of T€ 31,100. Please refer in this connection to the remarks in Section E. 26 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

In T€	**Residual term up to 1 year**	**Residual term 1 to 5 years**	**Residual term longer than 5 years**
31.12.2009			
Liability component of FAZIT participation right	0	0	4,354
Negative fair values from cash flow hedge	0	1,301	0
Negative fair values from interest rate swap	0	114	0
Bank loans	14,646	42,867	22,255
Total	**14,646**	**44,282**	**26,609**

The change in the debt component of the FAZIT participation right results from the repurchase and outgoing payment of participation rights by CURANUM. In individual cases, the repayment was performed for reasons of goodwill, and without legal obligation on CURANUM AG's part.

Five interest-rate swaps 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 derivatives transactions amounted to T€ 29,950 (previous year: T€ 31,150).

Current number	Interest rate/reference rate	Term Start	End	Nominal T€
1	3M-EUR-EURIBOR-Telerate / 3.34%	10/02/2006	30/11/2010	5,200
2	3M-EUR-EURIBOR / max. 4.10%. min. 3.10%	19/03/2008	19/12/2012	10,000
3	3M-EUR-EURIBOR / max. 4.05%. min 1.90%	24/11/2008	19/12/2012	10,000
4	3M-EUR-EURIBOR / 4.99%	04/08/2008	29/06/2012	2,975
5	3M-EUR-EURIBOR / 4.5%	06/10/2008	29/06/2012	2,975

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

Current number		2010	2009
In T€			
1	3M-EUR-EURIBOR-Telerate / 3.34%	0	-114
2	3M-EUR-EURIBOR / max. 4.10%. min 3.10%	-542	-565
3	3M-EUR-EURIBOR / max. 4.05%. min 1.90%	-489	-424
4	3M-EUR-EURIBOR / 4.99%	-91	-168
5	3M-EUR-EURIBOR / 4.5%	-79	-144
	Total	**-1,201**	**-1,415**

The fair values of the four remaining swaps have been recognized as financial liabilities with no earnings effect (miscellaneous equity) taking into account deferred tax. The fair value of Swap Number 1 was recognized as a financial liability with earnings effect (financial expense) in the previous year.

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

The fair values of the cash flow hedge with a residual maturity of between one and five years are recognized under financial liabilities; we have refrained from reclassifying the short-term component (up to one year) for reasons of materiality.

CURANUM AG has obligated itself contractually to several banks as part of a borrower's note loan to evidence that it abides by a predetermined financial indicator, the net debt to EBITDA ratio, at the end of each quarter. The bank enjoys 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. 26 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

The following collateral exists for the bank loans:

- Negative clause in connection with one borrower's note loan;
- Land charges totaling T€ 62,047 (previous year: T€ 62,047);
- Global assignment of trade receivables for several loans used by operating companies;
- Pledging of company shares for utilization of a loan;
- Assignment of rental / lease interest receivables;
- Transfer of furniture and fixtures as collateral.

(11) Trade payables

Trade payables contain open items arising from invoices received for supplies and services that have been utilized. They amounted to T€ 7,543 as of the balance sheet date (previous year: T€ 5,226). 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.

(12) Non-current and current provisions

In T€	2010	2009
Bonuses	0	588
Other	1,808	870
Total	**1,808**	**1,458**

Other provisions contained non-current provisions (residual duration greater than one year) of T€ 910 (previous year: T€ 95).

Commitments arising from an employer-funded company pension scheme as part of plant agreements existed until 2005. These plant agreements qualify as defined benefit plans according to IAS 19.7. The obligation's present value was calculated at T€ 1,215 as of December 31, 2010 on the basis of an actuarial appraisal applying the projected unit credit method, which entailed a 5.15% interest rate. There are also claims arising from reinsurance policies that were concluded for this purpose. The difference between the commitment's present value and the receivable due from the reinsurance policy was recognized through the income statement in an amount of T€ 136, and reported among other provisions for reasons of immateriality.

Provisions changed as follows:

In T€	Status January 1, 2010	Utilization	Release	Addition	Status December 31, 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**

The other provisions are composed as follows:

In T€	2010	2009
Current proceedings / cost of lawyers	873	439
Hidden charges realized as part of purchase price allocations	0	336
Contingent loss provision arising from purchase commitment	700	0
Other	235	95
Total	**1,808**	**870**

The T€ 700 contingent loss provision for purchase commitments relates to a property whose purchase price at the exercise date is higher than its fair value as of the December 31, 2010 balance sheet date. In the previous year, there were hidden charges realized as part of purchase price allocation result from the purchase of shares in 2006. Since the events that result in an increase in the purchase price occurred in 2010, the payment of the additional purchase price was realized through the utilization of this provision.

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

In T€	IAS 39 category *	2010	2009
Corporation tax liabilities	n.a.	1,115	61
Trade tax liabilities	n.a.	7	17
Income tax liabilities		**1,122**	**78**
Other current liabilities			
Liabilities to staff	FLAC	2,983	2,715
Salary and wage liabilities	FLAC	23	163
Social security liabilities	FLAC	218	86
Wage/church tax and VAT liabilities	n.a.	892	1,103
Prepayments received	n.a	3,048	3,066
Liabilities to occupants	FLAC	1,630	1,838
Debtor accounts in credit	FLAC	1,072	990
Deferred income	n.a.	85	86
Outstanding invoices	FLAC	3,872	2,042
Professional co-operative contributions	n.a.	672	713
Other	FLAC/n.a.	2,511	1,423
Total other current liabilities**		**17,006**	**14,225**

* 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.

Liabilities to employees are composed of vacation days outstanding (T€ 887; previous year: T€ 923), obligations arising from overtime hours, bonuses, short-term age-related short time working obligations and settlements (T€ 1,783; previous year T€ 1,395), and time allowances (T€ 312; previous year: T€ 396).

The obligation arising from age-related short-time working agreements with employees is reported in an amount of T€ 75 (previous year: T€ 169), less employees' insolvency-protected value credits of T€ 63 (previous year: T€ 276). When calculating the obligation, provisions were formed for the employer's supplements to gross salaries as well as pension insurance contributions, as well as the company's employee remuneration arrears in the case of the "Blockmodell". The share of the obligation with a residual maturity of over one year was discounted applying a rate of 5.5%. Earnings for the 2010 period include income from the reduction of the obligation of T€ 94 (previous year: T€ 105), and are reported under cost of sales.

A ground charge of T€ 1,272 exists for liabilities due to occupants.

The "Miscellaneous" item contains financial liabilities measured at amortized cost (FLAC) in the meaning of IAS 39 as follows:

In T€	IAS 39 category	2010	2009
Deferred interest and participation right interest	FLAC	347	424
Deferred tax/fiscal charges	n.a.	330	59
Supervisory Board remuneration	FLAC	193	160
Deferred rental payments	n.a	809	43
Auditing and financial statement liabilities	FLAC	418	424
Miscellaneous liabilities	n.a.	414	313
Total		**2,511**	**1,423**

(14) Equity

Please refer to the statement of changes in consolidated equity.

Share capital

The Subscribed Capital of CURANUM AG amounts to € 32,660,000.00 (previous year: € 32,660,000.00), and is split into 32,660,000 (previous year: 32,660,000) ordinary bearer shares. It is fully paid in.

Approved Capital

As the result of a resolution of the Shareholders' General Meeting on June 25, 2009, 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 24, 2014, by a total, however, of up to T€ 6,532 through the issue of a maximum of 6,532,000 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.

Purchase of own shares

Through a resolution of the 2010 Shareholders' General Meeting the company was authorized until January 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 share 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 2010.

	Treasury shares in T€	Treasury shares shares
Status as of January 1, 2010/December 31, 2010	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 1.24%. These treasury shares are reported in equity to an amount of T€ 1,241. No treasury shares were acquired in 2010.

Additional paid-in capital

Additional paid-in capital exclusively contains transfers arising from premiums, and has not changed compared with December 31, 2009.

Revenue reserve

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.

To the extent that they existed, negative minority interests in Group earnings were offset with revenue reserves in the past. Since the 2010 financial year, these are reported as "non-controlling interests" in a separate item within equity.

Appropriation of earnings

The annual financial statements of CURANUM AG as of December 31, 2010, which are based on German commercial law (HGB), report unappropriated retained earnings of € 9,075,449.55. A proposal is submitted to the Shareholders' General Meeting to apply the unappropriated retained earnings as follows:

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

No distribution was performed in the 2010 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€ -292 (previous year: T€ 543). Recognition takes into account deferred tax assets of T€ -29 (previous year: T€ 120). Please refer to our remarks in Section A.5. Financial Instruments and E. 24 IFRS 7 Disclosures.

The revaluation reserve results from the first-time consolidation of VGB GmbH in 2006 (proportional release of hidden reserves relating to companies previously included at-equity, in line with the IAS 16 revaluation rules), which was carried forward to the reporting year; the impairment losses that were applied in the year under review also exerted an impact.

C. Notes to the consolidated statement of comprehensive income

(15) Revenue

Revenue is mainly composed of the following:

In T€	2010	2009
Inpatient care including related services (catering/cleaning and laundry)	220,398	216,449
Rental income from managed apartments/outpatient care services	30,207	30,282
Other	6,183	6,371
Total for continuing operations	256,788	253,102
Discontinued operations	6,322	6,420
Total	**263,110**	**259,522**

(16) Cost of sales

Cost of sales contains:

In T€	2010	2009
Personnel expense for care/services	117,753	113,457
Rents	53,740	54,004
Miscellaneous expense	41,766	41,097
Depreciation / amortization	9,571	9,152
Total for continuing operations	222,830	217,710
Discontinued operations	6,625	6,369
Total	**229,455**	**224,079**

Miscellaneous expense contains the following:

In T€	2010	2009
Food	10,812	10,420
Water / energy / electricity	9,745	9,901
Maintenance/repairs and building services	5,090	4,182
Business requirements	2,505	2,336
Medical care requirements	2,316	2,184
Property and other charges	2,350	2,099
Third-party cleaning services for buildings/ laundry	906	1,153
Vehicle fleet expenses	1,388	1,258
Insurance	992	1,020
Care expense	830	779
Miscellaneous	4,832	5,765
Total for continuing operations	41,766	41,097
Discontinued operations	1,154	998
Total	**42,920**	**42,095**

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

(17) Selling and marketing expenses

Selling and marketing expenses are composed as follows:

In T€	2010	2009
Personnel expenditure	244	330
Miscellaneous expense	907	774
Depreciation / amortization	1	1
Total for continuing operations	1,152	1,105
Discontinued operations	36	23
Total	**1,188**	**1,128**

Miscellaneous expenses include mainly expenses for advertising and public relations activities of T€ 914 (previous year: T€ 760), including for the discontinued operations.

(18) General administration expenses

The administration costs are composed as follows:

In T€	2010	2009
Personnel expenditure	12,185	12,558
Miscellaneous expense	6,137	5,127
Depreciation / amortization	591	482
Total for continuing operations	18,913	18,167
Discontinued operations	584	543
Total	**19,497**	**18,71**

Miscellaneous expense includes legal and consultancy costs of T€ 2,491 (previous year: T€ 1,397), telecommunications charges of T€ 587 (previous year: T€ 596), and office materials, postage, ancillary money transfer costs, and other administrative costs of T€ 935 (previous year: T€ 1,089).

Personnel expense and average number of employees

The personnel expense is allocated to the individual functional areas (16) to (18) as follows:

In T€	2010	2009
Wages and salaries	108,644	105,310
Settlements	119	314
Professional cooperative	963	966
Social contributions	20,456	19,755
Total for continuing operations	130,182	126,345
Discontinued operations	4,308	4,146
Total	**134,490**	**130,491**

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

In T€	2010	2009
Salaried employees	5,068	4,879
Temporary personnel	783	788
Total excluding trainees	**5,851**	**5,667**
Trainees	287	271
Total for continuing operations	6,138	5,938
Discontinued operations	105	117
Total	**6,243**	**6,055**

(19) Other operating expenses / income

In T€	2010	2009
Income from continuing operations	3,749	3,187
Discontinued operations	31	36
Total	**3,780**	**3,223**

In T€	2010	2009
Expenses for continuing operations	24,894	979
Discontinued operations	33	38
Total	**24,927**	**1,017**

Other operating income includes income from reimbursements of T€ 1,052 (previous year: T€ 876), income from the release of valuation adjustments to receivables and provisions/liabilities of T€ 384 and T€ 327 respectively (previous year: T€ 281 and T€ 235), and income unrelated to the period of T€ 1,537 (previous year: T€ 1,175).

Other operating expenses include impairment losses due to goodwill and asset impairment in an amount of T€ 16,741 (please refer to Section A Impairment test pursuant to IAS 36) This item also contains extraordinary expenses arising from the release of corporate lease prepayments for Westfalen GmbH and Altenheimbetriebsgesellschaft Süd in an amount of T€ 4,078. The expense arising from a currency translation loss amounted to T€ 748. This item also includes a contingent loss provision for a purchase commitment in an amount of T€ 700. This item also includes specific valuation adjustments to receivables in an amount of T€ 576 (previous year: T€ 93), expenses unrelated to the period of T€ 451 (previous year: T€ 575), and expenses connected with the purchase of shares in an amount of T€ 215.

(20) Interest expense / income

In T€	2010	2009
Interest income from continuing operations	132	131
Discontinued operations	3	0
Total interest income	**135**	**131**
Interest expense for diverse loans	-3,646	-3,854
Interest expense for finance lease agreements	-4,349	-3,751
Other financing expenditure/interest rate derivatives	-1,868	-1,436
Total for continuing operations	-9,863	-9,041
Discontinued operations	–39	-42
Total interest expense	**-9,902**	**-9,083**

The net financial result in 2010 was composed as follows:

In T€	Resulting from financial instrument category (IAS 39)	2010	2009
Interest income from cash and cash equivalents	n.a.	132	105
Interest income from interest rate derivatives	FAHfT	0	9
Other interest income	n.a.	0	17
Total for continuing operations		132	131
Discontinued operations		3	0
Interest income		**135**	**131**
Interest expense for diverse loans	FLAC	-3,646	-3,854
Interest expense for finance lease agreements	IAS 17	-4,349	-3,751
Interest expense relating to participation rights	FLAC	-329	-395
Interest expense for current financial liabilities	FLAC	-204	-6
Guarantee commissions	n.a.	-69	-73
Interest expense from interest rate derivatives	FAHfT	-900	-809
Other interest expense	n.a.	-366	-153
Total for continuing operations		-9,863	-9,041
Discontinued operations		-39	-42
Total interest expense		**-9,902**	**-9,083**

(21) Income tax

The reported income tax expense is composed as follows:

In T€	2010	2009
Actual tax expenditure	2,112	2,359
Deferred income tax	-3,282	672
Total for continuing operations	-1,170	3,031
Discontinued operations	-5	-13
Total income tax	**-1,175**	**3,018**

In T€	2010	2009
Income tax for the current year	1,190	2,295
Income tax for previous years	922	64
Total for continuing operations	2,112	2,359
Discontinued operations	0	0
Actual tax expenditure, total	**2,112**	**2,359**

The previous years' taxes on income include additional tax payments due to the tax authorities in an amount of T€ 789 arising from the acquired company Elisa Seniorenstift GmbH.

The net change in deferred tax in 2007 is presented in the following table:

In T€	2010	2009
Deferred tax assets status January 1	3,664	4,138
Consolidation change	1,568	102
Changes without impact on income	274	95
Changes booked through income statement	1,714	-671
Deferred tax assets status December 31	**7.220**	**3,664**

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

in T€	Deferred tax assets 2010	Deferred tax liabilities 2010	Deferred tax assets 2009	Deferred tax liabilities 2009	Change booked through income statement 2010	Change booked through equity 2010
Property, plant and equipment						
- Divergent useful life	449	828	85	1,019	**555**	
- Finance leasing		339		131	**-208**	
Goodwill Customer base/brand right	1,052	1,107	1,427	928	**-554**	
Market value of derivatives	359		388			**-29**
Provisions	208		34		**174**	
Special reserve item § 6b Income Tax Act (EstG)		406			**-406**	
Liabilities						
– Finance leasing	6,350		5,812		**538**	
Tax loss carry forwards	904		536		**368**	
Other items	1,662	21	412	18	**1,247**	
Total	**10,984**	**2,701**	**8,694**	**2,096**	**1,714**	**-29**
Consolidation	161	1,224	374	3,308	1,568	303
Consolidated balance sheet	**11,145**	**3,925**	**9,068**	**5,404**	**3,282**	**274**

An average income tax rate of 29.825% (previous year: 29.825%) is applicable to the German companies. The applicable tax rates for foreign companies amount to 0% (previous year: 25%).

The disclosures relating to consolidation primarily referred to effects arising from the subsequent consolidation of the sub-group VGB GmbH and FAZIT Betriebsträgergesellschaft mbH.

The change of T€ 303 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.

As in the previous year, the loss carry forwards can be carried forward indefinitely. No deferred tax assets were formed with respect to the loss carry forwards of two subsidiaries amounting to T€ 14,763 (previous year: T€ 19,594).

The foreign companies were sold with effect as of the balance sheet date. Please refer to A. General Principles, 2. Scope of consolidation "Changes to the scope of consolidation during the reporting period".

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€	2010	2009
Gain/loss before tax	**-16,983**	**9,417**
Expected tax expense/income applying tax rate applicable to the parent company of 29.825% (2009: 29.825%)	-5,065	2,808
Other, non tax-deductible expenses/trade tax additions	695	1,091
Trade tax adjustment effects	-1,450	-900
Prior years' tax	819	106
Other effects	3,831	-74
Tax expense (actual and deferred)	**-1,170**	**3,031**

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 have no impact on consolidated earnings.

(22) Earnings per share

	2010	2009
Earnings for the period attributable to CURANUM AG shareholders in T€	-17,368	5,870
Weighted average number of ordinary shares outstanding (in thousands)	32,255	32,268
Earnings per share (undiluted and diluted) €	**-0.54**	**0.18**

Undiluted earnings per share 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. There was no requirement to take dilution effects into account.

(23) 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. These services' opportunity and risk profiles are not significantly different, and are interdependent. For this reason, the business segments that have been identified are summarized in line with the provisions of IFRS 8. Since there are no separate reporting segments in the meaning of IFRS 8, there is also no presentation by business divisions. The company's portfolio still included Austrian companies until the end of 2010, which requires the presentation of Group-wide information pursuant to IFRS 8.

Revenue of T€ 6,322 (previous year: T€ 6,420) 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 (previous year: T€ 1,064), since these companies were sold at the end of 2010.

D. Notes to the consolidated cash flow statement

(24) General 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€ 15,850 in the CURANUM Group (previous year: T€ 8,846). The difference between the previous year's amount and the amount reported in the balance sheet relates to the cash and cash equivalents for the discontinued operation in Vienna. Please refer to Section B. (1) in these notes with reference to the consolidated balance sheet.

The item for depreciation/amortization and impairment losses for non-current assets include impairment losses of T€ 16,741. Please refer to our remarks under Section A 4 in this context.

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. (9).

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

Outgoing interest payments totaled T€ 9,578 (previous year: T€ 8,893). Of this amount, T€ 5,229 is reported in the operating area (previous year: T€ 5,142). The interest portion from finance leasing is reported in the financing area.

The net proceeds from the disposal of subsidiaries reported in the cash inflows and outflows from investing activities are presented in the notes relating to the change of the scope of consolidation are contained in the notes relating to "Scope of consolidation" and "Company mergers" in Section A.2 of the notes to the consolidated financial statements.

The outgoing payments for finance leases contain both the interest and redemption components. The interest portion amounted to T€ 4,349 in the reporting year (previous year: T€ 3,751).

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 has the character of the drawing down of a loan due to the finance lease arrangement.

(25) Additional notes to the consolidated cash flow statement

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

(26) 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 5 "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):

Financial assets available for sale as of December 31, 2009 relate to securities that are traded in an active market. For this reason, CURANUM AG 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 mainly 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 reports by discounting the expected future cash flows (discounted cash flow method) (Step 2 pursuant to IFRS 7.27A).

In T€		**2010**	**2009**
Financial assets			
Cash and cash equivalents	AC	15,850	8,899
Financial assets available for sale	FV	0	372
Loans and receivables	AC	6,912	8,159
Total		**22,762**	**17,430**
Financial liabilities			
Financial liabilities at amortized cost	AC	172,755	160,642
Derivative financial instruments without hedging relationships	FV	0	114
Derivative financial instruments with hedging relationships	FV	1,202	1,301
Total		**173,957**	**162,057**

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

In T€	2010 Fair value	2010 Carrying amount	2009 Fair value	2009 Carrying amount
Financial assets measured at (amortized) cost				
Cash and cash equivalents	15,850	15,850	8,899	8,899
Trade receivables	5,916	5,916	6,482	6,482
Other receivables	996	996	1,677	1,677
Financial assets measured at amortized cost				
Trade payables	7,543	7,543	5,225	5,225
Bank borrowings and participation right capital	79,702	75,981	79,636	84,123
Finance lease liabilities	81,707	78,385	60,603	58,258
Other financial liabilities	10,845	10,845	9,927	9,927

The fair values of cash and cash equivalents, trade receivables, other current financial receivables, trade payables, and other current financial liabilities, approximately 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 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 following table shows the net gains and losses arising from financial instruments:

In T€	2010	2009
Interest income from assets measured at amortized cost	132	105
Financial assets available for sale	-2	-2
Loans and receivables	40	164
Financial liabilities held for trading		
of which interest payments	-190	-155
of which fair value measurements	-710	-654
Interest expense and income from financial instruments measured at amortized cost	-8,528	-8,043

Due to the disposal of available-for-sale financial assets in 2010, impairments that had been booked directly to miscellaneous equity to date were derecognized through the income statement. A net amount of T€ -2 was booked through the income statement to reflect gains and losses on available for sale financial assets in 2010. In the previous year, the net change in unrealized gains on losses from the disposal of available-for-sale financial assets was booked in miscellaneous equity in an amount of T€ -2.

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 at the highest level, and delegates this responsibility to the central treasury department for operating and entrepreneurial 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, as the central department responsible, 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 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. Default risks are reflected using specific valuation adjustments. The calculation of these adjustments is explained in the notes under Section B (2). 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 that are required to make payments. 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 nominated exclusively in Euros as of the balance sheet date. Since the CURANUM Group carries out its operating activities exclusively in the € ozone, there are no currency-specific risks.

Interest rate risk

CURANUM AG is subject to interest rate risk mainly as a result of its 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 rates of interest do not have an impact on earnings and equity. An effect on earnings can result only from early repayment or 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 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. 5 "General accounting principles".

CURANUM AG has entered into for interest-rate swaps to hedge the interest-rate risk arising from a borrower's note loan with WestLB AG, as well as a further loan with HypoVereinsbank. Since the financing facilities are structured variably and become more expensive as interest rates rise, the interest rate swaps hedge against rising interest rates either through a cap or through a fixed interest rate, in other words, rising interest rates costs are hedged against a defined rise in € IBOR. Two of the swaps are so-called corridor swaps that have an upper limit when interest rates rise, but which participate in falling interest rates to a predefined extent. This hedges against the risk of a sharp rise in interest rates, and partially allows participation in falling interest rates within a defined corridor; if the corridor is undershot, the interest rate of the hedged area comes into play as an upper limit.

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

The interest rate swaps are monitored constantly by the cash management and treasury functions, 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.

Depending on the corresponding financial instrument, 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€ 1,944 as of December 31, 2010 (previous year: T€ 2,388).

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€ 653 as of December 31, 2010 (previous year: T€ 1,057).

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 its liquidity risks as a result of secure government grant payments, as well as through the continuous improvement of its treasury and cash management system, and of its invoice reminder system.

The following table presents all contractually fixed, non-discounted cash outflows and payments as of December 31, 2010 for redemptions, repayments, and interest rate payments arising over coming years from financial liabilities/obligations entered in the balance sheet.

31.12.2010 In T€	**2011**	**2012-2015**	**2016 and sub-sequently**
Non-derivative financial liabilities			
Bank borrowings	36,592	16,347	33,137
Miscellaneous financial liabilities (FAZIT 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			
Liabilities arising from swap transactions	640	525	0

* Other financial liabilities include future obligations arising from rental, lease, and maintenance agreements
** n/a due to indefinite term

31.12.2010 In T€	**2011**	**2012-2014**	**2015 and sub-sequently**
Non-derivative financial liabilities			
Bank borrowings	14,176	55,741	29,708
Miscellaneous financial liabilities (FAZIT participation right)	395	1,58	n/a**
Trade payables	5,225	0	0
Other financial liabilities*	69,685	226,46	421,165
Finance lease liabilities	7,762	30,41	48,055
Derivative financial liabilities			
Liabilities arising from swap transactions	899	541	0

* Other financial liabilities include future obligations arising from rental, lease, and maintenance agreements taking into account the elimination of finance leases
** n/a due to indefinite term

The table solely presents 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 cash or debt position, and is used for internal financial management, as well as for external communications with financial investors, analysts, and banks.

Due to a borrower's note loan, CURANUM AG has obligated itself contractually to a bank to evidence that it abides by a predetermined financial indicator, the net debt to EBITDA ratio, at the end of each quarter. If the predetermined ratio is exceeded, each of the providers of the borrower's note loan is entitled to a special cancellation right. The carrying amounts of the borrower's note loan stood out T€ 31,100 as of December 31, 2010. CURANUM AG anticipates it will prospectively fail to comply with this key financial indicator as of the December 31, 2010 reporting date due to one-off effects impacting EBITDA. Key financial indicators were also agreed as covenants for some lines of operating funds. Negotiations are already underway with the relevant loan providers, and CURANUM AG currently regards the existence of a going-concern risk as a consequence of special cancellations of some portions of the loans as minor. The Management Board assumes that amended contractual agreements can be negotiated with the respective lending providers by the end of the second quarter.

This borrower's note loan was reported among current financial liabilities as of the December 31, 2010 reporting date in line with IAS 1.74. This borrower's note loan is reported to its full nominal amount among bank borrowings, within the 2011 timeband in the table of undiscounted cash outflows.

The following table shows the net cash or debt position as of December 31, 2010, as well as its comparison to the previous year:

In T€	**2010**	**2009**
Cash and cash equivalents	15,850	8,899
Current financial assets available for sale Assets	0	372
Total cash position	**15,850**	**9,271**
Current financial debt and current portions of non-current financial debt	39,463	18,815
Non-current financial debt	116,106	124,980
Total financial debt	**155,569**	**143,795**
Net debt	**139,719**	**134,524**

Net cash or debt is the sum of cash and cash equivalents, and current financial assets available for sale, less current and non-current bank borrowings, as well as finance lease liabilities, as reported in the balance sheet.

(27) 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 that may exercise a significant degree of influence on the company, in other words, persons (including their close family members) who participate in the company's financial and business policy, but who do not control the company. In the 2010 financial year, this concerned the members of the Supervisory Board and Management Board of CURANUM AG.

Maxxware Computer Concepts GmbH

In the previous year, this company was temporarily qualified as a related company in the meaning of IAS 24. Services in an amount of T€ 12 were procured from it in the previous year. This company no longer qualifies as a related company in the meaning of IAS 24 in the 2010 financial year.

CURANUM Verwaltungs GmbH

CURANUM Verwaltungs GmbH (general partner of CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG since July 15, 2009), which is partially controlled by the Management Board members of CURANUM, qualifies as a related company in the meaning of IAS 24. CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG rendered a monthly fee of T€ 12 to its general partner for taking over management duties and liability. Overall, CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG booked T€ 5 of expenses in 2010 (previous year: T€ 66) due to a correction credit for the July 16, 2009 until December 31, 2010 period. As of the balance sheet date, there were receivables in an amount of T€ 210 and liabilities in an amount of T€ 1 relating to this company (previous year: receivables/liabilities T€ 0).

(28) Auditor's fee

Auditor's fees of T€ 449 (T€ 377 net) relating to the audit of the separate and consolidated annual financial statements of CURANUM AG, and audit-related consultancy services, were expensed in 2010 (previous year: T€ 552, T€ 464 net). Of this amount, T€ 6 (T€ 5 net) was attributable to audit-related consultancy services (previous year: T€ 52, T€ 44 net), and T€ 20 (T€ 17 net) was attributable to audit fees for the previous year.

(29) 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.

(30) CURANUM AG boards, and Supervisory and Management board remuneration

The company's Management Board comprises the following members:

Walther Wever, Hanover
(Management Board Chairman – since October 1, 2010)

Bernd Rothe, Munich
(Management Board Chairman – until September 3, 2010)

Sabine Merazzi-Weirich, Munich
(Management Board member)

Judith Barth, Munich
(CFO)

The remuneration of the Management Board totaled T€ 679 in 2010 (previous year: T€ 939). Of this amount, T€ 484 was granted to management board members of associated companies (previous year: T€ 774).

Management Board member	Salary	Bonus	Total In T€
Walther Wever (from October 1, 2010)	76	0	76
Bernd Rothe	257	0	257
Sabine Merazzi-Weirich	182	0	182
Judith Barth	164	0	164

Due to the termination of the employment contract of former Management Board member Bernd Rothe, provisions of T€ 450 were formed for services until the end of the contractual period. Management Board remuneration consists of a fixed salary, and a profit-related component. Management Board remuneration is due exclusively on a short-term basis.

The company's Supervisory Board comprised the following members in the 2010 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 from July 1, 2010, member of the Strategy Committee from July 1, 2010)

Dr. Uwe Ganzer, lawyer, sole Management Board member of VARTA AG, Hannover (Deputy Chairman of the Supervisory Board member of the Personnel
and Nomination Committee from July 1, 2010)

Dr. Michael B. Treichl, managing shareholder of Audley Capital Advisors LLP in London, GB (member of the Strategy Committee from July 1, 2010)

Bernd Steffen Quade, business studies graduate, CFO of SimonsVoss Technologies AG, Unterföhring
(Audit Committee member)

Dr. Martin Hoyos, auditor, Vienna (Austria) since May 5, 2010
(Audit Committee Chairman from July 1, 2010)

Prof. Dr. Dr. h.c. Peter Oberender, Bayreuth, since July 1, 2010
Director of the Research Center for Social Law and the Health Sector at Bayreuth University
(Strategy Committee Chairman from July 1, 2010)

Bernd Scheweling, graduate business economist, Munich, until June 15, 2010
(Deputy Chairman of the Supervisory Board until June 15, 2010)

Michael Sasse, notary, Schwelm, until March 15, 2010

Dr. Uwe Ganzer is also 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 member of Imaging Service AG, Niederpöcking
- Supervisory Board Member of TruDent Zahnärztliche Behandlungskonzepte AG, Eckernförde

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€ 196 gross (previous year: T€ 160).

Supervisory Board	Supervisory Board remuneration In T€
Dr. Dieter Thomae	57
Dr. Uwe Ganzer	30
Dr. Martin Hoyos	20
Prof. Dr. Dr. Peter Oberender	20
Bernd Steffen Quade	30
Dr. Michael B. Treichl	21
Bernd Scheweling	15
Michael Sasse	3

(31) Declaration relating to the Corporate Governance Code

In April 2010 for the 2010 financial year, and on March 9, 2011 for the 2011 financial year, 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, and it was made permanently accessible to shareholders on the company's website (www.curanum.de) under Investor Relations / Corporate Management Statement.

Munich, March 10, 2011

CURANUM AG

The Management Board

Walther Wever
(Chairman)

Judith Barth
(CFO)

Sabine Merazzi-Weirich
(Management Board member)

Consolidation scope and utilization of the release provision

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

	Name	Registered office	Interest % [1]
	The following German companies were fully consolidated as of December 31, 2010 (in alphabetical order):		
1.	Altenheim Betriebsgesellschaft Ost GmbH [2]	Munich	100,0
2.	Altenheim Betriebsgesellschaft Süd GmbH [2]	Munich	100,0
3.	Altenheim Betriebsgesellschaft 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.	CURANUM AG (Muttergesellschaft)	Munich	--
7.	CURANUM Bad Hersfeld GmbH [2]	Munich	100,0
8.	CURANUM Baubetreuung und Immobilienmanagement GmbH	Munich	100,0
9.	CURANUM Bessenbach GmbH [2]	Munich	100,0
10.	CURANUM Betriebs GmbH [2]	Munich	100,0
11.	CURANUM Franziskushaus GmbH [2]	Gelsenkirchen	100,0
12.	CURANUM Holding GmbH [2]	Munich	100,0
13.	CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG [2]	Munich	100,0
14.	CURANUM Westfalen GmbH [2]	Munich	100,0
15.	ELISA Seniorenstift GmbH [2]	Munich	100,0
16.	FAZIT Betriebsträgergesellschaft für soziale Einrichtungen mbH [2]	Nürnberg	100,0
17.	GAP Media Service GmbH [2]	Munich	100,0
18.	Krankenheim Ruhesitz am Wannsee-Seniorenheimstatt GmbH [2]	Berlin	100,0
19.	OPTICURA Service GmbH [2]	Munich	100,0
20.	Residenzen Niederrhein GmbH	Munich	100,0
21.	RIAG Seniorenzentrum "Ennepetal" GmbH & Co. KG	Munich	99,6
22.	RIAG Seniorenzentrum "Erste" GmbH & Co. KG	Munich	100,0
23.	RIAG Seniorenzentrum Zweite GmbH & Co. KG	Munich	100,0
24.	ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Liesborn KG [3]	Düsseldorf	94,0
25.	Seniorenzentrum Hennef GmbH [2]	Munich	100,0
26.	Service Gesellschaft West GmbH [2]	Munich	100,0
27.	VGB Beteiligungs- und Verwaltungs GmbH	Munich	94,0
28.	Wäscherei Ellerich GmbH [2]	Kaisersesch	100,0
	The following foreign companies were deconsolidated as of December 31, 2010:		
29.	CB Seniorenresidenz Armbrustergasse GmbH	Vienna/Austria	94,0
30.	CB Managementservice GmbH	Vienna/Austria	94,0

[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] CURANUM AG's voting right share in this company is 15 %

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 profit or loss 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, March 10, 2010

AUDIT OPINION

We have audited the consolidated financial statements prepared by CURANUM AG, Munich – consisting of the consolidated balance sheet, the statement of consolidated comprehensive income, the consolidated statement of changes in equity, the 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 to December 31, 2010. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS as adopted by the 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 audit 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 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 Board of Management, 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 has led to no reservations.

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 (26) "Additional disclosures relating to financial instruments pursuant to IFRS 7" in the "Liquidity risk" chapter of the notes to the consolidated financial statements. Here it is related that, in connection with a borrower's note loan, the company failed to comply as of December 31, 2010 with a financial ratio agreed with the loan providers due to special effects. On the basis of current negotiations being conducted between the company and the respective loan providers, and the measures to reorganize debt financing that were launched at the same time, the Management Board regards a going-concern risk as a result of the financing banks exercising contractually agreed cancellation rights as minor. The Management Board anticipates a rapid conclusion to the current negotiations concerning a renewed long-term financing structure. Given this precondition, the company's long-term continuation is assured.

Munich, March 15, 2011

Wirtschafts**Treuhand** GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Ernst
Certified Public Auditor

Haberstock
Certified Public Auditor

Calendar

March 31, 2011	Balance sheet press and analysts conference, Frankfurt
March 31, 2011	Release of the complete figures 2010, Frankfurt
May 12, 2011	Release of the first quarterly report 2011
June 22, 2011	Annual general meeting, Bad Nenndorf
August 11, 2011	Release of the second quarterly report 2011
November 10, 2011	Release of the third quarterly report 2011

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