CURANUM
Good care has a home.

CURANUM AG, Munich

ANNUAL REPORT 2006

THE GROUP AT A GLANCE

mil. €	2006	2005	YOY
Sales	215.7	188.5	14.4%
Personnel costs	106.9	95.5	11.9%
EBITDAR	71.9	57.9	24.2%
in % of Sales	33.3%	30.7%	
Rental expenses	42.4	33.3	27.3%
EBITDA	29.5	25.2	17.1%
in % of Sales	13.7%	13.4%	
Depreciation	6.8	5.9	15.3%
EBIT	22.8	19.2	18.8%
in % of Sales	10.6%	10.2%	
Financial result	-7.2	-7.5	-4.0%
EBT	15.6	11.1	40.5%
Income tax	-6.3	-4.5	40.0%
Net profit	9.3	6.6	40.9%
EPS (€)	0.31	0.22	40.9%
Cash Flow	15.4	17.5	-11.7%
CPS (€)	0.52	0.59	-11.7%
Cash and cash equivalents	9.1	2.2	313.6%
Shareholders' Equity	39.2	31.1	26.0%
in % of balance sheet total	17.8%	18.9%	
Balance sheet total	220.5	164.4	34.1%
Employees (average)	4,883	4,150	17.7%
Facilities	61	45	35.6%
Care places	7,250	5,641	28.5%
Assisted living apartments	900	686	31.2%

CURANUM AG, Munich

ANNUAL REPORT 2006

7.45 a.m.
Good Morning! Geriatric nurse Sonja Ulitzka lets the sun in and wakes up a resident in the St. Viti nursing home for senior citizens in Uelzen.

Have a nice day! Is what we wish everyone – especially elderly people who require care and are dependent on help from others. We have made this our mission and we endeavour to provide those in need with especially good care.

Day after day, we meet this challenge and, based on our comprehensive, holistic care model, strict quality management and the continuous optimisation of our services, we work at creating a range of services that many people find convincing. Our success proves us right. Again in 2006 CURANUM AG has continued its dynamic growth and proved that "Good care has a home".

8.12 a.m.

Getting washed, dressed and ready for breakfast often presents a problem for the elderly. However, Mrs. Müller and geriatric nurse Lydmilla Rieb from the Großalmerode Centre for Senior Citizens are a good team.

CONTENTS

Hans-Milo Halhuber
(Chairman)

Sabine Merazzi-Weirich

Bernd Rothe

Bernd Scheweling

Dear Shareholders,

We have more than achieved our aim for financial year 2006 with regard to continued growth through further acquisitions while at the same time improving the company's annual rate of return along with expansion and commissioning of the acquired laundry.

We had originally planned to take over seven to eight nursing facilities in this twelve-month period; this was achieved already at the beginning of the financial year with the takeover of the Westphalia Group from Dr. Lohbeck. In September we then had the unique opportunity to purchase another eight facilities together with the FAZIT Group. These were excellently positioned and already achieved a net yield far above the market average. In addition Armbrustergasse, the senior citizens residence in Vienna, returned to the Group in November after the respective reorganization efforts produced the desired success, so that we can expect to see a well-occupied facility in the future. All in all, we now have approximately 1,600 places in nursing care facilities and 200 apartments more than in the previous year. This corresponds to a 27% growth in capacity.

Nevertheless, acquired capacities are not equivalent to occupied beds. Unfortunately, we did not achieve our capacity utilization targets in the financial year just elapsed. For example, we had planned on an increase in capacity utilization of between 70% and 80% in the Westphalia Group, while occupation in the FAZIT Group and in the other CURANUM facilities was to be kept at a stable high level. In contrast to our planning occupancy in the Westphalia Group rose to only 75%, while capacity utilization in the existing CURANUM facilities even declined by approximately 1.5%; thus capacity utilization in the entire Group was almost two percent below planned occupancy on the average. This is attributable to slightly lower demand for nursing care as a whole due to current demographic phenomena along with the effects of competition, as well as general insecurity with regard to reform of the health systems in Germany and the effects of increases in contributions and/or cuts in benefits, and with regard to payments for nursing care insurance.

Thus we were forced to slightly lower our expectations for the entire year with regard to the semi-annual report for the year 2006. Nevertheless, we were able to conclude financial year 2006 with sales in the total amount of EUR 215.7 million; this translates into to clearly higher sales than originally planned, thanks to acquisition of the FAZIT Group. The earnings figures were within the scope of our adjusted planning: the company's EBITDA increased from EUR 25.2 million to EUR 29.5 million, while EBIT climbed from EUR 19.2 million to EUR 22.8 million in the financial year just elapsed. The Group annual net profit even increased by approximately 41% from EUR 6.6 million to EUR 9.3 million; this represents an improvement in the result which the company can be proud of in light of the current high growth and reduced occupancy.

In the financial year just elapsed we financed growth in part from our cash flow, and in part through greater leveraging. For the current financial year we plan to finance acquisitions completely from own resources in order to limit the required interest to a reasonable level. Therefore we would like to propose that any dividend paid be at the modest level of the previous year. We are convinced that successful positioning at this point in time in a market that continues to undergo increasingly strong consolidation will have a decisive impact on our future growth and result in further enhancement of our corporate value. We therefore propose that a dividend of EUR 0.10 be paid out from the distributable net profit for the year in the amount of EUR 16.8 million, i.e. EUR 3.0 million altogether, and that the remaining amount be brought forward to new account.

The share price in financial year 2006 saw positive development once again and rose in the course of the year from EUR 6.40 to EUR 6.90. Compared with the benchmarks SDAX or Prime Standard Pharma & Healthcare this of course is equivalent to underperformance – which is not surprising in light of a price increase of nearly 250% in the previous year. Nevertheless, the qualified auditor's opinion for the consolidated financial statement for the year 2005 and the lowered expectations for financial year 2006 resulted in price declines during the course of the year. After changing auditors we received an unqualified auditor's opinion once again for last year. The latent uncertainty among several investors was eliminated after this opinion was issued and the share price recovered again to more than eight euros.

For the current financial year we are quite confident that we will be able to continue our expansion plans and be able to acquire interesting operator companies at realistic prices. An acceleration of the consolidation process has already become evident on the nursing care market since the beginning of the current financial year. This suits us as one of the few operator with the possibility of acquiring existing facilities. In addition, we will continue to work on implementing our innovative service concepts in order to provide comprehensive support to our customers. This includes both the medical supply centers and our pharmaceuticals concept as well as the logistics center located directly adjacent to our laundry. Moreover, we also aim to constantly improve our quality in the various facilities with a total quality management program and to ensure that all CURANUM facilities belong to the top of the line, even in a more difficult competitive environment. Not only will this ensure future occupancy, but also guarantee that our corporate slogan is put to life: Good care has a home!

Hans-Milo Halhuber
Chairman and member of the management board

Bernd Scheweling
Management board member

Bernd Rothe
Management board member

Sabine Merrazi-Weirich
Management board member

9.05 a.m.

Time for the daily medicine: Mr. Tschwarke and our geriatric nurse, Ms. Zwingenberg take their time. They are both from the Alpenpark St. Vinzenz Nursing Home in Pfronten.

10.20 a.m.

Use it or lose it! In the Senior Citizens Residence Am Ochsenkamp they use it. The residents keep fit with morning gymnastics and specific movement therapy.

THE SHARE

KEY STOCK EXCHANGE DATA (31/12/2006)

ISIN	DE 0005240709
WKN	524070
Class	Ordinary bearer shares without par value
Registered capital	€ 29,700,000
Number of shares	29,700,000 shares
Shareholder structure	Free float 100%, of which Go Capital Asset Management B.V. 10,13 %, Julius Bär Holding AG 10,75%, Fidelity Intl. Ltd. 5,62%
Listings	Regulated Market Frankfurt, Munich, Prime Standard, unlisted trade Hamburg, Düsseldorf, Berlin, Stuttgart
Index	Prime IG Health Care Performance Index Prime Pharma & Healthcare Performance Index Prime All-Share Price Index GEX® German Entrepreneurial Index SDAX® Deutsche Börse Small Cap Index CDAX® Performance Index Classic All-Share Price Index
Designated Sponsors	Gebhard & Co. Wertpapierhandelsbank AG WestLB AG
Financial year	December 31
First quoted	November 30, 1998
Ticker/stock exchange abbreviation	BHS, *Reuters:* BOHG.DE, *Bloomberg:* BHS GR
Proposed dividend	€ 0.10 per share for the 2006 financial year
Market capitalisation	€ 204.9 million
Average turnover 2006 per day in shares/€	101,715 shares / € 761,738
Yearly high/low price	€ 8.83 / € 6.06
Average price	€ 7.66
Opening/closing price	€ 6.40 / € 6.90
Earnings per share (EPS)	€ 0.31
Cash Flow per share (CPS)	€ 0.52

THE SHARE PRICE IN THE PERIOD FROM DECEMBER 31, 2005 TO APRIL 30, 2007

MARKETS BULLISH AGAIN IN THE FINANCIAL YEAR 2006

Despite the uptrend which has persisted for three years and many doubting voices compounded by modest forecasts, the markets again developed very well in the financial year 2006. The price rally, which set in at the start of the year, held steady until the beginning of May, with the DAX exceeding the 6,000 point threshold. The following six weeks saw sharp price corrections, which caused Germany's leading indices to lose around 800 points. Particularly shares with the highest gains took the hardest punishment in this process. In the second half of June, sentiment swung back and the uptrend progressed unabated until the end of the year. In 2006 as well, small and mid caps were the winners: The SDAX repeatedly closed as Germany's best index with a plus of 31.1%, thereby outperforming both the MDAX with 23.5% and the DAX with 21.9%.

The CURANUM share, which had gained 246% at year-end 2005, had risen to € 8.83 by mid-March before the inevitable consolidation took place. The reasons behind this were the delayed publication of the 2005 annual financial statements and the qualified opinion of the auditor. As a result, the share consolidated rapidly to just under the seven euro mark but subsequently recovered swiftly again. The planning for the year as a whole having been adjusted as part of the interim report, the share price reached a low of € 6.60. However, following the FAZIT acquisition and good figures in the third quarter, the price rallied again to above eight euros. Finally, at year-end, the price stood at € 6.90 which corresponded to a performance of only 7.8% in 2006.

GREATER TRADING LIQUIDITY IN XETRA

Whereas, in the financial year 2005, around a half a million euros were traded per day on the stock exchange, the trading volume in 2006 surpassed the 100,000 threshold, which is the equivalent of three quarters of a million per trading day. All in all, nearly € 200 million's worth of CURANUM shares were traded. Therefore, from the standpoint of institutional investors, the liquidity of our share has increased its attractiveness, especially as smaller to medium-size positions can be traded on the stock exchange within a relatively short period without having a substantial impact on the price.

RESEARCH

In the financial year 2006, we won many new analysts in particular who observe and analyse the development of our company on an ongoing basis. Particularly pleasing was the start of coverage by two French research institutions and brokers in September.

DIVIDEND PROPOSAL REMAINS MODERATE

Owing to the increasing market consolidation in the care sector, there are a growing number of attractive takeover opportunities which can be acquired at relatively favorable prices. Our goal, which we intend to achieve in the current financial year 2007 as well, is to take over seven to eight care facilities a year. The acquisition of the FAZIT Group in September 2006 showed that a decisive factor for successful takeover is swift payment which can be decisively reflected in the lower acquisition prices. We are therefore convinced that it is of great advantage for the company to leave funds available in the company for acquisitions. This measure will enable the company to acquire new targets at reasonable prices and thereby forge ahead with its growth and profitability which will benefit our shareholders in the form of a higher enterprise value at a later date.

Consequently, the Management Board and the Supervisory Board propose, as before, that a dividend of € 0.10 per share, and € 2,970,000.00 be paid, with the remaining € 13,831,088.55 being carried forward to new account.

UPON SECOND-TIME PROPOSAL, THE GENERAL SHAREHOLDERS' MEETING ACCEPTS GERMAN ACT ON CORPORATE INTEGRITY AND MODERNIZATION OF SHAREHOLDER LAW SUITS (UMAG)

The regular General Shareholders' Meeting, held, as is customary, in our offices near Munich on June 22, 2006, was marked by a much lower representation of shares than in the previous years, which was presumably due to the larger portion of foreign institutional investors who rarely participate in annual general meetings. In 2005, an amount of 48.88% of the share capital was represented. In 2006, however, only 24.30% of the share capital was represented at the General Shareholders' Meeting. Accordingly, of the 29,700.000 voting rights, only 7,217,965 were exercised. This was also reflected in the number of persons present which

RESEARCH

Date	Research institution	Option
January 2, 2006	HPS Research	"Buy"
March 3, 2006	Berenberg Bank	"Buy"
April 7, 2006	Pacific Continental Sec.	"Hold"
May 2, 2006	HVB Equity Research	"Outperform"
June 21, 2006	Performaxx Research	"Buy"
July 28, 2006	Merck Finck & Co.	"Buy"
August 14, 2006	WestLB AG	"Buy"
September 11, 2006	AC Research	"Accumulate"
September 25, 2006	IXIS Securities	"Buy"
September 28, 2006	Bryan Garnier & Co.	"Buy"
October 31, 2006	DZ Bank AG	"Buy"

halved from 120 in 2005 to around only 60 participants.

Along with standard items on the Agenda, other items included the authorization to buy back own shares, the amendment to the Articles of Association in relation to modification to accommodate the German Act on Corporate Integrity and Modernization of Shareholder Law Suits (UMAG), as well as the waiving of itemization of the remuneration of the Management Board under new German commercial law.

All items on the agenda, with the exception of one, were adopted by a large majority of more than 97% of the votes. Accordingly, this permitted the incorporation of the regulations laid down under the German Act on Corporate Integrity and Modernization of Shareholder Law Suits (UMAG) into the Articles of Association of CURANUM AG, the renewal of the authorization to buy back shares of the company and the selection of a new independent auditor. The waiving of itemizing the remuneration of the members of the Management Board pursuant to the German law on disclosure of executive remuneration (VorstOG) was, however, rejected with a 58.6 % majority; a qualified majority of 75 % would have been required for this agenda item.

As always, a list of participations and the exact outcome of voting can be viewed on the company's web site at www.curanum.de under the Investor Relations/ Stockholders' Meeting heading.

STEPPING UP OF DIALOG WITH INSTITUTIONAL INVESTORS

In the financial year 2006, we stepped up our dialog with institutional investors. In this context, we held a series of road shows in our visits to shareholders and potential investors in the leading financial centers in Europe and the USA and gave detailed explanations on the regulatory environment of the German market for nursing care, the positioning of CURANUM AG, as well as the competitive advantages, strengths and weaknesses of the company. In addition, we participated in sector-specific, small-cap investor and analyst conferences, mainly in Germany and France, in order to be able to present the CURANUM story to a broader public. One-to-one discussions with a large number of investors and analysts rounded up our extensive investor relations program which, naturally, included a shareholders' hotline so that questions could be answered swiftly and in detail.

If you have any questions on our company, you can obtain comprehensive and up-to-date information via internet at any time or contact us directly by telephone:

Investor Relations contact:

Telephone:	+49 - (0)89 - 242065-60
Fax:	+49 - (0)89 - 242065-10
e-mail:	info@curanum.de
Internet:	www.curanum.de

11.10 a.m.

There is power in silence. Mr. May is enjoying the sun on the terrace in the Großalmerode Centre for Senior Citizens.

MANAGEMENT REPORT

CURANUM AG Group Management Report for Financial Year 2006

ECONOMIC UPTURN IN GERMANY IMPACTS PRIVATE CONSUMPTION AND LABOR MARKET

The strength of the economic upturn last year significantly outperformed expectations held at the start of the year. This applies to both exports and corporate investments. The most pleasing development, however, was the firmer development of the domestic economy accompanied by a rise in private consumption and a turnaround in the labor market.

After an increase of just 0.9% in the previous year, real gross domestic product rose by 2.5% in 2006, and adjusted for the fewer working days, the rate of increase was as high as 2.7%. At 12.2%, the nominal rise in exports was higher than the previous year's level of increase of 6.9%, with especially the firmer economic dynamics in neighboring European countries supporting the high level of exports.

Private consumption in 2006 rose detectably for the first time since 2001, and it was particularly installation items, household equipment, as well as goods and services from the entertainment and leisure sector that were in demand during the whole of the year. The real rate of growth in consumption was 1.1%, reflecting mainly the slight increase in real disposable income (+0.7%).

The long expected turnaround in the labor market also set in, reflecting the favorable domestic economic development. The number of working hours performed leapt last year, and the number of employees registered as payers of social security contributions rose by 350,000. Modest wage agreements also contributed to the positive outcome. For instance, collective-agreement-based hourly wages rose last year by only 1.0%, and gross wages by only 0.4%. The seasonally adjusted unemployment rate fell markedly during the course of the year, and a total of almost 500,000 persons fewer were registered as unemployed at the end of 2006.

Rising real incomes and the declining rate of unemployment led to an improvement in the key economic factors that, according to experience, contribute to a rise in demand for care places.

COMPETITION RISES IN THE CARE MARKET

Demographic trends in western industrialized countries, particularly in Germany, have been well established for some time. The ageing of the population and the low level of the birth rate means that the demographic ageing process continues. The high rate of expansion in the population of elderly people, where the probability of requiring care is the highest, is well known as a result of the regular population forecasts issued by the Federal Office of Statistics. For instance, the number of individuals above eighty years of age will triple from 4% of the population today to 12% by 2050. From our current perspective, this would correspond to the growth of approximately 200%, or 4.65% per year.

Regarding the rate of increase in the numbers of persons requiring care between 2003 and 2005, the rate of increase is 2.5% less, or 1.25% less per year, than the long-term demographic trend would suggest. Although demographic trends do not develop on a linear basis, they follow a largely progressive pattern up until 2050. Special influences also play a role in creating gaps in the age structure such as declines or strong increases in the rate of birth resulting from "world wars", "the pill effect", or the economically driven "baby boom". This means that the German care market also currently finds itself in a phase of weak demand that reflects declining birth rates during the First World War. The age structure of individuals in German care homes suggests, however, that this influence will undergo a strong decline in future.

Nevertheless, the number of persons requiring care that were attended to in care institutions rose by 5.7% between 2003 and 2005, while the number of individuals cared for by relatives at home rose by 0.6%. Compared with 1999, the number of persons in care homes has risen by 18%, with the decline in individuals cared for by relatives in the same period amounting to -4.6%. This indicates a trend reflecting, independently of demographics, an increase in professional care provided in facilities, with fewer and fewer relatives being in a position to provide care at home. The reasons for this are well known:

- The need for care is arising at increasingly later stages of life
- The age of relatives of persons requiring care is rising corresponding
- An increasing number of senior citizens have no children
- The number of siblings is in decline, so that care cannot be shared
- To an increasing extent, children are no longer living in proximity to their parents
- A rising number of senior citizens prefer not to live together with their children
- An increasing number of women are in employment
- Rising divorce rates mean that there are fewer daughters-in-law available to provide care

The number of care facilities moved up by 7.0% between 2003 and 2005 as a result of the rising level of new builds by mainly private operators. In other words, a total of around 700 new facilities entered the market. This means that the overall number of care homes in Germany rose from 9,700 to 10,400, with a total of 757,000 places. Since the rise in the number of new facilities outstripped growth in the number of individuals requiring care, competition intensified in many locations with the average occupancy rate in German homes at a level of 89% at the end of 2005. Mainly as a result of the currently extremely high level of demand on the part of real estate investors, who are buying or building care centers at very elevated prices, it can be assumed that the growth of inpatient care on offer will continue to remain high, leading to a further intensification of competitive pressure. Average occupancy rates are in the meantime around only 70% in the most competitive geographic areas.

The rising level of competition doubtless represents an advantage for occupants and their relatives, inasmuch as more choice is available in the market, services are continuously improved, and prices tend to be lower

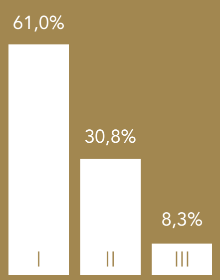
2.13 M CARE REQUIRING PERSONS

At home 68 %

Stationary 32 %

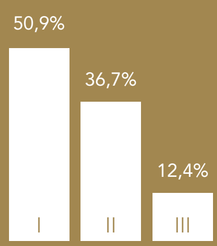
Care by relatives only:
980.000 persons

by care level



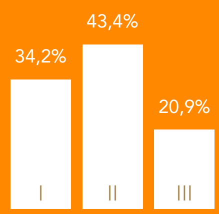
Ambulant care:
472.000 persons

by care level



Stationary:
677.000 residents

by care level *



by
11.000 ambulant services
with 214.000 employees

in
10.400 facilities
with 546.000 employees

-0,6%

+4,8%

+5,7%

*) 1.6% not categorized yet

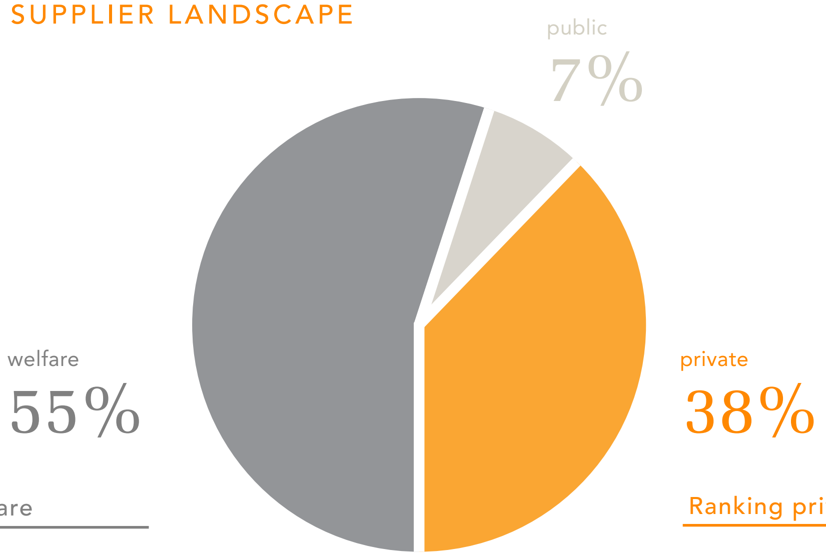
than without the presence of competition. Competition naturally implies a higher level of expenditure for the operators, and greater focus on customer-orientation and service quality. Only those operators will be successful in the long-term that offer outstanding quality real estate at an attractive location, as well as the best possible care in the given circumstances.

PRIVATE OPERATORS GAINING GROUND

According to the latest care statistics produced by the Federal Office of Statistics, non-profit-making operators continue to dominate the inpatient care market with a share of 55%, followed by private operators that have gained market shares in the last few years and currently account for 38% of the total. With now around only 7%, public and local community providers have reduced their market share very significantly in recent years.

Diakonie alone, as Germany's biggest operator, provided 153,100 beds in 2006, followed by Caritas with 121,000 care places. According to information from GV-Praxis, these institutions were followed by the Arbeiterwohlfahrt (AWO) with 70,000 beds, and the German Red Cross (DRK) with 36,200 beds. The next position is occupied by the currently largest private operator Pro Seniore, followed by the privately held Kursana-Gruppe, the Arbeiter-SamariterBund (ASB), CURANUM AG, and Marseille-Kliniken AG. The high level of market fragmentation is demonstrated by CURANUM's market share: with currently 7,200 care places, CURANUM is the third largest private operator with a market share of barely one percent.

FRAGMENTED SUPPLIER LANDSCAPE



Ranking welfare

1. Diakonie (church)
2. Caritas (curch)
3. Johanniter
4. AWO

Ranking private

1. Pro Seniore	2,7%
2. Kursana	2,0%
3. CURANUM	1,6%
4. Marseille-Kliniken	1,3%

INSOLVENCY RISK ON THE RISE IN THE CARE MARKET

The greater level of competition and the related lower occupancy rate present many small operators with profitability problems. This is augmented by the greater cost pressure that can be hard to bear without the synergies resulting from size. The bankruptcy rate continues to be very low in the care area, even if around 25 operators are forced to declare bankruptcy every year. If cost pressures continue to rise as a result of greater competition or declining refinancing possibilities, however, increasing numbers of operators will be threatened by insolvency. According to a study conducted by the Rhine Westphalia Institute for Economic Research (RWI Essen), around 16% of all care institutions are already confronted by an elevated risk of bankruptcy.

As part of the study, researchers at RWI investigated five measures designed to stabilize the financial position of care insurance. It emerged that no measure was suitable for solving the financing problems, apart from a conversion to social insurance on a fully funded basis. Other measures would have had disastrous consequences according to the authors of the report. For instance, if care rates declined by more than 20%, or the prices of care facilities fell by 28%, around 60% of all care institutions would potentially face insolvency.

The authors assumed that a combination of various measures would be politically feasible such as raising contributions, tightening criteria for the utilization of services, boosting competition etc. Along with capital-backed supplementary insurance, trade organization officials demand primarily an improvement in the overall operating environment for care. They are requesting, for instance, the creation of the requisite room to maneuver for companies and employees, support for operators in their commercial activities, and freer price negotiations accompanied by self-determination with respect to the services provided.

CARE AREA EXCLUDED FROM THE EU SERVICES GUIDELINE

The EU-wide rendering of services according to the country of origin principle was set aside as far as the care service business was concerned. Providers of care services in Germany would have otherwise had to orientate themselves to the safety and quality guidelines prevailing in the country of the company rendering the service. This would have meant, for example, that Eastern European care services in Germany would have been required to observe only the laws and standards prevailing in their home country, and would not have been required to satisfy the high quality requirements in Germany that are, of necessity, connected with corresponding costs. The EU Council of Ministers, however, managed to reach agreement in time that care services would be excluded from the services guideline's scope of application.

HEALTHCARE REFORM WITHOUT EFFECTS ON CARE

The Federal Council passed the healthcare reform on February 16, 2007. The reform package has therefore taken the final hurdle and comes into force on April 1, 2007. Every German citizen must now belong to healthcare insurance plan as part of the reform. The core of the act comprises the introduction of a healthcare fund that will commence in 2009 along with the new health insurance fund equalization payment and the new regulations concerning private health insurance.

The care area remains relatively unaffected by the healthcare reform since, in this case, solely factual statutory regulations were confirmed. The Federal

Health Ministry wishes to spend more time than originally planned on the reform of care insurance. The reform is intended to come into force by mid-2008 at the earliest according to the latest statements. Key points regarding establishing a solid financing base for care insurance are so far unclear.

Conversion of pharmaceutical supply with respect to the sale of individual tablets may represent one positive aspect of healthcare reform. This may be the start of the central supply of care facilities with blister packages. Although it has been possible up until now to supply pharmaceuticals in blister packages, due to the fact that blister packages fell also under the definition of "packaging", and dispensing individual tablets was rendered possible as a consequence, it was impossible to submit individual invoices to the healthcare insurance companies. As a result of the "individualization" anchored in the healthcare reform, we hope that the health insurance companies' systems will be adapted to the situation in the foreseeable future, and that our pharmaceuticals concept, which is still awaiting the go-ahead, will be able to commence.

REFORM OF FEDERALISM TRANSFERS CARE HOME ACT (HEIMG) TO THE *LÄNDER*

As part of the reform of federalism, which was approved by the Federal Council in the third quarter of 2006 and came into force on September 1, 2006, responsibility for law governing homes for the elderly has been transferred to the Federal Länder. What this effectively means for the Care Home Act (HeimG) and related legal regulations is a transfer to Länder-specific legislation with respect to homes for the elderly, to the extent to which the Länder restructure such legislation or implement new legislation. The Care Home Act (HeimG) will continue to be valid until all of the Federal Länder have introduced their own legislation.

In many areas the Care Home Act overlaps with the Federal Social Security Code XI (SGB), which guarantees continued standardization at the federal level for many matters. However, the possibility now exists that, for example, a differentiation will be made in terms of manning or minimum building requirements, thereby also affecting future care costs.

We assume that the Länder will utilize their new room for maneuver, and will institute their own care home legislation. It is currently very difficult to gauge the extent to which this will lead to pressure for deregulation from the side of the Länder, but we expect that the potential freedom of action within the legal framework will be utilized.

CURANUM CAPACITY GROWS 27% IN 2006

After the CURANUM Group had concluded its consolidation phase in 2005, and had created the requisite organizational structures, streamlined administrative activities, and optimized operating processes, we were once again ready to grow.

As early as the end of the 2005 business year, we had contractually established the acquisition of seven facilities in Schwelm, Ennepetal, Hagen, Iserlohn and Wuppertal, and the related transfer and first-time consolidation occurred on January 1, 2006. We thereby secured, by way of a corporate lease, 890 care places and eight managed apartments, with a lease prepayment of € 10.0 million being made to the owners by December 2005.

In early September we were offered the unique opportunity the FAZIT Group, a company with an above-average level of profitability and an excellent reputation in its relevant locations. The FAZIT Group, which has its headquarters in Nuremberg, operates eight care facilities in Bavaria, Saxony and Thuringia with


Barth
Bad Schwartau
Dornum
Uelzen
Berlin
Bad Nenndorf
Wolfenbüttel
Bielefeld
Hameln
Vienenburg
Liesborn
Gelsenkirchen
Oberhausen
Werl
Geseke
Bad Lauterberg
Halle
Nettetal
Wuppertal
Gevelsberg
Iserlohn
Düsseldorf
Hagen
Mönchengladbach
Neuss
Ennepetal
Großalmerode
Merseburg
Sieglar
Schwelm
Jena
Hennef
Bad Hersfeld
Greiz
Zwickau
Remagen
Frankfurt
Rödental
Bessenbach
Bamberg
Herzogenaurach
Erlangen
Fürth
Landshut
Augsburg
Karlsfeld
Altötting
Bad Dürrheim
Munich
Germering
Pfronten
= Operating facilities
= New facilities
= Head office

a total of 600 care places and around 200 managed apartments. It generated an operating profit of € 1.9 million in 2005 on sales revenues of approximately € 16 million. CURANUM acquired FAZIT with new, liability-free care premises valued at around € 5 million, and a cash position of approximately € 3 million, for a total price of € 13 million. The FAZIT Group was consolidated as of September 1, 2006.

The Austrian care residence for the elderly at Armbrustergasse in Vienna was re-integrated into the Group in early November 2006. This company, which was opened by the former Bonifatius AG in 2000, failed to reach a satisfactory level of occupancy due to the lack of a provision agreement, before being sold in 2001 to a third-party operator. After it became foreseeable last year that the operation, with 114 care places and 28 managed apartments, would be rendered commercially successful in the medium term through the granting of reimbursement contract by the social welfare carrier, it was possible to re-integrate the company into the Group.

The CURANUM Group acquired or leased a total of 1,604 care places and 240 managed apartments last year, which means that it currently operates over 7,200 care places and around 900 managed apartments. As a consequence, CURANUM AG has more than exceeded its growth target for 2006, since the plan was to acquire between seven and ten new facilities. It was possible to realize significantly faster growth, however, as a result of the highly suitable management personnel running the FAZIT facilities.

COURSE OF BUSINESS CHARACTERIZED BY THE INTEGRATION OF NEW FACILITIES

The course of business in 2006 was reflected, firstly, the high rate of growth and integration of acquired facilities, and, secondly, a greater degree of fluctuation in the occupancy rate. The central laundry started on schedule, although the project will require a slightly longer conversion phase than originally planned.

By December 2005, we were vigorously pushing ahead with the integration of the facilities in North Rhine Westphalia that we acquired at the start of 2006. We examined all services, structures, processes, qualities etc, and initiated the corresponding quality improvement programs, as well as programs designed to integrate services into the Group association or render services through the relevant subsidiaries. The aim is to effect a rapid improvement in the low level of occupancy prior to the acquisition and the partly poor reputation, and raise the revenue and earnings contributions to a level typical of the Group. These measures commenced as planned in the first quarter, but the momentum could not be maintained by the local management teams, and both the measures and earnings fell behind expectations in the second and third quarters. Personnel changes were made correspondingly, and further progress was achieved with the integration in the second half of the year. We have failed to attain our aim of raising the occupancy rate of Curanum Westfalen GmbH, which holds these acquired facilities, from an average of 70% of the start of the year to 80% as of December 31, 2006, and the occupancy rate stood at around 75% by the end of the year.

_11.45 a.m._

A friendly word or a warm hug is nothing out of the ordinary here. Ms. Regina Witt and Ms. Vierow thoroughly enjoy the easy-going atmosphere in the Barth Geriatric Nursing Home.

On January 1, 2006, we also acquired the Ellerich Laundry in Kaisersesch near Koblenz, in order to implement the logistics and laundry concept that we described in last year's annual report. The laundry was expanded on schedule in the first half of 2006, and equipped with additional, highly modern equipment to process both linen and occupants' laundry. A highly modern matrix code marker system enables the correct allocation to facilities, wards, and rooms. It also means that laundry consumption, the condition of laundry, and much more, can be registered automatically so that errors can be detected with ease, and laundry consumption optimized. We started the process of converting all CURANUM facilities in the second half of the year, which, as a result of the technical processes, can cover only one to two facilities per week. In other words, the conversion process will be concluded by mid-2007 according to schedule. The laundry project was implemented overall as planned last year, and only the conversion phase will last slightly longer than originally planned. This is fully reflected in the 2007 budget.

The Group occupancy rate fell, as planned, through the acquisition of the facilities in North Rhine Westphalia that have lower occupancy rates. At the same time, we also experienced a decline in occupancy in the existing CURANUM facilities in the second and fourth quarters. The reasons for this are manifold and dependent in individual cases on the circumstances prevailing at the relevant locations. It was partly the case that there was heightened competition as a result of the newly opened facilities, and, at many locations, the number of foreigners illegally employed in private households increased. There was general uncertainty regarding the reform of the health care systems in Germany and the effects of contribution increases and service cutbacks, including with respect to care insurance payments. By contrast, the decline in the fourth quarter was of a seasonal nature since, in our experience, fewer occupants are admitted shortly before Christmas. The total occupancy rate across the entire Group reduced to about 90% at the end of the year (2005: 92.5%).

To date, the integration of the FAZIT Group, which was acquired in September, has progressed according to plan. The linking to our Group-wide SAP/R3 system, given the absence of IT structures at the company, as well as a controlling and financial bookkeeping system that is updated daily, were implemented without problems. The systems will be converted to the CURANUM service providers and optimized after the expiry of the existing external service provider agreements. The current care processes and quality management system have not required modification. On the contrary, the CURANUM Group has benefited from areas that were already functioning very well at FAZIT. For this reason, the FAZIT Group facilities reported a sustainably high occupancy rate of 98% on average in 2006.

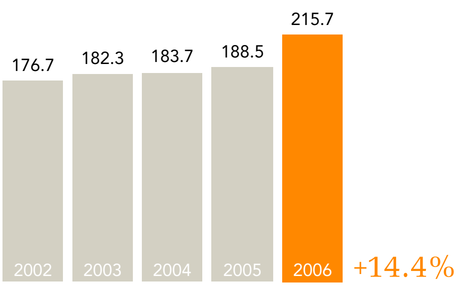
AMENDMENTS OF PREVIOUS YEAR FIGURES ACCORDING TO IAS 8

As a result of potential material effects with respect to two areas that were the subject of auditor reservations in the 2005 consolidated annual financial statements, we had the related subject matter and the correct accounting treatment examined by an independent assessor, and we have correspondingly amended the financial statements according to IAS 8. This has led to a modification of some previous year figures, which correspondingly restricts the comparability of this year's consolidated financial statements with those of 2005. All references to prior year figures below relate to the amended amounts. We refer in this respect to the discussion included in the notes under Section C, Chapter 17.2, “Modifications of estimates and errors in previous years”.

CONSOLIDATED REVENUE RISES TO € 215.7 MILLION

Revenue rose last year to € 215.7 million (2005: € 188.5 million), which corresponds to a growth rate of 14.5%. Compared with the higher level of capacity, two factors were of note: firstly, the occupancy rate of just 75% at Westfalen GmbH, and, secondly, FAZIT Group and the facility in Vienna were consolidated for the first time in September and November respectively, in other words, the full-year revenue volumes from these facilities will not be apparent until next year's financial statements.

CONSOLIDATED REVENUE 2002 - 2006
€ MILLION



The company generated 92.3% of turnover with the provision of care services and related services, 4.9% from the rental of managed apartments and outpatient care services, and 2.9% from the category Other revenue. This includes regular income from, for example, reimbursements for incontinence materials, income from the operation of cafeterias and kiosks, reimbursements for community service workers etc, and, since 2006, income from third parties for laundry services.

The revenue generated last year corresponded almost exactly to our expectations and budgets. Above-budget revenue was generated by the FAZIT Group in the last four months of the financial year.

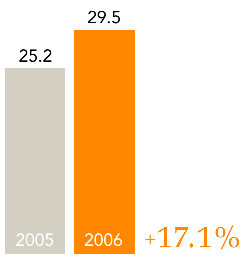
EBITDA EXCEEDS BUDGET AT € 29.6 MILLION

Personnel expenses rose from € 95.5 million in 2005 to € 106.9 million in 2006, which represents an above-average increase compared to revenue (+11.9%). The personnel cost ratio fell from 50.7% in 2005 to 49.5% in 2006. The first-time consolidation of the FAZIT Group contributed to this, since it has lower personal costs as a result of third-party suppliers in the services area.

By contrast, rental expenses rose at an above-average rate, from € 33.3 million in 2005 to € 42.4 million in 2006, which corresponds to an increase of 27%. As already mentioned, the reason for this lies in the 75% occupancy rate of the Westphalia facilities, which is still low. This low level of occupancy means that the corresponding revenues are absent while, at the same time, full rental outlays are still incurred. The operation's lease is also booked among rental expenses. The rental expense rate, excluding actual rents, for facilities conducted under finance leasing, therefore rose from 17.4% in 2005 to 19.7% in 2006.

Gross profit after production costs rose last year from € 35.3 million to € 38.6 million, and the gross margin declined as a result of the higher rents from 18.7% to 17.9%.

EBITDA € MILLION



Earnings before interest, tax, depreciation and amortization (EBITDA) rose from € 25.2 million in 2005 to € 29.5 million in 2006, which represents an increase of 17.1%. The EBITDA margin rose from 13.4% in 2005 to 13.7% in 2006.

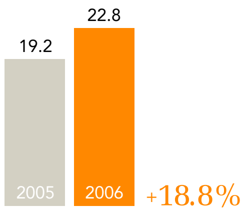
01:45 p.m.

If it tastes good, it is good! Therefore, at all of the Curanum institutions, great attention is paid to what is served at table, for example here in the Bad Nenndorf residence.

This operating profit exceeded our current budget for 2006 (€ 29.0 million). We achieved a significant increase in profitability in terms of operating profit before rental expenses (EBITDAR): EBITDAR rose from € 57.9 million in 2005 to € 71.9 million in 2006, which equals an EBITDAR margin of 33.3% (2005: 30.7%).

Depreciation and amortization rose in the reporting period from € 5.9 million to € 6.8 million, representing a rise of 15.3%.

EBIT € MILLION



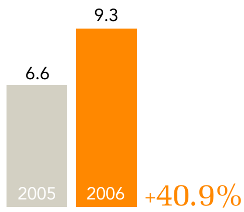
EBIT operating profit improved from € 19.2 million in 2005 to € 22.8 million in the reporting year just past, equivalent to an increase of 18.8%. The EBIT margin climbed only slightly from 10.3% to 10.6%.

AFTER-TAX EARNINGS UP 40.9%

The interest expense last year reduced from € 9.0 million to € 8.0 million. Of this amount, € 4.5 million was recognized for finance leasing. Interest income fell from € 1.5 million in 2005 to € 817,000 in 2006. The net financial result overall improved from -€ 7.5 million in 2005 to -€ 7.2 million in 2006.

Earnings before tax leapt 40.6% in 2006 to € 15.6 million (2005: € 11.1 million). The tax burden rose from € 4.5 million in 2005 to € 6.3 million in the reporting period as a result of higher taxes resulting from retrospective payments of an unforeseen extent as well as the formation of high levels of deferred tax liabilities. Earnings after tax rose 40.9%, from € 6.6 million in 2005 to € 9.3 million in 2006. Given 29,700,000 ordinary shares in issue, earnings per share correspondingly amounted to € 0.31 per share, compared with € 0.22 per share in 2005.

NET PROFIT
€ MILLION



As in the previous business year, we planned to grow through additional acquisitions and investments in new facilities and services. For this reason we intend to employ of our financial resources in a targeted manner. We are accordingly making the proposal to the Shareholders' General Meeting to leave the dividend distribution at the same level as the previous year, equivalent to € 0.10 per share, and a total dividend payout of € 2,970,000.00. The dividend distribution of € 3.0 million and the carryforward of € 13.8 million to the new account would correspondingly be made from the unappropriated retained earnings of the CURANUM AG parent company totaling € 16.8 million.

CASH FLOW CHARACTERIZED BY HIGH LEVEL OF INVESTMENT ACTIVITY

By way of contrast to previous years' cash flow statements, we are now amending the rental expenses reduced to reflect finance leasing according to IFRS contained in the operating cash flow, and we are accounting the depreciation and interest component in the cash flow from financing activity. This significantly reduces cash flow from operating activities.

Last year's cash flow from operating activities was characterized by, firstly, a higher level of gross cash flows of € 22.4 million (2005: € 17.0 million) and, secondly, high cash payments totaling € 7.7 million (2005: € 5.0 million). Net current assets fell by € 1.7 million as a result of the rise in receivables and the reduction of trade payables (2005: € 1.7 million). Cash flow from operating activities minus tax and interest paid totaled € 15.4 million (2005: € 17.5 million).

Cash flow from investment activity in 2006 was composed of the funds utilized for the acquisition of the FAZIT Group of € 8.6 million, investments in the laundry, the extension, and machinery, as well as the property in Bad Lauterberg, and the usual maintenance measures totaling € 17.1 million. Overall cash flow for investment activity totaled € 25.4 million (2005: € 1.8 million).

The financing of the high level of investments is reflected in the cash flow from financing activity, which rose from -€ 15.4 million to € 16.9 million. This item contains a cash inflow from the utilization of overdraft lines of € 4.9 million (2005: -€ 1.0 million), as well as a cash inflow from the drawdown of loans of € 28.0 million (2005: € 0). The financing cash inflow of € 16.9 million results from the deduction of the outgoing payment for loans granted (€ 1.8 million), the redemption of loans (€ 2.7 million) as well as the dividend distribution (€ 3.0 million), and the recognition of finance leasing (-€ 8.5 million).

Cash and cash equivalents correspondingly jumped from € 2.2 million in 2005 to € 9.1 million in 2006.

TOTAL ASSETS RISE BY € 56 MILLION

Compared with the reporting date of the previous year, the consolidated balance sheet as of December 31, 2006 was characterized by an increase in total assets of € 56 million. This was due mainly to the recognition of real estate assets reflecting the purchase and consolidation new companies as well as the related higher goodwill on the assets side. The higher level of liabilities reflects the related financing.

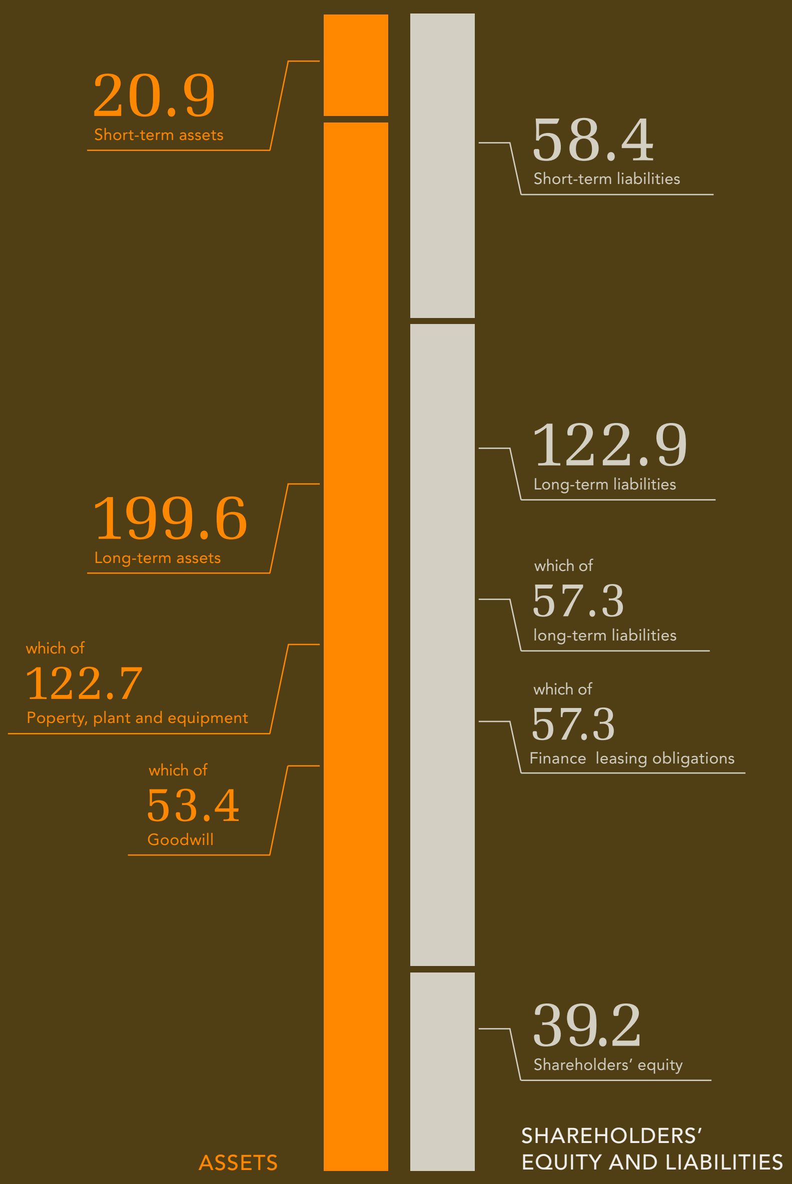
Current assets rose to € 20.9 million as of the reporting date (2005: € 13.9 million), in parallel with the rise in cash and cash equivalents from € 2.2 million to € 9.1 million, as well as the increase in trade receivables by around € 2.0 million to € 6.0 million (2005: € 3.8 million). Other assets fell, by way of contrast, to € 4.2 million (2005: € 5.8 million), and tax receivables reduced to € 1.0 million (2005: € 1.6 million).

The purchase of real estate and the first-time consolidation new companies is recognized on the assets side of the balance sheet mainly among non-current assets, which rose from € 150.5 million to € 199.5 million. Tangible fixed assets increased from € 84.5 million to € 122.7 million. The main reason for the increase was the recognition of the Greiz property arising from the acquisition of the FAZIT Group, and the full consolidation of Bad Schwartauer AVG accompanied by the recognition of hidden reserves (consolidated only at equity in the previous year). This created an increase in value of land and buildings from € 72.6 million to € 90.4 million. Operating and office equipment also rose from € 11.8 million to € 20.9 million, mainly as a result of the first-time consolidation of the FAZIT Group and the related IFRS-mandatory capitalization of the leased equipment. The purchase of the property in Bad Lauterberg was reflected in the Prepayments rendered and plant under construction item that rose to € 11.4 million (2005: € 0).

Goodwill increased to € 53.4 million as of the reporting date (2005: € 43.4 million), which is mainly due to the goodwill of € 10.0 million comprised in the FAZIT Group. Deferred tax assets grew from € 10.7 million to € 12.5 million, and the Other assets item, which mainly defers the lease prepayment to Dr. Lohbeck, reduced as per plan to € 8.9 million (2005: € 11.5 million).

On the liabilities side, the main, and very significant, increase was in non-current loans for acquisitions and real estate financing, and current liabilities rose

OVERVIEW BALANCE SHEET AS OF DEC 31, 2006
(€ m)



primarily as a result of the reclassification of the convertible profit-sharing certificate, as well as due to the utilization of a higher level of overdraft facilities as of the reporting date.

Current financial liabilities grew to € 26.4 million (2005: € 4.7 million), comprising an increase in the utilization of overdraft facilities by around € 6.0 million to € 10.5 million, and a rise in the current portion of non-current loans to € 3.7 million (2005: € 0.4 million). Trade liabilities fell from € 4.4 million to € 3.2 million, and provisions reduced from € 4.4 million to € 4.1 million. Tax liabilities decreased from € 4.8 million to € 1.7 million as a result of the high level of tax payments rendered in the 2006 financial year. Other liabilities, composed primarily of provisions for holidays, personnel, professional co-operatives, overtime hours, as well as payments and deposits received, declined to € 15.9 million (2005: € 17.7 million). The convertible profit-sharing certificate was reclassified as a current financial liability as a result of its expiry on August 31, 2007.

Non-current financial liabilities increased from € 25.5 million to € 57.3 million as of December 31, 2006. Around € 24 million of further real estate loans were added to the real estate loans existing in the previous year, which reflected, firstly, the purchase of the property in Bad Lauterberg, which was due, firstly, to the purchase of the property in and, secondly, to the first-time and full consolidation of Rosea as well as Bad Schwartauer AVG, which own properties in Liesborn and Bad Schwartau. The acquisitions of FAZIT and Lohbeck Group were also backed by loans that lifted non-current financial liabilities by a further € 18.6 million as of December 31, 2006.

Non-current finance lease liabilities reduced from € 63.8 million to € 57.3 million as a consequence of the first-time consolidation of the special purpose company that leases care properties to CURANUM, and deferred tax increased from € 2.3 million to € 7.1 million as of the year-end. Among other non-current liabilities, the convertible profit-sharing certificate was eliminated, and the liability component of the FAZIT profit-sharing right of € 4.9 million was entered on the liabilities side of the balance sheet, with other non-current liabilities rising overall from € 0.1 million to € 1.2 million.

Equity capital as of December 31, 2005 fell as a consequence of the amendment of errors according to IAS 8. Equity overall fell in comparison with the previous year's reporting date to € 31.1 million (previously: € 37.1 million). The main related effect came from the reclassified accounting of real estate purchase options that resulted in a reduction of equity of € 5.8 million. Total equity capital rose to € 39.1 million as of December 31, 2006. The equity ratio fell from 18.9% in 2005 to 17.7% in 2006 as a con-sequence of the higher level of total assets of € 220.5 million (2005: € 164.3 million).

INVESTMENTS

In 2006, we invested primarily in the company's growth, through purchases of care facilities, the acquisition and expansion of the central laundry in Kaisersesch, as well as the extension of care property that will come into operation in the current business year.

We invested around € 2.4 million in new equipment in the facilities in Westphalia that we acquired in January, which will be refinanced via a finance lease transaction. Since all the facilities were leased, no purchase price was incurred, and consequently there was no investment to recognize as expense.

A purchase price of € 13.0 million related to the FAZIT Group that was acquired in September. However, this also entailed the acquisition of a cash position of € 3.0 million as well as a care property free of encumbrances valued at € 5.4 million that can be resold in line with our corporate strategy of growing without real estate ownership.

We utilized the € 1.7 million by way of a purchase price for the Ellerich laundry, and invested a further € 2.3 million during the past business year in the expansion of the hall, a new automated washing system, dryers, mangles, as well as movable assets such as laundry containers. This means that the investments in the laundry have been concluded, and the conversion of all CURANUM facilities to the central laundry will be completed by the middle of this year.

We are planning to open a new facility in Bad Lauterberg as a result of the interesting aspects of the location, combined with the opportunity to integrate the new facility into a cluster with the existing facilities in Vienenburg and Wolfenbüttel. This prompted the short-term acquisition of the care facility in Bad Lauterberg with a capitalized book value including equipment of around € 11.0 million.

MANAGEMENT BOARD EXPANDED

The Management Board was expanded in the autumn to comprise four persons in order to meet the requirements associated with the accelerated growth of the CURANUM Group, and to give greater focus to acquisitions, planned projects, and the operating business. The Supervisory Board appointed Bernd Rothe as a regular member of the Management Board as of October 1, 2006. Bernd Rothe is assuming respon-sibility for the Finance Department that was previously shared by the Management Board members Hans-Milo Halhuber (Chairman) and Bernd Scheweling.

Jens Spitzer, who has been a member of the operating Management Board for many years, stepped down from office on December 31, 2006 and will devote

INVESTMENTS 2006

	2006 mil. €
Westphalia-Group	2,4
Fazit-Group	13,0
Wäscherei Ellerich	4,0
Bad Lauterberg	11,0
Maintenance capex	2,0
Total	**32,4**

02.02 p.m.

He who seeks shall find: a good book and a nice quiet spot. Mr. Kruse of the Vienenburg nursing home takes pleasure in the lovely weather in the garden.

himself as managing director specifically to the facilities acquired from Dr. Lohbeck in January. The Supervisory Board appointed Sabine Weirich to be his successor as of January 1, 2007.

MANAGEMENT BOARD REMUNERATION

The overall remuneration of the Management Board of CURANUM AG is split into basic and performance-based components. We have so far not implemented components with long-term incentive effects such as stock options or convertible bonds. Such incentives nevertheless exist, however, as a result of the in part far-reaching participation of the Management Board in the company's equity. The Management Board has no vested rights to future pension payments, pension arrangements for surviving dependants or predefined settlements, and there are no special regulations relating to a change of company control.

The Management Board received € 2.1 million in 2006 (2005: € 2.6 million), of which € 246,000 was attributable to CURANUM AG (2005: € 332,000) and € 1,823,000 attributable to CURANUM GmbH (2005: € 2,232,000). Of this amount, € 801,000 comprised basic salary, and € 1,268,000 a variable bonus that depends on the company's earnings. The Management Board members received the following remuneration on an individual basis (in thousands of euros):

WORKFORCE RISES ABOVE 5,000 LEVEL

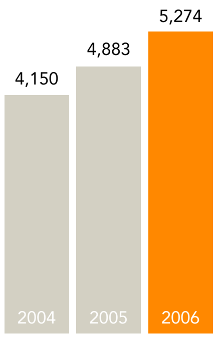
The average number of employees in the Group rose from 4,115 in 2005 to 4,883 in 2006, with the absolute headcount as of December 31, 2006 totaling 5,274. On an accounting reporting-date basis, the CURANUM Group exceeded the 5,000 employee level with the acquisition of the FAZIT Group. The number rose by 25.8% between January 1 and December 31, 2006. On this number, an average of 82.1% were salaried employees, 14.8% were temporary workers, and 3.1% trainees.

Many of the employees in our facilities have elected to utilize a part-time working model, which harmonizes with both the extreme variance in the daily workload, as well as the flexibility desired by members of staff. For our occupants, this means that we can adequately cover the great difference in workload between, for example, the number of helping hands required when occupants rise in the morning, and the lesser extent of help required during the mid-afternoon rest period. We ensure an optimal level of care at all times of the day and night. As a consequence, the 5,274 employees reported as of the year-end date correspond to a total of 3,681 full-time jobs.

REMUNERATION OF MANAGEMENT BOARD

Management Board	Salary	Bonus	Total
Hans-Milo Halhuber	300	509	809
Bernd Scheweling	300	509	809
Jens Spitzer	180	250	430
Bernd Rothe (from 1.10.2006)	21	0	21

NUMBER OF EMPLOYEES



The growth rate of personal expenses was slightly lower than the revenue growth rate during the reporting period. In other words, personnel expenses in 2005 corresponded to a personnel expense (personnel expenses expressed as a percentage of revenue) ratio of 50.7%, whereas these costs of € 106.9 million in 2006 were equivalent to a personnel expense ratio of 49.5%.

We further expanded our company-internal trainee program in the reporting year for qualified managers in the facilities. Our experienced facility managers coached numerous new facility management assistants in 2006, and conducted them through an intensive training year held in several facilities and departments. This means that by mid-2007 we shall be in a position to grow further, and we have sufficient management potential available for further acquisitions. The first students to complete a personnel development program for future managers as part of the cooperation with the Institute for Education and Social Management of the Technical University of Koblenz were also engaged in our centers. This allows future facility management assistants to start to prepare themselves scientifically and practically during their studies for their future professional activities, which ensures a transfer of knowledge between theory and practice. A particularly important aspect of this model, however, is that all future facility managers enjoy a cross-section of essential expertise from the areas of care, business, and social work.

In order to always have at our disposal qualified personnel at all relevant levels in our facilities, we implement a Group-wide training and further education concept that regularly updates our care staff to the latest level of care science, and is available for the hiring and further training of managers. Managers, QM staff members, and external lecturers provide regular and intensive training for our care personnel concerning corporate model, care model, and quality objectives of CURANUM AG, advanced care practice concerning, for example, bedsores or contracture prophylaxis, classification measures, statutory QMS implementation, or mandatory documentation requirements.

ENVIRONMENTAL PROTECTION AND ENERGY MANAGEMENT

In line with our sector, we produce small volumes of waste, and we consume little energy since we are not a processing industry. We nevertheless aim to achieve an optimum in this area. This is why we installed, for example, a new type of energy-saving system directly adjacent to the incinerators in our facilities in order to reduce energy consumption and CO2 emissions. This allows energy consumption to be reduced by up to 30%, and CO2 emissions by up to 60%, as a result of a significant reduction in the number of incinerators starts, requirements-adjusted management of the second incinerator step, and the reduction of start-stop losses.

We also entered into an energy contracting arrangement last year that also reduces consumption, since this entails the acquisition of the requisite heating, and the contractor is responsible for providing the technical measures. It also means that, for example, higher levels of consumption are not precipitated through incorrect settings.

RISK MANAGEMENT

CURANUM is in general not exposed to many risks typical of production or service operations since inpatient care services in Germany are subject to particular regulations and related safeguards. The company also operates with only one exception exclusively in Germany, and is therefore not subject to foreign exchange risks. We are nevertheless exposed to some risks typical of service operators, as well as specific risks occurring only in the care market.

The following section describes the risks that may have a significant influence on our company's development and its asset, financing, and earnings positions. These are not necessarily the only risks to which we are exposed. As yet unknown risks may also affect the company's operations.

MACROECONOMIC AND SECTOR RISKS

Demand for inpatient care places continues unabated, is non-cyclical, unlike many other sectors, and has so far been unexposed to intense competition. Our sector nevertheless felt the effects of economic phases of weakness and high unemployment in recent years, since care at home can be performed even by untrained staff, is given monetary support by related insurance entities, and can therefore substitute inpatient care. This means that a high level of unemployment can result in a greater extent of care being performed at home, and fewer admittances in the inpatient area.

Even a reduced inclination to consume can result in reduced outlays on the care of relatives in periods of economic difficulty. Price structure plays a greater role as a consequence, and predatory market practices implemented via prices can occur in the more competitive regions.

It is possible to only a limited extent to make forecasts concerning macroeconomic changes in private consumption, unemployment, and the entrance of new competitors into the market.

Changes in the German care market such as new forms of care or new types of residential arrangement and alternative outpatient services may also affect demand for inpatient care places. We provide extensive protection for ourselves from these market risks through close observation of the market, the development of our own innovative concepts, and an extensive network to institutions that perform care research or that may have an influence on the overall environment for care.

Our strategy of growth via acquisitions and start-ups entails an inherent risk, since employees, processes, and systems require integration when facilities are required. The main risk involved in a start-up is that of occupancy, which can be exacerbated by the difficulty of forecasting demand and its related elasticity due to various factors prevailing at the relevant location.

OPERATING RISKS

CURANUM AG offers its customers inpatient care and all related services such as catering, cleaning, laundry services, among others. The core business comprises the rendering of high-quality care in inpatient facilities. We are unable to benefit from the value-creation chain surrounding care without this corresponding quality. Despite our quality management, frequent inspections, and employee training courses, errors may occur as a result of the personnel-intensive nature of the business, which lead to quality problems. As a rule, CURANUM is in a position to identify problems and implement rapid solutions as a result of its early warning systems, both internal and external inspections, as well as an extensive complaint management procedure. Quality shortfalls nevertheless represent a risk that cannot be excluded entirely.

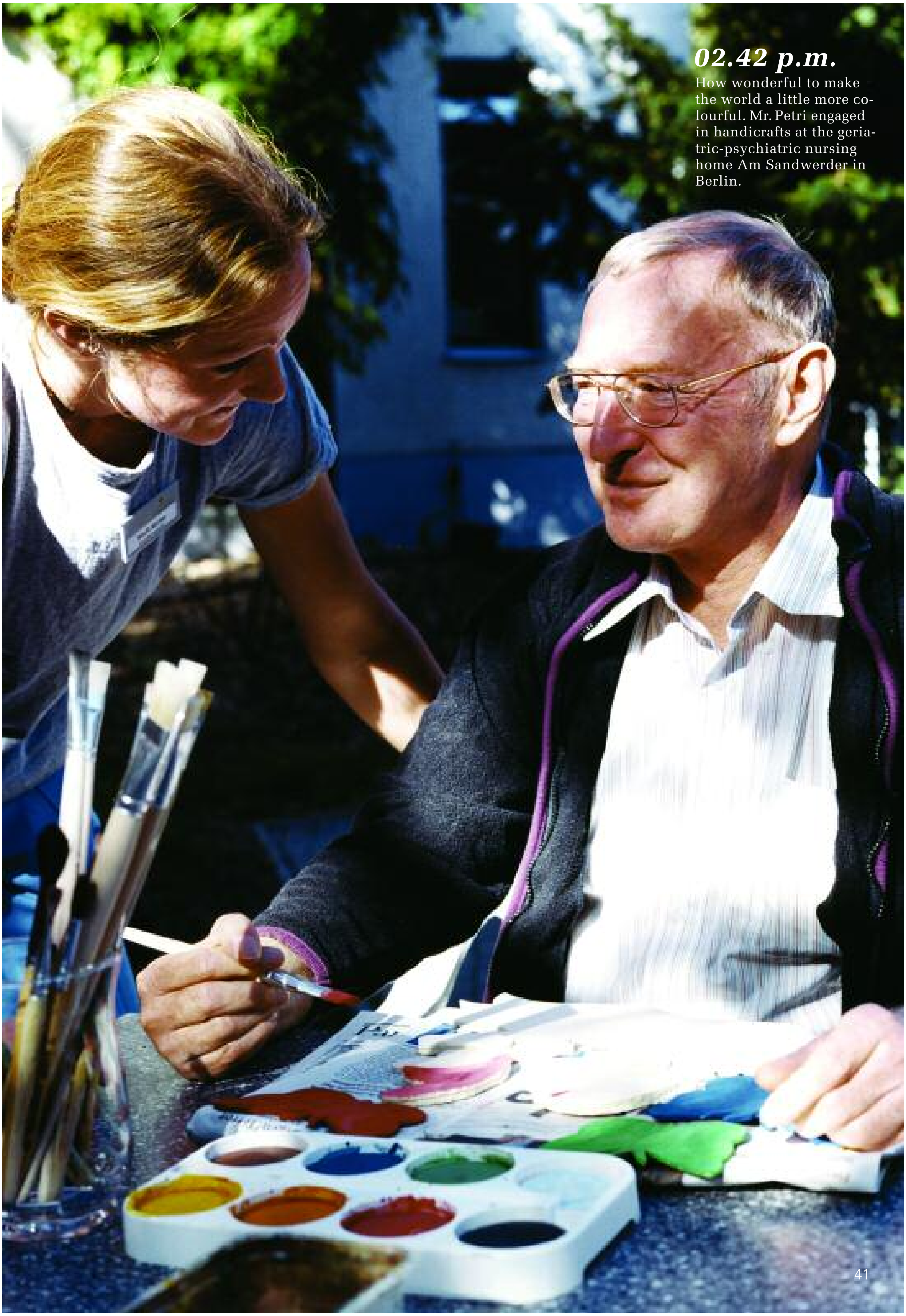
Major new inpatient capacities have been created in Germany in the past five years that have resulted in a competitive situation in some locations. This has led to reduced waiting lists even within the CURANUM Group, and risks to our revenue have become detectable at some locations. Although the occupancy risk is minimized through appropriate measures in the areas of care quality, scope of care, marketing, and communications, the risk of declining occupancy at some locations cannot be excluded.

PERSONNEL RISKS

Large numbers of care personnel have been made redundant in the last two years as a result of the introduction of case-based lump-sum payments in hospitals, and the related reduction of waiting periods. This means that there are sufficient numbers of care staff available also for inpatient care facilities, and even in major conurbations there are hardly any bottlenecks. The risk of being unable to hire qualified care personnel has reduced decisively as a consequence. Procuring personnel at individual locations may nevertheless prove difficult in future. There is, however, a serious problem concerning the hiring of facility managers. The markedly non-profit-making, social aspect of the German care market makes it difficult to locate facility managers that combine social, care, and business expertise aspects. We have significantly reduced this risk through our company-internal trainee program for facility managers. Despite this, we are unable to fully exclude the possibility of a bottleneck in this area.

REGULATORY AND LEGAL RISKS

Around 60-70% of revenues in the inpatient care area come directly or indirectly from public funds. Care institutions in Germany are consequently subject to manifold regulations, laws, and ordinances, and they are monitored simultaneously by several authorities. For instance, as has happened in the past, new laws are enacted to maintain quality without an accompanying employment of funds. Such laws give rise to increased levels of bureaucracy and documentation expense without providing the resources required. As a result of the precarious financial situation of care insurance and local authority funds, the risk exists that new regulations are introduced along with the reform of care insurance and the new version of the Care Home Act could entail greater burdens for occupants and/or operators.



02.42 p.m.

How wonderful to make the world a little more colourful. Mr. Petri engaged in handicrafts at the geriatric-psychiatric nursing home Am Sandwerder in Berlin.

CURANUM AG is keeping a very close eye on developments and is attempting to anticipate the consequences of existing draft laws. The State's mandate to safeguard the provision of efficient care for those in need means, however, that from today's perspective no major changes are anticipated that might jeopardize the operators of care institutions. The majority of our competitors, which are insufficiently profitable, would also be hit earlier and harder than CURANUM AG. Politicians need therefore to first ask themselves what would happen to the occupants of these facilities following a wave of insolvencies.

INTEREST-RATE RISKS

The interest-rate risk of CURANUM AG results predominantly from interest-bearing financial liabilities, which is minimized, since a large portion of these liabilities have fixed rates of interest for their duration. For instance, real-estate-collateralized loans have fixed and long-term interest-rate arrangements. The current convertible profit-sharing certificate excludes participation in the profits of the company and also carries a fixed rate of interest. Further acquisition loans have partly variable structures and the interest is calculated on the basis of EURIBOR plus a market-normal lending premium. Overdrafts are also subject to short-term fluctuations in the market interest rate. We minimize the risk from unexpected increases in interest expense through distributing the related risks among several banks and the constant monitoring of current interest-rate developments.

We concluded three interest-rate derivative transactions with a total volume of € 12.5 million in order to reduce the interest expense arising from the convertible profit-sharing certificates and overdraft facilities, which are based mainly on the interest-rate differential between the EURIBOR interest rate across various terms. However, this entails the risk that, as a result of an interest rate development that would be negative for CURANUM AG, interest-rate losses might lead to an increase in interest payments.

An interest rate derivative transaction of € 10.0 million was concluded to minimize the risk related to the acquisition financing for the Dr. Lohbeck Group, the terms of which have been set precisely to reflect the term and volume of the financing. Since the financing is structured on a variable basis and becomes more expensive given rising interest rates, the interest-rate derivative transaction hedges rising interest rates on a 1:1 ratio, in other words, rising interest costs are hedged given a defined increase in EURIBOR. The interest-rate derivative volume reduces in parallel to the repayment of the loan.

As a matter of principle, our interest-rate derivative transactions are monitored constantly by our cash management and treasury functions, and changes to the interest-rate and relevant spreads are reported directly to the Management Board. The issuing bank provides us with a daily report on the development of interest rates and on the relevant parameters that have effects on interest-rate developments in the future. The bank also reports regularly regarding the development of the interest-rate derivatives.

LIQUIDITY RISKS

Liquidity risks are very minor as a result of the reliability of payments from public authorities and the improvement of our system of invoice reminders. The CURANUM treasury and cash management system caters for a minimization of this risk.

The repayment of the convertible profit-sharing certificates due on August 31, 2007 represents a liquidity risk, since the entire amount of formerly DM 24.0 million or € 12.3 million is due for payment on this date. We shall repay the nominal amount since the high conversion price leads us to anticipate no conversions by the expiry date. We have, as a matter of principle, scheduled resources for the repayment. As a result of our continued expansion, however, we do not wish to service the redemption from the reserves available. We intend instead to either make a new issue of a profit-sharing certificate, or to take out a mezzanine financing or a low interest-rate bank loan. We are already in discussions with the relevant banks.

Further significant risks, such as occur typically for industrial, production or service companies, are largely excluded at CURANUM AG. There are no country or foreign exchange risks. Default risks are minimal due to the high share of proceeds from public funds, since, if a resident is unable to pay for services, social security funds make up the difference. There are no concentrations of risk on the procurement or sales sides, especially since, within purchasing, sufficient diversification is ensured in all areas.

OVERALL RISK

The company's overall risk can be classified as relatively low compared with other sectors and service businesses as a result of the special position of the care market in Germany. It is certainly the case that the specific risks inherent in the care market that we have presented above do not occur to this extent in other sectors. Many risks typical of industrial and service companies, however, do not apply at all to CURANUM. Constant market growth results in constant rises in demand, safe cash streams guarantee liquidity, and a weaker level of competition provides protection from serious regulatory interventions.

THE RISK MANAGEMENT SYSTEM

The risk management system of the CURANUM Group has the task of identifying at an early juncture, and of documenting, internal and external developments that might jeopardize or negatively impact the company's continued existence. The risk management system forms an integral component of the planning, operating business, controlling and accounting business processes, and is directly anchored within the Management Board. Our Group-wide controlling system, which evaluates on a daily basis all data from facilities and headquarters that are relevant to business decision-making processes, provides us with an early warning system and management tool that allows us to act rapidly to inappropriate risks.

The members of the CURANUM risk management team are selected by the Management Board. The team examines the risk management system at predefined intervals. Four quarterly meetings are held per year. As a rule, this meeting should take place before a meeting of the Management Board so that a member of the risk team can report to the Management Board meeting concerning particular instances risks that might threaten the company as a going concern. The risk team meeting examines identified risks in the risk inventory using a relevant prepared risk inventory form in its valid edition. Above and beyond this, the risk team assesses the extent to which new risks have been identified that might jeopardize the company's existence, and that need to be added to the risk inventory.

The risk inventory form is a list of risks (in its relevant up-to-date version) that might threaten the company as a going concern, and measures divergence from a predefined benchmark, whereupon the Management Board must be notified immediately. The review parameters consist of revenue per facility, occupancy, personnel cost ratio, overtime inventory, absenteeism

03.14 p.m.

The journey is the reward. It does not matter to the two ladies from the Neuss nursing home who wins their game of Chinese checkers, but how they win.

and sick day rates, materials expenses, quality control results, cash reconciliation, as well as modifications to the legal framework.

The risks team also decides in coordination with the Management Board concerning the introductory listing of risks in the risk inventory. Risks that potentially threaten the company as a going concern are examined at the risk team meetings using the management information system for the previous three months.

In the 2006 financial year, the risk management team conducted ongoing monitoring and checking of all areas of potential risk in the CURANUM Group. No risks to the company as a going concern were identified.

DISCLOSURES ACCORDING TO § 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)

§ 315 (4) NO. 1

The subscribed capital amounted to € 29,700,000.00 as of the reporting date, split into 29,700,000 nil-par ordinary bearer shares. Each share is entitled to one voting right, and there are no preference shares in issue.

§ 315 (4) NO. 2

There are no restrictions with respect to voting rights and share transfers.

§ 315 (4) NO. 3

The management of the Global Opportunities Fund, Amsterdam, disclosed to us in accordance with § 21 Paragraph 1 of the Securities Trading Act (WpHG) that the fund's voting share in CURANUM AG exceeded the 5% threshold on September 12, 2005 and now amounts to 10.13%.

(GO) Capital Asset Management B.V., Amsterdam, disclosed to us in accordance with § 21 Paragraph 1 of the Securities Trading Act (WpHG) that its voting share in CURANUM AG exceeded the 5% threshold on September 12, 2005 and now amounts to 10.13%. The voting share is attributed 100% to the company in accordance with § 22 Paragraph 1 Clause 1 Number 6 and Clause of the Securities Trading Act (WpHG).

(GO) Capital Asset Management B.V., Amsterdam, disclosed to us in accordance with § 21 Paragraph 1 of the Securities Trading Act (WpHG) that its voting share in CURANUM AG exceeded the 5% threshold on September 12, 2005 and now amounts to 10.13%. The voting share is attributed 100% to the company in accordance with § 22 Paragraph 1 Clause 1 Number 6 of the Securities Trading Act (WpHG).

Julius Bär Holding AG, Zürich, disclosed to us in accordance with § 21 Paragraph 1 of the Securities Trading Act (WpHG) that its voting share in CURANUM AG exceeded the 5% threshold on April 13, 2005 and subsequently amounted to 5.88%. Its voting share exceeded the 10% threshold on May 30, 2006, and now amounts to 10.75%. The voting rights are attributable to the company in accordance with § 21 Paragraph 1, § 22 Paragraph 1 Number 6 in combination with § 22 Paragraph 1 Clause 2 of the Securities Trading Act (WpHG).

Julius Baer Investment Management LLC, New York, disclosed to us in accordance with § 21 Paragraph 1 of the Securities Trading Act (WpHG) that its voting share in CURANUM AG exceeded the 5% threshold on May 24, 2005 and subsequently amounted to 6.10%. The voting rights are attributable to the company in accordance with § 22 Paragraph 1 Number 6 of the Securities Trading Act (WpHG).

Julius Baer Securities Inc., New York, disclosed to us in accordance with § 21 Paragraph 1 of the Securities Trading Act (WpHG) that its voting share in CURANUM AG exceeded the 5% threshold on May 24, 2005 and subsequently amounted to 6.10%. The voting rights are attributable to the company in accordance with § 21 Paragraph 1, § 22 Paragraph 1 Number 6 in combination with § 22 Paragraph 1 Clause 2 of the Securities Trading Act (WpHG).

§ 315 (4) NOS. 4 AND 5

There are no special rights granting control authorizations. There is no special voting right control if employees participate in the company's capital and do not exercise their controlling rights directly.

§ 315 (4) NO. 6

The provisions of § 84 of the Stock Corporation Act (AktG) as well as §§ 7 and 8 of the Articles of Incorporation apply with respect to the appointment and withdrawal of members of the Management Board. § 179 of the Stock Corporation Act (AktG) applies with respect to modifications to the Articles of Incorporation.

§ 315 (4) NO. 7

Management Board authorizations to issue shares:

The Management Board is authorized, with the approval of the Supervisory Board, to increase the registered capital of the company by June 23, 2010 against cash payments or contributions in kind, either once or on several occasions, through the issue of a total, however, of € 13,000,000.00 or of a maximum 13,000,000 new ordinary shares (Approved Capital). Subscription rights are to be granted to shareholders as a matter of principle when performing the capital increase. However, the Management Board may exclude shareholders' subscription rights with the approval of the Supervisory Board in the case of a capital increase for payment in kind, if the new shares are required as counterpayment by the company for the acquisition of another company or a shareholding in another company. The Management Board may exclude shareholders' subscription rights with the agreement of the Supervisory Board in the event of a cash capital increase if the capital increase does not exceed 10% of the company's issued share capital and the issue price for the new shares is not materially less than the stock exchange price. Furthermore, the Management Board may exclude residual amounts from the subscription rights with the approval of the Supervisory Board. The Management Board, with the approval of the Supervisory Board, determines all further details relating to capital increases and their execution. The Supervisory Board is furthermore authorized to make corresponding adaptations to the wording of the Articles of Incorporation following each utilization of approved capital.

Management Board authorizations to repurchase shares:

The company was authorized at the ordinary Shareholders General Meeting of June 22, 2006, to acquire or resell once or on several occasions own shares in the company while observing the principle of equal treatment, until December 21, 2007, and with the approval of the Supervisory Board. This authorization may not be used for the purposes of trading in the company's own shares. The arithmetic share of the shares acquired as part of this authorization may not exceed 10% of the subscribed capital. The purchase price paid by the company for each share may deviate by no more than 5% from the average stock exchange price of the share of the company on the last five trading days before the acquisition of the shares (excluding ancillary purchase costs). In this respect, the average share price in the sense of the above ruling is the average (arithmetic mean) of the closing prices determined during the last five stock exchange days before the purchase of the shares on the Frankfurt Securities Exchange for one CURANUM share. The Management Board is authorized, with the agreement of the Supervisory Board, to retire own shares acquired on the basis of the above authorization without a further resolution of the Shareholders' General Meeting. The Management Board is entitled, with the approval of the Supervisory Board, to utilize the shares acquired on the basis of the above authorization, either wholly or in part, as payment for the acquisition of convertible profit-sharing certificates issued by the company or for the acquisition of companies or shareholdings in companies made by the company. In these instances, the subscription rights of the shareholders lapse. Also in these cases, for the purposes of valuing the payments to be made, it is not permitted to pay less than 95% of the average stock exchange price of the company's share during the last five trading days before the coming into force of the agreement regarding the acquisition of the convertible profit-sharing certificates, of the company or of the shareholding. In this respect, the average share price in the sense of the above ruling is the average (arithmetic mean) of the closing prices determined during the last five stock exchange days before the coming into force of the relevant purchase agreements on the Frankfurt Securities Exchange for one CURANUM share.

§ 315 (4) NOS. 8 AND 9

There are no change of control clauses within the company.

REPORT ON EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no events of particular significance between the accounting reporting date and the date of the preparation of the annual financial statements. There have been no resolutions to date concerning the reform of care insurance. As explained above, the healthcare reform that has been passed, does not affect operators of care institutions.

CURANUM AG's position has not changed in the first eight weeks of the current business year, and the operating business developed as budgeted and expected.

FORECAST REPORT - OUTLOOK AND PLANNING

ECONOMIC UPTURN CONTINUES

The export and investment-led upturn in the German economy is set to continue in 2007, notwithstanding the temporary decline anticipated by leading economic research institutes. Following the first six weeks of 2007, it became clear that the reason for the expected decline, the 3% increase in VAT, would inhibit private consumption to a lesser degree than originally anticipated. The growth pace will nevertheless weaken. The restrictive finance policy has effected a withdrawal of purchasing power that will be reflected in production and employment. The further development of economy will depend significantly on global economic developments.

It will prove impossible in 2007 to maintain the high rate of expansion of the global economy last year. The downturn in the USA and the devaluation of the dollar will put a brake on the rise in German exports, even if partially compensatory effects are felt additionally from countries that are still growing in the Middle and Far East. Forecasts for German GDP growth for 2007 lie between 1.4% and 2.1%. The wide range reflects some uncertainty surrounding the consequences of the VAT increase, as well as the weakening of the US economy. All forecasters agree, however, that unemployment will decline further and that real wages with trend higher.

The prospects for a continuation in 2008 of the economic upturn are good. A reacceleration of the global economy is anticipated, and the current economic cycle appears to be far from its peak. Economic research institutes expect GDP growth of between 1.8% in 2.3%.

SECTOR DEVELOPMENT - FURTHER CONSOLIDATION

The development of the care market will continue to be characterized by rising cost pressures, higher competition, and the consequent consolidation. The consolidation phase is already well underway among private operators, and acquisitions meanwhile stand high on the agenda. Public-sector operators have also been attempting for some time to privatize their operations. These efforts have failed in the past, however, because too many demands with respect to personnel modifications were made of the potential acquirers, prices were exaggerated, or the real estate situation was unfavorable. We assume, however, that greater concessions will be made in future in this area, since inpatient care has traditionally been a loss-making business for the public sector, and one that municipalities and local authorities cannot afford, or no longer wish to hold, in the long-term, just as was the case with the hospital market. In the case of non-profit-making operators, similar privatization efforts are also being made in part. Others are attempting to operate more economically and thereby preserve the basis of their business. For instance, economic efficiency has been enshrined in the company's guidelines at Germany's largest operator, Diakonie.

INTENSIFIED COMPETITION

Numerous new facilities will come into existence in the current business year as the result of impulses from real estate developers and investors. We assume that this development will continue until overcapacity has arisen at most locations, and supply and demand factors determine the further creation of new facilities. This development can be observed already in the most hotly contested regions in which the average occupancy already lies well below 80%. Hardly any new facilities were set up in these areas last year. This is why many private operators are currently concentrating on the large conurbations where there is still a high level of demand overhang.

We are expecting, however, that in future there will be more closures of very old institutions that now fall considerably short of complying with the ordinance concerning minimum construction requirements for care homes, but which have been tolerated so far by the authorities due to the high level of demand.

2007 TOTAL MARKET OCCUPANCY EXPECTED AT A SIMILAR LEVEL

Although both effects will presumably not diminish, we anticipate that increased demand will leave average occupancy in the overall market initially at the same level, in other words, at slightly below 90%. Demand should nevertheless strengthen this year as a result of a further improvement in the labor market situation, slight increases in real incomes, and a declining impact from the demographic downturn resulting from the First World War.

FURTHER EXPANSION THROUGH ACQUISITIONS AND NEW OPENINGS

We plan to grow further in 2007 and 2008 through acquisitions and start-ups. Expansion in the coming two years will concentrate on acquisitions as a result of the very favorable market situation for purchases.

In March alone, we will open the new facility in Bad Lauterberg, comprising 121 care places and 18 managed apartments.

Numerous opportunities are currently on offer to us to acquire operators of various dimensions as a result of the consolidation phase in the German care market described above. In this respect, we shall concentrate mainly on high-value operators in the private sector whose properties suit our cluster strategy and that operate already at a favorable commercial level. When making such acquisitions, we integrate our systems within an appropriate timeframe follow-ing the acquisition, extract service synergies, and raise the earnings margin to the Group-wide level. This raises the earnings contributions of the CURANUM facilities already existing in the relevant cluster through, for example, the joint provision of services. We are planning to acquire seven to eight facilities over a 12-month period with approximately 800-1,000 care places, and to integrate these into our Germany-wide network.

We shall finance these operations through operating cash flows. Larger acquisitions, however, will require third-party funding. We intend by the end of August to either make a new issue of a profit-sharing certificate, or to take out a mezzanine financing or a low interest-rate bank loan. We are already in discussions with the relevant banks.

We expect to generate Group revenue of € 229.1 million in financial 2007. The increase is based mainly on the consolidation effect from the full-year integration of the FAZIT Group, whose contribution to last year's consolidated figures comprised only four months. We are retaining the existing occupancy rate for our planning, and anticipate further start-up and restructuring costs for the central laundry that is intended by mid-2007 to provide laundry facilities for all existing facilities. Including the integration of new operations in Bad Lauterberg, we are expecting earnings before interest, tax, depreciation and amortization (EBITDA) for 2007 of € 33.7 million, and a consolidated net profit of € 12.0 million.

FORECAST

mil. €	2007e	2006	Changes
Total sales	229,1	215,7	+6%
EBITDA	33,7	29,5	+14%
EBIT	26,7	22,8	+17%
EAT	12,0	9,3	+29%
Facilities	62	61	+2%
Care places	7.300	7.200	+1%
Assisted living apartments	900	900	0%

EXTENDING THE VALUE CHAIN

INNOVATIVE CONCEPTS IMPLEMENTED ACCORDING TO PLAN

We shall press ahead in the coming two years with our innovative concepts for extending the value-creation chain surrounding care. For example, we are currently further developing the home doctor concept into an integrated care concept comprising medical care centers (MVZs). These medical care centers (MVZs) that employ physicians specializing in geriatric medicine as well as general practitioners, will be able to provide our occupants within a cluster of several facilities with rapid and uncomplicated medical services. The advantages are clear: our occupants enjoy significantly shorter response times when they require a doctor. The geriatric specialists are fully familiar with the specific illnesses of elderly people, and make fewer referrals to hospitals. This benefits both hospitals and care institutions, since days spent in hospitals are significantly more expensive than days in care homes, and care institutions are required to reserve the related empty beds without receiving corresponding remuneration. Hospitals are also in a position to transfer patients at an earlier stage to care homes, if these care homes can ensure the corresponding aftercare with qualified doctors.

As already described above, the central provisioning of our facilities with pharmaceuticals depends on the ability to perform invoicing of blister-packaged medicaments on an individual basis with healthcare funds. We believe that the healthcare funds will introduce this measure following the coming into force of the healthcare reform due to the high level of cost saving potential involved, and that we will be able to commence with a CURANUM pharmacy in the course of the second half of the year.

After the conversion of the majority of our facilities to the central laundry in Kaisersesch in mid-year, we shall set up the logistics centre that we announced in the last annual report, and commence in 2008 with the centralized supply of deliverable materials. We anticipate cost saving potential of around 25% of materials expenses, minus the costs of our own logistics.

THANKS

We would like to extend our warm thanks to our clients and occupants, as well as their relatives, for the trust they have invested in our work and their appreciation of our facilities. We are committed to the obligation of ensuring the best possible care on a daily basis given the available resources, and we wish that every one of our occupants feels at home in our care facilities. It is our intention to continue to meet these requirements and standards in future.

We would also like to warmly thank our employees for the working contribution they make and a high degree of commitment that they have shown around the clock to our occupants. We are aware that the work is not always easy, both in psychological and physical terms, and we therefore especially value the devoted contribution made by our staff members.

We would also like to thank our shareholders and business partners for their trust and effective cooperation. The share price consolidated at a high level in 2006, following the surge in 2005, and, with an increase of around 10%, proved unable to keep pace with the rise in the overall market. We are confident, however, that the share price will develop in parallel with the healthy growth of the company, and we assume that the continued expansion will enhance the value of the company and consequently also the share price.

Munich, March 2006
The Management Board

GROUP AND INVESTMENT STRUCTURE

- **CURANUM AG, Munich**
  - CURANUM Verwaltungs- und Beteiligungs GmbH & Co.KG, Munich
    - CURANUM Baubetreuung und Immobilien-management GmbH, Munich
    - CURANUM Holding GmbH, Munich
      - CURANUM Betriebs GmbH, Munich
        - Alten- und Pflege-heim Sieglar GmbH, Munich
        - Seniorenzentrum Hennef GmbH, Munich
        - Krankenheim Ruhesitz am Wannsee Seniorenheimstatt GmbH, Berlin
        - CURANUM Franziskushaus GmbH, Gelsenkirchen
        - Residenz Lobberich GmbH, Nettetal
        - CURANUM Bad Hersfeld GmbH, Munich
        - CURANUM Bessenbach GmbH, Munich
      - Altenheim Betriebsgesellschaft NORD GmbH, Munich
      - Altenheim Betriebsgesellschaft SÜD GmbH, Munich
      - Altenheim Betriebsgesellschaft WEST GmbH, Munich
      - Altenheim Betriebsgesellschaft OST GmbH, Munich
      - CURANUM Westfalen GmbH, Munich
      - Wäscherei Ellerich GmbH, Kaisersesch
      - accurato GmbH, Munich
      - Opticura Service GmbH, Munich
        - GAP Media Service GmbH, Munich
      - FAZIT Betriebsträgergesell-schaft für soziale Einrichtungen mbH, Nuremberg

THE CURANUM GROUP

PROFILE

With 62 facilities and a total of 7,300 care places, as well as 900 assisted living apartments, CURANUM AG ranks among the largest, stock marked listed operators of care and senior citizen residential facilities in Germany and has been specialized as a care provider since 25 years. The Group offers stationary long-term and short-term care in all classes of nursing care, assisted living and various special care offers, as in the care of individuals suffering from dementia or apallic syndromes, multiple sclerosis, or individuals with substance abuse problems or young handicapped persons.

Assisted living accommodation is suitable for persons who require no nursing care or to a limited extent. These facilities, which are annexed to the nursing care centers and senior citizens' residences, facilitate individual living in 1-3 room apartments measuring 30-120m² and are conceived in such a way that the features and services provided can be adapted to the different needs of the residents.

Our objective is to combine high-quality service and entrepreneurial success – we are convinced that we will only be able to provide our residents with high quality care and services if we are successful commercially. And conversely, we will only enjoy commercial success if we succeed in ensuring the high standards of our care and service offerings.

In caring for our residents we are largely independent of other service providers. Our fully owned subsidiaries Opticura Service GmbH, and accurato GmbH, provide the catering services and the cleaning and laundry services for all of our establishments. We thus have direct influence on the quality of the services and can organize them according to our own ideas.

Through the 2,200m² extension to the Ellerich laundry in 2006, we expanded our washing capacity to 25 tons a day. In August 2006, we gradually began to raise the volume of the residents' laundry which we wash ourselves. By mid-2007, this process will have been completed.

In addition, Opticura GmbH has assumed the catering and accurato GmbH the allround cleaning service for the facilities of Westfalen GmbH.

CORPORATE GUIDELINES

All our activities are geared towards our guidelines which are lived by each individual employee of CURANUM.

- The focus of our action is on our residents, as individuals in their dignity and uniqueness.

- We offer our residents a home which is characterized by its normality, human qualities, understanding, respect and politeness, irrespective of culture, religion, religious denomination and political conviction.

- We take account of the individuality and the needs of our residents and promote their ability to remain in control of their lives through our service and support. We are there to help our residents help themselves and support their integration into everyday life.

- We do not leave residents living in our facilities to die alone and ensure that our support makes in their passage towards a peaceful death humane and dignified.

- We promote team spirit and encourage our employees to take the initiative. Consistent motivation, combined with vocational training and further

CHRONICLE

1981 Company founded

1981 – 1996 13 nursing homes constructed in Hesse, Bavaria, Lower Saxony and North Rhine-Westphalia

1996 Acquisition of the Kleeblatt group with 12 nursing homes in North Rhine-Westphalia, Lower Saxony, Rhineland-Palatinate, Mecklenburg-West Pomerania and Saxony Anhalt

1996 – 2000 Construction of 4 nursing homes in North Rhine-Westphalia and Rhineland-Palatinate

Acquisition of Franziskushaus GmbH with 3 establishments in North Rhine-Westphalia

Nov. 2000 Integration into the listed company Bonifatius Hospital & Seniorenresidenzen AG, Munich, which operates establishments in Fürth, Passau*, Kötzting*, Karlsfeld near Munich, Augsburg, Vienna* and Villach*

May 2001 Nursing home opened in Landshut

Dec. 2001 2 nursing homes acquired in Eschweiler* and Lehrte*

Jan. 2002 Nursing home acquired in Bad Hersfeld

Feb. 2002 3 nursing homes acquired in Berlin

May 2002 Nursing home opened in Düsseldorf

Nov. 2002 New nursing homes opened in Uelzen, Frankfurt/Main, Germering (near Munich) and Pfronten (Allgäu)

May 2003 New nursing home opened in Bessenbach near Aschaffenburg

June 2004 After the authorization by the annual general meeting, Curanum Bonifatius DT GmbH affiliates to CURANUM AG. All former Bonifatius-Facilities are consequently integrated into Curanum Betriebs GmbH.

Dec. 2005 Listing on the SDAX® (Small Cap Index)

Jan. 2006 Acquisition of Wäscherei Ellerich (laundry) in North Rhine-Westphalia

Jan. 2006 Take-over of seven facilities in North Rhine-Westphalia (Wuppertal, 2x Schwelm, 2x Ennepetal, Hagen and Iserlohn) with 890 care places

Sep. 2006 Take-over of the Nuremberg-based FAZIT Group with 8 facilities in Bavaria, Saxony and Thuringia, with a total of 600 care places and 176 apartments

Nov. 2006 Reintegration of the Austrian senior citizens' residence Armbrustergasse in Vienna, with 114 care places and 28 apartments

April 2007 Opening of the Curanum Senior Citizens' Care Center in Bad Lauterberg with 121 care places and 18 managed apartments

* Facilities in Passau, Kötzting, Wien, Villach, Eschweiler and Lehrte were released in 2001 – 2004 according to economic reasons.

education, ensure a high degree of competence, thereby securing the quality of our work.

- The working atmosphere in our facilities is characterized by transparency, trust and appreciation. Co-operative management behavior, the participation of our employees in decisions, and the critical reviewing of the results of work done contribute towards constructive problem solving.

- Our qualitatively first-rate services are oriented towards the needs and wishes of our residents. We develop these services on an ongoing basis and dedicate our efforts towards offering and establishing new, innovative services to the benefit and satisfaction of our residents.

- Our facilities are embedded in public life and are conceived as a center for the meeting of people of all generations.

- We are an open and reliable partner to all institutions in the community, a partner which assumes corporate responsibility.

CARE

OUR CARE CONCEPT

The focal point of our nursing care is full inpatient care at all stages of the care process. We provide this as both permanent inpatient care and short-term full inpatient care – e.g. after a stay in hospital or if other persons needing care are temporarily unable to attend.

In addition to that, numerous establishments provide an outpatient care service and various special care services, e.g. for gerontologically and psychiatrically changed residents and residents suffering from dementia or PVS. Other supplementary measures are logopedia, ergotherapy and massage therapy.

In addition to medical services, we have formulated specific care and supervision principles. Moving from their own houses or apartments into an establishment of this kind is a great up-heaval for almost all of the residents. We encourage them to retain their home habits and to help determine the daily procedure as far as they can. The care plan is adapted to the needs of each resident and takes account of his/her likes and dislikes. Many of the care elements can be organized in accordance with the residents' own ideas.

OUR NURSING CARE CONCEPT

Our nursing care is oriented towards the care model devised by Monika Krohwinkel, Professor of Nursing Care at Darmstadt Technical College (Fachhochschule). Her applied care model based on the activities and crucial experiences of life (AEDL) regards 13 activities and crucial human experiences, spread over the three areas of physiological and security needs, social needs and ego-related needs, as the basis for the anamnesis, the care plan and the nursing care measures. This holistic nursing care model aims to guide, support and encourage the residents from the moment they move in. More precisely, the care model provides for encouragement and support in the following areas: communication, mobility, vital functions (circulation, respiration, etc.), body care, food intake, continence, clothing, rest and recovery, activity, feelings of being a man or a woman, secure and supportive organization of living accommodation, safeguarding the social area and handling existential experiences such as fear, isolation and grief.

OUR QUALITY MANAGEMENT (TQM)

As early as the fourth quarter of 2006, our new Total Quality Management level was incorporated into management and was thereby directly subordinated to the Management Board. The background to the restructuring and the expansion of this area was the setting in place of an overarching, uniform quality control system which enables us to more effectively guarantee our high quality standards in all areas of our facilities.

All CURANUM facilities have been allocated to a special TQM member of staff who is responsible for quality in all areas of the respective facilities. Consequently, our specialist departments work very closely with the TQM department. Uniform quality management is always at the forefront of activities. Our residents can thereby actively experience our service quality and customer orientation, whether in care and support, in catering or cleaning activities. This enables us to enhance our residents' satisfaction while raising occupancy rates at the same time.

MARKETING

Our web site, which we extend and optimize on an ongoing basis, has been very well received and is frequently accessed by our customers, investors and analysts. Particularly noteworthy was the high number of care place requests in 2006. We took immediate advantage of this excellent trend to develop and implement an automated CRM (Customer Relation-ship Management) tool.

This program is designed to optimally process requests for care places by interested parties. It regulates and controls the process, from recording the request through to a positive or negative conclusion, thereby ensuring that all queries by interested parties are processed at a high level and uniform manner in accordance with our quality criteria.

In future, we will be able to obtain more detailed information about our target group through CRM which will allow us to address our customers' needs more specifically and secure our goal of raising occupancy rates.

In 2007, the launch of a new web site for the Ellerich Laundry has been planned, the aim being to offer optimal service, to inform our existing customers and win new ones.

In 2006, we made the decision to build up and implement a group-wide intranet in order to further optimize internal processes and the flow of information within administration and with our facilities throughout Germany. The full structure was completed at the end of 2006 and much of the content has already been successfully used. In the financial year 2007, we will continue to develop this project. We consider it to be an elementary tool for improving internal communication structures between head office and our facilities and, similarly, for creating a learning system between the facilities and progress with our knowledge management.

03.28 p.m.

The residents in Wuppertal particularly love the Mediterranean garden; especially in the summertime it is a wonderful place to relax and linger for a while.

ORGANS

MANAGEMENT BOARD

Hans-Milo Halhuber, Grünwald	Chairman of the Management Board
Bernd Scheweling, Munich	Member of the Management Board
Bernd Rothe, Munich	Member of the Management Board
Sabine Merazzi-Weirich, Munich	Member of the Management Board

SUPERVISORY BOARD

Dr. Michael Roggen	Attorney, Meerbusch Chairman of the Supervisory Board
Dr. Dieter Thomae	Business Graduate, Sinzig Vice chairman of the Supervisory Board
Michael Sasse	Attorney and notary, Schwelm
Angelika Pohl	Commercial employee, Munich
Sabine Klöckner	Commercial employee, Schwelm

MANAGEMENT BOARD

HANS-MILO HALHUBER, GRÜNWALD
(Chairman)

Hans-Milo Halhuber was born in Baden-Baden in 1960. After studying law and undergoing practical judicial and legal training, he first worked for five years as assistant to the management at a nationally active construction and asset management company. After a further five years as managing director of an internationally active facility management company, Mr. Halhuber became a member of the Management Board at WKM Terrain- und Beteiligungs-AG, Munich, which develops and constructs real estate in the healthcare segment, at the beginning of 1999. At the end of 1999 the Supervisory Board appointed Mr. Halhuber as Chairman of the Management Board of Bonifatius Hospital & Seniorenresidenzen AG. In February 2002, Mr. Halhuber resigned from his position as Chairman of the Management Board of WKM AG.

BERND SCHEWELING, MUNICH

Bernd Scheweling, born in Wuppertal in 1949, is cofounder of the CURANUM group. He studied business administration and started his career at a Westdeutsche Landesbank subsidiary as commercial project manager for financing operations and for the construction of public sector real estate. In 1979, as a consultant, he set up his own construction consultancy firm in this field. In 1981 he built his first nursing care facility for the elderly, and soon afterwards founded an operating company for nursing care and senior citizens' centers, from which the CURANUM group emerged.

BERND ROTHE, MUNICH

Bernd Rothe was born in Böblingen in 1970 and studied business administration at the University of Erlangen-Nuremberg. In 1998, he was member of the IPO team which supported the launching of Bonifatius Hospital & Seniorenresidenzen AG on the stock exchange. After two years experience in investor relations and marketing at Bonifatius, he assumed responsibility for building up the Munich office of a consultancy firm based in Hamburg, and managed the Munich branch for three years. After returning to CURANUM, he was responsible for Corporate Communications, Investor Relations and Marketing at CURANUM for another three years.

SABINE MERAZZI-WEIRICH, MUNICH

Sabine Merazzi-Weirich, born in Freiburg in 1968, joined CURANUM AG in 1995 in the capacity of personal assistant to management. In 2001, she took over Cash Management & Treasury activities and, at a later date, she headed up the care center management.

As of 31.12.2006, the Management Board members held 310 shares; the members of the Supervisory Board held a total of 448 shares.

04.04 p.m.
No matter if it is A major, F major or C minor, the key is always right at the Bad Nenndorf residence.

REPORT BY THE SUPERVISORY BOARD

Dear shareholders,

Our discussions in the 2006 financial year focused on the acquisition and integration of new operations and operator groups, the related requisite financing, the start-up of the laundry as well as the occupancy level in the operating business.

We have carried out the duties attendant upon us according to both the law and the company bylaws, and we have constantly monitored the management of the company by the Management Board. A total of five meetings of the Supervisory Board took place during the reporting year. The Management Board reported at all the meetings concerning current business developments, future company plans as well as important business events. Outside the meetings, the Management Board was also in contact with the Supervisory Board, and informed it constantly about the further development of business and particular events.

TOPICS FROM INDIVIDUAL SUPERVISORY BOARD MEETINGS:

Meeting on March 23, 2006

The meeting focused on the audit of the parent company and consolidated financial statements for 2005, which could not be concluded by the date of the meeting as a result of delays and disagreements between the Management Board and the auditor. The points that were still open were discussed, and a decision was taken concerning further procedure. It was impossible to determine one result for the 2005 year, since further audit actions may have resulted in additional modifications.

The development of the facilities acquired from Dr. Lohbeck as at January 1, 2006 was clarified, and the measures to improve care quality and occupancy were presented.

The Management Board also reported on current measures geared to improve occupancy, to introduce a complaints management system, as well as concerning further acquisition targets.

Meeting on May 9, 2006

The Management Board presented the consolidated balance sheet, income statement, and cash flow statement for the reporting year at the Supervisory Board meeting held to approve both the parent company and consolidated financial statements for 2005, which were the first Curanum financial statements prepared according to IFRS. The main reasons for the reservations to the audit opinion were discussed in the presence of the auditor, to which the auditor also added its assessment.

After detailed discussion, the Supervisory Board passed a resolution to approve the consolidated financial statements, the Group management report, as well as the parent company financial statements including its related management report. The Supervisory Board endorsed the suggestion of the Management Board to distribute an amount of € 0.10 per share as a dividend to the shareholders, equivalent to a total payout of € 3.0 million, from the net retained profit of € 12.6 million. The dependent company report was then discussed in detail, as well as legal transactions between the Management Board and the company.

The Management Board also presented the planning for the 2006 financial year, and reported concerning the first quarter of 2006.

Meeting on June 21, 2006

At the third meeting of the Supervisory Board, the Management Board reported concerning the development of the Ellerich laundry, the expansion of the hall and of the machine plant, and the planned reduction of laundry costs at full capacity utilization.

The external auditor's audit report was discussed in detail, as well as measures to improve future audit activities. The Management Board clarified its opinion concerning the reservations attached to the audit opinion, and the effects of the audit reservations on the course of business and cooperation with banks and investors.

Consultations also focused on the occupancy situation in the facilities, suitable measures to improve occupancy, as well as a review of the budget that would result.

The Management Board also reported on the development of the Dr. Lohbeck Group, the implementation of synergy effects, and measures to raise occupancy.

Meeting on September 22, 2006

The fourth meeting focused on the Management Board's reporting on the current financial year and planning for the 2006 annual financial statements. Detailed consultations were held on the position of individual operating locations, and improvement measures were presented.

The Management Board also reported on the start-up of the Ellerich laundry, and the conversion of facilities to the new laundry system. Its effects on the overall Group were clarified, and consultations were held concerning possibilities for an expansion to comprise a logistics centre.

The meeting looked at the acquisition of the FAZIT Group. The Management Board gave a detailed report on the position of the facilities, the financing of the purchase of the shares, as well as the results of the due diligence process. Management Board members also conferred in detail about the interim financing of the acquisition price.

At the end of the meeting, both the Management and Supervisory Board discussed the expansion of the Management Board and the replacement of Management Board members. The Management Board proposed the appointment of Bernd Rothe as a Management Board member with immediate effect, and Sabine Merazzi-Weirich with effect as of January 1, 2007. These appointments were required not only as a result of the expansion of the company and the related increase in work, but also in order to secure succession within the management circle at an early juncture. The Management and Supervisory Board subsequently conferred on the structuring of areas of responsibility and topics related to remuneration. The resolution was then taken to appoint the persons proposed as members of the Management Board.

Meeting held on December 7, 2006 in Vienna

Following the Management Board's report on current business developments and third-quarter results, the management and supervisory board held consultations on the development of occupancy. This entailed the presentation of specialization strategies for individual facilities and the houses in Westphalia, where the differentiation of the products and services offered was intended to result in improved occupancy figures. The establishment of medical care centers and the promotion of outpatient services were discussed as further measures to raise quality and capacity utilization.

The final meeting of the 2006 business year also discussed the results of the preliminary audits of the 2006 annual financial statements, the development of the CURANUM share price, the 2007 budget, and the competitive environment in the care market.

This meeting concluded with a discussion of the Supervisory Board contracts as per § 114 of the German Stock Corporation Act (AktG), and its power of authorization was examined in the light of the latest legal precedent. The Supervisory Board approved the existing agreements following detailed discussion.

Jens Spitzer stepped down from office as a member of the Management Board with effect as of December 31, 2006. The Supervisory Board correspondingly conferred concerning the termination agreement.

Supervisory Board accounts meeting held on March 27, 2007

On June 22, 2006, at the Shareholders' General Meeting, the shareholders elected Wirtschaftstreuhand GmbH, Wirtschaftsprüfungsgesellschaft, Stuttgart, to be the auditor of the parent company and Group accounts for the 2006 financial year. In accordance with its duties, the auditor has audited the annual financial statements, the consolidated financial statements, and the Group management report for CURANUM AG and the Group for the year 2006, which were prepared by the Management Board.

The audit led to no objections. The auditor issued the audit certificate on an unqualified basis not only for the annual financial statements but also for the consolidated financial statements.

REPORT BY THE SUPERVISORY BOARD

The annual financial statements and the consolidated financial statements as of December 31, 2006, including the Group management report, were made available to the Supervisory Board before the accounting meeting of the Supervisory Board, and we examined them. Together with the Management Board and with the auditors, the annual financial statements were discussed in detail at the accounts meeting of the Supervisory Board. The Supervisory Board noted the result of the audit with approval. The annual financial statements and the consolidated financial statements of CURANUM AG for 2006, as prepared by the Management Board, are approved without objections and, as a consequence, determined in their final form.

Due to the current phase of consolidation in the market and to the increased rate of expansion of the company, the Supervisory Board approves the proposal of the Management Board to distribute to shareholders for the 2006 financial year a dividend of € 2,970,000.00, corresponding to € 0.10 per share, from the net retained profits of € 16,801,088.55, and to carry € 13,831,088.55 million forward to the new account.

We would like to thank all members of the Management Board for their commitment and their fruitful cooperation with us. We would also like to extend our special thanks to all staff members for their dedicated work on behalf of all residents of the CURANUM facilities.

Munich, April 2007

Dr. Michael Roggen
Chairman of the Supervisory Board

Dr. Michael Roggen
Chairman of the Supervisory Board

04.51 p.m.

Ms.Wilms and Ms. Miersch from the Weserbergland Senior Citizens' Residence in Hamlin have fun playing boules, their favourite hobby.

CORPORATE GOVERNANCE

At their respective meetings in financial year 2006 the Management and Supervisory Boards of CURANUM AG focused on complying with the stipulations of the German Corporate Governance Code of 2002. In so doing the new requirements dating from June 12, 2006 have been taken into consideration in the deliberations. In light of the results of these consultations and the current requirements of the Corporate Governance Code, the Management and Supervisory Boards have adopted the declaration of compliance below in accordance with § 161 of the German Stock Corporation Act (AktG).

THE SUPERVISORY BOARD

In accordance with the rules of internal procedure of the Supervisory Board, the principle of independence applies to the representatives of the shareholders on the Supervisory Board. This essentially means that no Supervisory Board member may have a business or personal relationship with the Company or with its Management Board that may constitute a conflict of interest (Rule 5.4.2). Since CURANUM AG is able to place its confidence in very experienced persons on the nursing care market in accordance with the principle that Supervisory Board members must have the relevant requisite knowledge, abilities and technical experience, it logically follows that CURANUM AG wishes to take advantage of such highly-qualified services from the respective Supervisory Board members in the interest of the Company. However, since the scope of such services may be deemed minimal in relation to the overall activities of the respective members, no relationship exists which might constitute a conflict of interest.

The Supervisory Board provides advice to and oversees the Management Board in matters concerning the management of the Company's business. At regular intervals the Supervisory Board discusses the development of the Company's business and planning as well as the corporate strategy and its implementation. It handles quarterly reports and approves both the CURANUM AG annual financial statements and those of the Group, while taking the auditor's report and the results of the audit produced by the audit committee into consideration. The Supervisory Board's scope of responsibilities continues to include the appointment of the members of the Management Board as well as the definition of their areas of responsibility. Important Management Board decisions – for example, larger acquisitions, recourse to financing loans and significant corporate agreements – are subject to its approval.

Each member of the Supervisory Board received remuneration in the amount of € 8,000 in accordance with § 15 of the statute in the relevant financial year, while the Supervisory Board Chairman received one and a half times this amount. Members who withdrew during the financial year received proportionate remuneration.

THE MANAGEMENT BOARD

As the governing body of the Company the Management Board is bound to the interest of the Company and, as a consequence, orients itself toward the planned strategic and operating aims. The Management Board, which consists of four members, defines the principles of corporate policy. In addition, it is responsible for the strategic focus of the Company, planning and definition of the corporate budget, resource allocation as well as management of the respective divisions. The Management Board is responsible for preparation of the Company's quarterly balance sheets, the annual financial statements of CURANUM AG and the consolidated financial statements. The Management Board works closely with the Supervisory Board. It provides the Supervisory Board with regular, timely and comprehensive information on all of the relevant questions involving strategy and the implementation of strategy, planning, business development, the Company's financial and earnings situation as well as business risks.

PURCHASE OR SALE OF SHARES BY MEMBERS OF THE CORPORATE BODIES

In accordance with § 15a of the Securities Trading Act (WpHG), members of the Management and/or Supervisory Board are legally obliged to disclose the purchase or sale of securities of CURANUM AG insofar as the value of the business transacted by the respective mem-bers and persons close to such members reaches or exceeds the sum of € 5,000 within a single calendar year.

None of the aforementioned business transactions, which come under the Directors' Dealings Regulation in accordance with section 15a WpHG was carried out in 2006.

REPORTS IN ACCORDANCE WITH SECTION 21 WPHG

With regard to the threshold values of major shareholders, which trigger reports in compliance with section 21 WpHG, in business year 2006 rule 6.2 was adhered to. All reports were published in an authorized journal for the publication of mandatory stock exchange announcements in compliance with section 25 WpHG. In this connection we refer to the information in compliance with sector 315 paragraph 4, no 3 German Commercial Code in the status report, (p. 45, 46) and our annual document on the Internet at www.curanum.de.

REMUNERATION REPORT

In view of the fact that the annual general meeting of shareholders in business year 2006 rejected the crucial "opting out" clause, we must now report on the respective personal income of the members of the Management Board in the Group management report as well as in the notes in the Annex.

The overall income of the CEO of Curanum AG is divided up into non-performance-related remuneration with performance-related components. Components with a long-term impact on incentive such as share options or convertible bonds have not yet been used. Owing to the fact that in some cases the Management Board has a significant participation in the share capital, incentives of this kind arise anyway. The members of the Management Board are not eligible for pensions, survivors' pension or predefined termination pay; notably there are no special arrangements in case the control over the company should change.

With regard to a representation of the respective remuneration of the members of the Management Board, we hereby refer to the information in the Group Management Report (p. 37) and (p. 143).

DECLARATION OF COMPLIANCE IN ACCORDANCE WITH § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The Management and Supervisory Boards of CURANUM AG declare that we comply with the recommendations of the Government Commission on the German Corporate Governance Code – with the exception of the following designated points – and that we intend to do so in the future. Compared with the declaration of compliance from the previous year we shall now comply with Rule 4.2.4. We thus give information about the individual remuneration in the management report and the notes to the consolidated financial statements.

- The remuneration for members of the Management Board includes both fixed and variable components. A share option plan hasn't been established yet. Consequently, there are no performance-related remuneration components with a long-term incentive effect and risk character as provided for in Rule 4.2.3 of the Code.

- The Supervisory Board of CURANUM AG has not set up an audit committee. Review of the annual financial statements and the consolidated financial statement is performed by the entire Supervisory Board. However, other qualified technical committees exist. (Rule 5.3.2)

- Membership on the Supervisory Board depends solely on the qualifications and experience of the respective member, and not age; thus there is no age limit for Supervisory Board members. (Rule 5.4.1)

- The Supervisory Board does not receive performance-oriented remuneration. (Rule 5.4.7) The statutes of CURANUM AG provide for annual fixed remuneration for the Supervisory Board in accordance with § 15.

- Individualized information about remuneration paid or advantages granted for services personally rendered by the Supervisory Board, in particular consulting and mediation services, has been omitted in the notes to the financial statements and in the corporate governance report. We regard indication of the remuneration for the Supervisory Board and remuneration for individual services in a single amount to be sufficient. (Rule 5.4.7)

The Management Board and the Supervisory Board of CURANUM AG

Munich, April 2007

06.21 p.m.

Exciting reading for Ms. Wegener and Ms. Kuschmann in the evening in the Goethe Room of the Senior Citizens' Nursing Centre Am Wasserpark in Frankfurt.

CURANUM AG, Munich

FINANCIAL STATEMENTS 2006

CURANUM AG, MUNICH

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006 (IFRS)

ASSETS

	Notes	31.12.2006 T€	31.12.2005 T€
Current assets			
Cash and cash equivalents	II A 1.1	9,106	2,175
Trade accounts receivable	II A 1.2	5,953	3,782
Inventories	II A 1.3	729	468
Current assets	II A 1.4	4,155	5,832
Tax receivables	II A 1.4	978	1,646
TOTAL CURRENT ASSETS		20,920	13,903
Non-current assets			
Property, plant and equipment	II A 2.1	122,743	84,475
Intangible assets	II A 2.2	1,982	426
Goodwill	II A 2.3	53,397	43,380
Shareholdings	II A 2.4	0	1
Deferred tax assets	II A 6	12,532	10,695
Other financial assets	II A 2.5	8,928	11,489
TOTAL NON CURRENT ASSETS		199,582	150,466
TOTAL ASSETS		220,502	164,369

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2006 T€	31.12.2005 T€
Current liabilities			
Finance lease debt	II A 7.1	4,813	3,803
Short-term debt	II A 3.1	26,384	4,727
Trade accounts payable	II A 3.2	3,210	4,385
Provisions	II A 3.3	4,075	4,383
Income tax payable	II A 3.4	1,742	4,822
Other current liabilities	II A 3.5	15,953	17,633
Others	II A 3.5	2,230	1,082
TOTAL CURRENT LIABILITIES		**58,407**	**40,835**
Non-current liabilities			
Long-term debt	II A 4.1	57,293	25,501
Financial lease obligations	II A 7.1	57,315	63,724
Deferred tax liability	II A 6	7,091	2,279
Provisions	II A 4.2	0	757
Others	II A 4.2	1,229	135
TOTAL NON-CURRENT LIABILITIES		**122,928**	**92,396**
Shareholders' equity			
Share capital	II A 5.1	29,700	29,700
Additional paid-in capital	II A 5.1	11,757	11,763
Convertible profit-sharing certificate	II A 3.1	1,051	1,051
Revenue reserves	II A 5.2	886	841
Revaluation reserve	II A 5.2	1,617	0
Retained earnings/accumulated deficit		-5,877	-12,217
Minority interests		34	0
TOTAL SHAREHOLDERS' EQUITY		**39,167**	**31,138**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**220,502**	**164,369**

CURANUM AG, MUNICH

CONSOLIDATED INCOME STATEMENT 2006 (IFRS)

	Notes	1.1. - 31.12.2006 T€	1.1. - 31.12.2005 T€
1. REVENUES	II. B 1	**215,724**	**188,482**
2. Cost of sales	II. B 2	177,105	153,184
3. GROSS PROFIT / LOSS		**38,620**	**35,298**
4. Selling and Marketing expenses	II. B 3	1,074	970
5. General and administrative expenses	II. B 4	16,985	14,772
6. Other operating expenses	II. B 5	2,016	3,574
7. Other operating income	II. B 5	4,224	3,252
8. OPERATING INCOME / LOSS		**22,770**	**19,234**
9. Interest and other expenses	II. B 6	8,020	8,984
10. Interest and other income	II. B 6	817	1,495
11. Depreciation on financial assets		0	-11
12. Profit participation associated companies		65	-616
13. RESULT BEFORE INCOME TAX		**15,632**	**11,118**
14. Income tax	II. A 6	6,286	4,520
15. NET INCOME / LOSS		**9,346**	**6,598**
Net income per share (basic), €	III. D	0,31	0,22
Net income per share (diluted), €	III. D	0,31	0,22

CURANUM AG, MUNICH

CONSOLIDATED CASH FLOW STATEMENT FOR 2006 (IFRS)

	1.1. - 31.12.2006 T€	1.1. - 31.12.2005 T€
Net income before tax	15,639	11,144
Adjustments for:		
Depreciation	6,767	5,896
Financial results	-817	-1,496
Interest expenses	8,019	9,015
Result from disposals of fixed assets	64	448
Other expenses and income not affecting payments	-26	463
Increase/decrease in provisions and accruals	-1,204	822
Change in net working capital	-1,661	-1,670
Interest paid	-7,709	-5,034
Tax paid	-3,635	-2,110
CASH FLOWS FROM OPERATING ACTIVITIES	**15,437**	**17,478**
Cash outflow for acquisition	-8,635	0
Cash outflow for purchase of assets	-17,136	-3,032
Cash inflow from disposal of assets	45	1,107
Interest received	325	126
CASH FLOWS FROM INVESTING ACTIVITIES	**-25,401**	**-1,799**
Cash inflows from borrowing		
– Short-term debt	4,923	-1,016
– Long-term debt	28,000	0
Cash outflows for granted loans	-1,845	-1,667
Cash repayments of amounts borrowed	-2,723	-653
Payment of capital lease liabilities	-8,490	-7,877
Dividend payment	-2,970	-4,158
CASH FLOWS FROM FINANCING ACTIVITIES	**16,895**	**-15,371**
Net increase (decrease) in cash and cash equivalents	6,931	308
Cash and cash equivalents at beginning of period	2,175	1,867
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**9,106**	**2,175**

CURANUM AG, MUNICH

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY IN THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2006 (IFRS)

	Share capital T€	Additional paid-in capital T€	Retained earnings T€	Revaluation reserve T€	Accumulated profit/loss T€		Minority interests T€	Equity portion of convertible bond T€	Total T€
31.12.2004/1.1.2005 REPORTED	29,700	11,763	2,937	--	-11,551		0	1,051	33,900
IAS 8 Customer base	--	--	--	--	-218		--	--	-218
IAS 8 Revalution movables	--	--	240	--	-50		--	--	190
IAS 8 Hennef	--	--	-1,212	--	2,537		--	--	1,325
IAS 8 Real estate call option	--	--	-878	--	-5,376		--	--	-6,254
31.12.2004/1.1.2005 RESTATED	29,700	11,763	1,087	--	-14,658		--	1,051	28,943
Net income before restatement	--	--	--	--	--	7,620	--	--	--
IAS 8 Customer base	--	--	--	--	--	-492	--	--	--
IAS 8 Revalution movables	--	--	--	--	--	458	--	--	--
IAS 8 Swap	--	--	--	--	--	-1,363	--	--	--
IAS 8 Results due to real estate call option	--	--	--	--	--	-26	--	--	--
IAS 8 Transaction Hennef	--	--	--	--	--	402	--	--	--
Netincome including IAS 8 restatement	--	--	--	--	6,599		--	--	6,599
Dividend payment	--	--	--	--	-4,158		--	--	-4,158
Negative minority interests	--	--	-246	--	--		--	--	-246
AS OF DEC. 31, 2005	29,700	11,763	841	--	-12,217		0	1,051	31,138
Net income for the period	--	--	--	--	9,346		--	--	9,346
Dividend payment	--	--	--	--	-2,970		--	--	-2,970
Negative minority interests	--	--	45	--	--		--	--	45
Changes in the consolidated entity	--	--	--	1,616	--		34	--	1,650
Accumulated other shareholders’ equity	--	-6	--	--	-35		--	--	-41
AS OF DEC. 31, 2006	29,700	11,757	886	1,616	-5,876		34	1,051	39,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2006
(IFRS)

I. GENERAL INFORMATION AND ACCOUNTING POLICIES

A. GENERAL INFORMATION

CURANUM AG (referred to below as “CURANUM” or the “Company”) Maximilianstrasse 35c, Munich, Germany, was created in November 2000 from the merger of Bonifatius Hospital & Seniorenresidenz AG, which was in turn founded in 1994 and which has been quoted on the stock exchange since 1998, and CURANUM AG, Munich, which was founded in 1981. The business objective of CURANUM AG is the creation and operation of senior citizen and residential care homes. The ultimate parent company of the Curanum Group is CURANUM AG, Munich, which prepares this set of consolidated financial statements.

The headquarters of CURANUM AG is located in Munich, Germany. The financial year corresponds to the calendar year.

Between October 29, 2002 and May 19, 2005, the majority shareholder of Curanum AG was AVG Altenheim-Vermietung Geschäftsführungs GmbH (abbreviated: AVG). As of the reporting date on December 31, 2006, the shares in CURANUM AG are held by a broad base of investors.

B. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND PRESENTATION OF EFFECTS OF NEW ACCOUNTING STANDARDS

The consolidated financial statements have been prepared by CURANUM AG as the ultimate parent company according to uniform accounting principles. In accordance with § 315a of the German Commercial Code (HGB), the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) applicable on the reporting date, and as adopted by the European Union, have been applied. These comprise IAS whose application is mandatory as of the reporting date (December 31, 2006) IFRS, as well as the related interpretations (SIC / IFRIC). The requirements of the above-mentioned principles have been satisfied without exception, so that the consolidated financial statements of CURANUM AG provide a true and fair view of the assets, financing, and earnings positions, as well as the cash flows, of the financial year.

1. ACCOUNTING PRINCIPLES APPLIED FOR THE FIRST TIME IN THE REPORTING YEAR

The consolidated financial statements for the financial year from January 1, 2006 until December 31, 2006 correspond to all standards revised as part of the IASB Improvement Project. These have been applied already in the previous year.

Besides the standards revised as part of the IASB Improvement Project and applied already in the previous years financial statements, the Group applied the following standards and interpretations for the first time in the reporting year:

– IFRS 6 "Exploration and Evaluation of Mineral Resources" as well as amendments to IFRS 1 and IFRS 6,
– Amendments to IAS 19 "Employee Benefits",
– Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates",
– Amendments to IAS 39 "Financial Instruments: Disclosures and Presentation": hedging of cash streams for group-internal transactions whose probability of future occurrence is high
– Amendments to IAS 39 "Financial Instruments: Disclosures and Presentation": option concerning recognition of their value
– Amendments to IAS 39 "Financial Instruments: Disclosures and Presentation" and IFRS 4 "Insurance Contracts" – financial guarantees and loan commitments
– IFRIC 4 "Determining Whether an Arrangement Contains a Lease"
– IFRIC 5 "Right to Interests Arising from Decommissioning, Restoration and Environmental Funds"
– IFRIC 6 "Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"

The application of these new standards resulted, however, in no effects on the consolidated financial statements of Curanum AG as of December 31, 2006.

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT ARE NOT YET MANDATORY

We have made early application of the following IASB accounting standards that have been issued but are not yet mandatory:

– IFRS 8 replaces IAS 14 "Segment Reporting". IFRS 8 should be applied for the first time for financial years commencing on or after January 1, 2009; the accounting standards board recommends voluntary early adoption. IFRS 8 "Operating Segments" was applied voluntarily early in the 2006 financial year. IFRS 8 requires that companies introduce the application of the so-called management approach instead of the so-called risk and reward approach utilized so far for the purposes of reporting concerning the financial performance of their operating segments. Early application of IFRS 8 meant that the preparation of segmental reporting is no longer required of the company.

We have not made early application of the following IASB accounting standards that have been issued but are not yet mandatory:

IFRS 7 "Financial Instruments: Disclosures":
IFRS 7 regulates the disclosure requirements concerning financial instruments for both industrial companies as well as banks and similar financial institutions. IFRS 7 replaces IAS 30 "Disclosures in Financial Statements of Banks and Similar Financial Institutions" as well as the disclosure requirements contained in IAS 3 "Financial Instruments: Presentation" IFRS 7 should be applied for the first time for financial years commencing on or subsequent to January 1, 2007. The new standard will result in a significant expansion in the disclosures concerning financial instruments in our Group contained in the notes to the consolidated financial statements.

Amendments to IAS 1 "Presentation of Financial Statements":
The amendments will result in an expansion of the disclosures contained in the notes to the financial statements concerning equity. The amendment is applicable for financial years commencing on or subsequent to January 1, 2007.

IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies":
This interpretation should be applied for the first time for the financial year commencing on or subsequent to January 1, 2007.

IFRIC 8 "Scope of IFRS 2":
The amendments should be applied for the first time for financial years commencing on or subsequent to May 1, 2006.

IFRIC 9 "Reassessment of Embedded Derivatives":
This interpretation should be applied for the first time for financial years commencing on or subsequent to June 1, 2006.

IFRIC 10 "Interim Financial Reporting and Impairment":
This interpretation should be applied for the first time for financial years commencing on or subsequent to November 1, 2006.

IFRIC 11 "IFRS 2: Group and Treasury Share Transactions":
This interpretation should be applied for the first time for financial years commencing on or subsequent to March 1, 2007.

IFRIC 12 "Service Concession Arrangements":
This interpretation should be applied for the first time for financial years commencing on or subsequent to January 1, 2008.

CURANUM AG is currently examining the effects of the new standards and interpretations on its accounting.

C. ACCOUNTING PRINCIPLES

1. GENERAL INFORMATION

These consolidated financial statements, in particular the balance sheet and income statement, have been adapted to reflect IAS/IFRS terminology.

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

Details concerning balance sheet and income statement items are not directly comparable with the previous year's details since accounting effects have arisen from the rental of seven new care facilities as of January 1, 2006, as well as the purchase of eight further care facilities as of September 1, 2006, and the purchase of a large laundry as of January 1, 2006.

2. COMPANY MERGERS

When reported for the first time, goodwill from a corporate acquisition is valued at historical costs. Such historical costs are assessed as the surplus of the acquisition costs of the corporate merger over the purchaser's share of the fair values of the acquired identifiable assets, debts, and contingent liabilities. Goodwill is not subject to scheduled amortization. Goodwill is tested at least once a year for value impairment or in those cases where facts or changes in circumstances indicate that the book value may have been impaired.

3. CASH AND CASH EQUIVALENTS

Cash comprises liquid funds and sight deposits. Cash equivalents are short-term and extremely liquid financial investments that can be converted at any time into determinable cash amounts, and are subject to only insignificant risks resulting from fluctuations in value.

4. INVENTORIES

Inventories are recognized at acquisition cost calculated on the basis of average prices and applying the FIFO method.

5. FINANCIAL INSTRUMENTS

5.1 FINANCIAL ASSETS

Original financial assets in the sense of IAS 39 comprise, at CURANUM, receivables as well as bank deposits, securities, and cash positions. These financial assets are recognized at acquisition cost at the time when the receivable arises or current assets are acquired at acquisition cost. When valued subsequently, financial assets are designated as either receivables, assets held for trading, assets held to maturity, or assets held for sale. Receivables are measured at amortized cost. Identifiable risks are recognized through the formation of appropriate specific write-downs. (Original) assets held for disposal are recognized at fair value, and assets held for either trading purposes or until maturity are not included in these financial statements.

5.2 FINANCIAL LIABILITIES

Financial liabilities are recognized at amortized cost. Interest-bearing bank borrowings are reported at the value of the net loan proceeds. When liabilities are eliminated from the accounts, gains and losses are booked through the income statement.

5.3 FINANCIAL DERIVATIVES

Interest-rate swap transactions existed as of the reporting date and were carried at fair value. Provisions for impending losses from the contracts were formed in the instance of a negative fair value; the receivable is booked through the income statement in the instance of a positive market value.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at amortized cost. If objects belonging to property, plant and equipment are sold or scrapped, the corresponding historical costs as well as the cumulative depreciation are booked out; a realized gain or loss from the disposal is reported in the income statement.

Historical costs of property, plant and equipment comprise the purchase price including value added tax incurred with the purchase but which cannot be reimbursed, as well as all directly attributable costs incurred in order to render the asset ready for operation.

Above and beyond this, leasing agreements for real estate and equipment classified as finance leases are broken down into the asset categories, land, buildings, and equipment, and capitalized as tangible fixed assets.

Fair values of land and buildings as of the reporting date are reported on the basis of estimates produced by independent experts.

The depreciation method applied is mainly linear and corresponds to the prospective useful economic life of the asset. The main useful lives are:

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

Depreciation is performed over 20 years for fittings of care facilities capitalized as part of finance leasing, where 90% of capitalized book values are depreciated in the first 10 years, and the remaining 10% are depreciated from the 11th to the 20th years.

The useful lives, the depreciation method applied and the residual values for property, plant and equipment are subject to review at the end of a least every financial year in order to ensure that the depreciation method and the depreciation period are in keeping with the expected development of the economic benefit of the items of property, plant and equipment.

7. LEASING AGREEMENTS

As lessee, the company has entered into a number of rental and leasing agreements as part of its business operation. The leasing agreements have different structures and concern not only the leasing of real estate but also individual or group leasing of assets.

7.1 FINANCING LEASE AGREEMENTS

Financing lease agreements, where principally all risks and opportunities connected with the property of the transferred asset are transferred to the company, are capitalized at the start of the leasing agreement at the fair value of the leasing object or with the present value of the minimum lease payments, as long as this latter value is not lower. In the instance of automatic transfer of ownership or a favorable purchase option, any potential shorter contractual duration has no impact. Capitalized leasing objects are depreciated fully over either the duration of the leasing agreement or the useful life, whichever is shorter. The interest rate on which the leasing agreement is based is used as the discount factor for calculating the present value of the minimum leasing payments. Front-end direct costs are entered as part of the asset value. Leasing payments are split into the financing costs and the repayment component of the residual debt. The financing costs are spread over the duration of the leasing agreement in such a way that a constant rate of interest arises over the periods for the remaining debt.

In each period, a finance lease leads to a depreciation expense for the capitalized assets as well as to a financing expense. The principles of depreciation for leased assets are in harmony with the methods applied to corresponding depreciable assets that belong to the company.

7.2 OPERATING LEASE AGREEMENTS

Leasing agreements are classified as operating lease agreements where essentially all risks and opportunities connected with the property remain with the lessor. The leasing payments that form part of an operating lease agreement are reported on a straight line basis over the duration of the leasing agreement.

8. INTANGIBLE ASSETS

Intangible assets are valued at historical costs when first entered in the balance sheet. Intangible assets are reported in those instances where it is probable that economic benefits from the asset will flow to the company in the future, and when the historical costs of the assets can be measured reliably. For the purposes of subsequent valuation, intangible assets are reported at historical costs minus cumulative amortization and any cumulative value impairment expenses. Intangible assets of limited useful life are amortized on a straight line basis over their estimated useful lives. A useful life of five years is imputed to software and licenses. Both the amortization period and the amortization method are subject to review at the end of each financial year.

Intangible assets that have useful lives of uncertain duration are not subject to scheduled amortization but are subject instead to an impairment test at least once a year, or on an even more regular basis if there are indications that their values have been impaired.

Intangible assets recognized as part of corporate acquisitions are measured at fair value. One customer base and one prohibition on competition were identified as a result of corporate purchases during the financial year. Useful lives of customer bases have been calculated on the basis of statistics relating to occupancy and durations of stay. The useful life of the prohibition on competition is unlimited (carrying value € 500,000). This reflects the close connection to the care facilities' operation that is also not subject to a limited useful life.

9. 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 value of these assets.

Provisions are created to an extent appropriate to reflect the probability of repayment in the instance where it appears that there may be an obligation to repay public subsidies as a result of unsatisfied conditions and uncertainties surrounding the related performance requirements.

These financial statements contain one instance where partial repayment of the grant is anticipated, since not all of the preconditions for the grant had been satisfied. A provision has been created to reflect the amount that may require repayment.

10. PROVISIONS

A provision is created in those instances when the company is subject to a current (legal or factual) obligation resulting from a past event where it is probable that the satisfaction of the obligation will lead to an outflow of resources that constitute economic benefits, and where the extent of the obligation can be estimated with assurance. Provisions are subject to a review on each accounting reporting date and adjusted to the present best estimate.

11. ALLOCATIONS TO EMPLOYEES

Obligations arising from age-related part-time working agreements are aggregated during the employment phase of the employees on the basis of payments to be made during the layoff phase arising from top-up amounts and performance arrears. Liabilities with a residual maturity of over 12 months are recognized at present value. Discounting is performed using a fiscal interest rate of 5.5%. The extent and significance of this item meant that, for reasons of materiality, we have not performed a calculation applying a normal market interest rate.

12. RECOGNITION OF REVENUE AND EARNINGS

Income from the supply of services is reported in the period in which the service was rendered. In these consolidated financial statements, this concerns primarily revenue from the supply of care services in the inpatient and outpatient areas as well as proceeds in connection with assisted living.

Residents as well as sponsors such as health insurance funds/care funds and social services institutions receive monthly invoicing for the services.

Insofar as it is permitted by law, revenue, expenses, and assets are reported after the deduction of value added taxes.

If, when purchasing goods and services, associated value added taxes cannot be reclaimed from the tax authorities, the value added taxes are reported as part of the historical costs of the assets or as part of expenses. Receivables and liabilities are reported along with the value added tax amount that they include.

The value added tax amount, which is reimbursed by or paid to the tax authorities, is reported in the balance sheet under receivables or liabilities.

13. IMPAIRMENT OF OTHER ASSETS

FINANCIAL INSTRUMENTS

Financial assets are subject to a value impairment test on each reporting date.

If it is probable that, in the case of financial assets entered in the accounts at historical costs, the company will not be able to collect all contractually due amounts of loans, receivables, or assets held for disposal, a value impairment or bad debt charge is booked through the income statement.

Other assets are subject to a value impairment test if facts or changes in circumstances indicate that the book value of an asset may not be achievable. As soon as the book value of an asset exceeds its fair value, a value impairment is booked through the income statement.

An asset that has been subject in prior years to a value impairment that has been booked through the income statement is subject to a correction that is also booked through the income statement if there are grounds for believing that the value impairment no longer exists or may have been reduced. The revaluation is reported as income in the income statement. The appreciation in value (or depreciation in value) of an asset, however, is reported only to the extent that the value of the asset does not exceed the book value that would have resulted (after taking into account the effects of depreciation) if no value impairment had been recorded in the previous years.

14. COSTS OF DEBT CAPITAL

As a matter of principle, costs of debt capital are reported as expenditure in the period in which they arise.

15. INCOME TAX

The level of income tax is dependent on the level of earnings, and takes deferred tax into account.

The formation of deferred tax items is performed applying the balance-sheet-oriented liabilities method to all temporary differences existing on the reporting date between the valuation of an asset or a liability in the balance sheet and the fair value amounts reported for taxation purposes.

Deferred tax liabilities are reported for all temporary differences that are subject to tax. The following exceptions apply to this:

- Temporary differences resulting from the entry of goodwill resulting from capital consolidation may not be reported according to IAS 12.15 a) and 12.21.

- Temporary differences from the first time entry of an asset or a liability in the instance of a business event, which is not a business combination and which, at the time of the business event, influences neither the periodic result seen from the perspective of commercial law nor the result that is to be taxed, do not give rise to deferred tax liabilities.

Deferred tax claims are reported for all tax-deductible temporary differences, hitherto unutilized tax loss carry forwards and unutilized tax credits to the extent that it is probable that taxable income will be available against which the tax-deductible temporary differences and the hitherto unutilized tax loss carry forwards and tax credits can be applied. The following exceptions apply to this:

- Deferred income tax claims resulting from the first time entry of an asset or a liability in the instance of a business event, which is not a business combination and which, at the time of the business event, influences neither the periodic result seen from the perspective of commercial law nor the result that is to be taxed, may not be reported.

- Deferred income tax claims resulting from taxable temporary differences, which are connected with shareholdings in subsidiaries, associated companies and shares in joint ventures, may be reported only to the extent that it is probable that the temporary differences will not be reversed in the foreseeable future and a sufficient taxable result will be available against which the temporary differences can be applied.

The book value of deferred income tax claims is subject to a review on each accounting reporting date and reduced to the extent that it is no longer probable that a sufficient taxable result will be available against which the deferred tax claim can be applied at least partially. Deferred tax claims and liabilities are assessed using tax rates that are expected to be valid for the period in which an asset is realized, or a liability satisfied. These are based on tax rates that apply on the accounting reporting date.

Deferred tax claims and deferred tax liabilities are reported on a net basis in those cases where a leasing agreement is entered as a financing lease and where temporary differences arise from this accounting treatment that give rise to not only deferred tax reimbursement claims but also deferred tax liabilities.

16. SEGMENTAL REPORTING

CURANUM supplies all services for an identical group of customers. The risk and opportunity profiles of the services are not significantly different, and they are interdependent. The internal reporting structure of the company equally makes no segmental differentiation. In addition, the company is active primarily in the German market. Segmental reporting is not performed because the company can be divided into neither different business segments nor different geographical segments.

17. APPLICATION OF ESTIMATES/DISCRETIONARY DECISIONS

17.1 PRINCIPLES

When preparing the consolidated financial statements, assumptions and estimates were used for the measurement of assets and liabilities. The resulting values may diverge from actual values. Estimates were used mainly for determining the useful lives of assets, for calculating the value impairment to receivables, as well as for goodwill impairment tests. In addition, estimates are used for calculating provisions and the valuation of purchase obligations for property as well as for the categorization of liabilities attributable to the convertible profit-sharing certificate, as well as a further participation right, into equity and external capital components, as well as the categorisation of leasing agreements into the asset categories, land, and buildings and equipment, in accordance with the components approach.

Discretionary decisions were required as part of valuation, in particular for the classification of leasing agreements as operating leases or finance leases. When calculating the present value of leasing obligations, a rate of interest is used whose determination requires discretionary judgment.

The company anticipates no significant effect for the Group's future assets and earnings positions as a consequence of modifications to assumptions and estimates.

17.2 MODIFICATIONS OF ESTIMATES AND ERRORS IN PRIOR YEARS

Correction of errors from prior years

a) Interest-rate swap

No provision was recognized in the consolidated financial statements as of December 31, 2005 for interest-rate forward transactions whose measurement at fair value would have resulted in the formation of a provision. This accounting treatment is being corrected in these consolidated financial statements. The fair value of the interest-rate forward transactions existing as at December 31, 2005 amounts to T€ 1,363 as of December 31, 2005, and a provision to this extent has been recognized in the income statement for the 2005 financial year.

The correction is being entered in the current 2006 accounts of the parent company statements of CURANUM AG prepared according to the German Commercial Code (HGB).

b) Hennef goodwill

The operations of Seniorenzentrum Hennef were sold as part of a sale and leaseback agreement of December 15, 2003 by Curanum Betriebs GmbH to a third party company at a purchase price of T€ 3,150 and leased back on the same day as part of a corporate lease agreement. This corporate lease agreement was accounted for as a finance lease agreement in the IFRS opening balance sheet as of January 1, 2004 as well as in the consolidated financial statements as of December 31, 2004. The purchase price of T€ 3,150 was not recognized in the income statement. A finance lease obligation of the same amount was instead set against the purchase price receivable. The finance lease liability of T€ 612 was paid down in the 2004 consolidated financial statements. Above and beyond this, interest expenses of T€ 200 were reported, and the lease expense was reduced by T€ 812 as a consequence of this presentation as a finance lease.

The corporate lease agreement terminated on January 1, 2005, and the operations of Seniorenzentrum Hennef were repurchased by Curanum Betriebs GmbH at a purchase price of T€ 2,940 and transferred to an operating company specially set up for this purpose, Seniorenzentrum Hennef GmbH. The above-mentioned finance lease agreement was dissolved, resulting in an interest expense of T€ 402 in the 2005 consolidated financial statements.

Curanum Betriebs GmbH made an irrevocable offer as part of a further agreement of May 10, 2005 to a third party company to acquire all of the shares in Seniorenzentrum Hennef GmbH. Curanum Betriebs GmbH acquired this purchase right for a purchase price of T€ 716 as part of an agreement dated July 15, 2005.

The cancellation of the corporate lease agreement and the subsequent purchase of this facility, as well as the purchase of the right position arising from the agreement of May 10, 2005, were recognized partly as expense and partly as goodwill in the 2005 consolidated financial statements.

CURANUM mandated an independent expert in 2006 to evaluate the related accounting treatment and the transactions presented above.

The assessment comes to the conclusion that the criteria of IAS 17.10 suggest primarily that the above-mentioned corporate lease agreement should be treated as an operating lease; for this reason, the company, on the basis of this independent assessment, has reclassified the lease agreement as an operating lease. The termination of the lease agreement and the purchase of the facility, as well as the purchase of the acquisition rights, have consequently generated a goodwill item in the 2005 consolidated financial statements.

The following balance sheet items have been modified as a consequence of the above-mentioned effects:

– The correction of the provision for the interest-rate swap transactions resulted in a reduction of the 2005 net profit, and equity measured as of December 31, 2005/January 1, 2006, and to increase of Other current provisions amounting to T€ 1,363.

– The following corrections have occurred with respect to the transactions relating to Seniorenzentrum Hennef:

	Opening balance sheet T€	31.12.2004 T€	31.12.2005 T€
Goodwill			2,940
Finance lease obligations	-3,150	-2,538	
Equity	3,150	3,150	2,538
Interest expense		-200	-402
Rental expense		812	

The corrections of the opening balance sheet relate to the elimination of the obligation arising from the finance lease, and the recognition in equity of the revenue as of December 31, 2003.

The corrections to the consolidated financial statements as at December 31, 2004 concerned the deletion of the presentation of the corporate lease agreement as a finance lease relationship. The lease liability of T€ 2,538 is consequently eliminated, the rental expense is increased by T€ 812, and the interest expenses reduced by T€ 200; equity is correspondingly increased by T€ 3,150.

The corrections to the consolidated financial statements of December 31, 2005 relate to the elimination of the interest expense of T€ 402 arising from the correction of the finance lease agreement, and the recognition of goodwill of T€ 2,940 from the repurchase of the facility as of January 1, 2005.

The “Hennef” matter is currently being investigated by the German Financial Reporting Enforcement Panel with respect to the accounting treatment applicable under IFRS. As it was impossible to conclude this review at the time of the publication of these financial statements, no conclusive evaluation is available.

c) Revision of purchase price allocations for corporate acquisitions since January 1, 2004

Customer bases have been identified for the following acquisitions as part of the division of purchase price allocations relating to corporate acquisitions since January 1, 2004: Franziskushaus GmbH as of May 1, 2004/Alten- und Pflegeheim Sieglar GmbH as of December 1, 2004/ Seniorenzentrum Hennef GmbH as of January 1, 2005, and Pflegeeinrichtung Fürth as of August 1, 2005; intangible assets totaling T€ 1,084 have been capitalized as a consequence since December 31, 2004, which are being amortized over useful lives of up to 24 months.

	Opening balance sheet T€	31.12.2004 T€	31.12.2005 T€
Intangible assets	No effect	278	129
Equity	No effect	-225	-527
Amortization	No effect	225	-527

d) Revaluation of facility equipment

A correction was performed in 2006 to the valuation of facility equipment capitalized as property, plant and equipment. This relates to movable property lease agreements that CURANUM entered into at a time when the leased movable property/equipment had already been used.

The related adjustment entails the reduction of the residual book values and lease obligations in the IFRS opening balance sheet, as well as the amendment of depreciation, interest payments and rental expenses.

The following table presents the individual corrections:

	Opening balance sheet T€	31.12.2004 T€	31.12.2005 T€
Property, plant and equipment	-4,234	-3,445	-2,672
Finance lease obligations	-4,625	-4,391	-4,076
Equity	392	946	1,404
Depreciation	No effect	-789	-772
Interest expense	No effect	-264	-254
Rental expense	No effect	499	569

e) Correction to allocation of depreciation to functional areas

Depreciation/amortization expenses were fully allocated to functional area of cost of sales in the 2005 consolidated financial statements.

This allocation was revised, and now results in a reclassification of depreciation/amortization amounting to T€ 305 from the functional area of cost of goods sold to the functional area of administrative costs. As previously, no depreciation is allocated to the cost of sales functional area.

f) Correction to the presentation of real estate purchase options

CURANUM AG acquired purchase options for two properties with a notarial agreement dated November 5, 2003. CURANUM operates care facilities in the related properties. The purchase price for the options amounted to € 8.0 million. The options relate to the real estate objects Liesborn and Werl. The lease agreements for the real estate objects Werl and Liesborn are recognized as finance leases under IFRS on the basis of the present value criterion.

The accounting treatment was corrected in these financial statements only to the extent that the purchase price for the option in the case of the finance lease agreements was capitalised as subsequent acquisition cost. The original assumed useful economic life was adjusted due to realistic circumstances.

The following overall effects result from this correction:

	Opening balance sheet T€	31.12.2004 T€	31.12.2005 T€
Property, plant and equipment	1,824	1,766	1,707
Finance lease obligations	7,602	7,573	7,540
Equity	-5,779	-5,807	-5,833
Depreciation/Amortization	No effect	59	59
Interest expense	No effect	-30	-32

The correction of this error results in a modification of earnings per share amounting to € -0.03 (2005).

g) Corrections to the 2005 cash flow statement

The 2005 cash flow statement was corrected with respect to income tax paid, cash flows related to corporate acquisitions, and investments in property, plant and equipment. Please refer to our remarks concerning the cash flow statement.

h) Recognition of minority interests

The share of earnings attributable to minority interests is recognized as finance expense in the 2006 financial statements; the presentation for 2005 has been amended accordingly. The share of earnings attributable to minority interests with negative equity is set off against equity.

i) Disclosures in the notes to the accounts omitted from the 2005 consolidated financial statements

Carrying values/fair values of acquired assets and liabilities

In the case of the purchases of the facilities Hennef and Fürth in 2005, no assets or liabilities were acquired with the exception of the customer bases identified, since CURANUM had been the lessee of the operations before the acquisition, and the asset/liabilities existing at the time of the acquisition had arisen during the corporate lease period, and had consequently already been recognized in the consolidated financial statements. With respect to the customer bases, please refer to our remarks concerning the revision of purchase price allocations.

Gains/losses and revenue from merged companies
Hennef GmbH/Facility Fürth

The earnings and revenues of these companies contained in each case in the consolidated financial earnings for the entire financial year, since, before the acquisition, CURANUM was lessee and operator of the relevant facilities, and the income and expenses were consequently contained in the consolidated financial earnings.

Corporate acquisitions following the 2005 reporting date

The disclosures omitted in 2005 concerning the acquisition of Wäscherei Ellerich were reported retrospectively in the 2006 reporting year. Please refer to our remarks concerning corporate acquisitions in 2006.

Additions to property, plant and equipment as part of corporate acquisitions

No items of property, plant and equipment were acquired as part of the acquisitions of the Hennef and Fürth facilities in 2005. Please refer to our remarks concerning the revision of purchase price allocations with respect to the customer bases.

Income tax and deferred tax disclosures

Total tax expenses of T€ 121 resulted in the 2005 consolidated financial statements from various types of temporary differences that gave rise to deferred tax claims and liabilities in the 2005 consolidated financial statements.

D. SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise CURANUM AG and the companies which it controls. Control is commonly deemed to be evidenced if the Group holds either directly or indirectly over 50% of the voting rights of the subscribed capital of the company and can steer and control the financial and commercial policy of the company in such a way that it benefits from its activities.

For corporate acquisitions, the purchase method according to IFRS 3.14 is applied, in other words, the purchaser identified in a business combination makes an accounting entry of both the acquired assets as well as the acquired debts. Historical costs calculated for the business combination are taken into account (cf. IFRS 3.16 a-c). Companies acquired during the course of the financial year are included in the consolidated financial statements from the time of their purchase.

When preparing the consolidated financial statements, uniform accounting principles are applied for similar business events and other occurrences in comparable circumstances. Receivables and liabilities existing between the Group companies were eliminated.

Eliminations of inter-company results were not performed. Group-internal sales, expenses, and profits were eliminated.

MINORITY INTERESTS

Equity capital and net profit for the year attributable to minority shareholders were reported separately in both the balance sheet and income statement.

Losses of a consolidated subsidiary attributable to minority shares may exceed the share of equity capital of the subsidiary attributable to the shares. In this instance, the negative minority share is deducted from the majority share in the equity balance sheet item.

2. SCOPE OF CONSOLIDATION

The following subsidiaries were fully consolidated as of December 31, 2006:

Company	Domicile	Equity participation in %	Voting entitlement in %
CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG, Munich	Germany	100.00	100.00
CURANUM GmbH, Haan	Germany	100.00	100.00
CURANUM Betriebs GmbH, Haan	Germany	100.00	100.00
CURANUM Bad Hersfeld GmbH, Haan	Germany	100.00	100.00
Krankenheim Ruhesitz am Wannsee – Seniorenheimstatt GmbH, Berlin	Germany	100.00	100.00
CURANUM Franziskushaus GmbH, Gelsenkirchen	Germany	100.00	100.00
Altenheimbetriebsgesellschaft NORD GmbH, Munich	Germany	100.00	100.00
Altenheimbetriebsgesellschaft SÜD GmbH, Munich	Germany	100.00	100.00
Altenheimbetriebsgesellschaft WEST GmbH, Munich	Germany	100.00	100.00
Altenheimbetriebsgesellschaft OST GmbH, Munich	Germany	100.00	100.00
Alten- und Pflegeheim Sieglar GmbH, Bad Honnef	Germany	100.00	100.00

Seniorenzentrum Hennef GmbH, Haan	Germany	100.00	100.00
Residenz Lobberich GmbH, Nettetal-Lobberich	Germany	100.00	100.00
accurato GmbH, Munich	Germany	100.00	100.00
OPTICURA Service GmbH, Haan	Germany	100.00	100.00
Wäscherei Ellerich GmbH, Haan	Germany	100.00	100.00
Curanum Westfalen GmbH, Haan	Germany	100.00	100.00
Fazit Betriebsträgergesellschaft für soziale Einrichtungen mbH, Nuremberg	Germany	100.00	100.00
CURANUM Baubetreuung und Immobilienmanagement GmbH, Haan	Germany	100.00	100.00
GAP Media Service GmbH, Munich	Germany	100.00	100.00
Bonifatius GPG Gesellschaft für Pflege und Gesundheit mbH, Munich	Germany	55.00	55.00
Curanum Bessenbach GmbH, Haan	Germany	100.00	100.00
RIAG Seniorenzentrum "Ennepetal" GmbH & Co. KG, Bad Honnef	Germany	92.68	9.09
RIAG Seniorenzentrum "Erste" GmbH & Co. KG, Bad Honnef	Germany	93.75	9.64
RIAG Seniorenzentrum "Zweite" GmbH & Co. KG, Bad Honnef	Germany	100.00	10.00
VGB Beteiligungs- und Vermögensverwaltungs GmbH, Grünwald	Germany	100.00	100.00
CB Seniorenresidenz Armbrustergasse GmbH, Vienna	Austria	100.00	100.00
Bad Schwartauer AVG Altenheim-Vermietung GmbH & Co. KG, Munich	Germany	99.5	99.5
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Liesborn KG, Düsseldorf	Germany	100.00	100.00

2.1 BAD SCHWARTAUER AVG ALTENHEIMVERMIETUNG GMBH & CO. KG, MUNICH

With an agreement dated November 4, 2006, Curanum GmbH acquired 100% of the shares in VGB Beteiligungs- und Vermögensverwaltungs GmbH, Grünwald, which, for its part, holds 75.5% of the shares in Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG. CURANUM AG consequently holds either directly or indirectly 99.5% of the shares in this company which therefore means that it is included in the consolidated financial statements according to the principles of full consolidation. Transfer consolidation from equity to full consolidation was performed at the time of the first time consolidation of VGB GmbH as of November 1, 2006.

Please refer to our remarks concerning corporate mergers.

2.2 CB MANAGEMENTSERVICE GMBH, KITZBÜHEL

CB Managementservice GmbH, Kitzbühel, which had total assets of T€ 67 as of December 31, 2006 and a net deficit for the 2006 year of T€ 108, of which approximately T€ 18 is attributable to CURANUM AG for the period November to December 2006, was not included in the scope of consolidation for reasons of materiality. The company prepared no interim statements at the time of the first-time consolidation of the VGB Group.

3. CHANGES TO THE SCOPE OF CONSOLIDATION

3.1 PURCHASE OF SHARES IN FAZIT GESELLSCHAFT FÜR PROJEKTENTWICKLUNG SOZIALER DIENSTE MBH, NUREMBERG

With a purchase agreement concluded on September 6, 2006, Curanum GmbH, Haan acquired 100% of the shares and voting rights in Fazit Gesellschaft für Projektentwicklung sozialer Dienste mbH, Nürnberg (Fazit Projekt GmbH) for a purchase price of € 14,026,437.58 with effect from September 6, 2006. In addition to the contractual purchase price, ancillary costs of T€ 612 associated with the acquisition were incurred.

Fazit Projekt GmbH is an operating company for two outpatient services and the sole shareholder of Fazit Betriebsträgergesellschaft für soziale Einrichtungen mbH, Nuremberg (Fazit Betriebsträger GmbH). Fazit Betriebsträger GmbH operates eight senior and nursing care facilities in North Bavaria, Thuringia and Saxony with 600 care places and 204 managed apartments as of September 1, 2006. With the acquisition of the Fazit Group, the Curanum Group is strengthening its presence in the southern German region and is expecting a positive contribution to Group earnings.

As part of the acquisition of the Fazit Group, the following ***asset and liability items*** have been recognized:

	Present values T€	Book values T€
Assets		
Intangible assets	950	23
Property, plant and equipment	8,848	7,428
Customer receivables	376	376
Deferred tax	1,759	1,759
Other assets	6,751	6,751
Liabilities		
Other liabilities and provisions including tax provisions	3,497	3,497
IFRS leasing liabilities	4,341	4,341
Liability component of participation right	4,843	4,843
Deferred tax	741	741
	5,262	**2,915**
Deferred tax on hidden reserves	-706	0
Goodwill	10,082	0
Purchase price	**14,63**	

Other current assets contain primarily cash (T€ 5,002), tax receivables (T€ 155) and receivables from associated companies (T€ 1,026).

Non-current assets comprise property, plant and equipment with a book value of T€ 7,428 and deferred tax assets of T€ 1,759. These result from the capitalisation of leasing agreements as finance leases as well as the recognition of tax loss carryforwards from the acquired company.

The property, plant and equipment has a fair value of T€ 8,848.The hidden reserves of T€ 1,420 included in this item are distributed between the real estate in Greiz and the office and operating equipment contained in the facilities.

Also reported among the fair values of assets are intangible assets of T€ 950, inventories valued as part of the merger, and a non-competitive clause on the part of the seller, valued at a total of T€ 927. Goodwill on consolidation of T€ 10,020 is reported as part of the first time consolidation. This goodwill is attributed to the "Fazit care facilities" cash generating units.

Other liabilities and provisions comprise current-account liabilities to banks (T€ 1,194), trade liabilities (T€ 167), liabilities arising from salary and wage accounts (T€ 230), liabilities to the tax authorities including tax provisions (T€ 1,090) and provisions for outstanding invoices and other obligations (T€ 816). IFRS lease liabilities contain liabilities arising from capitalised leasing agreements related to the equipping of facilities of T€ 4,341; deferred tax liabilities are also reported resulting from the temporary differences arising from the recognition of finance leases.

Fazit Betriebsträgergesellschaft issued a participating right in 2003 that requires categorization into equity and liability component in accordance with IAS 32. The related IAS 32 categorization is performed on the basis of fair value. By imputing an interest-rate to the participation right of 5.0%, and discounting the resultant payment obligation, the liability component is measured at T€ 4,844.

With respect to the recognition of ***contingent liabilities,*** the following areas have been audited as part of the acquisition.

a) Current external audit
The company expects no further retrospective payments from the current external audit. For this reason, no provisions had been formed for this purpose.

b) Agreement regarding adoption of costs from rental voids/rental guarantee
In 1999, the company concluded an agreement with another operator regarding the adoption of costs arising from rental voids; above and beyond this, an agreement exists with a lessor regarding the payment of a rental guarantee. In accordance with IFRS 3 Appendix B B16 (1), based on past experience, no cash flows are anticipated for the remaining duration of the agreement. For this reason, the contingent liability has been reported at 0.00 as part of first-time consolidation.

c) Legal disputes

As of the time of acquisition, risks arising from legal disputes / ongoing legal cases existed to only a limited extent. Provisions of an appropriate scope have been created for these risks.

d) Rights of use

The owners of the care apartments/managed apartments have been contractually ensured the right to use their own apartments. According to the terms of the rights of use, the owners of the right enjoy the right to a care place, which is subject to no further determination, comprising a registration notice period of three months, insofar as a place can be made available within six months. Following this, the right expires without replacement as a result of the elapse of time. As a consequence, the rights of apartment owners and signatories to the rights of use are not in conflict; the company for this reason sees no risks connected with the rights of use of the signatories to the rights of use.

Besides the purchase price of T€ 14,026, the ***costs of acquiring the shareholding*** of T€ 14,638 include also ancillary acquisition costs of T€ 612, which contain a success fee for consultants as well as notary costs. The purchase price was settled through a cash payment of T€ 13,000 and through a set-off arrangement comprising T€ 1,026.

Goodwill from first-time consolidation arises from the purchase price allocation, taking into account the cost of acquiring the shareholding, deducting hidden reserves, and recognition of the intangible assets "non-competition clause" and "inventory".

The non-competition clause was reported on the basis of the average value of the annual net earnings of the last five years.

The inventory is formed by the earnings contribution expected from the occupancy of the facilities at the time of acquisition. The basis for this valuation is the number of persons cared for, taking into account their expected duration of stay in the facilities.

The company expects the merger to make a positive contribution to the future consolidated results of the Curanum Group, due to the increase of care places/managed apartments in the Group, the densification of the network of facilities belonging to the Curanum Group, and the consequent realization of synergy effects. These expectations regarding the future contributions to earnings are reflected in the ***goodwill*** reported in the balance sheet.

The Fazit-Group achieved after-tax earnings of T€ 408 in the months September to December 2006, which is included in the Group result as of December 31, 2006. Assuming that the merger had taken place at the start of the financial year, the earnings of the merged company would have been T€ 9,985, and revenue would have been T€ 226,988.

Consolidated earnings also contain amortization of the customer base of the Fazit Group capitalized as part of the purchase price allocation, as well as depreciation/amortization of hidden reserves recognized as part of the purchase price allocation. An overall earnings effect results from the above of T€ -106 that is contained in consolidated earnings in addition to the above-mentioned T€ 408.

3.2 PURCHASE OF SHARES IN VGB BETEILIGUNGS- UND VERMÖGENSVERWALTUNGS GMBH, GRÜNWALD

With a purchase agreement concluded on November 4, 2006, Curanum GmbH, Haan acquired with effect from November 4, 2006, 100% of the shares and voting rights in VGB Beteiligungs- und Vermögensverwaltungs GmbH, Grünwald (VGB GmbH) for a purchase price of € 25,000.00, as well as ancillary purchase costs of € 1,712.

As part of the acquisition of the VGB GmbH, the following ***asset and liability items*** have been recognized:

	Present values T€	Book values T€
Assets		
Intangible assets	600	0
Property, plant and equipment	14,891	3,689
Customer receivables	153	153
Other assets	11,481	11,481
Liabilities		
Other liabilities and provisions including tax provisions	6,503	6,503
Bank borrowings	14,365	14,365
IFRS leasing liabilities	812	812
Contingent liabilities	1,260	0
Deferred tax	356	356
	3,829	**- 6,713**
Deferred tax on hidden reserves	-2,186	0
Revaluation reserve/equity	-1,616	0
Purchase price	**27**	

As part of the purchase price allocation, the company recognized contracts in force relating to VGB GmbH and its subsidiaries, with a value of T€ 600, which reflects the future contributions to consolidated earnings arising from these agreements.

The fair values of property, plant and equipment contain hidden reserves relating to a property owned by the VGB Group amounting to T€ 11,201, the valuation of which has been corroborated by a real estate valuation survey.

With respect to the recognition of ***contingent liabilities,*** the following areas have been audited as part of the acquisition.

a) *Current external audit:*
the company anticipates additional tax charges of T€ 300 as a consequence of the completed external audit, for which no administrative decisions have yet been issued. An equal level of provisions has been formed in the financial statements of VGB GmbH.

b) *Cover relating to further tax risks:*
The seller has provided the company with liquidity of T€ 400 to meet potential tax risks from the period following the completed external audit until December 31, 2005. The seller will reimburse the purchaser for any retrospective tax payments above and beyond this. If the retrospective tax payment is less, the difference must be paid to the seller as retrospective purchase price. A contingent liability has consequently been formed relating to this matter; this has been recognized with a present value of T€ 400 (T€ 325).

If the retrospective tax payment does not occur by December 31, 2010, the purchaser must make a retrospective purchase payment of T€ 400 to the seller.

c) *Customer base:*
The company anticipates negative earnings contributions with respect to the customer base acquired at the time of the purchase, and has correspondingly recognized a contingent liability of T€ 925.

Besides the purchase price of T€ 25, the ***costs of acquiring the shareholding*** of T€ 26.7 include also ancillary acquisition costs of T€ 1.7. The purchase price was fully satisfied using cash.

VGB GmbH generated after-tax earnings of T€ -354 in the period between the time of acquisition and December 31, 2006, which is contained in the consolidated earnings as of December 31, 2006. Assuming that the merger had taken place at the start of the financial year, the earnings of the merged company would have been T€ 7,995, and revenue would have been T€ 220,323.

In accordance with IFRS 3.69, the purchase price allocation for the purchase of the shares in Fazit GmbH and VGB GmbH is provisional.

3.3 PURCHASE OF THE OPERATIONS OF WÄSCHEREI ELLERICH, KAISERSESCH

With an agreement dated January 16, 2006 between Thomas Ellerich, Kaisersesch (the seller) and Curanum GmbH, Haan (the purchaser), the Curanum Group acquired for a purchase price of T€ 1,700 all movable assets, as well as raw materials, consumables and supplies required for the operations of a large laundry. The acquired assets were entered in the balance sheet as part of tangible fixed assets and current assets.

The assets were then integrated into Wäscherei Ellerich GmbH, Haan, which is a 100% subsidiary of Curanum GmbH, Haan.

The existing employment contracts were transferred to the acquirer as part of an operational transfer and accordance with § 613a of the German Civil Code (BGB).

Wäscherei Ellerich GmbH generated earnings of T€ -664 during the period January 1, 2006 and December 31, 2006, which are contained in the consolidated earnings as of December 31, 2006. The laundry generated revenue in the 2006 financial year of T€ 2,230.

II. NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

A. NOTES TO THE CONSOLIDATED BALANCE SHEET

1.1. CURRENT ASSETS

1.1 CASH AND CASH EQUIVALENTS

	2006 T€	2005 T€
Bank deposits and cash in hand	9,105	2,175
Cash and cash equivalents in the cash flow statement	**9,105**	**2,175**

As of the December 31, 2006 accounting reporting date, the Group has access to credit lines of € 15.0 million (2005: € 15.0 million). No qualifications exist with respect to the use of these credit lines. As of the December 31, 2006 accounting reporting date, T€ 10,532 (2005: T€ 4,277) was utilized.

The above-mentioned current account lines are secured through an assignment of receivables belonging to the operational facilities that utilize the current account lines.

The carrying value of the cash and cash equivalents reported corresponds to their fair value.

Liquidity risks

Liquidity risks are very minor as a result of the reliability of payments from public authorities and the improvement of our system of invoice reminders. The CURANUM treasury and cash management system caters for a minimization of this risk.

The repayment of the convertible profit-sharing certificates due on August 31, 2007 represents a liquidity risk, since the entire amount of formerly DM 24.0 million or € 12.3 million is due for payment on this date. This liquidity risk has been allowed for, however, through the scheduling of the liquidity reserves required.

Further significant risks, such as occur typically for industrial, production or service companies, are largely excluded at CURANUM AG. As a result of operating exclusively in Germany and the Eurozone, country risks and foreign exchange risks do not exist. Default risks are minimal due to the high share of proceeds from public funds, since, if a resident is unable to pay for services, social security funds make up the difference as a rule. There are no concentrations of risk on the procurement or sales sides, especially since, within purchasing, sufficient diversification is ensured in all areas.

1.2 TRADE ACCOUNTS RECEIVABLES

	2006 T€	2005 T€
Trade receivables from care services	6,295	4,130
Other trade receivables	270	73
Less charges for doubtful receivables	-611	-421
Trade receivables	**5,953**	**3,782**

Trade receivables contain receivables due from residents/self-pay patients, health insurance and care funds, as well as from social security institutions for the rendering of care services both in the inpatient and outpatient areas.

Where the receivables for care services concerned self-pay patients, specific bad debt charges were formed against trade receivables in relation to the age structure and estimated value retention of the receivables. Specific bad debt charges were formed where costs transfers for residents' social security benefits were in dispute. The estimates on which the impairment tests were based include expectations with respect to the level of the achievable amounts from receivables, while taking into account the circumstances in individual cases. The specific bad debt charges comprise the maximum expected default risk from receivables related to care services. In 2006, T€ 446 of additions to specific bad debt charges were reported as expenses (2005: T€ 414). The reported carrying value corresponds to fair value.

Other trade receivables contain primarily receivables for services rendered for third-party companies (T€ 186; 2005: T€ 43) as well as auxiliary services and services provided for residents (T€ 84; 2005: T€ 30).

1.3 INVENTORIES

	2006 T€	2005 T€
Raw materials, consumables and supplies	729	468
Total	**729**	**468**

The raw materials, consumables and supplies item contains the inventory value of inventories of groceries, commercial requisites, and medical care benefits in the facilities.

A physical inventory-taking performed on December 31, 2006 resulted in an inventory change of T€ 221 that was reported as income.

The reported carrying value corresponds to fair value. No value impairments were required for inventories.

1.4 CURRENT ASSETS

	2006 T€	2005 T€
Deferred expenses		
Prepayments for company lease agreements for Westfalen GmbH	667	667
Other deferred expenses	856	462
Receivables due from suppliers	931	712
Receivables due from tenants	213	0
Interest-rate swap receivables	273	0
Input tax reimbursement	251	103
Other securities	371	0
Receivables from shareholders	0	3,047
Receivables from the sale of shares in associated companies	0	499
Other receivables	737	348
Specific value impairment to other receivables	-145	-6
Current assets	**4,154**	**5,832**
Tax receivables	978	1,646
Total	**5,132**	**7,478**

Prepayments on company lease agreements concern the facilities of Curanum Westfalen GmbH. The lease agreements commenced in each case on January 1, 2006 and have been concluded for an initial period of 15 years. The non-interest-bearing rental prepayment of € 10,000,000.00 rendered in 2005 for the above-mentioned agreement is reported as a deferred item in the consolidated financial statements of December 31, 2005. Of the total rental prepayment, € 666,666.67 has a residual period to maturity of up to one year, and is consequently reported with short-term assets.

The other deferred expenses contain prepayments for further rental and lease agreements (T€ 282), vehicle taxes, subscriptions, advertising etc for services that will be utilized in subsequent years (T€ 574).

Receivables due from suppliers contain receivables arising from goods reimbursement, prepayments for services, as well as excess payments.

Receivables due from tenants include a residual invoice with a tenant relating to the processing of the transfer of seven facilities in 2006.

The interest-rate swap receivable results in an amount of T€ 232 for an interest-rate swap transaction in place as of the reporting date. The swap was valued at fair value. Please refer to our remarks concerning interest-rate derivatives in Section 8.

A securities depository account of one Group company is reported among Other securities. The reported value corresponds to the market value.

The receivable due from shareholders concerned, in the previous year, receivables due the from netting-off of transactions (loans, dividend claims etc) from the years 2002 to 2004.

Other receivables contain mainly receivables due from personnel deposits as well as deferred revenue that will not be invoice until the subsequent year.

The tax receivables contain predomoninantly a reimbursement claim relating to capital gains tax of T€ 826, as well as receivables from corporate tax credits (T€ 77) and trade tax reimbursement (T€ 56).

2. NON-CURRENT ASSETS

2.1 PROPERTY, PLANT AND EQUIPMENT

	Land, rights similar to land and constructions T€	Other facilities, operating and office equipment T€	Prepayments rendered T€	2006 Total T€
Historical costs				
January 1, 2006	99,722	32,930	0	132,652
Additions	913	8,754	11,604	21,271
Disposals	(53)	(188)	(1,572)	(1,813)
Transfers	(5)	(3)	0	(8)
Changes in the scope of consolidation/other	24,520	9,631	1,408	35,559
December 31, 2006	**125,097**	**51,124**	**11,440**	**187,661**
Cumulative depreciation and value impairments				
January 1, 2006	27,077	21,099	0	48,176
Depreciation for the year	3,011	3,355	0	6,366
Disposals	9	(79)	0	(69)
Transfers	(2)	(14)	0	(16)
Changes in the scope of consolidation/other	4,554	5,906	0	10,460
December 31, 2006	**34,649**	**30,269**	**0**	**64,918**
Net book value	**90,448**	**20,855**	**11,440**	**122,743**

	Land, rights similar to land and constructions T€	Other facilities, operating and office equipment T€	2005 Total T€
Historical costs			
January 1, 2005	100,563	32,284	132,847
Additions	426	1,421	1,847
Disposals	(1,267)	(135)	1,402
Changes in the scope of consolidation/other	0	(640)	(640)
December 31, 2005	**99,722**	**32,930**	**132,652**
Cumulative depreciation and value impairments			
January 1, 2005	24,540	19,367	43,907
Depreciation for the year	2,890	2,472	5,362
Disposals	(353)	(118)	(471)
Changes in the scope of consolidation/other	0	(622)	(622)
December 31, 2005	**27,077**	**21,099**	**48,176**
Net book value	72,644	11,831	84,476

The following changes to property, plant and equipment resulted in 2006 from corporate acquisitions:

Fazit Betriebsträger GmbH

	Land, rights similar to land and constructions T€	Other facilities, operating and office equipment T€	Prepayments rendered T€	2006 Total T€
Historical costs				
September 1, 2006	4,360	8,485	0	12,845
Additions	1,419	130	0	1,549
Disposals	0	(151)	0	(151)
December 31, 2006	**5,779**	**8,464**	**0**	**14,243**
Cumulative depreciation and value impairments				
September 1, 2006	159	5,304	0	5,463
Depreciation for the year	11	174	0	163
Disposals	0	(85)	0	(85)
December 31, 2006	**148**	**5,394**	**0**	**5,542**
Net book value	5,631	3,070	0	8,701
Of which from first-time/subsequent consolidation	1,409	0	0	1,409

Sub-Group VGB GmbH

	Land, rights similar to land and constructions T€	Other facilities, operating and office equipment T€	Prepayments rendered T€	2006 Total T€
Historical costs				
November 1, 2006	7,540	1,146	1	8,687
Additions	11.201	2	59	11,262
Disposals	0	0	0	0
December 31, 2006	**18,741**	**1,148**	**60**	**19,949**
Cumulative depreciation and value impairments				
November 1, 2006	4,303	602	0	4,905
Depreciation for the year	165	18	0	183
Disposals	0	0	0	0
December 31, 2006	**4,468**	**620**	**0**	**5,088**
Net book value	14,272	528	60	14,861
Of which from first-time/subsequent consolidation	11,151	0	0	11,151

Wäscherei Ellerich GmbH

	Land, rights similar to land and constructions T€	Other facilities, operating and office equipment T€	Prepayments rendered T€	2006 Total T€
Historical costs				
January 1, 2006	46	1,654	0	1,700
Additions	0	2,524	176	2,700
Disposals	0	(6)	0	(6)
December 31, 2006	**46**	**4,172**	**176**	**4,394**
Cumulative depreciation and value impairments				
January 1, 2006	0	0	0	0
Depreciation for the year	3	402	0	405
Disposals	0	0	0	0
December 31, 2006	**3**	**402**	**0**	**405**
Net book value	**43**	**3,770**	**176**	**3,989**

a) Real estate and equipment held as part of finance leasing

The historical cost of leasing agreements for property and equipment held by the company as part of a finance leasing, as of December 31, 2006 amounted to € 96,591 and as of December 31, 2005 € 87,645 and have net book values of € 57,827 and € 57,123 as of December 31, 2006 and 2005. Of the historical costs, as of December 31, 2006/December 31, 2005, € 65,302 was attributable to land and € 31,288 attributable to business equipment (2005: € 22,342). The net book value is broken down as follows: Land and property € 46,825 (2005: € 49,086) and operating and business equipment € 11,003 (2005: € 8,038).

b) Basic assumptions used for estimates

Estimates are used for determining the depreciable life of tangible fixed assets. The estimates concern the period in which the company will be able to use the asset to generate revenue.

c) Public authority subsidies

The Federal *Länder* of Saxony-Anhalt, Thuringia and Mecklenburg-Vorpommern granted subsidies to the company in the years 1998-2000 of T€ 13,902 in order to construct care properties. The subsidies were deducted from the book value of the subsidized property, plant and equipment at the time of the IFRS opening balance sheet, and reduce the value of these assets accordingly.

2.2 INTANGIBLE ASSETS

	Goodwill T€	Software/licenses/ similar rights T€	Prepayments rendered T€	2006 Total T€
Historical costs				
January 1, 2006	43,379	1,452	116	44,947
Additions	0	1,928	129	2,057
Disposals	0	(12)	(116)	(128)
Transfers	0	(115)		(115)
Changes in the scope of consolidation/other	10,019	64	0	10,083
December 31, 2006	**53,398**	**3,317**	**129**	**56,844**
Cumulative depreciation and value impairments				
January 1, 2006	0	1,142	0	1,142
Depreciation for the year	0	400	0	400
Disposals	0	(12)	0	(12)
Transfers	0	(-107)		(-107)
Changes in the scope of consolidation/other	0	(41)	0	(41)
December 31, 2006	**0**	**1,464**	**0**	**1,464**
Net book value	**53,398**	**1,853**	**129**	**55,380**

	Goodwill T€	Software/licenses/ similar rights T€	Prepayments rendered T€	2005 Total T€
Historical costs				
January 1, 2005	34,313	1,054	0	35,367
Additions	9,066	400	116	9,580
Disposals	0	0	0	0
Changes in the scope of consolidation/other	0	0	0	0
December 31, 2005	**43,379**	**1,452**	**116**	**44,947**
Cumulative depreciation and value impairments				
January 1, 2005	0	561	0	561
Depreciation for the year	0	581	0	581
Disposals	0	0	0	0
Changes in the scope of consolidation/other	0	0	0	0
December 31, 2005	**0**	**1,142**	**0**	**1,142**
Net book value	**43,379**	**310**	**116**	**43,805**

Current depreciation is allocated to the functional areas of production costs, administration costs, or sales costs on the basis of how such depreciation arises.

The following changes to intangible assets resulted in 2006 from corporate acquisitions:

Fazit Betriebsträger GmbH

	Goodwill T€	Software/licenses/ similar rights T€	Prepayments rendered T€	2006 Total T€
Historical costs				
September 1, 2006	0	64	0	64
Additions	10,019	929	0	10,948
Disposals	0	(12)	0	(12)
December 31, 2006	**10,019**	**981**	**0**	**11,000**
Cumulative depreciation and value impairments				
September 1, 2006	0	41	0	41
Depreciation for the year	0	159	0	159
Disposals	0	(12)	0	(12)
December 31, 2006	**0**	**188**	**0**	**188**
Net book value	**10,019**	**793**	**0**	**10,876**
Of which from first-time/subsequent consolidation	**10,019**	**771**	**0**	**10,790**

Sub-Group VGB GmbH

	Goodwill T€	Software/licenses/ similar rights T€	Prepayments rendered T€	2006 Total T€
Historical costs				
November 1, 2006	0	0	0	0
Additions	0	600	0	600
Disposals	0	0	0	0
December 31, 2006	**0**	**600**	**0**	**600**
Cumulative depreciation and value impairments				
November 1, 2006	0	0	0	0
Depreciation for the year	0	0	0	0
Disposals	0	0	0	0
December 31, 2006	**0**	**600**	**0**	**600**
Of which from first-time/subsequent consolidation	**0**	**600**	**0**	**600**

Wäscherei Ellerich GmbH

	Goodwill T€	Software/licenses/ similar rights T€	Prepayments rendered T€	2006 Gesamt T€
Historical costs				
January 1, 2006	0	0	0	0
Additions	0	32	0	32
Disposals	0	0	0	0
December 31, 2006	**0**	**32**	**0**	**32**
Cumulative depreciation and value impairments				
January 1, 2006	0	0	0	0
Depreciation for the year	0	3	0	3
Disposals	0	0	0	0
December 31, 2006	**0**	**3**	**0**	**3**
Net book value	**0**	**29**	**0**	**29**

2.3 GOODWILL

Goodwill

The goodwill presented in the above schedules of assets concerned the following individual companies:

Company	2006	2005
Curanum Franziskushaus GmbH, Gelsenkirchen	7,239	7,239
Curanum Bad Hersfeld GmbH, Haan	1,534	1,534
Residenz Lobberich GmbH, Nettetal	1,616	1,616
Curanum Betriebs GmbH, Haan	3,660	3,660
Curanum GmbH, Haan	17,905	17,905
Alten- und Pflegeheim Sieglar GmbH, Haan	3,507	3,507
Krankenheim Ruhesitz am Wannsee Seniorenheimstatt GmbH, Berlin	4,029	4,029
Seniorenzentrum Hennef GmbH, Hennef	3,419	3,419
Accurato GmbH, Munich	348	348
Fazit GmbH, Nuremberg	10,018	0
Real estate companies	123	123
Total	**53,398**	**43,380**

The Group discontinued scheduled amortization of goodwill as of December 31, 2000 in accordance with the provisions of IFRS 3. The original historical costs have been capitalised. Goodwill is now subject to an impairment test on every year-end reporting date, and whenever there are indications that values have been impaired. The impairment tests are performed for each cash-generating unit or group that has such goodwill.

For the purposes of the impairment test, goodwill acquired as part of business combinations is allocated to the cash-generating care centers or groups of care centers.

The fair value of these cash-generating units is calculated on the basis of useful value, applying cash flow forecasts. These forecasts are based to a large degree on the utilization and occupancy structure of the care centers that are allocated to the relevant cash generating units. These are in turn based on past empirical values, but also take into account the current position of each individual care centre.

The cash flow forecasts are based on financial plans approved by the company management for a period of three years. The growth rate is adjusted individually to each cash generating unit. The Group-average growth rate is 6.0% in the first year of the budget, 2.1% in the second budget year, and 0.4% in the third year. Cash flows subsequent to the period of three years are calculated more conservatively using a growth rate of 0.0%.

The discount rate used for the cash flow forecasts is calculated using the WACC approach and is equal to a post-tax rate of 6.56%, and an after-tax rate of 11.21%.

2.4 SHAREHOLDINGS

The following list presents the main shares held in associated companies and investment house of December 31, 2006/2005:

Company	Reported as	Participation quota	Proportional annual profit T€	Book value as of 31.12.2006 (31.12.2005) T€
AT Management GmbH & Co. Bauträger MUC I KG, Munich	Equity participation	18.4%	--[1]	0 (0)
Bonifatius AT GmbH, Vienna	Equity participation	10%	--[1]	0 (0)
CB Managementservice GmbH, Kitzbühel	Shares in associated companies	100%	18	0

[1] Annual financial statements not available

The shares in CB Management-Service GmbH, Kitzbühel were acquired as of November 1, 2006. The company was not included in the consolidation for reasons of materiality.

2.5 OTHER FINANCIAL ASSETS

	2006 T€	2005 T€
Deferred expenses		
Prepayments for company lease agreements/rental agreements	8,929	9,821
Receivables from the sale of shares in associated companies	0	1,668
Sum of other non-current assets	**8,929**	**11,489**

The prepayments for corporate lease agreements relate to lease relationships that in each case commence on January 1, 2006, and that have been entered into for an initial period of 15 years. The rental prepayment of € 10,000,000.00 rendered in 2005 for the above-mentioned agreement is reported as a deferred item in the consolidated financial statements of December 31, 2005. Of the total rental prepayment, € 8,666.666,67 has a residual period to maturity of more than one year and is consequently reported with non-current assets.

3. CURRENT LIABILITIES

3.1 FINANCIAL LIABILITIES

	2006 T€	2005 T€
Liability component of convertible profit-sharing certificate	12,167	0
Current portion of non-current loans	3,685	450
Overdrafts	10,532	4,277
Total	**26,384**	**4,727**

a) Convertible profit-sharing certificate

As a result of a resolution of the Shareholders' General Meeting on May 20, 1997, the company has issued convertible profit-sharing certificates with a total nominal value of DM 24 million (€ 12,271,005.15) with conversion rights to ordinary shares to be issued in the future. The profit-sharing certificates are divided into a tranche of 2,000 certificates of DM 2000.00 each (€ 1,022.59) nominal value, and a tranche of 2,000 certificates of DM 10,000.00 each (€ 5,112.92) nominal value. The issue price was 104%. The premium from the issue of the profit-sharing certificates of T€ 491 was allocated to the capital reserve. It proved possible to perform conversion into equity capital for the first time in November 1999. The conversion price was fixed at the time of issue at DM 40 (€ 20.45) for one ordinary share with a nominal value of DM 5 (€ 2.56). A conversion has so far not occurred. The conversion right is collateralised through conditional capital to an amount of € 1,533,875.64 (DM 3 million). As a matter of principle, profit-sharing certificates that have not been converted by August 1, 2007 are due for repayment on August 31, 2007. The bearers of the profit-sharing certificates receive annual interest of 7.5%. In each case, the distributions are due retrospectively on August 31 and February 28 of each year.

At the time of issue, the fair value of the equity capital component was calculated at T€ 1,051 and is unchanged over the term of the certificate. The fair value of the external capital component was calculated on the accounting reporting date taking into account the residual maturity and the interest payment dates. The value of the external capital component, which is reported in short-term liabilities, was calculated using the effective interest-rate method, applying a market interest-rate for comparable financial instruments without conversion rights of 9.0%.

b) Loans/overdrafts

As of the December 31, 2006 reporting date, the Group has access to credit lines of € 15.0 million (2005: € 15.0 million). No qualifications exist with respect to the use of these credit lines.

3.2 TRADE LIABILITIES

Trade liabilities contain open items from incoming invoices for supplies and services utilized by Group companies. As of the reporting date, these amounted to T€ 3,210 (2005: T€ 4,385). The reported carrying values correspond to fair values.

3.3 PROVISIONS

Provisions contain invoices from utilities and disposal companies outstanding as of the reporting date. Provisions also contain management bonuses as well as impending losses arising from the fair value measurement of interest-rate swap transactions in place as of the reporting date.

The composition of other provisions as of December 31, 2006/2005 can be seen in the table below.

	Utilities, waste disposal T€	Bonuses T€	Operational risks T€	Other T€	Total T€
Balance as of January 1, 2006	**260**	**1,662**	**475**	**1,985**	**4,382**
Provisions formed during the year	850	1,251	(0)	994	3,095
Provisions released during the year	(31)	(0)	(0)	(363)	(394)
Provisions utilized during the year	(224)	(1,662)	(475)	(647)	(3,008)
Balance as of December 31, 2006	**855**	**1,251**	**0**	**1,969**	**4,075**

	Utilities, waste disposal T€	Bonuses T€	Operational risks T€	Other T€	Total T€
Balance as of January 1, 2005	**177**	**520**	**475**	**1,213**	**2,385**
Provisions formed during the year	260	1,662	(0)	1,951	3,873
Provisions released during the year	(29)	(0)	(0)	(270)	(299)
Provisions utilized during the year	(148)	(520)	(0)	(909)	**(1,577)**
Balance as of December 31, 2005	**260**	**1,662**	**475**	**1,985**	**4,382**

Other provisions contain provisions for impending losses that contain risks arising from interest-rate swap transactions amounting to T€ 879. These derivatives were valued at their fair value as of the reporting date. Please refer to our remarks concerning financial derivatives in Section 8.

The other provisions are composed as follows:

	2006 T€	2005 T€
Ongoing court cases/lawyers fees	963	285
Repayment to the Eschweiler real estate fund	100	0
Severely handicapped persons contribution	27	32
Impending losses from interest-rate swap transactions	879	1,363
Impending losses from loans granted	0	300
Other	0	5
Total	**1,969**	**1,985**

3.4 INCOME TAX LIABILITIES

	2006 T€	2005 T€
Corporation tax liabilities	549	2,361
Trade tax liabilities	1,193	2,461
Total	**1,742**	**4,822**

Higher prepayments for corporation and trade tax were rendered in the 2006 financial year compared with the previous year. The remaining income tax obligation reduces as a consequence as of the 2006 reporting date.

3.5 OTHER CURRENT LIABILITIES

	2006 T€	2005 T€
Liabilities to staff	2,499	1,912
Salary and wage liabilities	4,424	3,701
Social security liabilities	73	3,046
Loans	0	2,584
Prepayments received	3,290	2,668
Borrowing accounts in credit	1,240	695
Deferred revenues	89	410
Outstanding invoices	680	364
Staff association contributions	582	583
Other	3,076	1,670
Total other current liabilities	**15,953**	**17,633**
Wage/church tax and VAT liabilities	2,230	1,081
Other liabilities	**18,183**	**18,714**

Liabilities to staff of T€ 2,499 (2005: T€ 1,912) are composed of holidays outstanding (T€ 778; 2005: T€ 450), contributions to professional cooperatives (T€ 778, 2005: T€ 450), other obligations such as overtime hours, premiums, short-term partial retirement obligations and settlements (T€ 1,368; 2005: T€ 1,206) as well as time allowances (T€ 353; 2005: T€ 256).

The obligation arising from partial retirement obligations with staff (T€ 191; 2005: T€ 227) contains a short-term component of T€ 114. When calculating the obligation, the employer's supplements to gross salaries as well as pension insurance contributions were provided for, 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%. The net earnings for 2006 include income from the reduction of the provision of T€ 36 that was the deducted from cost of sales.

Other liabilities include deposits received from tenants in managed accommodation (T€ 1,090; 2005: T€ 1,107), deferred interest payments for the convertible profit-sharing certificate (T€ 703; 2005: T€ 310), as well as retained collateral resulting from construction and repair measures. Obligations for outstanding invoices also for the previous year were accounted under short-term liabilities (previously short-term accruals).The other short-term liabilities comprised liabilities from salary and church taxes, as well as VAT.

4. NON-CURRENT LIABILITIES

4.1 NON-CURRENT FINANCIAL LIABILITIES

	2006 T€	2005 T€
Total bank borrowings	56,049	13,926
Current portion of bank borrowings	3,685	450
Non-current bank borrowings	52,364	13,476
Convertible profit-sharing certificates	0	12,025
Profit-Sharing certificates Fazit	4,929	0
Financial liabilities	57,675	25,501
Finance leasing obligations with 6% effective interest-rate – non-current portion	57,315	63,724
Non-current interest-bearing liabilities, total	**123,488**	**89,675**

Repayments of bank borrowings are scheduled as follows:

	2006 T€	2005 T€
2006	--	450
2007	3,685	473
2008	3,705	498
2009	3,766	523
2010	3,825	526
Subsequently	41,068	11,456
Total	**56,049**	**13,926**

The following securities exist for bank borrowings:

- Land charges totaling T€ 31,904 entered in the land registries of Jena, Lettin (Halle), Ribnitz Damgarten (Barth), Ennepetal, Wadersloh, Bad Lauterberg and Pasing.
- Amount-limited individual guarantee of Curanum AG of T€ 644.
- Assignment of receivables from an operating company utilizing a loan
- Pledging of shares in a limited company by a company utilizing a loan
- Assignment of rental and lease interest receivables

The interest-rate risk of CURANUM AG results predominantly from interest-bearing financial liabilities, which is minimized, however, since a large portion of these liabilities have fixed rates of interest for their duration. The current convertible profit-sharing certificate excludes participation in the profits of the company and carries a fixed rate of interest. All mortgage loans have a rate of interest fixed at a low level. In the case of current-account lines, a market-normal risk exists relating to changes in interest rates, which can be categorized as minor as a result of the modest level of utilization of the lines.

Leasing liabilities

Please refer to Section 7 “Remarks concerning lease agreements”.

4.2 PROVISIONS

	2006 T€	2005 T€
Geseke purchase obligation	0	470
Hirschhalde purchase obligation	0	287
Provisions	**0**	**757**
Contingent liability arising from the acquisition of shares	1,128	0
Current portion of partial retirement	77	109
Miscellaneous	24	26
Other	**1,229**	**135**

Current provisions in the previous year included impending losses arising from purchase obligations for the land/properties in Bad Dürrheim, Mönchengladbach and Geseke. The obligation was valued using indexed annual gross rents less 7.5% operating costs. The impending loss arising from future purchase obligations was discounted using a 6.5% interest-rate and amounted to T€ 0, as of the accounting reporting date (2005: T€ 757).

The provision formed in the previous year for impending losses arising from future purchase obligations for the properties in Geseke and Bad Dürrheim, which have been entered on the liabilities side of the balance sheet, can be exercised by the seller at the earliest on February 1, 2008 and at the latest on December 31, 2012. The purchase obligation for the properties in Mönchengladbach, which has been entered on the liabilities side of the balance sheet in the previous year, can be exercised by the seller at the earliest on January 1, 2015 and at the latest on December 31, 2017. The purchase price for all three properties amounts to T€ 57,776.

The contingent liability results from the purchase of shares in a limited company in 2006. The related purchase price for the shares may rise by T€ 336 if particular events occur. CURANUM AG anticipates negative earnings contributions with respect to the customer base acquired at the time of the purchase of the company, and has correspondingly recognized a contingent liability of T€ 792.

5. EQUITY

5.1 SUBSCRIBED CAPITAL / CAPITAL RESERVES

	2006 T€	2005 T€
Ordinary shares (29.7 million shares; nominal value EUR 1.00 per share)	29,700	29,700

The modifications to the subscribed capital and capital reserves are presented as follows:

	Shares T Units		Subscribed capital T€		Capital reserve T€	
	2006	2005	2006	2005	2006	2005
Ordinary shares Issued and fully paid						
January 1	29,700	29,700	29,700	29,700	11,757	11,762
December 31	29,700	29,700	29,700	29,700	11,757	11,762

a) Approved capital

The authorization approved on November 27, 2000 by the Shareholders' General Meeting to enable the Board to increase the registered capital was dissolved by a resolution of the Shareholders' General Meeting on June 23, 2005.

The Shareholders' General Meeting of June 23, 2005 resolved to create new approved capital. The Board was authorized, with the approval of the Supervisory Board, to increase the registered capital of the company by June 23, 2010 against cash payments or contributions in kind, either once or on several occasions, through the issue of a total, however, of € 13,000,000.00 or of a maximum 13,000,000 new ordinary shares.

b) Conditional capital

Through a resolution of May 20, 1997, the registered capital was raised by € 1,533,875.64 on a conditional basis (Conditional Capital 1997). The entry into the Companies Register was performed on August 8, 1997. The conditional capital increase will be carried out only to the extent that those entitled by the terms of the issued convertible profit-sharing certificates utilize their conversion rights by August 1, 2007.

Besides this, the registered capital was increased by a further € 330,000.00 as the result of a resolution of the Shareholders' General Meeting of November 27, 2000 (Conditional Capital 2000). The conditional capital increase is designed to allow the issue of equity options for employees of the business. An equity option plan has not been created to date.

c) Purchase of own shares

Through a resolution of the Shareholders' General Meeting on June 22, 2006, the company was authorized until December 21, 2007, with the approval of the Supervisory Board, to acquire or resell once or on several occasions own shares in the company while observing the principle of equal treatment. This authorization may not be used for the purposes of trading in the company's own shares. The arithmetic share of the shares acquired as part of this authorization may not exceed 10% of the subscribed capital.

5.2 REVENUE RESERVES

a) Development of the revenue reserves

The revenue reserves developed as follows in the 2006 financial year:

	2006 T€	
1. Januar 2006	841	
Share of earnings attributable to negative minority interests	45	
31. Dezember 2006	**886**	

The revenue reserves as of December 31, 2005 result from the conversion of the accounts from HGB to IFRS.

b) Revaluation Reserve

The cash dividends set for 2005 were as follows:

	2006 T€	
1. Januar 2006	0	
Addition arising from the first-time consolidation of VGB GmbH	1,616	
31. Dezember 2006	**1,616**	

b) Dividends

The cash dividends set for 2005 were as follows:

	2005 T€	
Ordinary shares (EUR 0.10 per share in 2005)	2,970	

In 2006, T€ 2,970 was distributed for 2005. In 2005, the distribution of 2004 amounted to T€ 4,158.

The Management Board and the Supervisory Board of the company recommend distributing an amount of € 0.10 per share for 2006, which corresponds to a total amount of T€ 2,970.

6. NOTES ON INCOME TAX AND DEFERRED TAX

	2006 T€	2005 T€
Actual tax expenditure	5,472	4,399
Deferred income tax	814	121
Total income tax	**6,286**	**4,520**

	2006 T€	2005 T€
Income tax for the current year	5,287	4,848
Income tax for previous years	(185)	(449)
Actual tax expenditure, total	**5,472**	**4,399**

The income tax results mainly from prepayments for corporation tax plus the solidarity surcharge and trade tax for the 2006 financial year. And earnings-effective provision for corporation tax and trade tax was also created for 2006.

The prior years' income tax expense results from retrospective payments and reimbursements for corporation tax plus solidarity surcharge and trade tax for the 2004 financial year. Also included are corporation tax retrospective payments and the solidarity surcharge as well as trade tax for the years 2000-2003 on the basis of an external audit conducted at a subsidiary of CURANUM AG.

The composition of deferred tax recognize through the income statement in 2006 (2005) can be seen from the following table (expense (+)/income (-)):

	2006 T€	2005 T€
Capitalized loss carryforward	-816	0
Origination and reversal of temporary differences	1,549	9
Elimination/release of deferred tax resulting from individual accounts	81	112
Total deferred tax expense 2005/income 2006	**814**	**121**

The companies deferred tax assets and liabilities arising from temporary differences are composed as follows (before netting off):

	Earnings effect	Deferred tax assets		Deferred tax liabilities	
	2006 T€	2006 T€	2005 T€	2006 T€	2005 T€
Property, plant and equipment					
Divergent useful lives	73	217		443	299
Finance leasing	821			22,226	23,047
Other	-16		16		
Goodwill/customer base	-589	3,354	3,761	631	449
Provisions	-779	339	1,118		
Liabilities					
Finance leasing	-1.046	26,138	27,184		
Loss carryforward	816	816			
Other items	-74	639	598	581	466
	-794	**31,503**	**32,677**	**23,881**	**24,261**
Consolidation	-80				
Netting of deferred tax assets and liabilities		-21,496	-21,982	-21,496	-21,982
First-time/subsequent consolidation	60	2,525		4,705	
Total	**-814**	**12,532**	**10,695**	**7,090**	**2,279**

The consolidation item relates to deferred tax arising from individual company financial statements that are eliminated in the consolidated financial statements.

Deferred tax claims and deferred tax liabilities are reported on a net basis in those cases where a leasing agreement is entered as a financing lease and where temporary differences arise from this accounting treatment that give rise to not only deferred tax reimbursement claims but also deferred tax liabilities.

The deferred tax claims and deferred tax liabilities resulting from finance leasing were netted off; there remains a deferred tax claim from temporary differences resulting from finance leasing of T€ 5,622 (2005: T€ 4,863). Taking into account the other effects presented above, deferred tax assets of T€ 12,532 result as of December 31, 2006 (2005: T€ 10,695) as well as deferred tax liabilities of T€ 7,090 (2005: T€ 2,279).

The deferred tax relating to the above-listed items results from the following circumstances:

– ***Property, plant and equipment:*** Different depreciation rates in the tax accounts and in the IFRS accounts lead to temporary differences. The capitalisation of finance lease agreements for property and equipment, which is not performed in the tax accounts, results in further temporary differences.

– ***Prepayments and accrued income:*** Prepayments were rendered for equipment and lease/rent payments. This gives rise to temporary differences between the tax accounts and the IFRS accounts, since they concern prepayments relating to assets that are capitalised as finance lease agreements under IFRS.

– ***Provisions:*** Non-current provisions arise from current purchase obligations for real estate that are eliminated in the tax accounts as a result of their classification as provisions for impending losses, thereby leading to temporary differences. Similar applies to provisions for impending losses arising from the measurement at fair value of interest-rate swap transactions existing as of the reporting date, and which are not recognized in the tax accounts.

– ***Lease liabilities:*** The capitalisation of finance lease agreements for property and equipment, which is not performed in the tax accounts, results in further temporary differences.

– ***Goodwill,*** which is subject to amortization from a fiscal perspective but not under IFRS, results in temporary differences. Besides this, goodwill, which is capitalised and amortized solely in the tax accounts but which cannot be recognized in the IFRS accounts, leads to temporary differences.

– ***Miscellaneous:*** A reserve was formed in previous years according to § 6b of the Income Tax Act (EStG), which was transferred to the acquisition of the building in the reporting year. This reserve may not be transferred in the IFRS accounts; this gives rise to a temporary difference equal to the portion of the reserve that was transferred in the tax accounts to the depreciable building components. The difference between IFRS and tax account and valuation also gives rise to temporary difference in the case of the convertible profit-sharing certificates.

– ***First-time consolidation / loss carryforwards:*** Deferred tax liabilities arise from the revaluation of assets occurring as the result of the first-time consolidation of two companies in 2006, which resulted in the release of hidden reserves, as well as deferred tax assets on loss carryforwards, and capitalisation on the basis of finance lease agreements.

A deferred tax asset was also created in these financial statements for a loss carryforward at a group company, since the company has adjusted its previous years' estimates and now expects an improvement in profitability at the facility concerned, thereby enabling it to be able to utilize the loss carryforwards in the future.

The transition of the income tax total to the theoretical amount, which would result when applying the tax rate valid for the Land of the head office of the company, is presented as follows:

	2006 T€	2005 T€
Earnings before tax	**15,632**	**11,119**
Tax applying tax rate applicable to the parent company of 38.48% (2005: 38.61%)	6,015	4,293
Other, non tax-deductible expenses/trade tax additions	33	223
Effect of divergent trade tax result	213	-60
Effect of previous years' tax	274	-13
Aperiodic effects	-275	0
Other effects	26	77
Tax burden	**6,286**	**4,520**

Deferred tax assets of T€ 2,236 and deferred tax liabilities of T€ 4,753 were formed as part of the first-time consolidation of Fazit GmbH and VGB GmbH, which were recognized directly against equity without impacting the income statement.

7. REMARKS CONCERNING LEASE AGREEMENTS

7.1. LESSEE – FINANCE LEASING AGREEMENT

Property rented by the company includes the 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, insurance contributions, and property taxes. In general, the durations of leasing agreements for land, buildings, and operating and office equipment range between 3 and 40 years and contain extension options on varying terms. Certain lease agreements contain price adaptation clauses, and comprise conditional lease payments. We have elected not to make a related disclosure due to the unfeasibly high expense involved in the relevant measurement. In 2006, rental costs in connection with finance leasing agreements amounted to € 9,024 and in 2005, € 8,519. They were recorded as expenditure in the items depreciation and interest in the period in which they arose.

Purchase options exist for two property rental agreements that are classified as finance leasing agreements.

There follows a list of assets that were used as part of finance leasing agreements:

	2006 T€	2005 T€
Land	1,093	1,093
Buildings	64,209	64,209
Fittings and operational equipment	31,288	22,342
	96,590	**87,644**
Cumulative depreciation	(38,763)	(30,521)
Net book value	**57,827**	**57,123**

The future minimum leasing payments for the above described finance leasing agreements are:

	2005 T€
During the first year	8,985
1st to 5th year	31,588
After 5 years	66,424
Total of minimum lease obligations	**106,997**
Ancillary payments arising from lease agreements	(2,161)
Total of net minimum lease obligations	**104,836**
Present value of minimum obligations including ancillary payments	**72,222**
During the first year	8,317
1st to 5th year	25,790
After 5 years	38,115
Obligations from finance leasing	**70,700**
During the first year	4,813
1st to 5th year	16,187
After 5 years	49,700
Obligations from finance leasing (as reported)	**70,700**
./. Consolidation	8,572
Total current and non-current lease liabilities	**62,128**

7.2 LESSEE – OPERATING LEASE AGREEMENTS

The company and its subsidiaries have entered into various operating lease agreement for buildings, office equipment, and other facilities and fittings. Most of the lease agreements contain extension options. Some contain price adaptation clauses 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.

The leasing expenses are composed as follows:

	2006 T€	2005 T€
Basic leasing costs	45,464	38,628
Proceeds from subleasing agreements	(0)	(327)
	45,464	**38,301**
Future lease payments based on operating lease agreements:		
During the first year	--	45,410
1st to 5th year	--	172,493
After 5 years	--	410,856
Total of minimum lease obligations	--	**628,759**

8. INFORMATION CONCERNING FINANCIAL DERIVATIVES

8.1 GENERAL INFORMATION

Four interest-rate derivative transactions were concluded in order to reduce the interest expenditure associated with the convertible profit-sharing certificates and with current account borrowings at ING Bank AG and Dresdner Bank. The total nominal value of the interest-rate derivative transactions is T€ 21,300.

The following individual transactions were outstanding as of the accounting reporting date:

Current no.	Start	End	Nominal amount/€	Interest/reference rate
1	20.5.2005	20.5.2008	5,000,000.00	10J-EUR-ISDA_ EURIBOR/4,5%
2	15.7.2005	15.1.2009	5,000,000.00	10J-EUR-ISDA_ EURIBOR/4,5%
3	18.7.2005	18.7.2008	2,500,000.00	6M-EUR-Euribor-Telerate/Quanto (([1yCHFlibor]*2) -0,39%)
4	10.02.2006	30.11.2010	8,800,000.00	3M-EUR-EURIBOR-Telerate/3,34%

8.2. RECOGNITION AND MEASUREMENT

The above-mentioned interest-rate swap transactions were measured at fair value on the reporting date. The fair values are as follows:

	2006 T€	2005 T€
10J-EUR-ISDA_EURIBOR/4,5 % (20.5.2005)	-321	-643
10J-EUR-ISDA_EURIBOR/4,5 % (15.7.2005)	-517	-699
6M-EUR-Euribor-Telerate/Quanto (18.7.2005)	-42	-21
3M-EUR-Euribor-Telerate/3,34% (10.2.2006)	233	0
Total	**-647**	**-1,363**

No interim valuations of the interest-rate swaps were performed.

The fair values were calculated on the bases of the following assumptions:

1) Assumptions were made concerning the number of days on which the interest-rate spread between 10-Y-Euribor and 2-Y-Euribor, and 12-M-CHF-Libor and 6-M-Euribor exceeds the value from which CURANUM receives payments from the swap. The development of these curves was based on the assumption that the connection between the two forward rates is linear; if the spread is below the limit at both points where payments would be released to CURANUM, the spread at all points between also consequently falls beneath the payment-triggering level. The development of the forward rates was forecast until the end-date of the swap transactions.

2) An analysis of the interest-rate swaps was performed entailing the calculation of the average interest rates for the various credit ratings (BB to AAA), and this was compared with the average interest-rate of the bank issuing the interest-rate swaps.

   The fair value calculation was then performed on the basis of the relevant nominal amount, the calculation days for the interest-rate spread, and the risk-adjusted zero interest-rate curve taking into account the discount factor.

   A provision for impending losses was created as of the reporting date as a result of the negative fair values of interest-rate swaps 1 - 3. The positive fair value of interest-rate swap No. 4 led to the capitalization of a receivable, and its recognition in the income statement with the financial result.

   No further value measurement of the existing interest-rate derivatives was performed in 2005. This was performed retrospectively in 2006, and is presented as a correction for 2005. Please refer to our remarks in Part I of these notes regarding correction of prior years' errors.

8.3 RISK MANAGEMENT

The risk exists that, as a result of an interest rate development that would be negative for CURANUM AG, interest-rate losses result that would lead to an increase in interest payments.

As a matter of principle, the interest-rate derivative transactions 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. The issuing bank provides a daily report on the development of interest rates and on the relevant parameters that have effects on interest-rate developments in the future. The bank also reports regularly regarding the development of the interest-rate derivatives.

B. NOTES ON THE CONSOLIDATED INCOME STATEMENT

1. REVENUE

The CURANUM Group generated total revenue of T€ 199,041 from the care of inpatients including direct services such as catering, cleaning and laundry (2005: T€ 170,939), T€ 10,506 from the rental of managed apartments and the rendering of outpatient care services (2005: T€ 11,312) as well as T€ 6,178 from other revenue (2005: T€ 6,232).

2. COSTS OF SALES

The costs of production contain:

	2006 T€	2005 T€
Personnel expenditure for care and services	94,782	85,073
Rents	42,396	33,302
Remaining expenses	33,819	29,174
Depreciation and amortization	6,107	5,634
Total	**177,104**	**153,184**

Remaining expenses contain:

	2006 T€	2005 T€
Foodstuffs	7,606	6,194
Medical care requirements	2,074	1,924
Water/power/electricity	6,769	4,574
Third-party building cleaning services/laundry	4,000	4,539
Property and other charges	2,179	2,111
Other	11,191	9,832
Total	**33,819**	**29,174**

Depreciation and amortization in the concerns amortization of intangible assets (mainly software), and depreciation of buildings, and office and operating equipment. Depreciation includes depreciation incurred as part of finance leasing.

Other costs include expenses for maintenance, waste disposal, depreciation on receivables, legal and consultancy costs as well as expenses for training, literature and general administration.

3. SELLING AND MARKETING EXPENSES

The costs are composed as follows:

	2006 T€	2005 T€
Personnel expenditure	205	249
Remaining expenses	867	721
Depreciation/amortization	1	0
Total	**1,073**	**970**

Remaining expenses include mainly expenses for advertising and public relations activities of T€ 793 (previous year T€ 674).

4. GENERAL ADMINISTRATIVE COSTS

The administration costs are composed as follows:

	2006 T€	2005 T€
Personnel expenditure	11,884	10,189
Remaining expenses	4,419	4,273
Depreciation/amortization	659	309
Rents	23	0
Total	**16,985**	**14,771**

The remaining expenses contain primarily expenses for legal and consultancy costs (2006: T€ 1,754; 2005: T€ 1,501), telephone/fax/mobile telephone charges (2006: T€ 392; 2005: T€ 350), as well as office materials, postage, money transfer ancillary costs and general administrative costs (T€ 1,170).

5. OTHER OPERATING EXPENSES/INCOME

	2006 T€	2005 T€
Income	4,224	3,252
Expenses	(2,016)	(3,574)

Other operating income includes income from reimbursements received T€ 570 (2005: T€ 569), income from the release of bad debt charges applied to receivables and provisions/liabilities of T€ 2,213 and 484 (2005: T€ 447 and 321) as well as income that lay outside the period of T€ 932 (2005: T€ 1,071).

Other operating expenses in 2006 contain expenses from the application of a bad debt charge to receivables of T€ 495 (2005: T€ 2,322), expenses that lay outside the period of T€ 103 (2005: T€ 931), and retrospective VAT payments related to the external audit of T€ 589.

6. INTEREST EXPENSE/INCOME

	2006 T€	2005 T€
Interest income	817	1,495
Interest expense for diverse loans	(1,305)	(942)
Interest expense for financing lease agreements	(4,472)	(4,476)
Interest expense for the convertible profit-sharing certificate	(920)	(1,050)
Other financing expenditure/interest-rate derivatives	(1,323)	(2,516)
Interest expense	**(8,020)**	**(8,984)**

Other financing expense contains primarily interest paid on current accounts of T€ 618 (2005: T€ 505), interest payments for retrospective tax payments of T€ 283, interest payments for current liabilities of T€ 37 (2005: T€ 363), as well as guarantee commissions of T€ 72 (2005: T€ 31).

Interest income contains mainly T€ 664 (2005: T€ 1,081) from loans granted and other receivables. T€ 43 results from interest rate derivative transactions (2005: T€ 114).

7. PERSONNEL EXPENSE AND AVERAGE NUMBER OF EMPLOYEES

The personnel expenditure contained in items 2 - 4 is composed as follows:

	2006 T€	2005 T€
Wages and salaries	88,131	78,825
Settlements	526	339
Professional cooperative	1,012	948
Social contributions	17,202	15,399
Total	**106,871**	**95,511**

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

	2006 T€	2005 T€
Salaried employees	3,929	3,407
Temporary personnel	707	649
Total excluding trainees	**4,636**	**4,056**
Trainees	150	118
Total	**4,786**	**4,174**

III. OTHER DISCLOSURES

A. NOTES TO THE CASH FLOW STATEMENT

The rental expenses of T€ 8,490 (2005: T€ 7,877) that have been corrected according to IFRS had been reported in the item Finance lease payments in the financing activity section. The corrected amount is composed of the redemption component of T€ 4,017 (2005: T€ 3,401) and the interest portion of T€ 4,472 (2005: T€ 4,476).

The income tax paid of T€ 7,709 (2005: T€ 5,024) reported in the cash flow statement is clarified as follows.

Income tax of T€ 4,356 was paid in 2006 (2005: T€ 1,910). The external audits led to a retrospective payment of T€ 74 (2005: T€ 0). T€ 4,806 (2005: T€ 2,810) was received for retrospective prepayments for the 2005 financial year, and T€ 46 was received for retrospective payments/reimbursements relating to prior years (2005: T€ 314). A cash inflow occurred for the 2005 financial year as a result of the reimbursement of T€ 1,573 (2005: T€ 0).

As already explained in the general disclosures in Section D (Scope of consolidation and consolidation principles) nos. 3.1 and 3.2, Fazit Gesellschaft für Projektentwicklung sozialer Dienste mbH, Nuremberg, as well as VGB Beteiligungs- und Vermögensverwaltung GmbH, Grünwald (VGB GmbH) were acquired in financial 2006.

The acquisition of Fazit GmbH reported in the cash flow statement under the item acquisition of subsidiaries, and a cash outflow of T€ 8,610 was disclosed under investment activities. The purchase price totaled T€ 14,638, and this amount contains ancillary acquisition costs of T€ 612 for a consultancy fee as well as notary costs. The purchase price was settled through a cash payment of T€ 13,000 and through a set-off arrangement comprising T€ 1,026. Cash of T€ 5,002 was set off against the purchase price of T€ 13,612. The acquisition of VGB GmbH was also reported with the purchase price of T€ 25 and ancillary acquisition costs of T€ 1.7 under the item Acquisition of subsidiaries. This resulted in a cash outflow of T€ 8,635.

Outgoing cash flows for investments in property, plant and equipment of T€ 17,137 (2005: T€ 3) are reported among investment activities. This amount contains solely amounts for tangible fixed assets that were purchased for cash in the 2006 financial year. Finance lease additions in 2006 of T€ 2,932 (2005: T€ 1) were not reported in the cash flow statement under the item "Cash outflows for investments in tangible fixed assets" since no actual cash outflow occurred.

B. OTHER FINANCIAL OBLIGATIONS

There exist the following obligations from property rental agreements as well as service agreements for maintenance etc.

	2006 T€	2005 T€
2006	---	51,550
2007	54,952	52,056
2008	54,598	51,680
2009	51,629	48,734
2010	49,612	46,912
Subsequently	527,214	494,262
Total	**738,005**	**789,618**

Other financial obligations can be split individually as follows:

	2007 T€	2008 T€	2009 T€	2010 T€	2011 T€	Subsequently T€
Rents for property	52,185	52,585	50,144	48,534	48,831	469,230
Maintenance agreements etc	2,767	2,013	1,485	1,078	641	7,984

Besides this, purchase obligations exist for three properties in which subsidiaries of CURANUM AG operate facilities. These can be exercised by the seller at the earliest on February 1, 2008 and at the latest on December 31, 2012 (Properties I and II) or at the earliest on January 1, 2015 and the latest on December 31, 2017 (Property III). The purchase price for all three properties amounts to € 57.7 million.

C. RISK MANAGEMENT

The group-wide risk management system of the CURANUM Group has the task of identifying at an early juncture, and of documenting internal and external developments that might jeopardize or negatively impact the company as a going concern. The risk management system forms an integral component of the planning, operating business, controlling, and accounting business processes, and is directly anchored within the Management Board. The members of the CURANUM risk management team are selected by the Management Board. The team examines the risk management system at predefined intervals. Four quarterly meetings are held per year. As a rule, this meeting should take place before a meeting of the company's senior management, so that a member of the risk team can report to the management meeting concerning particular instances risks that might threaten the company as a going concern. The risk team meeting examines identified risks in the risk inventory using a relevant prepared risk inventory form in its valid edition. Above and beyond this, the risk team assesses the extent to which new risks have been identified that might jeopardize the company's existence, and that need to be added to the risk inventory.

The risk inventory form is a list of risks (in its relevant up-to-date version) that might threaten the company as a going concern, and measures divergence from a predefined benchmark, whereupon the Management Board must be notified immediately (if required, and to the extent determined, including recommended measures). This comprises the following risks:

- Income per care centre
- Group occupancy (excluding new starts)
- Group personnel cost ratio
- Inventory of overtime hours
- Absentee/sick day ratio
- Group materials costs (excluding rent)
- Internal/external quality controls
- Month-end liquidity target/actual
- Legislation

The risks team also decides in coordination with the Management Board concerning the introductory listing of risks in the risk inventory. Risks that potentially threaten the company as a going concern are examined at the risk team meetings using the management information system (MIS) and, if required, alternative controlling lists for the previous three months.

D. EARNINGS PER SHARE

Undiluted earnings per share has been calculated by dividing the periodic result attributable to the ordinary shareholders of € 9,346,405.19 (2005: € 6,598,750.39) by the weighted average number of ordinary shares outstanding during the period (2006: 29,700,000; 2005: 29,700,000).

In order to calculate the diluted earnings per share, the periodic result attributable to the ordinary shareholders as well as the weighted average of shares in circulation are adjusted for the effects of all potentially diluting ordinary shares that arise from the exercise of equity subscription rights. For this purpose, the number of ordinary shares to be taken into account corresponds to the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued on the basis of the conversion of all potentially dilutive ordinary shares into ordinary shares. The conversion of equity options into ordinary shares is regarded as having been carried out on the day on which the subscription rights were granted. Potential shares with dilutive character result in connection with the issue of the convertible profit-sharing certificates on May 20, 1997.

Due to the convertible profit-sharing certificates issued in 1997, the following potentially dilutive effect results:

Number of convertible profit-sharing certificates	Nominal amount DM	Conversion price DM	Subscription right for shares	Number of shares on conversion
2,000	2,000.00	40.00	50 units	100,000
2,000	10,000.00	40.00	250 units	500,000

Based on the relation between the conversion price of the convertible profit-sharing certificates and the share price, CURANUM assumes that no convertible profit-sharing certificates will be converted into shares and, as a consequence, the convertible profit-sharing certificates are not potentially dilutive.

Periodic earnings attributable to ordinary shareholders	2006 T€	2005 T€
Group net profit for the period	9,346	6,598

	2005	2004
Weighted average number of ordinary shares (in thousands of shares)	29,700	29,700
Ordinary shares in issue as of January 1	29,700	29,700
Weighted average number of ordinary shares as of December 31	**29,700**	**29,700**

Earnings per share were generated for the 2006 financial year of € 0.31 (2005: € 0.22).

Please refer to the equity capital transition account regarding distributions performed.

E. RELATED PARTIES DISCLOSURES

Remarks concerning related party transactions did not take into account business transactions that occurred in the business year between consolidated Group companies, as well as balances existing between these companies on the reporting date, since the effects of these transactions were eliminated as part of consolidation, and are consequently irrelevant from the Group perspective.

1. RELATED COMPANIES

1.1. AVG ALTENHEIM VERMIETUNG GESCHÄFTSFÜHRUNGS GMBH, MUNICH

AVG Altenheim Vermietung Geschäftsführungs GmbH, Munich (AVG) was the majority shareholder of CURANUM AG until May 19, 2005, and was regarded as the controlling company until this point. A controlling agreement with AVG did not exist. Also in the period subsequent to May 19, 2005 and in financial 2006, AVG, which is controlled by the Board of CURANUM, qualifies as a related company in the sense of IAS 24.

In 2006 in 2005, the following business events took place between the CURANUM Group and AVG (T€); the presentation is on the basis of the CURANUM Group's perspective:

	2006 T€	2005 T€
1. Income from services	274	106
2. Real estate purchases	8,815	0
3. Granting (+)/drawdown (-) of loans	0	10,307
4. Redemption of loans [inflow(+);outflow (-)]	2,980	14,836
5. Purchase (+)/sale of receivables (-) (net)	0	3,768
6. Corporate purchases [receivable (+)/liability (-)]	0	-5,803
7. Interest [income (+); expense (-)]	127	333

Transactions 1-3 and 5-7 occurred between AVG and CURANUM AG subsidiaries. The granting and redemption loans occurred between AVG and CURANUM AG.

Business events from company purchases in 2005 contain the acquisition of shares in Sieglar GmbH (T€ 2,003) as well as the acquisition of the operations of Fürth (T€ 3,800) through Group companies of the CURANUM Group from AVG GmbH.

The balance of receivables of the CURANUM Group amounted, as of December 31 2006, to T€ 0 (2005: T€ 2,980). Liabilities existed in neither 2006 nor 2005.

1.2 VGB BETEILIGUNGS UND VERMÖGENSVERWALTUNGS GMBH

VGB GmbH, which is controlled by the Board of CURANUM, qualifies as a related company in the sense of IAS 1 for the period between January 1, 2006 and October 31, 2006. Curanum GmbH acquired 100% of the shares of VGB GmbH on November 1, 2006, and it is consequently included as an associated company in the consolidated financial statements of CURANUM AG.

CURANUM AG had a receivable due from VGB of T€ 2,343 as of October 31, 2006 arising from a credited purchase price receivable from 2004. Interest income of T€ 100 was recognized between January 1 and October 31, 2006. One CURANUM subsidiary also held a loan liability due from VGB GmbH as of October 31, 2006 amounting to T€ 25; the interest expense for the period January 1 to October 31, 2006 totaled T€ 0.4. There were no further business events to report in 2006.

1.3 CB ARMBRUSTERGASSE GMBH

CB Armbrustergasse GmbH, which is controlled by the Management Board of Curanum, qualifies as a related company in the sense of IAS 1 for the period between January 1, 2006 and October 31, 2006. Curanum GmbH acquired 100% of the shares of VGB GmbH on November 1, 2006, which in turn holds 100% of the shares in CB Armbrustergasse GmbH, and CB Armbrustergasse GmbH is consequently included as an associated company in the consolidated financial statements of CURANUM AG.

As of October 31, 2006, CURANUM AG holds loan receivables of T€ 1,846, including interest payments and rental payments for the care facility of Armbrustergasse GmbH in Vienna/Austria. Interest of T€ 374 was recognized in the period January 1, 2006 to October 31, 2006. There were no further business events to report in 2006.

1.4 MAXXWARE COMPUTER CONCEPTS GMBH

Maxxware, which is controlled by the a member of the Management Board of CURANUM, qualifies as a related company in the sense of IAS 24.

A CURANUM Group company sourced information technology hardware in 2006 from Maxxware. Expenses/liabilities of T€ 317 (2005: T€ 321) arose for the CURANUM Group as a result of these purchases in 2006. As of the accounting reporting date, a receivable existed of T€ 1 (2005: T€ 2).

1.5 CURANUM BETEILIGUNGS GMBH

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. In 2006, CURANUM booked a total of T€ 139 (2005: T€ 348) as expenditure. There were no liabilities due for in this company as of the reporting date (2005: T€ 116).

2. MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS OF CURANUM AG

With a purchase agreement dated November 4, 2006 a subsidiary of CURANUM AG acquired 100% of the shares in a limited company from a member of the Management Board of CURANUM AG at a purchase price of T€ 27. The purchase price liability had been settled as of the reporting date.

Members of the Management Board granted a loan, including interest, to a Group company in 2006 amounting to T€ 3,352. All of the company's liabilities arising from these loans were settled in 2006. The company had no open items as of the reporting date with respect to members of the Management Board.

The Management Board received T€ 2,131 in the 2006 financial year (2005: 2,594), of which T€ 246 is attributable to CURANUM AG (2005: T€ 332) and T€ 1,823 is attributable to Curanum GmbH (2005: 2,232). Of this amount, T€ 801 comprised basic salary, and T€ 1,268 a variable bonus that depends on the company's earnings. The Management Board members received the following remuneration on an individual basis (in thousands of euros):

Management Board	Salary	Bonus[1]	Total
Hans-Milo Halhuber	300	509	809
Bernd Scheweling	300	509	809
Jens Spitzer	180	250	430
Bernd Rothe (ab 1.10.2006)	21	0	21

[1] This item also contains remuneration arising from the discontinuation of management board activity.

In 2006, supervisory board fees of T€ 70 (2005: T€ 50) were paid to members of the Supervisory Board. In 2006, a total of T€ 519 (2005: T€ 550) was paid to members of the Supervisory Board for services rendered. The services that Supervisory Board members rendered for the company in 2006 concern mainly legal and other consultancy services.

A subsidiary of the CURANUM Group had loan liabilities of T€ 2,561 to a Supervisory Board member as of December 31, 2005. This balance contains interest of T€ 165. The liability was paid down fully in 2006. Interest of T€ 20 was paid in the 2006 financial year. The balance of the liability amounted to T€ 0 as of the reporting date.

F. EVENTS FOLLOWING THE REPORTING DATE

Modifications to tax rates resulting from the corporate tax reform act currently in the legislation process may affect the extent of reversible effects arising from temporary differences, and may consequently affect the future extent of deferred tax.

G. OTHER DISCLOSURES

1. MANAGEMENT AND SUPERVISORY BOARDS

1.1 MANAGEMENT BOARD

The Management Board consisted of the following members:

– Hans-Milo Halhuber, Assessor of Jurisprudence, Grünwald (Chairman)
– Bernd Scheweling, Business Economist, Munich
– Jens Spitzer, Businessman, Cologne (until December 31, 2006)
– Bernd Rothe, Business Graduate, Munich (from October 1, 2006)
– Sabine Merazzi-Weirich, Merchant, Munich (from January 1, 2007)

1.2 SUPERVISORY BOARD

The Supervisory Board consisted of the following members in the reporting year:

– Dr. Michael Roggen, Lawyer, Meerbusch (Chairman)
– Dr. Dieter Thomae, Business Graduate, Member of the Federal Parliament, Sinzig-Bad Bodendorf
– Michael Sasse, Notary, Schwelm
– Sabine Merazzi-Weirich, Business Executive, Munich (until December 31, 2006)
– Angelika Pohl, Business Executive, Munich
– Sabine Klöckner, Business Executive, Schwelm

2. AUDITOR'S FEES

In 2006, expenses of T€ 275 were reported for audit fees.

3. UTILIZATION OF THE RELEASING PROVISION AS PER § 264 III OF THE GERMAN COMMERCIAL CODE (HGB)

The following companies, which were included as part of full consolidation in the consolidated financial statements of CURANUM AG, utilize the release from the obligation to prepare, audit, and publish annual financial statements and management reports in accordance with the provisions applying for public limited companies:

- CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG, Munich
- CURANUM GmbH, Haan
- CURANUM Betriebs GmbH, Haan
- CURANUM Bad Hersfeld GmbH, Haan
- Krankenheim Ruhesitz am Wannsee – Seniorenheimstatt GmbH, Berlin
- CURANUM Franziskushaus GmbH, Gelsenkirchen
- Altenheim Betriebsgesellschaft NORD GmbH, Munich
- Altenheim Betriebsgesellschaft SÜD GmbH, Munich
- Altenheim Betriebsgesellschaft WEST GmbH, Munich
- Altenheim Betriebsgesellschaft OST GmbH, Munich
- Alten- und Pflegeheim Sieglar GmbH, Bad Honnef
- Seniorenzentrum Hennef GmbH, Haan
- Fazit Betriebsträgergesellschaft für soziale Einrichtungen mbH, Nuremberg
- accurato GmbH, Munich
- OPTICURA Service GmbH, Haan
- Wäscherei Ellerich GmbH, Haan
- Curanum Westfalen GmbH, Haan
- GAP Media Service GmbH, Munich
- Curanum Bessenbach GmbH, Haan

4. CORPORATE GOVERNANCE

The Management Board and Supervisory Board of CURANUM AG have issued the declaration required according to §161 of the German Stock Corporation Act (AktG), and have made it permanently available to shareholders.

5. DATE OF RELEASE FOR PUBLICATION

The Management Board of CURANUM AG has presented the consolidated financial statements to the Supervisory Board. The Supervisory Board will issue its decision concerning the consolidated financial statements on March 27, 2007.

Munich, March 14, 2007

The Management Board

AUDIT OPINION

We have audited the consolidated financial statements prepared by the CURANUM AG, München, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the Company's Board of Management. 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 HGB and German generally accepted standards for the audit of financial statements 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, financial 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 report 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 not led to any reservations.

In our opinion, based on the findings of our audit the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give 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 a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, April 20, 2007
Wirtschaftstreuhand GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Prof. Dr. Georg Heni
Wirtschaftsprüfer
[German Public Auditor]

Heinz-Wilhelm Bühler
Wirtschaftsprüfer
[German Public Auditor]

FOR YOUR ANNOTATIONS

CURANUM AG – FINANCIAL CALENDAR 2007

18 – 19TH APRIL 2007	Roadshow London, Frankfurt
20TH APRIL 2007	Roadshow Paris
26 – 27TH APRIL 2007	Roadshow Skandinavia, Netherlands
10TH MAY 2007	First-quarter-report 2007
23RD MAY 2007	MS Healthcare Conference, London
21ST JUNE 2007	Annual Meeting 2007
9TH AUGUST 2007	Second-quarter and 6M-report 2007
8TH NOVEMBER 2007	Third-quarter and 9M-report 2007

CONTACT

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08.25 p.m.

Another day comes to an end. A day we took good care for our residents, with everyone feeling at home.

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CURANUM

Good care has a home.