CURANUM

Good care has a home.

*CURANUM AG, Munich*

# QUARTERLY REPORT FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2006

# THE GROUP AT A GLANCE

| mil. € | Q3 2006 | Q3 2005 | yoy | 9M 2006 | 9M 2005 | yoy | Q2 2006 | Q1 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|
| | 1.7. - 30.9. | | | 1.1. - 30.9. | | | | | |
| Sales | 54.2 | 47.4 | 14.3% | 157.9 | 141.1 | 11.9% | 52.8 | 50.9 | 188.5 |
| Personnel costs | 26.7 | 23.9 | 11.7% | 78.8 | 71.3 | 10.5% | 26.3 | 25.8 | 95.5 |
| Rental expenses | 10.4 | 8.3 | 25.3% | 31.0 | 24.6 | 26.0% | 10.4 | 10.2 | 32.7 |
| EBITDA | 8.3 | 7.1 | 16.9% | 22.3 | 19.8 | 12.6% | 6.5 | 7.4 | 25.8 |
| in % of Sales | 15.3 | 15.0 | | 14.1 | 14.0 | | 12.3 | 14.5 | 13.7 |
| Depreciation | 1.7 | 1.6 | 6.3% | 5.0 | 4.5 | 11.1% | 1.6 | 1.6 | 6.1 |
| EBIT | 6.6 | 5.5 | 20.0% | 17.3 | 15.3 | 13.1% | 4.9 | 5.8 | 19.6 |
| in % of Sales | 12.2 | 11.6 | | 11.0 | 10.8 | | 9.3 | 11.4 | 10.4 |
| Financial result | -1.9 | -1.5 | 26.7% | -5.4 | -4.7 | 14.9% | -1.8 | -1.7 | -7.4 |
| EBT | 4.7 | 3.9 | 20.5% | 11.9 | 10.6 | 12.3% | 3.1 | 4.1 | 12.2 |
| Net profit | 2.5 | 2.9 | -13.8% | 7.1 | 7.1 | 0.0% | 2.0 | 2.6 | 7.3 |
| EPS (€) | 0.08 | 0.10 | -20.0% | 0.24 | 0.24 | 0.0% | 0.07 | 0.09 | 0.25 |
| Cash Flow | 2.5 | 3.8 | -34.2% | 9.3 | 12.1 | -23.1% | 2.5 | 4.2 | 12.7 |
| CPS (€) | 0.09 | 0.13 | -30.8% | 0.31 | 0.41 | -24.4% | 0.09 | 0.14 | 0.43 |
| Cash and cash equivalents | 5.3 | 5.1 | 3.9% | 5.3 | 5.1 | 3.9% | 1.9 | 7.2 | 2.2 |
| Shareholders' Equity | 41.2 | 34.5 | 19.4% | 41.2 | 34.5 | 19.4% | 38.7 | 39.7 | 37.1 |
| in % of balance sheet total | 21.7 | 19.0 | | 21.7 | 19.0 | | 23.0 | 22.9 | 22.5 |
| Balance sheet total | 189.6 | 181.2 | 4.6% | 189.6 | 181.2 | 4.6% | 168.6 | 173.5 | 164.8 |
| Employees (average) | 5,205 | 4,204 | 23.8% | 4,881 | 4,136 | 18.0% | 4,677 | 4,756 | 4,150 |
| Facilities | 60 | 45 | 33.3% | 60 | 45 | 33.3% | 52 | 52 | 45 |
| Care places | 7,134 | 5,651 | 26.2% | 7,134 | 5,651 | 26.2% | 6,520 | 6,520 | 5,641 |
| Assisted living apartments | 897 | 689 | 30.2% | 897 | 689 | 30.2% | 693 | 693 | 686 |

## UPTURN IN GERMAN ECONOMY GATHERS STRENGTH

The higher domestic demand witnessed in the second and third quarters of 2006 established itself increasingly as the dynamo of the upturn in the German economy, delivering a greater impetus to growth than the export economy. Capital investment expanded and, after years of decline, construction investments made a noticeable recovery. Despite higher energy prices, private consumption rose detectably and the savings rate fell slightly for the first time. In the run-up to the increase in value added tax, it was noticeable that consumers made advance purchases of particularly sought-after consumer durables. As a result of the expansion of the base of employees eligible for social security payments, the number of gainfully employed persons has risen by over 250,000 since the beginning of the year on a seasonally adjusted basis.

## NO CHANGE IN CARE INSURANCE BEFORE 2008

Since the course of negotiations regarding healthcare reform is proceeding longer than expected, a reform of care insurance is clearly not anticipated before 2008. According to information issued by the Federal Ministry of Health, firstly health care reform will be addressed, followed by reform of the pension system, and only after this the reform of care insurance. Since the coalition partners have achieved just as little unanimity where care insurance is concerned as they have with the reform of the health care system, according to reports received so far, we have no reason to doubt this statement. This means that we are faced with a spectrum of suggestions ranging from raising contributions by a minimum of 0.4 percentage points, to the reduction of payments in Care Levels I and II. A point that is not debated by any of the participants is that none of the suggestions made so far can be regarded as a way out of the financing problem. The most that they can represent is a postponement of the financing distress to a date further in the future. For example, the increase in contributions from childless individuals has led to only a marginal reduction in losses to € 500 million in the past year, compared with € 800 million last year. Losses in care insurance are expected to rise again as early as this year.

## RESPONSIBILITY FOR LAW CONCERNING HOMES FOR ELDERLY TRANSFERRED TO LÄNDER

As part of the reform of federalism, which was approved by the Federal Council in the third quarter 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 Act concerning Homes for the Elderly (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 Act concerning Homes for the Elderly (HeimG) will continue to be valid until all of the Federal Länder have introduced their own legislation.

In many areas, the Act concerning Homes for the Elderly 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.

## ACQUISITION OF THE FAZIT GROUP IN SEPTEMBER

On September 7, 2006, CURANUM AG acquired the FAZIT Group which is located in Nuremberg. FAZIT operates eight care facilities in Bavaria, Saxony and Thuringia with a total of 600 care places and 204 managed apartments. As a result of the high level of care and service quality, the care facilities of the FAZIT Group enjoy an excellent reputation in their localities and consequently a very high degree of occupancy. With an innovative care concept, as well as modern and scientifically leading-edge care apartments, the facilities are optimally appointed to meet the future. We shall also be able to extract synergy benefits from the proximate geographical location of the FAZIT buildings and the manner in which the acquisitions supplement the country-wide network of CURANUM AG care facilities. The excellent local standing of the group and its high quality will also permit a transfer of know-how in both directions: in those areas where FAZIT is operating perceptibly better concepts, we shall implement a transfer of know-how to all existing CURANUM facilities with the aim of achieving an optimal result across the entire Group.

In the 2005 financial year, the FAZIT Group generated an operating profit of € 1.9 million on sales revenues of approximately € 16 million. CURANUM is acquiring 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 has been consolidated in this nine-month report as of September 1, 2006.

## SALES REVENUES RISE 14.3% IN THE THIRD QUARTER

Following a second-quarter where we were obliged to absorb lower utilization rates, occupancy stabilized again in August and September without, however, making up for the decline fully. This means that we achieved an average occupancy rate of over 92% in the third quarter, excluding the effect of acquired facilities. Primarily as a result of the acquisition, in the period between July 1 and September 30, sales revenues rose 14.3% from € 47.4 million in the previous year to € 54.2 million. In comparison with the second quarter of 2006, this represents an increase of € 1.4 million, which is attributable largely to the first-time consolidation of the FAZIT Group on September 1.

In the first nine months of the 2006 financial year, sales revenues grew from € 141.1 million to € 157.9 million, which corresponds to a rate of growth of 11.9%. Gross profits improved from € 26.4 million to € 29.0 million while the gross margin, despite acquisition and restructuring expenses, fell only slightly from 18.7% to 18.4%.

## CURANUM ACHIEVES ITS HIGHEST EVER EBIT MARGIN IN THE THIRD QUARTER

Personnel expenses in the third quarter of 2006 rose under-proportionally from € 23.9 million to € 26.7 million, representing an increase of 11.7%. Compared with the previous year, rental expenses rose faster than sales to € 10.4 million (previous year: € 8.3 million). One cause of this is the reporting among rental expenses of leasing payments made to Dr Lohbeck for the operating business. The other is insufficient revenues compared with full rental expenses that are being paid for facilities suffering from occupancy rates that are too low.

Earnings before interest, tax, depreciation and amortization (EBITDA) rose from € 7.1 million to € 8.3 million, corresponding to an increase of almost 17%. The EBITDA margin of 15.3% that we achieved in the third quarter exceeded our expectations, particularly since it allowed us to beat the very good margin we reached in the third quarter of 2005 (15.0%), despite a lower level of occupancy.

Depreciation rose only slightly from € 1.6 million to € 1.7 million. Earnings before interest and taxes (EBIT) rose 20% from € 5.5 million to € 6.6 million in the past quarter. This allowed us to achieve the highest EBIT margin in the history of the company at 12.2%. The CURANUM Group also achieved a positive development in pre-tax earnings: an increase of 20.5% from € 3.9 million to € 4.7 million. As a consequence of retrospective tax payments, however, the tax burden rose to € 2.2 million (previous year: € 1.0 million). As a consequence, earnings after taxes and minority interests amounted to € 2.5 million, compared with the previous year's result of € 2.9 million. Third quarter earnings per share amounted to € 0.08 (previous year: € 0.10).

During the same period, EBITDA was up from € 19.8 million to € 22.2 million (+12.6%). The EBITDA margin improved from 14.0% to 14.1%. Depreciation rose under-proportionally from € 4.5 million to € 5.0 million and operating earnings (EBIT) were up by 13.1% to € 17.3 million (previous year: € 15.3 million). Compared with the first nine months of 2005, the EBIT margin improved from 10.8% to 11.0%. As a result of the higher tax burden, earnings after taxes and minority interests were at the level of the previous year of € 7.1 million and earnings per share were unchanged at € 0.24.

## HIGH CASH FLOW FROM ONGOING BUSINESS ACTIVITY

Cash flow from operating activities rose to € 9.3 million when compared with the first half-year of 2006 (€ 6.8 million). As a result of tax payments of € 6.5 million, the cash flow appears to be lower when compared with the first nine months of 2005 (€ 12.1 million). However, before the effect of interest and tax payments, cash flow amounted to € 18.4 million.

As a consequence of the acquisitions in the first nine months of the year, cash flow from investment activities amounted to € 13.0 million (previous year: € 0.4 million). Of this amount, around € 8.0 million was utilized for the acquisition of the FAZIT Group, and € 5.1 million for investments made for the laundry and existing facilities.

As of September 30, 2006, cash flow from financing activities totaled € 6.9 million (previous year: -€ 9.2 million). A total of €18.9 million was raised through short and long-term financing and € 7.5 million has already been disbursed for redemptions.

## FIRST-TIME CONSOLIDATION OF THE FAZIT GROUP AS OF SEPTEMBER 1, 2006

The first-time consolidation of the FAZIT Group as of September 1, 2006 resulted, on the one hand, in an increase of property, plant and equipment by € 9.2 million to € 96.5 million (December 31 2005: € 85.4 million), reflecting the reporting of real estate in Greiz, along with fixtures, fittings and equipment contained in the premises. On the other hand, goodwill rose from € 41.7 million to € 47.2 million and intangible assets increased from € 0.5 million as of the end of December 2005 to € 1.4 million as of September 30, 2006. Compared with the end of the first half-year of 2006, cash and cash equivalents grew from € 1.9 million to € 5.3 million and receivables from trade customers increased from € 1.5 million to € 5.7 million.

Compared with June 30, 2006, short-term loans rose from € 5.2 million to €12.6 million. Of these, € 3.5 million were entered on the liabilities side of the balance sheet as part of the first-time consolidation of the FAZIT Group and a further € 3.3 million were financed on an interim and short-term basis by shareholders. Liabilities to trade suppliers increased from € 2.2 million to € 6.5 million, while provisions rose to € 7.3 million (June 30 2006: € 4.6 million). Due to the high level of tax payments, liabilities arising from income taxes fell from € 6.5 million to € 2.8 million. Other non-current liabilities increased to € 15.4 million (June 30, 2006: € 10.1 million). Long-term leasing liabilities rose from € 59.4 million as of June 30, 2006 to € 62.6 million. These also contain € 4.3 million arising from capitalized leasing agreements for equipment related to the FAZIT facilities.

As of September 30, 2006, shareholders' funds had risen to € 41.2 million (December 31 2005: € 37.1 million). The equity ratio was 21.7%. Primarily as the result of acquisitions, total assets grew to € 189.6 million, compared with € 164.8 million as of December 31, 2005.
For further more detailed information regarding the first-time consolidation of the FAZIT Group, please refer to the Notes to this quarterly report.

## STAFF

As a result of the start-up of operations in the new automated washing system for occupants' laundry in the Ellerich laundry facility, as well as an improved level of occupancy experienced since the beginning of this year in the new facilities in Schwelm and its environs, the number of employees in the CURANUM Group had risen to 4,823 by September 30, 2006 (previous year: 4,204). Consequently the average number of employees in the first nine months of the 2006 financial year was 4,754. In the same period the previous year, we were still employing just 4,136.

The FAZIT Group, newly acquired in September, employed a total of 382 members of staff as of September 30, 2006. These employees are not included in the above-mentioned figure for the overall Group.

## NEW COVERAGE

Along with the detailed analyses produced already by Berenberg Bank and HVB, new research houses published comprehensive studies in the third quarter:

| Date | Research house | share price aim | Option |
|---|---|---|---|
| 14.8.2006 | WestLB | 11.00 € | „buy“ |
| 16.8.2006 | Merck Finck | 9.50 € | „buy“ |
| 25.9.2006 | IXIS Midcaps | 9.50 € | „buy“ |
| 28.9.2006 | Bryan Garnier | 10.30 € | „buy“ |

On October 23, 2006, Merrill Lynch also published a detailed commentary on conversations with the CURANUM Management. DZ Bank published an analysis on CURANUM AG with the investment assessment "Buy", as part of a detailed study on the care market on October 31, 2006.

## OUTLOOK AND BUDGET

As far as the last quarter of the current business year is concerned, the economic research institutes are unanimous in taking the view that in Germany the economic upturn will last, that production will undergo a further powerful expansion, and that the creation of jobs will continue. This should mean also that unemployment figures will recede further and that accelerated purchasing effects will boost consumer demand.

However, as far as the coming year is concerned, the risk exists that restrictive financial policies will stifle rising domestic demand, thereby jeopardizing the organic, self-propelled economic upswing underway in Germany. This is where the opinions of the research institutes part company. Some are assuming that domestic demand will continue to rise, accompanied however by sharp declines in employment and consumption, and a sharp deceleration in growth rates. Others are convinced that the rate of the upturn will have gathered so much strength in the meantime that dampening factors will enjoy only short-term success, followed by a rapid and renewed expansion.

Where demand for care places and consequently the utilization rates of our facilities are concerned, basically all economic factors are pointing upwards. Falling unemployment tends to reduce care insurance as a form of income substitution. Rising incomes make care places more affordable and the social security risk factor falls. A countervailing factor, however, is the reemergence of growth in competition occasioned by new facilities located in areas that are already sufficiently supplied. It also appears that durations of stay are becoming shorter. In other words, occupants are arriving at later junctures in their lives and are exhibiting a greater extent of illness and/or greater care requirements.
This development seems to be continuing in the fourth quarter. As a result of seasonal factors, the utilization rate that stabilized in the third quarter is currently trending lower. We are therefore retaining the budget for the 2006 full year that we published at the half-year stage, in other words, EBITDA of € 29.0 million, EBIT of € 22.2 million, and an after-tax result of € 10.4 million, equivalent to EPS of € 0.35.

For the coming 2007 financial year, we are cautiously anticipating a slightly improved occupancy rate, and further start-up and restructuring costs for the central laundry that is intended by mid-2007 to provide laundry facilities for all existing facilities, in

### TARGET FIGURES (IFRS)

| mil. € | 2005 | 2006e | 2007e |
|---|---|---|---|
| Sales revenues | 188.5 | 210.1 | 229.1 |
| EBITDA | 25.8 | 29.0 | 33.7 |
| EBIT | 19.6 | 22.3 | 26.7 |
| Net profit | 7.3 | 10.4 | 12.0 |

other words, both linen and occupants' laundry. Overall, we are expecting sales of € 229.1 million for the 2007 financial year, including the new facilities from the FAZIT Group and excluding the impact of any further acquisitions. As far as EBITDA is concerned, we are anticipating a result of € 33.7 million. This also includes start-up losses resulting from the opening in February 2007 of the new facility in Bad Lauterberg that comprises 122 beds and 18 apartments. After depreciation, we are expecting EBIT of € 26.7 million and an after-tax result of € 12.0 million, excluding any potential impacts from the reform of corporation tax.

Munich, November 2006

The Management Board

CURANUM AG, MUNICH

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2006 (IFRS)

| ASSETS | 30.9.2006 T€ | 31.12.2005 T€ |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 5,334 | 2,175 |
| Trade accounts receivable | 5,745 | 3,782 |
| Inventories | 468 | 468 |
| Prepaid expenses and other current assets | 7,825 | 6,319 |
| Tax receivables | 2,035 | 1,646 |
| TOTAL CURRENT ASSETS | **21,407** | **14,390** |
| **Non-current assets** | | |
| Property, plant and equipment | 96,497 | 85,440 |
| Intangible assets | 1,359 | 297 |
| Goodwill | 47,157 | 41,650 |
| Shareholdings | 0 | 0 |
| Shares in associated companies | 66 | 0 |
| Deferred tax assets | 12,316 | 11,801 |
| Other financial assets | 10,591 | 11,002 |
| Minority interests | 193 | 208 |
| TOTAL NON CURRENT ASSETS | **168,178** | **150,398** |
| TOTAL | **189,585** | **164,787** |

# LIABILITIES AND SHAREHOLDERS' EQUITY

| | 30.9.2006 T€ | 31.12.2005 T€ |
|---|---|---|
| **Current liabilities** | | |
| Short-term portion of long-term finance lease debt | 4,285 | 3,803 |
| Short-term debt and current portion of long-term debt | 12,623 | 4,727 |
| Trade accounts payable | 6,479 | 4,385 |
| Accruals | 7,322 | 3,384 |
| Income tax payable | 2,813 | 4,822 |
| Other current liabilities | 15,353 | 17,269 |
| Others | 1,227 | 1,082 |
| TOTAL CURRENT LIABILITIES | **50,102** | **39,472** |
| **Non-current liabilities** | | |
| Long-term debt | 21,084 | 13,476 |
| Capital lease obligations | 62,630 | 60,259 |
| Deferred tax liability | 1,596 | 1,596 |
| Accruals | 757 | 757 |
| Others | 12,198 | 12,158 |
| TOTAL NON-CURRENT LIABILITIES | **98,265** | **88,247** |
| **Shareholders' equity** | | |
| Share capital | 29,700 | 29,700 |
| Additional paid-in capital | 11,763 | 11,763 |
| Treasury stock | 1,051 | 1,051 |
| Retained earnings | 2,937 | 2,937 |
| Accumulated profit/loss | -4,233 | -8,383 |
| TOTAL SHAREHOLDERS' EQUITY | **41,218** | **37,068** |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | **189,585** | **164,787** |

CURANUM AG, MUNICH

# CONSOLIDATED INCOME STATEMENT
## IN THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2006 (IFRS)

| | Q3 / 2006<br>1.7.-30.9.<br>T€ | Q3 / 2005<br>1.7.-30.9.<br>T€ | 9M / 2006<br>1.1.-30.9.<br>T€ | 9M / 2005<br>1.1.-30.9.<br>T€ |
|---|---|---|---|---|
| **REVENUES** | **54,278** | **47,497** | **157,944** | **141,112** |
| Cost of revenues | 44,219 | 38,394 | 128,946 | 114,670 |
| **GROSS PROFIT / LOSS** | **10,059** | **9,103** | **28,998** | **26,443** |
| Selling and Marketing expenses | 287 | 278 | 781 | 704 |
| General and administrative expenses | 4,100 | 3,365 | 12,566 | 10,330 |
| Other operating income | 56 | 945 | 922 | 2,042 |
| Other operating expenses | 1,044 | 987 | 2,610 | 1,904 |
| **OPERATING INCOME / LOSS** | **6,660** | **5,502** | **17,339** | **15,272** |
| Interest and other expenses | 2.189 | 1,844 | 6,119 | 5,536 |
| Interest and other income | 220 | 283 | 610 | 890 |
| Depreciation on financial assets | 0 | 11 | 0 | 11 |
| Profit/loss participation associated companies | 17 | 0 | 66 | 0 |
| **RESULT BEFORE INCOME TAX AND MINORITY INTEREST** | **4,709** | **3,941** | **11,896** | **10,616** |
| Income tax | 2,225 | 1,041 | 4,762 | 3,539 |
| Other tax | 0 | 0 | 0 | 4 |
| Minority interest | 9 | 5 | 15 | 21 |
| **NET INCOME / LOSS** | **2,475** | **2,896** | **7,120** | **7,060** |
| Net income per share (basic) * in € | 0.08 | 0.10 | 0.24 | 0.24 |
| Net income per share (diluted) * in € | 0.08 | 0.10 | 0.24 | 0.24 |

* Net income / number of outstanding shares (29,700,000 basic and diluted)

CURANUM AG, MUNICH

# CONSOLIDATED CASH FLOW STATEMENT

## IN THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2006 (IFRS)

| | 1.1.-30.9.2006 T€ | 1.1.-30.9.2005 T€ |
|---|---|---|
| Net income before tax | 11,897 | 10,611 |
| Adjustments for: | | |
| Depreciation | 5,034 | 4,522 |
| Financial results | -610 | -890 |
| Interest expenses | 6,118 | 5,535 |
| Result from disposals of fixed assets | 7 | 0 |
| Other expenses and income not affecting payments | -6,792 | -3,123 |
| Increase / decrease in provisions and accruals | 3,126 | 3,138 |
| Change in net working capital | -357 | -4,637 |
| Interest paid | -6,457 | -1,794 |
| Tax paid | -2,671 | -1,307 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **9,295** | **12,055** |
| Cash outflow for acquisitions (minus cash position) | -8,030 | 0 |
| Cash outflow for purchase of assets | -5,133 | -598 |
| Cash inflows from disposals of property, plant and equipment | 0 | 913 |
| Interest received | 162 | 89 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **-13,001** | **404** |
| Cash inflows from amounts borrowed | 18,857 | 0 |
| Cash outflows for granted loans | -1,482 | 0 |
| Cash repayments of amounts borrowed | -7,540 | -5,034 |
| Dividend payment | -2,970 | -4,158 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **6,865** | **-9,192** |
| Net increase (decrease) in cash and cash equivalents | 3,159 | 3,267 |
| Cash and cash equivalents at beginning of period | 2,176 | 1,868 |
| **CASH AND CASH EQUIVALENTS AT THE END OF PERIOD** | **5,335** | **5,135** |

CURANUM AG, MUNICH

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY IN THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2006 (IFRS)

| | Share capital T€ | Additional paid-in capital T€ | Retained earnings T€ | Accumu-lated profit/loss T€ | Equity portion of convertible bond T€ | Total T€ |
|---|---|---|---|---|---|---|
| AS OF DEC 31, 2004 / JAN. 1, 2005 | 29,700 | 11,763 | 2,937 | -11,551 | 1,051 | 33,900 |
| Net income for the period | -- | -- | -- | 7,326 | -- | 7,326 |
| Divident payment | -- | -- | -- | -4,158 | -- | -4,158 |
| Changes in the consolidated entity | -- | -- | -- | -- | -- | 0 |
| Other changes | -- | -- | -- | -- | -- | 0 |
| Total | 29,700 | 11,763 | 2,937 | -8,383 | 1,051 | 37,068 |
| AS OF DEC 31, 2005 | 29,700 | 11,763 | 2,937 | -8,383 | 1,051 | 37,068 |
| Net income for the period | -- | -- | -- | 4,645 | -- | 7,120 |
| Dividend payment | -- | -- | -- | -2,970 | -- | -2,970 |
| Changes in the consolidated entity | -- | -- | -- | -- | -- | 0 |
| Other changes | -- | -- | -- | -- | -- | 0 |
| Total | 0 | 0 | 0 | -4,233 | 0 | 4,150 |
| AS OF SEPTEMBER 30, 2006 | 29,700 | 11,763 | 2,937 | -4,233 | 1,051 | 41,218 |

## 1. GENERAL DISCLOSURES ON THE COMPANY

Curanum AG (referred to as "Curanum" or the "Company") Maximilianstrasse 35c, 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.

## 2. ACCOUNTING AND VALUATION METHODS

Accounting and valuation methods have not been changed since the annual financial statements as of December 31, 2005. We thus refer to the notes concerning accounting and valuation methods in the consolidated financial statements as of December 31, 2005.

### THE REPORTING BASIS

The present, unaudited quarterly accounts were initially produced in compliance with the International Financial Reporting Standards (IFRS) devised by the International Accounting Standards Board (IASB).
At the time of transferring to IFRS, Curanum AG prepared an opening balance on January 1, 2004 which represents the starting point for accounting in accordance with IFRS.

The income statement was converted to the cost of sales method.

The quarterly accounts were produced in accordance with IAS 34, and do not necessarily include all the information contained in the consolidated financial statements. Reference is made to the consolidated financial statements produced according to IFRS as of December 31, 2005.

The consolidated financial statements were prepared in euros (€). As long as not otherwise declared, all values have been rounded to the nearest thousand euros (T€).

### DECLARATION OF CONFORMITY WITH IFRS

The quartely accounts of Curanum AG and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU.

## CONSOLIDATED COMPANIES

The following companies were consolidated as of September 30, 2006

| Company | Country of incorporation | Stake % | Share of voting rights % |
|---|---|---|---|
| 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 |
| Curanum Westfalen GmbH, Haan | Germany | 100.00 | 100.00 |
| Altenheim Betriebsgesellschaft NORD GmbH, Munich | Germany | 100.00 | 100.00 |
| Altenheim Betriebsgesellschaft SÜD GmbH, Munich | Germany | 100.00 | 100.00 |
| Altenheim Betriebsgesellschaft WEST GmbH, Munich | Germany | 100.00 | 100.00 |
| Altenheim Betriebsgesellschaft OST GmbH, Munich | Germany | 100.00 | 100.00 |
| Curanum Bessenbach GmbH, Haan | 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 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 |
| 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 |
| FAZIT Gesellschaft für Projektentwicklung sozialer Dienste mbH, Nuremberg | Germany | 100.00 | 100.00 |

Curanum AG holds 24% of the shares in Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG. According to IAS 28.6/28.7, CURANUM AG exerts a significant influence on the company. As a consequence, the shareholding is accounted at equity.

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

With a purchase agreement concluded on September 6, 2006, Curanum GmbH, Haan has acquired 100% of the shares and voting rights in Fazit Gesellschaft für Projektentwicklung sozialer Dienste mbH, Nuremberg (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 have been 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.

In accordance with IFRS 3.69, accounting for the merger resulting from the acquisition of the Fazit Group will be of a purely provisional nature in the interim report of September 30, 2006, since the Company assumes that, with respect to the purchase price allocation, further information will become known concerning the marketbased valuation, in particular regarding the valuation of intangible assets identified as part of the purchase price allocation.

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

| | Book value / T€ | Market value (rep'd) / T€ |
|---|---|---|
| Current assets | 7,128 | 7,128 |
| Non-current assets | 7,452 | 9,248 |
| Current liabilities | 3,497 | 3,497 |
| Non-current liabilities | 4,341 | 4,341 |

Non-current assets contain primarily cash (T€ 5,002), trade receivables (T€ 376), and tax receivables (T€ 155).

Non-current assets comprise property, plant and equipment with a book value of T€ 7,429 and a market value of T€ 931. The hidden reserves are distributed between the real estate in Greiz, and the office and operating equipment contained in the facilities. When capitalizing financing lease agreements for the equipping of the facilities, the useful lives were selected in such a way that the calculated book value as of the time the first-time consolidation corresponds to the market value that the Company would report for the items of equipment.

Also reported are intangible assets of T€ 889, inventories valued as part of the merger, and a non-competition clause on the part of the seller, valued at a total of T€ 866. Furthermore, deferred taxes of T€ 515 resulting from the first-time consolidation have been reported among the non-current assets. These result from the capitalization of leasing agreements as finance leases, as well as from the recognition of tax loss-carry forwards from the acquired company. In the consolidated financial statements, goodwill on consolidation of T€ 5,585 is reported.

Current liabilities comprise current-account liabilities to banks (T€ 1,194), trade liabilities (T€ 166), 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).

Non-current liabilities contain liabilities that arise from capitalized leasing agreements related to the equipping of facilities of T€ 4,341.

The Fazit Group reports a profit-sharing right in its shareholders' funds. The accounting treatment of the profit-sharing right is in accordance with the economic net worth related to the terms of the profit-sharing certificate.

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

### 1. ONGOING EXTERNAL AUDIT

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

### 2. 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.

### 3. 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.

### 4. 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, with a registration notice period of three months, insofar as a place can be made available within six months. Following this, the right expires without substitution as a result of the elapse of time. Consequently, 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.

In the month of September 2006, the Fazit Group achieved after-tax earnings of T€ 128, which is included in the Group result as of September 30, 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€7,754 and sales revenues would have been T€ 169,207.

### EARNINGS PER SHARE

With regard to earnings per share, we refer to the information in the profit and loss account of these quarterly accounts.

### RELATIONSHIPS WITH AFFILIATED PERSONS / COMPANIES

With regard to the Company's relationships with affiliated persons / companies, we refer to the explanations given in the annual statement of accounts as of December 31, 2005.

In comparison to the consolidated financial statements as of December 31, 2005 we report the following significant changes:

The loans of T€ 2,584 reported in the financial statements as of December 31, 2005 granted by further related persons as well as accounts receivable of T€ 2,980 where repaid to the full amount as of September 30, 2006.

In comparison to the financial statements as of December 31, 2005 loan receivables from Bonifatius AT GmbH rose by T€ 1,482 to T€ 7,344.

## 3. SEGMENT REPORTING

The opportunity-risk profile of these services does not vary significantly and is interdependent. The Company's internal reporting structure also makes no distinction between segments. In addition, the Company is only engaged in the German market. No segment reporting is carried out as the Company cannot be divided into different business segments or different geographical segments.

## 4. CONTINGENT LIABILITIES AND CONTINGENT RECEIVABLES

No contingent liabilities are shown in the quarterly accounts. They are disclosed in the Notes except if the possibility of an outflow of economically beneficial resources is very unlikely.

No contingent receivables are shown in the quarterly accounts. However, they are disclosed in the Notes if the inflow of a financial benefit is likely.

## 5. EVENTS AFTER THE BALANCE SHEET REFERENCE DATE

There have been no significant events since the balance sheet reference date.

The present quarterly accounts were approved for publication by the Company's management board on November 9, 2006.

# CONTACT

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