CURANUM
Good care has a home.

CURANUM AG, Munich

ANNUAL REPORT 2005

THE GROUP AT A GLANCE

mil. €	2005	2004	YOY
Sales	188.5	183.7	2.6%
Personnel costs	95.5	92.1	3.7%
Rental expenses	32.7	32.1	1.9%
EBITDA	25.8	22.9	12.7%
in % of Sales	13.7	12.5	
Depreciation	6.1	6.6	-7.6%
EBIT	19.6	16.3	20.2%
in % of Sales	10.4	8.9	
Financial result	-7.4	-7.2	2.8%
EBT	12.2	9.0	35.6%
Income tax	-4.8	-4.0	20.0%
Net profit	7.3	5.0	46.0%
EPS (€)	0.25	0.17	46.0%
Cash Flow	12.7	21.4	-40.7%
CPS (€)	0.43	0.72	-40.3%
Cash and cash equivalents	2.2	1.9	15.8%
Shareholders' Equity	37.1	33.9	9.4%
in % of balance sheet total	22.5	20.2	
Balance sheet total	164.8	168.0	-1.9%
Employees (average)	4,150	3,912	6.1%
Facilities	45	45	0.0%
Care places	5,641	5,641	0.0%
Assisted living apartments	686	686	0.0%

CURANUM AG, Munich

ANNUAL REPORT 2005

Many thanks. Contented residents, pleasing figures: Once again, 2005 was a successful year for CURANUM. Therefore we would like to take the opportunity to thank all members of our staff who put their strong commitment, day in and day out – and often night after night – towards ensuring the well-being of our residents. Their untiring dedication and commitment benefits us all.

And continued success for the future. We want to continue with the dynamic growth of the CURANUM Group next year as well. With new facilities and innovative solutions in a market that is undergoing far-reaching change; for example with our new logistics center, modern quality management and by optimizing the CURANUM cluster system. All in all, the ideal conditions to join forces in 2006 and prove once again that good care has a home.

CONTENTS


Hans-Milo Halhuber


Bernd Scheweling


Jens Spitzer

Dear Shareholders,

The 2005 business year was not only an especially successful one, but will also be remembered as a year characterized by a good deal of excitement and suspense. The care services market saw a considerable acceleration of the consolidation processes, reflected by increased acquisition activities on the part of all private operators. Communities and municipalities also began to take the same approach in the care sector that has been common practice in the case of acute care hospitals for some time now: large German municipalities started to privatize their care facilities or sell them to private operators or investors. While this process is still in its initial phase, as witnessed in the case of clinics, the privatization activities will continue at a brisker pace as communities and municipalities will be increasingly subject to cost pressures.

By the end of the business year we had also gained seven new facilities with a total of 890 care places in North-Rhine Westphalia that are excellently matched to our existing structure in this region. Thanks to the very dense coverage of the market it is possible to realize numerous synergy effects in the services area, and profitability of these facilities will be brought to the group-wide level within a short period of time.

With the acquisition of a large-scale laundry facility at a location near Koblenz that is favorably situated in terms of logistics, we took the first step at the beginning of the ongoing business year towards setting up a central laundry facility combined with a central logistics center. In this way we will incrementally expand the laundry services within the CURANUM Group to not only comprise flat laundry, but also the entire range of laundry items required by our residents. In a second step, as of next year, we will be commissioning a neighboring logistics center, which will systematically utilize the remaining capacity of the laundry trucks for deliveries to our facilities. In this manner, we will not only reduce laundry costs, but also drastically cut back the logistics costs contained in the materials costs.

In the 2005 business year we achieved a considerable improvement in the profitability of the CURANUM Group by way of our efficiency programs, and the further, consistent bundling of our facilities. The increase in sales revenues by 2.6% to € 188.5 million, in connection with the same number of beds, marks stable organic growth, that has mainly been achieved by increasing capacity utilization and the optimization of the care class types and care rates. The EBITDA margin, which had been recorded last according to HGB at 8.2 %, has been boosted to 13.7 percent, which is also attributable to the conversion to the new accounting regulations according to international standards (IFRS). Operating earnings, EBIT, improved from € 16.3 million to € 19.6 million, while after tax profit rose from € 5.0 million to € 7.3 million in the business year elapsed.

In view of the increased consolidation phase on the care market and the attractive opportunities that are open to us as one of the largest providers of care facilities in Germany, we are aiming for further growth by acquisitions in the ongoing business year. We are convinced that you, our esteemed shareholders, will profit to a considerably stronger degree by the rapid and solid growth of your company, than by high dividend disbursements. Therefore, our proposition to the supervisory board will envisage a dividend payment of € 0.10 per share, or a total of € 2,979,000.00 of our unappropriated retained earnings of € 12.6 million.

Following the very long sideways movements of our share below the two-euro mark, in 2005 all of our shareholders who remained faithful to their commitment to our company, were rewarded by a vigorous price leap of 246% to € 6.40 at the end of the year under report. The resulting rise in market capitalization and the considerable increase in the free float subsequently resulted in the admission to the SDAX® Small-Cap-Index listing, which in turn translated as the company attracting considerably stronger attention. The reason for the long anticipated price rise was mainly attributable to the fact that foreign investment companies had discovered the CURANUM share, and, thanks to the free float, had the opportunity to trade in larger numbers of shares, also via the stock market and without thereby exerting undue influence on the price as a consequence. In the ongoing year the CURANUM share has also continued its price increase, and reached a peak listing of € 8.83 up to the time the annual report went to print.

We will consistently pursue our acquisition strategy in the year 2006. In the course of these activities, we will initially focus on private operators, whose facilities are especially compatible with our cluster strategy, and whose care concepts and business administration systems can be integrated into the CURANUM Group in a more or less seamless manner. Following the recent takeover, we are now engaged in negotiations with interesting acquisition candidates and assume that we will be achieving further growth in the ongoing year.

We would like to thank you very warmly for the trust you have placed in CURANUM AG. We are convinced that we have set the right course for positive business developments in a growing market, and that our innovative products, together with the sound care quality, will result in additional gains in corporate value.

Sincerely,

Hans-Milo Halhuber
Chairman of the Management Board

Bernd Scheweling
Member of the Management Board

Jens Spitzer
Member of the Management Board

THE SHARE

KEY STOCK EXCHANGE DATA (31/12/2005)

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%
Listings	Regulated Market Frankfurt, Munich, Prime Standard, unlisted traded Hamburg, Düsseldorf, Berlin, Stuttgart
Index	Prime IG Healthcare 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 2005 financial year
Market capitalization	€ 190.08 million
Average turnover 2005 per day in shares/€	118.804 shares / € 499,312
Yearly high/low price	€ 6.75 / € 1.80
Average price	€ 4.21
Opening/closing price	€ 1.85 / € 6.40
Earnings per share (EPS)	€ 0.25
Cash Flow per share (CPS)	€ 0.43

ANN CHRISTIN VOSS AND IRENE STEINKAMP

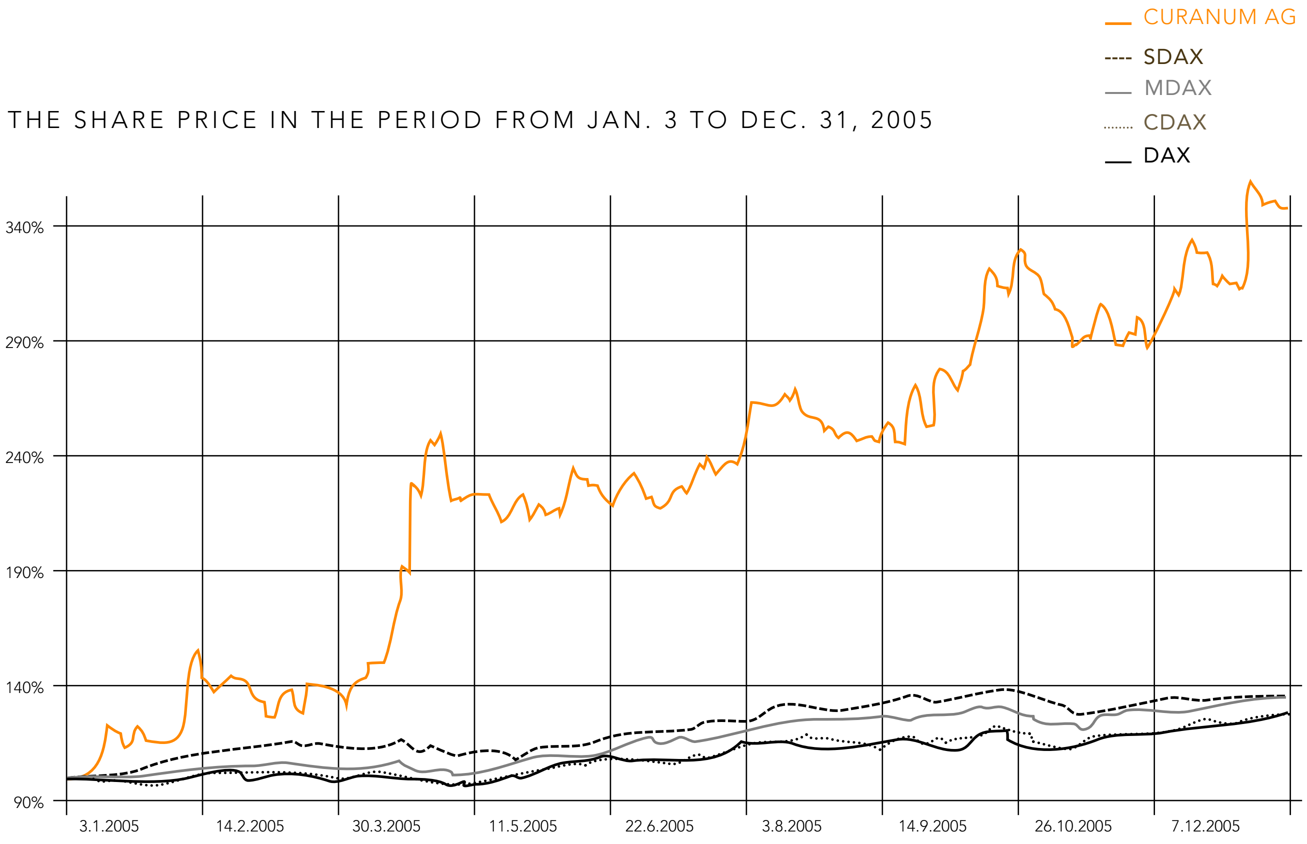
have lots of things to laugh about together; for example when the shutter release on the camera gets stuck. Both live at the Ravensberg Senior Citizens' Residence in Bielefeld.

EQUITY MARKETS IN GERMANY RISE SHARPLY, CURANUM RISES 246%

In 2005, the share price rally in medium-sized and small shares in Germany continued unabated. While the Blue-Chip Index DAX® struggled with difficulties at the start, the MDAX® and SDAX® broke away from the start of the year. In the second of the year, the heavyweight index also picked up momentum so that it closed the year with a performance of around 26%. The MDAX® put in a gain of another 35%. The SDAX® with a performance of 36% was once again the winner.

As part of a long sideways movement beneath the two euros mark, the CURANUM share started the 2005 financial year at € 1.85. By mid-January, the share had breached the two euro level and before the end of the month had reached almost € 2.30 after a British fund had acquired a large stake. Following this, the share price climbed to almost three euros until, in April, a recommendation by Berenberg Bank in Hamburg and a subsequent roadshow held at Europe's leading financial centers triggered a climb in the share price to € 4.70. After a short pause for breath, the price continued to climb in the second half of the year, reaching a peak of € 6.75 and ended the display of share price fireworks in 2005 with a closing price of € 6.40. As a result, the CURANUM share achieved a performance of 246% in the 2005 financial year.

THE SHARE PRICE IN THE PERIOD FROM JAN. 3 TO DEC. 31, 2005



FREE FLOAT RISES BY YEAR END TO 100%

As a result of numerous meetings with institutional investors and as a consequence of the high level of commitment shown by these investors, it was possible for long-standing investors to release parts of their investment and consequently raise the free float, which at the start of the year was still 31.1%, to around 70%. However the remaining 30% is also classified as free float according to the free float definition of the Deutsche Börse (each shareholder holds less than 5%) so that the official free float at the year-end amounts to 100%.

HIGH LIQUIDITY ON XETRA

Whereas, in the 2004 business year, still only in € 11.4 million in CURANUM shares was turned over on German stock exchanges, in 2005 the volume of turnover went up tenfold to € 125.8 million. As a consequence, € 10.5 million was turned over every month and for each stock exchange trading day around € 0.5 million, of which 75% was settled via the XETRA electronic trading platform. The first three months of the current business year suggest that the increase in turnover is continuing. As a result, CURANUM AG has achieved a sustainable trading volume that permits institutional investors to operate via the market without having a significant effect on the price.

RESEARCH

In the 2005 business year, research houses also showed an increase in interest in CURANUM AG. Particularly pleasing was the fact that some new and, above all, also internationally active analysts were among these.

Date	Research house	Opinion
January 3, 2005	HPS Research	"Buy"
March 21, 2005	Trade Center	"Buy recommended"
April 12, 2005	Berenberg Bank	"Buy"
May 20, 2005	Performaxx Research	"Buy"
June 17, 2005	Prior Börse	"Buy recommended"
July 4, 2005	HPS Research	"Hold"
September 19, 2005	Trade Center	"Strong prospects"
September 23, 2005	Berenberg Bank	"Buy"
October 24, 2005	HVB Equity Research	"Outperform"
December 21, 2005	Pacific Continental Securities	"Accumulate"

ENTRY INTO THE SDAX®

On the December 2005 index adjustment date, the Deutsche Börse/Index Commission implemented the long-awaited acceptance of the CURANUM share into the SDAX® Small Cap Index.

The entry into the Index, which contains the 50 largest stocks below the DAX® and MDAX® with respect to market capitalization and trading turnover, represents, on the one hand, a higher level of public awareness as a result of the increased attention of business media and small investors and, on the other hand, the company moves increasingly into the focus of institutional investors, which predominantly monitor index shares and tend to neglect smaller companies outside the selective indices. As a result of the strong rise in the share price as well as the expanded free float, which is important for the calculation of the market capitalization, with its entry into the index, the company is assuming a comparably stable position among the index companies.

DIVIDEND PAYOUT RATE SET TO FALL IN FAVOR OF GROWTH

The dividend of € 0.14 per share distributed last year corresponded to the target payout ratio set by the Board of approximately 50% of profits earned. This has allowed us to let our shareholders participate in the strong results of the year. As a result of the excellent market opportunities to acquire existing facilities and the related value-generating growth, our shareholders will benefit significantly more strongly, however, from the growth of sales and profits and consequently, given fair valuation, from a rising share price, than from the distribution of earnings. In the 2005 business year, we have started to make use of this gearing effect from our core business. With an increase in the share price of 246%, shareholders have been able to realize value growth of € 4.55 per share.

For this reason, the Management and Supervisory boards recommend the distribution of a dividend of € 0.10 per share or a total of € 2,970,000.00, and to carry the remaining € 9,679,775.10 forward to the new account.

SHAREHOLDERS' GENERAL MEETING REJECTS MODIFICATION OF BYLAWS WITH RESPECT TO UMAG

Around 120 people participated in the Ordinary General Meeting on June 23, 2005 that was held again in our Seniorenresidenz in Germering. However, a total of only 14.5 million shares were represented, which corresponds to the presence of 48.88% of the total of 29.7 million shares.

Besides the standard order of business items, points for approval included the extension of the authorization to acquire own shares, the creation of approved capital while canceling the existing authorization, new elections to the Supervisory Board, the modification of the remuneration of the Supervisory Board as well as the modification of the bylaws with respect to the adaptations to the Act concerning Corporate Integrity and Modernization of the Right of Challenge (UMAG). Apart from the last mentioned point, all items of business were passed with the requisite majority.

As a result of the demand made by the representative of the SdK e.V. as well as other small shareholders, the item regarding the adaptation of the bylaws to the UMAG was removed from the agenda and, as a consequence, an approval was not granted. Since the UMAG came into force on November 1, 2005, contradictions have arisen between the obligation to make a deposit as embodied in the bylaws and the modification introduced by the UMAG, whereby proof must be rendered through certification provided by a bank. The consequence of this is, on the one hand, an extension of the deadline for making a deposit to the start of the 21st day before the General Shareholders' Meeting in order to preclude dispute claims. This means that the deadline for issuing invitations needs to be extended to 51 days. On the other hand, this means that the item will be resubmitted as an agenda item in the General Shareholders' Meeting of 2006 so that the bylaws of CURANUM AG reflect the new legal situation in the future.

The list of attendees and the precise results of voting can always be found on the Internet at **www.curanum.de** under Investor Relations/HV-Service.

EXTENSIVE ROADSHOWS RAISE INSTITUTIONAL INVESTOR AWARENESS

In 2005, for the first time, we used the opportunity to present CURANUM AG to institutional investors both in Germany and abroad, to explain the care market and its particularities in Germany and to communicate our vision, targets and plans. To do so, we conducted roadshows at the most important European financial centers of London, Paris, Frankfurt, Zurich, Geneva, Milan, Amsterdam, Copenhagen and Edinburgh. These investor relations measures were supplemented by investor conferences held in Frankfurt, Paris and London, which also encountered great interest. In the current business year too, we shall continue this active investor relations policy and provide existing investors with prompt and transparent information as well as access new groups of investors in underdeveloped markets. Consequently, we have started the 2006 year with roadshows to the USA, Brussels and Stockholm. The reception at these events was, without exception, positive and the success can be witnessed in the climbing share price.

If you have questions about the company, at any time you can access extensive and up-to-date information on the Internet, request it by e-mail or contact us directly by telephone at:

Investor Relations contact:

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

MANAGEMENT REPORT

CURANUM AG Group Management Report for Financial Year 2005

ECONOMIC RECOVERY IN GERMANY GAINS PACE - DOMESTIC DEMAND CONTINUES TO BE WEAK

As a result of the strong growth of the world economy the level of business activity in Germany also increased in the year 2005. Spurred on by industry, where the number of incoming orders rose and production increased as a result, the pace of expansion in overall economic production exhibited clear signs of positive development. However, as already in the preceding year, this positive development was largely accounted for by the high level of demand from abroad which increased particularly on the part of the USA, Asia and the OPEC countries. Devaluation of the euro and moderate development in terms of prices and costs proved to be favorable for German companies and, at the same time, enhanced their competitiveness. Altogether, the real gross domestic product rose in the year 2005 by only 0.9% (preceding year: 1.6%); but the poorer performance compared to the previous year was primarily based on the lower number of working days and less surplus at the beginning of the year.

Except for the investment activity of German companies - which clearly expanded in the second half of the year - the development of domestic demand continued to be very weak. In particular, private consumption once again proved to be the Achilles' heel of German business activity: There were scarcely any incentives for private households to consume more due to the restrained increase in earned incomes, the sharp increase in the price of energy and, not least of all, the uncertainty before and after the federal parliamentary elections with regard to a possible increase in taxes and other duties. There was also no recognizable change on the job market. The annual average number of persons unemployed amounted to 4.86 million and thus there were approximately 480,000 more people without work than in the previous year. According to the calculations of leading economic research institutes, the majority of the successes announced by the goverment with respect to lower unemployment figures in the second half of the year 2005 – as well as the increase at the beginning of the year – were attributable to the introduction of the so-called Hartz IV measures. Nevertheless, if adjustments are made for the effects of combining unemployment relief and public assistance, unemployment would have increased in the year 2005 as well.

GERTRUD BÖHM AND FRIEDHELM KROES

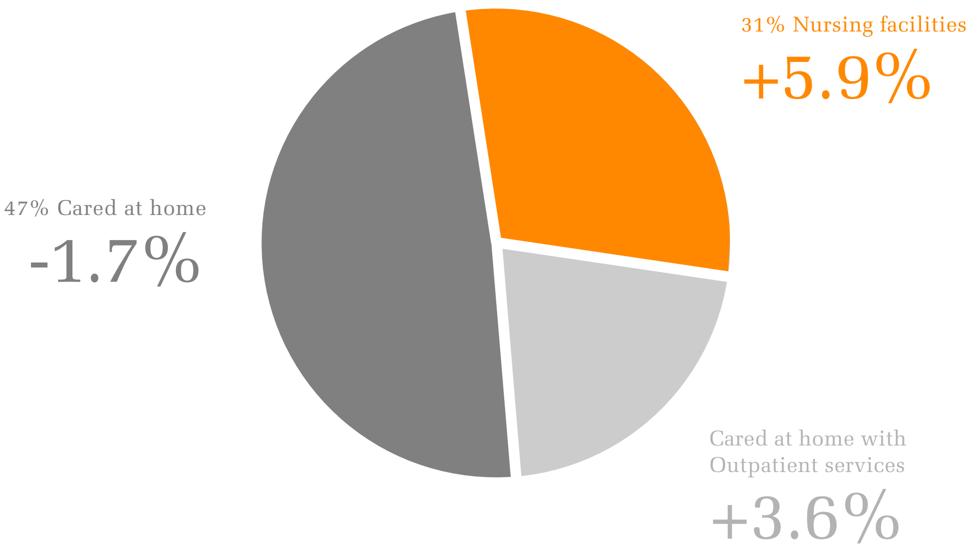
share the same hobby: traveling. They both love the sea and dream of faraway countries, for example Papua New Guinea. Photograph taken at the Ennepetal Senior Citizens' Center.

TREND TOWARD INPATIENT CARE CONTINUES

Of the currently more than two million persons in need of care in Germany, almost 70% are still cared for at home by relatives and in part through outpatient services. However, there is a clearly visible trend toward professional care. Thus the number of persons receiving care by means of outpatient services increased by 3.6% within two years and those in nursing facilities rose by even as much as 5.9%, while the proportion of those cared for at home declined from 70.4% to 69.2%. This means that domestic care was possible in fewer cases and thus inpatient assistance was resorted to, despite greater unemployment and more frequent use of nursing personnel from Eastern Europe. As a result of the collapse of familial structures, the increasing employment of women and, not least of all, the rapid increase in the number of persons requiring constant care and suffering from dementia illnesses, this trend will presumably have a much greater impact on the demand for places in nursing care facilities than the purely demographic effect.

But this also clearly illustrates the enormous potential of the market for nursing care in the future. For example, approximately nine million people will be eighty years of age or older in Germany in the year 2050 - which corresponds to about two and a half times today's figure or more inhabitants than the Republic of Austria. Since there is already a high probability that people in this age category will be in need of care (more than 32%), at least 3,000 new nursing facilities with 100 beds would have to be set up by the year 2020 in order to cover these nursing requirements, presupposing that domestic nursing care can be maintained at the current high level.

INCREASE IN STATIONARY NURSING CARE 2001 – 2003



NUMBER OF PEOPLE OVER 80 YEARS OLD

+210 %

2000	2010	2020	2050
2.94 m	4.42 m	6.25 m	9.1 m

SPECIAL NURSING CARE OFFERS ARE IN DEMAND

There was strong growth in the area of constant and special nursing care in the financial year just elapsed and presumably there will be particularly strong growth in the future as well since the corresponding medical cases show high rates of growth and can scarcely be treated in a domestic environment. This includes, for example, intensive and constant nursing care, gerontopsychiatric and psychiatric nursing care offers, special residential areas for addicted patients, patients in a vegetative state and patients dependent on artificial respiration, patients suffering from multiple sclerosis as well as young physically or mentally impaired persons. As a result of the current system of rigid uniform prices for everyone in the same facility as well as similar price structuring for nursing care and services in the respective districts, nursing facilities have a difficult time of setting themselves apart by means of basic nursing care as the basic service. However, apart from the intensified demand, special nursing care offers provide numerous advantages with regard to marketing and facility occupancy. Both the external impact of a facility and the perception among experts can be substantially improved by expanding on and specializing the range of products and services. Furthermore, new sources of income can also be developed as a result. The catchment area is also substantially increased due to the high level of specialization of the offer since either the clientele and relatives are prepared to accept traveling greater distances if the offer corresponds precisely to the symptoms, or nursing care can not be provided at all for residents with these symptoms in normal nursing care stations.

NURSING CARE INSURANCE REFORM WITHOUT A CHANGE IN THE SYSTEM?

After the early federal parliamentary elections were held in September of the year 2005 and the coalition between the SPD and CDU was formed, it quickly became clear that it would take some time for the partners in the coalition to come up with an agreement in the disputed area of health and nursing care. As already described in the last business report, there are numerous different suggestions for a comprehensive reform of the health care and the nursing care insurance system on the table. Due to the differences between the government parties there were correspondingly few far-reaching and/or lasting reform proposals incorporated into the coalition agreement and a fundamental reform of the nursing care insurance system was only announced for the summer of 2006.

The direction in which the reform is to go on the expense side has already been recorded in part in the coalition agreement. The coalition partners appear to be in agreement as far as the following modifications are concerned:

- Contrary to past practices, the services provided by the nursing care insurance system are to be index-linked. Since specified blanket amounts have been paid to those in need of nursing care since the year 1995, private additional payments and social welfare assistance increased with rising costs. In order to avoid a further increase in the number of persons receiving welfare aid, payments are to increase with the respective costs.

- The gap between the individual nursing care stages are to be revised. Whether or not this means reducing the inpatient non-cash benefit amounts, as suggested by the Rürup Commission, is not discussed in any more detail in the coalition agreement. The result, however, would be a renewed increase in the recipients of social welfare benefits.

- The term in need of care is to be extended to persons suffering from dementia so that not only persons in need of physical care will be able to take advantage of the benefits of the nursing care insurance system.

- Nursing care and entitlement to the benefits of the nursing care insurance system are to be free of bureaucracy. Here it would be desirable, on the one hand, to largely relieve nursing personnel of superfluous administrative activities which currently take up approximately 40% of the time of nursing personnel. On the other hand, double and multiple checks should be avoided through better coordination among the respective authorities.

- Alternative forms of living and nursing care should be promoted.

However, little can be read in the coalition agreement when it comes to the future financing of the nursing care insurance system. The existing allocation method is to be supplemented by funded elements and the private nursing care insurance system is supposed to pay financial compensation to the statutory nursing care insurance system since the risk structures are unfairly distributed. The concrete plan for this financing will presumably be submitted in the summer of 2006.

Although numerous suggestions from the Rürup Commission, Herzog Commission, proposals in accordance with Lauterbach/Nahles or Christa Stewens in Bavaria have been available for some time now, the most obvious solution of opening up the market, differentiation of the offer and price structures with uniform minimum standards for people receiving social welfare assistance (current nursing care benefits remain unaffected) is rarely discussed by the politicians. Although it has already been a topic among experts for a long time now and common practice when it comes to the different ways in which to calculate capital investments, opening the market is the only solution that can guarantee lasting, high-quality nursing care without requiring additional money from the taxpayer. This would, above all, eliminate a fundamental error in the system: Those involved in providing assistance for the aged are currently punished for commercial behavior. On the one hand, those citizens who save money for their nursing care requirements are currently being punished and get the same benefits as people on welfare. If there is no incentive to make provisions, then the nursing care risk is simply socialized. On the other hand, operators are not encouraged to act in an economical manner because if they are able to make services available more inexpensively, then their funds for this purpose would be reduced.

The currently available suggestions on the part of politicians mean that the existing reallocation financing is more of a reduction in the standards and/or freezing of the current quality standards since the costs will continue to increase, but the resources are no longer available for nursing care insurance system and authorities responsible for public assistance. But even a lasting, funded solution for long-term maintenance of the nursing care insurance system as partial comprehensive coverage does not yet solve the financing problem of the public authorities and/or municipalities.

The federal and state governments are currently striving for an amendment of the law on homes for the elderly, senior citizens' and nursing homes, while the government coalition has decided to leave the associated legislation up to the individual federal state governments within the scope of the federalism reform. In this case it would then be the responsibility of the various federal states, e.g. to lower the current ratio of specialists from 50% because of costs or to modify further regulations governing the structure,

MARKET SHARE IN 2005

Public	7%
Non-profit	55%
Private	37%

NUMBER OF CARE-BEDS IN GERMAN NURSING FACILITIES 2005

Public	81
Non-profit	73
Private	52

66 ø-total

process and performance quality. Many market participants presume that the regulations could soon take on very different forms solely because of the unequal financial strength of the various federal states.

NURSING CARE MARKET STARTING TO MOVE

Of the 9,700 nursing care facilities in Germany, 5,400 (55%) are operated by non-profit organizations, 680 (7%) are public, and 3,590 (37%) are privately operated. In the last few years, there has been a significant reduction in the public sector share of the market, while growth by private providers has been strong. In the charitable and non-profit sector, selling pressure was apparently not as strong as in the public sector and here the market share declined only slightly.

However, if one looks at the average size of the facilities and their operators, a serious economic disadvantage due to the insufficient size of the facilities and operators as companies can be seen, particularly among the private operators. The average nursing care facility in Germany takes care of 66 patients; the average for non-profit providers is 73, for public/community providers 81; however, in private facilities the average is only 52. Nor does the market structure or size of some individual operators reflect the majority of the private companies. Only a handful of private operators have the size necessary to take sufficient advantage of the synergy effects of scale. Non-profit operators are generally set up either regionally or locally without the benefit of a collective network and have, so far, largely failed to take advantage of the efficiency of scale possible in their nationwide numbers.

In 2005, these structural problems set a long-expected movement in the market into motion which was distinguished by numerous offers, tenders, takeovers, and insolvencies and most likely represents only the beginning of a massive consolidation of the market in the nursing care sector. Among the sellers are smaller private operating groups as well as public sector and non-profit operators, with numerous facilities being offered for sale. Among the buyers, alongside a few fiscally strong private operators, there are also investors such as private equity funds, which are above all looking for profitable, larger portfolios of facilities in order to build powerful chains by means of rapid acquisition. In the fall of 2005, for example, a British private equity company took over the fifth largest private operator of nursing care facilities in Germany. Since last year, well-funded domestic and foreign real estate investors, who buy up public housing for large income funds, have also been rushing into the market. Since nursing care facilities, under long-term leases to good operators, are considered to be relatively secure income-producing properties, large German investment funds began offering social housing and nursing care real estate funds for the first time this past fiscal year.

REPUTATION OF INPATIENT FACILITIES: A MIXED PICTURE

As has always been the case, inpatient nursing care facilities do not have the best reputation. Nonetheless, informed public awareness is increasing, accompanied – as was noted in our last company report – by a more positive opinion of inpatient nursing care facilities. The *Altenpflegemonitor* (Senior Care Monitor) for 2005 reports as follows: After 14% in the previous year, 23% of those surveyed now are of the opinion that those in need of nursing care are being treated with respect; 24% are under the impression that those receiving nursing services are being taken care of properly (previous year: 14%). In the year 2004, 33% were of the opinion that nursing care services were being professionally managed; in 2005 this increased to 46%. These – although weak, nonetheless improved – results are a reflection of the better-informed awareness of those affected. Thus the level of informed public awareness has increased from 33% to 53%, of which 44% gained their knowledge from conversations with friends and acquaintances, 35% from newspapers and magazines, 31% through a direct visit to a facility, and 6% by means of the Internet. Even so, in 2005 more people indicated that there are too few personnel employed in nursing care (81%, 2004: 68%) and that the care is generally too expensive (70%, 2004: 68%).

Due to frequent negative press reports and also some recent investigative reports on conditions in nursing care facilities, which, in some cases, remained on the bestseller lists for a number of months, the public's perception of nursing care for seniors was affected once more in quite a negative fashion. We are faced with persistent generalizations that give the public a completely negative picture of nursing care without making it clear that these are the black sheep in the industry that urgently need to be closed down. Here, as well, the market will eventually separate the wheat from the chaff - in a competitive market, those facilities providing poor care will simply no longer receive any new residents.

MEDICAL CARE IN NURSING CARE FACILITIES IN NEED OF IMPROVEMENT

There were an increasing number of complaints about medical care in senior care and nursing care facilities this past business year. This was due in part to the introduction of uniform criteria (EBM) for medical service billing, but also was the result of widespread charges of wrong medications, frequent hospital admissions, and long waits for a visit from a doctor.

With the introduction of EBM, visits to a care facility by family practitioners who might be seeing only one or two patients became no longer viable, as the compensation rates for these house calls were appreciably reduced. Visits to patients in a care facility

ASTRID REMBERG AND PAUL GRÖPPER,

who loves the garden and fresh air more than anything else. Mr. Gröpper used to live and work on a farm. Both are at home at the Geseke Senior Citizens' Residence.

ALTENPFLEGEMONITOR (SENIOR CARE MONITOR) 2005

Impressions	2005	2004
„those in need of nursing care are being treated with respect"	23%	14%
„nursing services afford a good care"	24%	14%
„nursing care services were being professionally managed"	46%	33%
„there are too few personnel employed in nursing care"	81%	54%
„care is generally too expensive"	70%	68%

only remained profitable for those practitioners with a long list of patients. As a consequence, interest in such patients declined, which noticeably impacted the medical care of patients in inpatient nursing care facilities; this, coupled with the already frequent lack of experience and training in gerontological illnesses on the part of the doctors, quickly led to the lack of a proper diagnosis or even a wrong diagnosis and the patient's next hospital admission. The poor quality of medical care has been confirmed by several studies, including "SAVIP - Study of Medical Care in Nursing Homes," by the German Center for Research on Aging in Heidelberg, and a study by BHF Bank conducted in a Berlin senior citizens' home.

Such studies suggest that deficits in medical care as well as improvements in senior care training, greater involvement of family members and care-givers, and a better implementation of MDK can all be resolved by the use of family doctors with specific gerontological experience. Exactly this assessment led CURANUM, more than a year ago, to develop a family practitioner concept and to test it in some facilities. The resident gains not only the advantage of treatment by a doctor specialized in gerontology, but, above all, a faster response to inquiries and the opportunity for continuing advice and consultation. Initial results indicate significantly reduced hospital stays and a substantial increase in residents' satisfaction with and the quality of their medical care.

CURANUM COMPLETES CONSOLIDATION PHASE

The consolidation phase, from mid-2003 to mid-2005, was both important and necessary for CURANUM AG. For one thing, six facilities needed to be newly placed into operation in 2002 and the four facilities that were taken over needed to be integrated and reorganized or staffed. At the same time, the lack of suitable leadership teams for the facilities presented us with a tremendous challenge. We furthermore took a close look at our organizational structure, operational and administrative tasking, and all business procedures in order to identify and then implement improvements wherever possible.

The results of this consolidation phase can be seen in more than just our rapid increase in earnings over the last two years. In the last two fiscal years:

- care center management was restructured and outfitted with an efficient IT system;
- accounting services was centralized and, with the introduction of automated accounting procedures and electronic data processing, accounting personnel was significantly reduced;
- a uniform forty-hour work week was established for all CURANUM employees, as well as uniform vacation benefits and annual bonuses, and variable incentive-based compensation rules;
- management duties in the facilities were more efficiently organized;
- the CURANUM cluster system was improved by the further addition of facilities;
- centralized quality management was enlarged and restructured;
- CURANUM branding using the new corporate identity was implemented in all facilities;
- all inherited burdens resulting from the takeover of Bonifatius AG, a group of operators in Southern Germany with eight facilities and a substantial portfolio of irrecoverable debts, were resolved; liabilities and unpaid debts were drastically reduced and the balance sheet was placed on a solid foundation;

- rent reductions to a refinanced level were made through negotiations with owners;

- a trainee program for new nursing home directors was introduced to resolve the bottleneck with respect to management team staffing and to provide sufficient reserves for new facilities;

- a comprehensive IT infrastructure, ranging from a computer-based merchandise planning and control system for purchasing to SAP-supported accounting and payment processing, was set up, thus bringing business operations up-to-date with the latest developments in technology;

- economically significant facilities operating under management contract were acquired (Franziskushaus-Gruppe, Hennef, Sieglar, Fürth) and facilities that could not be reasonably managed were disposed of (Lehrte).

Despite the numerous successes, we have continued to identify sufficient potential improvements, such that it will be possible to make the company even more efficient. Along with this, there are our ongoing projects to improve the quality of care and expand the services offered to our residents.

EXPANSION OF RANGE OF SERVICES

This includes the establishment of our own laundry, which will improve the quality of the laundry services as well as profitability for the entire Group. On January 1, 2006, we acquired an existing laundry in the Rhineland-Palatinate, which is expected to provide laundry services for the majority of the CURANUM facilities. Much more important to us, however, is the opportunity to establish a logistics center on the grounds of the laundry, which, along with linens, will also provide all facilities with non-perishable goods. This plan came about because of the high logistics costs for material expenditures that are incurred when delivering to 52 different locations. Inasmuch as the laundry is already delivering to these facilities, it was obvious that this delivery service could also be used for the delivery of goods and materials and that the logistics center should serve as the central hub for all deliveries. This brings a reduction in logistics costs, but bundled deliveries also mean a reduction in staffing costs when doing order picking for the wards.

A further important project is the centralized dispensing of medications to residents. At present, medications at all facilities are dispensed by local pharmacies; the processing of medications, that is the allocation and distribution of medications to all residents, demands a great deal of time from nursing care personnel. Centralized dispensing by means of blister packs is therefore a pre-eminently economical solution for both the operator and the health insurers and would significantly reduce pharmaceutical costs as well as the tremendous time involved. The respective partners – the technology and the logistics – already exist and a trial has even been conducted already by CURANUM, but for now at least, medications are still being calculated on a package basis rather than per tablet, meaning that it is not yet possible to implement this form of medication delivery and dispensing. It is in the interest of the health insurance providers – and therefore those government representatives responsible for health care – to implement a change in this as soon as possible, so that, collectively, costs to the health care system can be reduced.

SENIORENRESIDENZ
VOERDE

LOCATION: 58256 Ennepetal
CARE PLACES: 149
LIVING APARTMENTS: 8
OFFER: long-term and short-term care
FACILITIES: bowling alley, library, hobby kitchen, coiffeur, chapel, kiosk, garden facility

SENIORENRESIDENZ
AUGUSTASTRASSE

LOCATION: 58332 Schwelm
CARE PLACES: 107
OFFER: long-term and short-term care
FACILITIES: cafeteria, bowling alley, library, hobby kitchen, coiffeur, chapel, kiosk, garden facility

SENIORENRESIDENZ
AM OCHSENKAMP

LOCATION: 58332 Schwelm
CARE PLACES: 368
OFFER: long-term and short-term care
FACILITIES: indoor swiming pool, bowling alley, library, inhouse medical practice, hobby kitchen, coiffeur, chapel, kiosk, garden facility

PURCHASE OF SEVEN FACILITIES IN NORTH RHINE-WESTPHALIA

In financial year 2005 we completed the consolidation phase with continuation of our efficiency and restructuring programs, thus setting the course for further growth. After extensive examination we took over operation of seven nursing care facilities belonging to the Dr. Lohbeck Group in Schwelm as of January 1, 2006. All in all the facilities are able to accommodate a total of 890 people in need of nursing care and seven assisted living apartments. We thus anticipate additional sales of approximately € 22.0 million for the current financial year. The facilities are in Schwelm, Ennepetal, Wuppertal, Hagen and Iserlohn in North Rhine-Westphalia and are located in direct proximity to our companies in Gevelsberg and Ennepetal. Pronounced synergies through the bundling of secondary services and flexible employment of personnel will strengthen

SENIORENRESIDENZ HAGEN-EMST

LOCATION: 58095 Hagen
CARE PLACES: 139
OFFER: long-term and short-term care
FACILITIES: indoor swiming pool, bowling alley, library, hobby kitchen, restaurant, coiffeur, chapel, kiosk, garden facility, event room

SENIORENRESIDENZ ISERLOHN

LOCATION: 58336 Iserlohn
CARE PLACES: 47
OFFER: long-term and short-term care
FACILITIES: bowling alley, hobby kitchen, coiffeur, chapel, kiosk, garden facility, event room

SENIORENRESIDENZ WUPPERTAL AN DER OPER

LOCATION: 42283 Wuppertal
CARE PLACES: 80
OFFER: long-term and short-term care
FACILITIES: bowling alley, hobby kitchen, coiffeur, chapel, kiosk, garden facility, event room

the earning capacity of both the new and existing facilities. Integration into our systems, e.g. group system catering, centralized purchasing, etc. is currently in progress and presumably will be able to be completed even faster than planned.

The seven companies will be leased for an annual lease, including rent of the real estates, of € 7.5 million, for a term of 15 years (+ 2 x 5 years option). CURANUM paid the landlord a lease prepayment in the amount of € 10.0 million which shall be set off against the lease payments during the term of the agreement. The capacity utilization of the new facilities amounted to approximately 70% at the takeover. After integration into our quality management system and adoption of CURANUM corporate identity we are working with a full head of steam on improving the quality in nursing and occupancy of the indi-vidual facilities.

SWITCH TO BALANCE SHEET REPORTING IN ACCORDANCE WITH IFRS AS OF DECEMBER 31, 2005

With implementation of the European directive into national law starting with financial years which begin after December 31, 2004, CURANUM AG has also switched preparation of its consolidated balance sheet to the international standard IFRS (International Financial Reporting Standards). Thus several ratios in the statement of earnings and the balance sheet have changed so significantly, that these items are no longer directly comparable to the last annual financial statements in accordance with the German Commercial Code [HGB]. In addition, the earnings statement was prepared for the first time in accordance with the cost-of-sales accounting format. We prepared an opening balance sheet which represents the starting point for balance sheet reporting in accordance with IFRS based on the time point of the transition to IFRS as of January 1, 2004. We make reference to the supplementing and clarifying data contained in the notes to the financial statements for detailed explanations with regard to transition to the new accounting standard.

The change essentially has a favorable impact on the EBITDA and EBIT ratios in the earnings statement since through capitalization of five finance leasing contracts on the assets and liabilities side of the balance sheet, the rent expenditures for these facilities are no longer included in overall rental expenditure, but rather cause write-offs and interest expenditures in the earnings statement and are carried either as assets or liabilities in the balance sheet. However, this does not affect the result after taxes which, as a result of the extended valuation regulations in accordance with IFRS, turns out more negatively than in accordance with the old accounting basis as specified by the German Commercial Code [HGB]. In addition, implementation of IFRS means there is an increase in goodwill, which may no longer be set off against revenue reserves. Furthermore, significant amounts of deferred taxes must be carried as assets and/or liabilities, which for the most part were set off in the present financial statements.

In the following we juxtapose the respective financial years 2004 and 2005 in accordance with IFRS; the results in accordance with the German Commercial Code [HGB] are no longer presented.

SALES INCREASE TO EUR 188.5 €, PLANNING EXCEEDED BY 1 MILLION

In financial year 2005 the CURANUM Group essentially maintained its capacities; only in our facility in Germering was the capacity increased by 11 places due to the high demand, so that CURANUM had 5,651 nursing care places and 686 assisted living apartments in 45 facilities throughout Germany as of March.

Sales revenues rose by 2.6% in the financial year just elapsed, from EUR 183.7 million to € 188.5 million. The reasons for this consisted in the capacity utilization ratio, a consolidation effect from the previous year as well as the moderate increase in the fees for nursing care in several regions. In the first half of the year 2005 the capacity utilization ratio developed in a very positive manner – from 91.6% to 93.4%. However, no further increase could be realized in the second half of the year; nevertheless, we assume that there will be further improvement in the current financial year. Less significant consolidation effects in the base year 2004 likewise contributed to the increase in sales revenues. Thus, for example, Curanum Franziskushaus GmbH was consolidated only as of May 1, 2004, while the facility in Lehrte was turned over in August 2004. Moreover, as a result of a judgment in North Rhine-Westphalia which turned out positively for CURANUM AG, a recalculation of capital investments was realized which, in turn, entailed an increase in the fees for nursing care.

Altogether the CURANUM Group generated € 170.9 million from inpatient care including direct services such as catering, cleaning and laundry services (90.7%), € 11.3 million from renting assisted living apartments and provision outpatient nursing services (6.0%) as well as € 6.2 million from other sales revenues (3.3%).

The sales for each bed, based on sales revenues in accordance with IFRS, rose from € 32,572 in the year 2004 to € 33,413 per bed in the financial year just elapsed. Sales revenues per employee declined from € 46,968 in the previous year to € 45,499; a development which, however, was due to the increased employment of parttime staff. Thus the average number of employees rose from 3,912 in the year 2004 to 4,150 persons in the financial year just elapsed; however, calculated according to fulltime positions the number of employees remained approximately equivalent. Since personnel requirements vary as a function of the time of day, the personnel structure can be optimized and existing nursing staff can be employed more efficiently for the wellbeing of the residents.

With a total of € 188.5 million in the whole year of 2005 we exceeded our anticipated sales of € 187.8 million by € 700,000. Including other operating revenue in the amount of € 3.3 million (previous year € 4.3 million) total performance amounted to € 191.8 million (preceding year € 188.0 million). Other operating revenue in the year 2005 primarily consisted of reimbursements, scheduled retransfer of periodic value adjustments and provisions, cash discount received as well as revenue unrelated to the accounting period.

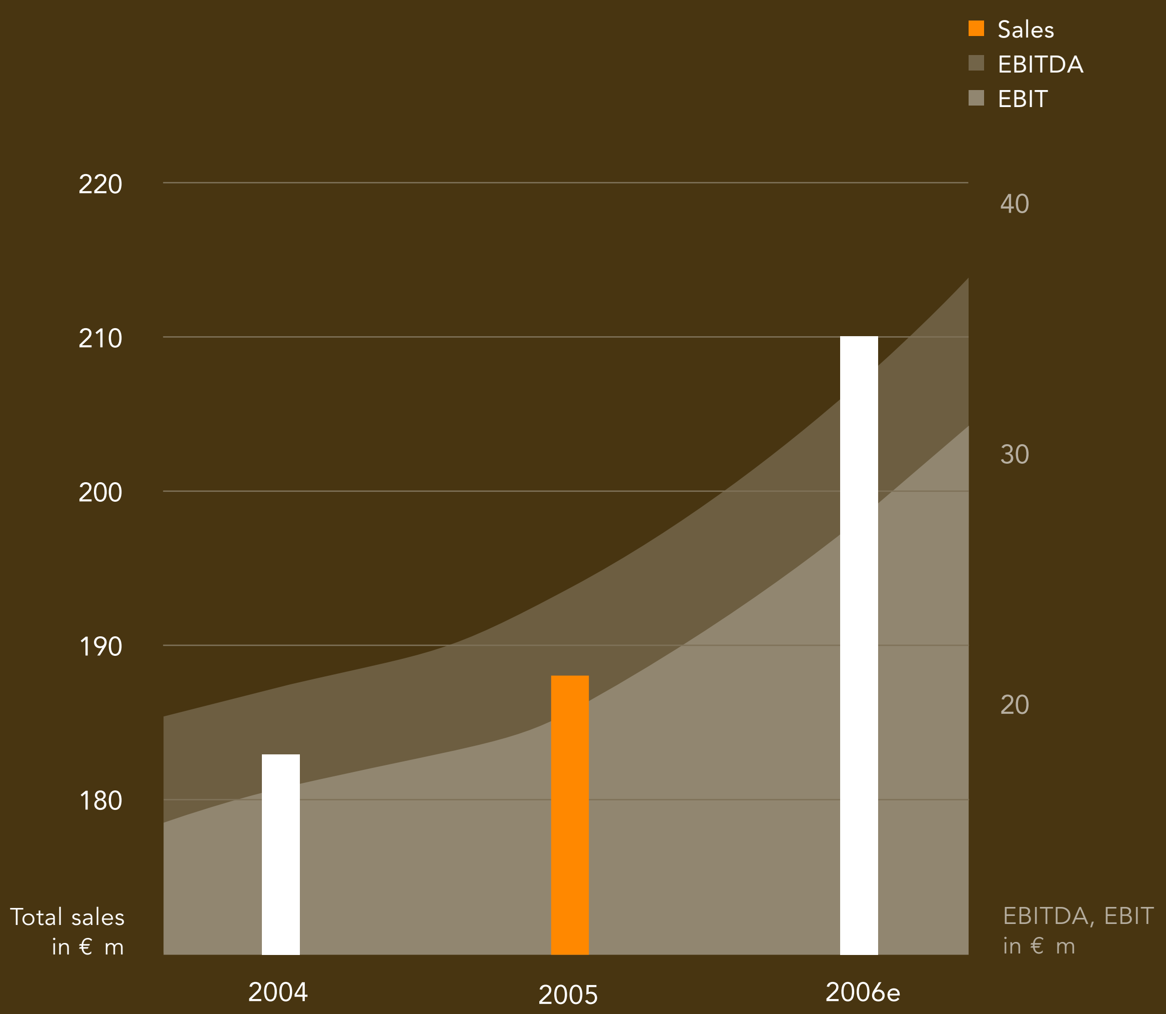
EBITDA INCREASES TO € 25.8 MILLION

Personnel costs in the company rose to € 95.5 million (previous year: € 92.1 million); thus the share of personnel costs in terms of sales increased slightly to 50.7% (50.2% in the previous year). There was below average development in the costs for rent and these amounted to a total of € 32.7 million in financial year 2005. In the previous year rents amounted to € 32.0 million, a fact which in the main is attributable to discontinuation of the rent for the facility in Lehrte. The other operating expenses declined from € 6.9 million in the previous year to € 3.5 million in the year 2005. Here the purchase of the facili-

SALES REVENUES 2005

Sales revenues per division	€ m	%
Inpatient care (including direct services)	170.9	90.7
Renting assisted living apartments and provision outpatient nursing services	11.3	6.2
Other sales revenues	6.2	3.3
CURANUM Group (total)	**188.5**	**100.0**

TOTAL SALES, EBITDA AND EBIT 2004 - 2006E



ties Sieglar and Hennef – which were previously operated within the scope of the management contract – can be seen as the associated leases were thus precluded.

Through consistent use of the already described potential for increasing synergies and enhancing efficiency in the year 2005, we were able to increase earnings before interest, tax, depreciation and amortization (EBITDA) from € 22.8 million in the previous year to € 25.8 million. Although we thus exceeded our forecast of an anticipated € 25.6 million, with 13.7% for the entire year we nevertheless failed to meet our annual target of an EBITDA margin of 14%.

Earnings before interest and taxes (EBIT) rose from € 16.3 million in the previous year to € 19.6 million, which corresponds to an increase of 20.2%. Thus the CURANUM Group achieved an EBIT margin of 10.4% in the financial year just elapsed after 8.9% in the year 2004 and thereby exceeded the planned value of € 19.4 million. The interest paid in financial year 2005 amounted to a total of € 6.8 million (preceding year € 7.2 million), of which € 5.0 million in interest was shown for finance leasing (preceding year € 5.1 million). The financial result thus declined slightly from -€ 7.2 million to -€ 7.4 million. Profits before tax rose by 35.6% to a total of € 12.2 million (preceding year: € 9.0 million). Less € 4.8 million in costs for tax on earnings the result after taxes amounted to a total of € 7.3 million. In the preceding year the result after taxes amounted to € 4.9 million; thus we were able to increase group net profit by 47.5% in the financial year just elapsed. Earnings per share increased to € 0.25 (€ 0.17 in the preceding year) in the financial year just elapsed and thus did not entirely suffice for our forecast of € 0.28 per share. Here non-recurring balance sheet items limited to the financial year just elapsed and without any relation to the operational business had an impact.

The parent company CURANUM AG which continues to prepare its annual financial statements in accordance with the German Commercial Code accounting standard [HGB] reported investment earnings in the amount of € 12.9 million in financial year 2005 (previous year earnings from the transfer of profits € 15.8 million). Net profit amounted to € 6.5 million (€ 7.9 million in the preceding year); plus profit brought forward from the previous year in the total amount of € 10.4 million and less profit distribution of € 4.2 million there was a distributable retained profit of € 12.6 million (€ 10.4 million in the preceding year).

Since CURANUM AG has once again set out on a course of growth at the beginning of the current financial year and will continue to do so in light of

CURANUM RESULT 2005

(€ m)	2005	2004	Deversification
EBITDA	25.8	22.9	+ 12.7%
EBIT	19.6	16.3	+ 20.2%
Earnings before taxes	12.2	9.0	+ 35.6%
Earnings after taxes	7.3	4.9	+ 47.5%

the favorable situation on the market, the Management Board plans to propose a somewhat reduced dividend payout to the Shareholders' General Meeting. This has the advantage that purchases can be made with less outside financing and that purchases can be financed completely from the company's cash flow in the foreseeable future. We proceed on the basis that our shareholders will currently profit more from rapid and productive growth than from a higher dividend. The Management and Supervisory Board will therefore propose a payment of € 0.10 per share or € 3.0 million altogether to the Shareholders' General Meeting.

ACQUISITIONS AFFECT CASH FLOW

Cash flow from current business activity developed in a very positive manner and was below the value of the previous year only as a result of the lease prepayment for the Dr. Lohbeck Group which was made in the amount of € 10.0 million already in December 2005. Thus cash flow in the financial year just elapsed amounted to € 12.7 million (€ 21.4 million in the previous year), while the change in net current assets was characterized by the lease prepayment which increased other accounts receivable and/or miscellaneous other current assets. Cash flow from investment activity amounted to -€ 1.4 million (-€ 4.6 million in the preceding year), and cash flow from financing activities amounted to a total of -€ 11.0 million (preceding year: -€ 15.6 million). Here the reduction in liabilities on current account, the reverse transaction of a contract for the sale of land, leasing payments and payment of the dividend became apparent.

FINANCIAL POSITION AND NET WORTH

Compared with the previous year the assets side of the consolidated balance sheet was characterized by an increase in the goodwill of the company as well as a reduction in miscellaneous other current assets. While cash and cash equivalents increased from € 1.9 million to € 2.2 million, trade accounts receivable were reduced from € 6.0 million to € 3.8 million by, among other things, improved claims management and reminders.

In the year 2005 claims against the partner company AVG GmbH in the amount of € 9.4 million were reduced to € 3.0 million. In addition, the still unsettled claims for the sale of companies and independent divisions in the amount of € 4.2 million were able to be settled and in part set off with the purchase price paid for buying back the companies. The balance sheet item accruals and deferrals and miscellaneous other current assets was reduced from € 17.8 million altogether in the previous year to € 6.3 million as of December 31, 2005; thus current assets of € 26.4 million were reduced to € 14.4 million.

Tangible fixed assets as of the reporting date were reduced by € 5.2 million from € 90.6 million to € 85.4 million particularly through scheduled write-offs of capitalized real estate within the scope of finance leasing. As a result of the acquisition of three facilities which were previously leased and operated via a management agreement, the goodwill of the company as of the end of the financial year just elapsed rose by € 6.5 million to a total of € 41.7 million (preceding year: € 35.1 million). The lease prepayment for the seven new facilities in Schwelm and surroundings in the amount of € 10.0 million was already paid in December 2005 and will be set off against the lease for a term of 15 years. Thus an item was formed in miscellaneous other current assets in the balance sheet for the year 2005 which contains the lease prepayment and which is reduced by € 666,000 on an annual basis. The lease prepayment involves a payment without interest, and with an assumed interest rate of 6.5% per annum the cash value amounts to € 6.7 million. All in all, long-term net assets increased from € 141.7 million in financial year 2004 to € 150.4 million.

Compared with the previous year the liabilities side of the balance sheet also developed into an improved financing structure, i.e. the reduction of short- and long-term liabilities compared with an increase in equity capital. Short-term liabilities due to banks were reduced from € 5.8 million to € 4.7 million, while trade accounts receivable fell to € 4.4 million (€ 5.8 million in the previous year). Liabilities from taxes on earnings rose in accordance with increased fiscal charges to a total of € 4.8 million (preceding year: € 3.5 million); other current liabilities declined from € 19.3 million to € 17.3 million. Thus current liabilities in the financial year just elapsed amounted to a total of € 39.5 million (€ 41.8 million in the preceding year).

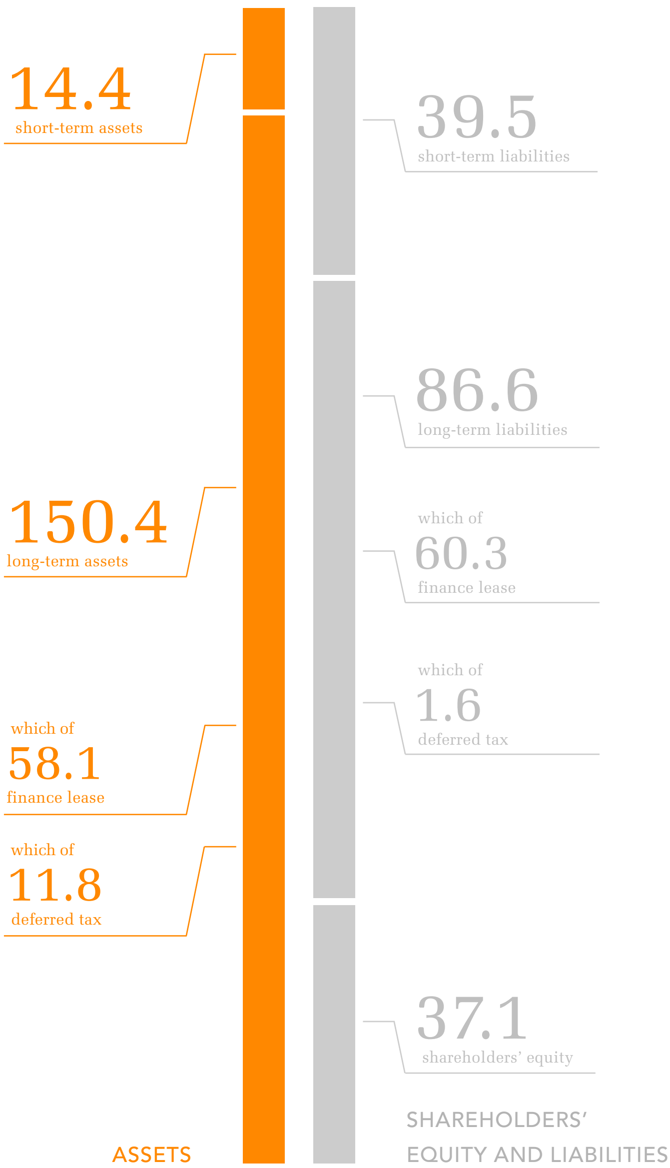
As far as long-term liabilities are concerned real estate-based long-term loans were reduced from € 15.0 million to € 13.5 million, particularly through reverse transaction of the Illertissen contract for the sale of land. Long-term leasing commitments declined by € 2.9 million to a total of € 60.3 million. All in all, long-term liabilities declined from € 92.3 million in the previous year to € 88.2 million in financial year 2005.

If one regards the interest-bearing net liabilities (net debt), then the CURANUM Group had only € 12.3 million in convertible profit-sharing capital, € 13.5 million in loans secured with real estate and approximately € 5 million due to banks. Altogether the interest-bearing liabilities amount to a total of € 30.5 million; less cash and cash equivalents, net liabilities then amount to a total of € 28.3 million, with € 37.1 million in equity capital.

After a ten-year term the CURANUM convertible profit-sharing certificate is due for redemption at the end of August 2007 since there is a very high proba-

OVERVIEW BALANCE SHEET AS OF DEC 31, 2005

(€ m)



bility that no conversion into shares will take place at the existing conversion price of approximately € 20. In this case there is the option of servicing the required € 12.3 million either from current cash flow or issuing a new profit-sharing certificate which would replace the existing one. Both possibilities are realistic and we are already conducting negotiations with corresponding institutions with regard to reissuing the profit-sharing certificate.

Equity capital increased from € 33.9 million to € 37.1 million, which corresponds to an equity capital ratio of 22.5% (preceding year: 20.2%). The exclusive reason for this consisted in the successful financial year with a net profit of € 7.3 million which resulted in a consolidated retained loss of -€ 8.4 million less the loss of € 11.6 million brought forward from previous account and the dividend payment in the amount of € 4.2 million.

The balance sheet total declined from € 168.0 million to € 164.8 million.

INVESTMENTS

In financial year 2005 we invested in restructuring, expansion and renovation measures, furnishings, medical instruments and aids as well as software for our IT systems. The value of the investments amounted to approximately € 1.4 million altogether, whereas a part of the furnishings were provided via leasing contracts. We spent approximately € 426,000 on restructuring and expansion measures; thus, for example € 80,000 for technical nursing care installations and emergency stairs in our facility in Liesborn or € 60,000 for new floor coverings in the Hennef residence.

In financial year 2005 we invested € 137,000 in software licenses in order to maintain our innovative IT systems in accordance with the state of the art and in order to provide better solutions even in areas which had to get along without EDP up to now.

Since we did not acquire any property at the seven new companies in North Rhine-Westphalia, but instead made a lease prepayment in the amount of € 10.0 million - which, however, will be set off against the lease amount which is to be paid over the next 15 years - these new facilities cannot be regarded as an investment in the narrower sense of the term. Nevertheless, this advance payment may be regarded as such due to the impact on cash flow in the year 2005.

COMPREHENSIVE HUMAN RESOURCES PROGRAM

The average number of staff employed during the year under review rose from 3,912 in financial year 2004 to 4,150. As of the target date December 12, 2005 the CURANUM Group employed 4,191 staff; this number was composed of 3,413 salaried employees, 637 temporary staff and 141 apprentices and/or trainees.

In order to be able to constantly provide qualified personnel at the respective levels in our facilities we have implemented a training and educational concept throughout the company which keeps our nursing staff up to date with nursing care science on a regular basis and which is available for the recruiting and continued training of management personnel. Thus nursing staff are regularly trained by management personnel, quality management staff and external lecturers with regard to the corporate aims, nursing care model and quality targets of CURANUM AG, while nursing care practice is underscored, e.g. with regard to decubitus or contracture prophylaxis, classification measures, implementation of the QMS in accordance with legal provisions and/or documentation duties are also intensively trained.

In order to recruit qualified management staff we have the company's own trainee program which prepares new facility management assistants for management tasks on-the-job while providing them with an experienced facility manager as a coach and an intensive trainee year in several facilities and departments. On the other hand, CURANUM AG has instituted a personnel development program for future management staff which represents a combined model for providing facility managers with better qualifications and greater professionalism within the scope of the health and socioeconomics curricula in cooperation with the Institute for Education and Social Management of Coblenz Technical College (Institut für Bildungs- und Sozialmanagement der FH Koblenz). In this manner future facility management assistants are acquainted with their later activities in both scientific and practical terms already in the course of their studies, thus ensuring a transfer of knowledge between theory and practice. However, what is particularly important in the case of this model is that any future facility managers will have a cross-section of the required expertise from the areas of nursing care, economics and social competence.

RISK MANAGEMENT

The task of the risk management system at the CURANUM Group is to identify and document internal and external developments which pose a risk or impair the continued existence of the company at an early stage. The risk management system is an integral component of the business processes planning, day-to-day business, controlling and accounting and is monitored directly by the management board. With our company's controlling system, which evaluates all of the data from the various facilities and corporate headquarters relevant to decision-making, we have a management tool that not only functions as an early detection system but also provides us with possibility to quickly respond in the event of inordinate risks.

In the following the risks are described which could have an impact on our business development and/or the company's asset, financial and earnings situation. However, these are not necessarily the only risks to which we are exposed. Risks of which we are currently unaware of may also affect operation of the company.

CURANUM STAFF

	2001	2002	2003	2004	2005
Staff	3,140	3,769	3,869	3,912	4,150

BUSINESS RISKS

The demand for places in inpatient nursing care facilities continues to be unabated, does not behave in a cyclical manner as in other industries and up to now has not been subject to keen competition. Nevertheless, weak phases and high unemployment were also noticeable in our industry in recent years, since domestic care can also be carried out by unskilled persons, is financially supported by the nursing care insurance system and is thus able to replace inpatient care. Thus a high unemployment rate can result in more domestic care and fewer admitted inpatients.

Furthermore, there is the general decline in consumption which can also lead to reductions in spending for the care of relatives in difficult economic periods. As a result, price structuring plays an even greater role and predatory price cutting may occur in those regions that are subject to more intense competition.

Only limited forecasts can be made as far as macroeconomic changes involving private consumption or unemployment are concerned or market conditions when it comes to the entry of new competitors at individual locations.

Changes on the German nursing care market, e.g. new forms of care and/or new forms of living and alternative outpatient offers may also have an impact on the demand for inpatient care. We largely protect ourselves against these market risks through market observation, our own innovative concepts and comprehensive networking with those institutions that carry out nursing care research and/or are able to influence conditions in nursing care.

Our growth strategy which is based on acquisitions and re-openings poses a certain risk in and of itself, as staff, processes and systems have to be integrated whenever facilities are taken over. In the case of a re-opening there is above all a risk when it comes to occupancy and this risk can be even greater the more difficult it is to forecast demand and its elasticity in terms of different factors at the respective location.

OPERATING RISKS

CURANUM AG offers its customers inpatient care and all of the services associated with nursing care, i.e. catering, cleaning, laundry services, etc. However, the core business consists in providing high-quality nursing care in inpatient facilities. Without the high quality in nursing care we cannot profit from the added value created through nursing care. Because of the intensive use of personnel in the business, errors that may lead to problems in quality may occur nevertheless, in spite of our quality management, frequent checks and staff training. Early warning systems such as internal and external monitoring and a comprehensive complaint management procedure usually mean that we identify and remedy problems at an early stage. Nevertheless, quality defects represent a risk that can be never ruled out completely.

In the last five years, substantial new capacities were created in the inpatient segment in Germany, which in turn led to a competitive situation among nursing facilities at several locations. As a result, the waiting lists within the CURANUM Group were also shortened and a risk to sales became perceptible at several sites. Through suitable measures in the

SVENJA FORST AND ELFRIEDE KAFFKA

“More haste, less speed” holds true, especially when weaving baskets. The handicraft requires patience and a good deal of sensitivity. Like here at the Senior Citizens’ Residence and Care Center of Münchhausen.

areas of nursing care quality, the scope of care, and marketing and communication, the risk to occupancy levels can be reduced at individual locations but not be excluded.

PERSONNEL RISKS

Due to the introduction of blanket amounts for each case in hospitals and the associated reduction of the periods of stay, numerous nursing care personnel have become unemployed in the last two years. As a result, there are sufficient numbers of qualified nursing staff for inpatient nursing facilities; there are hardly any shortages even in densely populated areas. Thus the recruitment risk was significantly reduced when it came to qualified nursing staff. Nevertheless, it cannot be ruled out that the recruitment of personnel may prove to be difficult at individual locations in the future. However, at the management level there a serious recruitment risks as far as the management of nursing facilities is concerned. The strong non-profit, social character of the nursing market in Germany makes it difficult to find facility managers who have social, nursing and economic expertise. We have significantly reduced this risk with our company's own trainee program for facility managers; nevertheless, we are also unable to completely rule out possible shortages in this area.

REGULATORY AND LEGAL RISKS

Approximately 60-70% of revenues in the nursing care sector are derived directly or indirectly from public health insurance. Nursing care facilities in Germany are therefore subject to many and varied regulations, laws, and ordinances and fall under the concurrent supervision of several administrative bodies. As has occurred in the past, new laws are implemented, e.g. to maintain quality without deploying additional funding, thus leading to additional bureaucracy and paperwork in the facilities, but not the needed financial means. Due to the awkward financial circumstances of long-term care insurance and the public health insurers, there is a risk that nursing care insurance reforms and amendments to nursing care facilities laws will lead to new regulations that would consequently place a greater burden on residents and/or operators.

CURANUM AG monitors these developments closely and attempts to anticipate the possible consequences of pending legislation. Nonetheless, we would not be able to counter such a law, either before or after its passage. However, because of government contracts to ensure efficient nursing care, the present view is that radical changes which might endanger the operators of nursing care facilities are unlikely. Moreover, the vast majority of our competitors, whose operations are not as financially viable, would be more greatly impacted and at an earlier stage than CURANUM AG. Government policy-makers would therefore need to first consider the question as to what would happen to the residents of these facilities should a wave of insolvencies occur.

INTEREST RISKS

CURANUM AG's interest risks primarily result from interest-bearing debts; for the majority of these instruments, however, the risk is minimized by interest rates that remain fixed until maturity. The current convertible profit-sharing certificate excludes participation in the company's profit performance and has a fixed rate of interest. To reduce interest payments on the convertible profit-sharing certificate and current account credits with ING Bank AG, three interest rate derivatives transactions with a total volume of € 12.5 million were concluded; these contributed to a reduction of interest payments in the reporting year. However there is the risk of interest losses due to a negative (for CURANUM AG) interest rate change, the consequence of which would be an increase in interest payments. The maximum loss in the case of a worst-case scenario within the framework of a marking-to-market appraisal on the basis of close-off-business parameters would amount to € 0.5 million for the 2006 fiscal year. The maximum gain would be € 0.7 million. On the basis of the aforementioned hedging relationship, the Management Board has decided against accounting for these interest rate derivative transactions in the balance sheet (IAS 39).

As a matter of principle, our interest rate derivatives are routinely monitored by our Cash Management/Treasury functions and the Management Board is directly advised of interest rate changes and relevant spreads. The lending bank reports to us daily on interest rate developments and relevant influencing variables that could affect us in the future. Reports from the bank on the development of the interest rate derivatives are likewise received on a regular basis.

All mortgage loans have a low fixed interest rate. With current account lines there is the customary risk of interest rate changes, but in light of the minimal use of such, the risk is considered minor.

LIQUIDITY RISKS

Liquidity risks are very minor thanks to secure payments from public sources and improvements in our means of collection; the CURANUM AG Treasury/Cash Management System serves to minimize this risk.

The repayment of the convertible profit-sharing certificate, which becomes due on August 31, 2007, represents a liquidity risk, inasmuch as the entire € 12.3 million (formerly DM 24.0 million) amount must be paid by this date. However, advance planning for the necessary liquid reserves and/or negotiation of a new convertible certificate make it possible for us to minimize this liquidity risk.

Further relevant risks, such as those that are typically found in manufacturing, production, or service enterprises, are largely precluded in the case of CURANUM AG. There are no foreign and currency risks as operations are exclusive to Germany. Risk of default is minimal due to the high proportion of revenues from public resources; should a resident become unable to pay, social welfare steps in. There are no concentration risks in procurement or sales, particularly as we ensure that purchasing is sufficiently spread out in each area.

The Risk Management Committee continually monitored and analyzed all current potential risk factors in the CURANUM concern for the 2005 fiscal year. No risks were ascertained that might endanger the continued existence of the company.

SUPPLEMENTARY REPORT

Acquisition of the seven facilities in North Rhine-Westphalia and the laundry in the Rhineland-Palatinate, as reported in the above, only became effective immediately after elapse of the reporting period as of January 1, 2006. However, as already described there are factors which have an impact on the annual financial statements for the year 2005 and which are reflected in the balance sheet and the cash flow statement.

OUTLOOK AND PLANNING

The economic recovery which began in Germany in the financial year just elapsed will presumably accelerate in the year 2006 before the backdrop of a further expanding world economy. A continued high level of demand from abroad is expected and the favorable competitive position of the German economy in international terms should also prop up the level of domestic business activity. The rise in energy costs will still put a damper on private consumption, but economics research institutes are expecting a gradual weakening of this effect and an upward trend which will be strengthened by purchases made in advance of the value added tax increase. A slight improvement in employment opportunities is expected even if the number of unemployed persons is not significantly reduced. However, economic recovery will be decelerated in the year 2007 due to the expected slower expansion of the global economy and Germany in particular due to the increase in the value added tax.

The demand for places at inpatient nursing care facilities will also increase in the current financial year. We assume that the improved business environment will also have an affect on the extent to which inpatient nursing care is utilized. Apart from the economic and the demographic components, we also expect to see a further shift from domestic care to professional inpatient care. Here above all the decline in suitable persons providing nursing care at home among relatives plays a crucial role. In addition, the number of cases where constant care is required and the number of people suffering from illnesses related to dementia is increasing to an extent that surprises even the experts. Thus demand in this area will multiply since this clientele has hardly any other options than to resort to the professional support of specialists at facilities provided particularly for this purpose.

The competition which has increased at several of the company's locations as a result of numerous reopenings in the last three years will presumably not be intensified since demand will probably increase, on the one hand, and the number of new start-ups will probably be smaller, on the other hand. This is particularly due to the decline in building activities for nursing care facilities last year, which in turn is attributable to the more cautious and/or partial stop to the expansion of non-profit operators in particular.

The expansion strategy of the CURANUM Group – to grow through acquisitions and re-openings – will continue to focus on the acquisition of already existing facilities in the years 2006 and 2007. To this end we are in the midst of examinations and negotiations with other interesting candidates following the takeover of the Lohbeck Group. Nevertheless, we are planning a re-opening in Bad Lauterberg in Lower Saxony with 131 places for inpatient nursing care and 18 assisted living apartments at the beginning of the year 2007. The possibility of realizing synergies through the bundling of services with existing CURANUM facilities in Lower Saxony is given in this case as well.

We anticipate sales revenues in the amount of € 210.6 million with an operating result before interest, tax, depreciation and amortization (EBITDA) of € 33.1 million for the CURANUM company for the year 2006, and we expect to see a 84% increase to € 13.4 million for earnings after taxes (EAT).

For financial year 2007 we anticipate an EBITDA result of € 37.0 million without further acquisitions and sales of € 213.2 million along with a post-tax result of € 15.5 million.

We would like to take this opportunity to thank all of our residents and customers as well as their relatives and nursing staff for their trust and appreciation. We know that moving into a nursing facility generally involves a change that requires serious adjustment and that a nursing facility is no substitute for one's own home. Nevertheless, we make every effort and do everything possible to make our residents feel comfortable, find good friends in the community and feel a little at home with us.

Our special thanks go to our staff who are responsible for our great success in financial year 2005. Without their devoted commitment to our residents we would not be able to maintain and guarantee this high quality claim that every resident is provided with the optimum care that he or she requires.

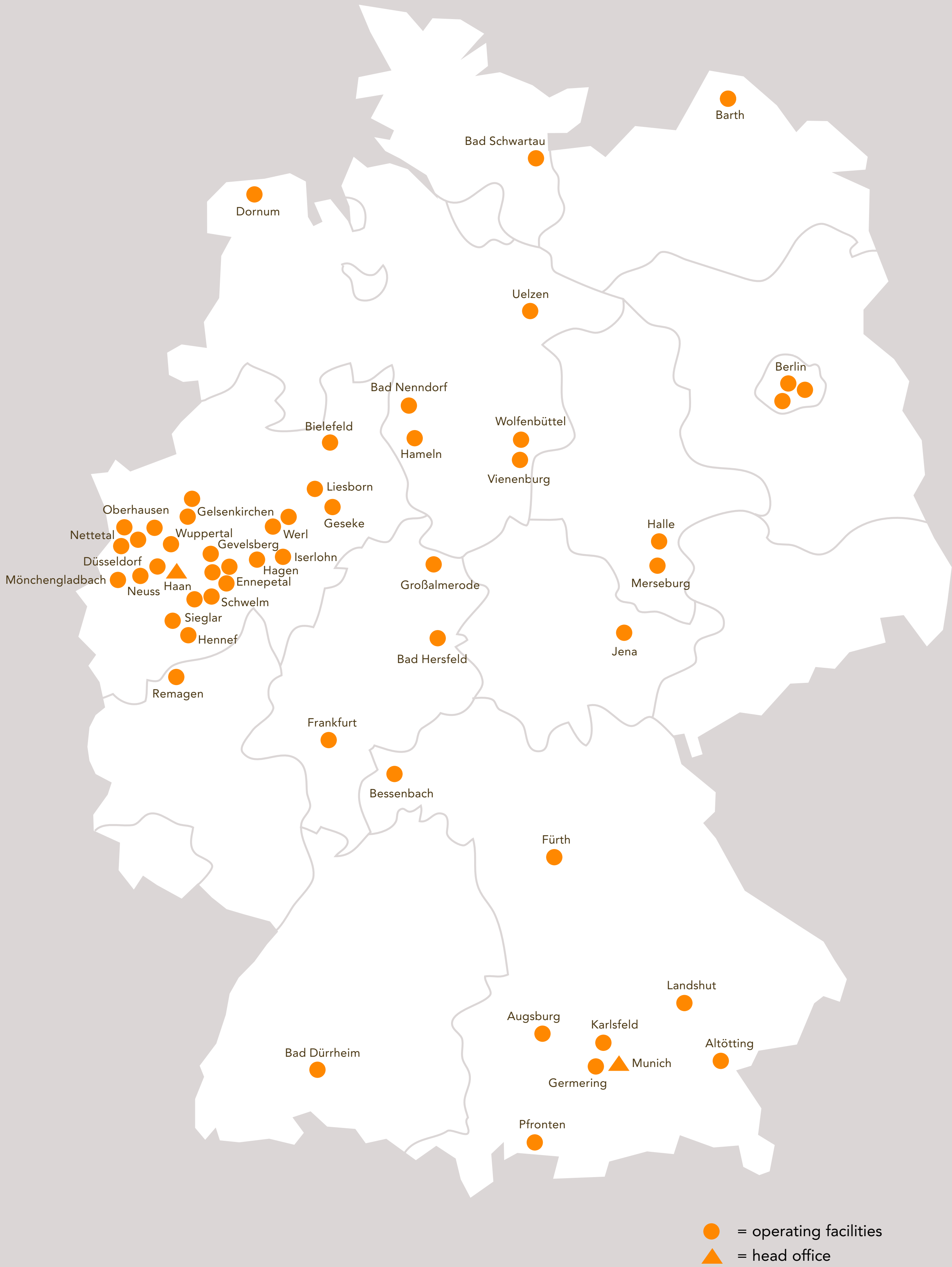
We would also like to thank our shareholders and business partners for their confidence and cooperation. In financial year 2005 the staying power and trust in the company and management of our long-standing shareholders was rewarded with an extraordinary improvement in the share price. And we would like to thank our many new shareholders who made this remarkable improvement in the share price possible. We are confident that the positive development that the company exhibited in financial year 2005 is just the beginning of a longer expansion phase in the promising market for nursing care services. We will do our best to continue on this successful path and to play an active role as a consolidating force in this changing market.

Munich, April, 2006
The Management Board

TARGET FIGURES (IFRS)

(€ million)	2006e	2005e	Changes
Total sales	210.6	188.8	+12%
EBITDA	33.1	26.9	+23%
EBIT	27.4	20.8	+32%
EAT	13.4	9.7	+38%
Facilities	52	45	+16%
Care places	6,520	5,651	+15%
Assisted living apartments	681	686	-1%

CURANUM-LOCATIONS



THE CURANUM GROUP

PORTRAIT

With 52 facilities and a total of 6,520 care places, as well as 681 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.

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.

Our paramount corporate objective is to provide our residents with special attention and optimum service, as well as maintaining high quality standards in all aspects of care. Consequently, all the CURANUM facilities are subject to strict qual-ity management systems that are certified to DIN-ISO. As the type of care is at-tuned to the needs of each individual resident and not according to the individual financial situation, all CURANUM facilities have concluded care agreements with the respective care insurance providers and providers of social security benefits.

Naturally, our residents benefit from an extensive offering of events and activities. The majority of our facilities feature a gymnasium, creative and social areas, a prayer room, a kiosk, a hairdresser and green areas surrounding the facilities. A number of senior citizen residences also offer swimming pools, as well as a club room with a library and bowling lanes. The CURANUM residences and nursing care facilities are well integrated into their individual environments, and regard themselves as places where residents, their relatives, friends and fellow citizens of all age groups meet and mingle.

In order to ensure optimal quality in catering, for example, all of the services in the catering, laundry and cleaning areas are performed by our subsidiaries Opticura Service GmbH and accurato GmbH.

Thanks to this year's acquisition of the laundry company Ellerich GmbH, Kaisersesch (Rhineland-Palatinate), in future, we will be able to also offer high quality laundry services that have been performed by third party service providers to date. The central location facilitates the supply to the majority of all CURANUM facilities in Germany, thereby generating synergy effects in the laundry area. In addition, a central logistics center has been planned on the adjacent property that will be commissioned in 2007. This combination will create expedient synergies between materials and laundry logistics.

Our goals are to further enhance CURANUM as a brand in the competitive environment and to distinguish its brand image clearly from that of its competitors. With these objectives in mind, we have repositioned the brand and created a new corporate identity based on a new corporate design and a clear brand message. Given that brand policy on the nursing care market has been diffuse and inconsistent to date, there is a good chance that in addition to our qualitative market leadership, we will also be able to achieve a communicative market leadership that underlines our quality claim.

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

Mai 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

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

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.

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 30-120 m^2 and are conceived in such a way that the features and services provided can be adapted to the different needs of the residents. In this way, patients can avail themselves of individual and flexible outpatient care services, selected individual domestic services and even full care provision. 14 of our establishments provide not only care, but also assisted living accommodation.

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.

As part of the special care of individuals suffering from dementia, we have set up residential areas in a number of facilities in the past year according to the psycho-biographical model developed by Prof. Erwin Böhm. The aim of this care concept is to reactivate the soul of persons suffering from dementia and it has therefore also been referred to as the "soul care model". Extensive and in-depth biographical work and an environmentally therapeutic design of the residential surroundings form the foundation of reaching our residents on an emotional level. In order to understand each individual, we must become familiar with the specific defining influences, the accustomed aspects and factors – especially those typical of the first 25 to 30 years of the individual's life.

In conducting our biographical work, we familiarize ourselves with the very individual, personal aspects of the particular resident, which are given special consideration by the psycho-geriatric care concepts developed by Prof. Böhm.

The residential areas are especially designed with nostalgic furnishings, as well as more modern decor in line with the facility's apartments, thereby generating a feeling of familiarity among our residents. This welcome feeling of familiarity and the positive response resulting are very important, as the long-term memory is activated in elderly individuals subject to stressful situations – such as the move to a residential facility. In the case of a standard care environment, there is otherwise the risk of further deterioration, as individuals are entirely removed from familiar objects and surroundings. The individuals served by our residential facilities should be able to retain their daily life rhythms and habits as long as possible - and feel at home at all times.

OUR CARE RELATED SERVICES

In caring for our residents we are largely independent of other service providers. Our fully owned subsidiaries Opticura Service GmbH, Haan, and accurato GmbH, Munich, 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.

In addition to the nursing care itself, the quality of the cuisine is fundamentally important for the well-being of our residents.

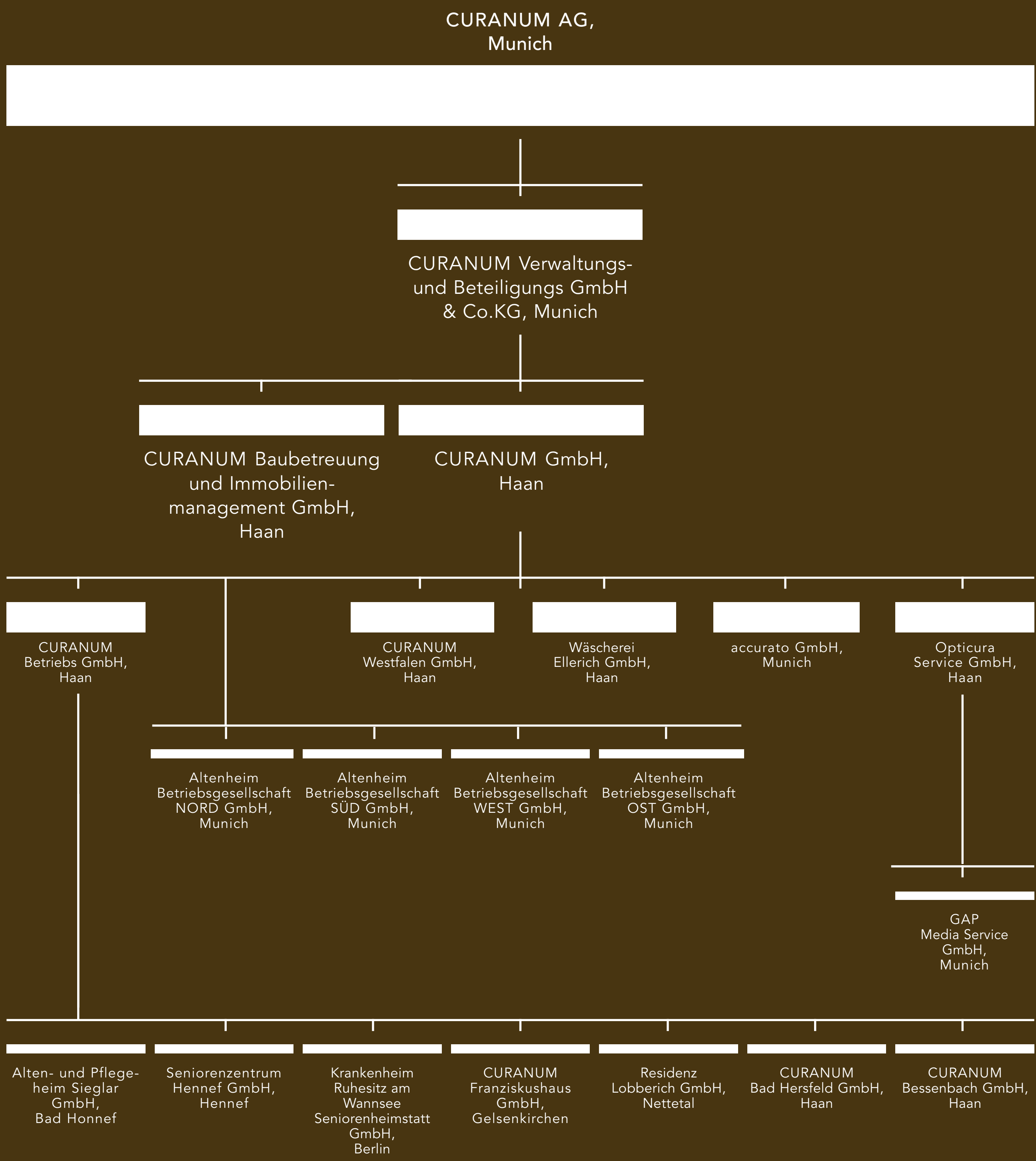
We have our own group-wide uniform catering scheme and buy our foodstuffs centrally for all of our establishments. High-quality foodstuffs from renowned companies ensure very high quality meals. In addition to a basic assortment that is bought for all of our establishments, there are regional assortments that take account of eating habits in the individual regions. This means that our Bavarian nursing home residents do not have to forfeit their roast pork with dumplings and our residents in North Rhine-Westphalia can still enjoy their Rhineland braised beef.

Every day, residents can choose between two midday meals, of which at least one is vegetarian. The midday meals consist of soup, a main course and dessert. In the residential homes we also provide a salad buffet.

Our services in the catering, cleaning and laundry areas are also being offered to other operators of care centers. Since the takeover of a laundry that has now been integrated into the Group, other operators are now able to benefit from the expertise and the favorably priced services performed for our facilities. According to the general rule in the services area: the larger the volume, the more favorable the price for the individual participants.

We also place great emphasis on the variety and balance of our meals. Over a period of three months, the residents are offered a different main course every day. On top of that, several theme weeks each year ensure plenty of variety in the meals schedule.

GROUP AND INVESTMENT STRUCTURE



LIFE IN OUR NURSING HOMES

We are providers of high quality care services, and operate mainly in the mid-range price segment.

We know that the quality of life as personally experienced by our residents is not determined by nursing care, nutrition and medical provision alone. Therefore we place a strong emphasis on creating an emotionally positive atmosphere, promoting contacts interpersonal exchange and offering opportunities for communication, self-development and creative activities.

Most of the establishments feature a fitness section, creative areas, recreational rooms, a prayer room, and distant lands, concerts and theatrical productions, movies and religious services complement the service range. Excursions to nearby places of interest and the annual summer festivals are very popular with the residents. Last year, 13 residents of our nursing care center in Dornum even went on a two-week trip to Sweden.

Many events and courses are offered in cooperation with the local municipal authority and can therefore be attended by anyone who is interested. We also make a number of rooms available to institutions, such as adult education centers. The CURANUM establishments are thus heavily frequented places where residents, relatives, friends and fellow citizens of all ages can meet.

a kiosk, a hairdresser and green spaces surrounding the facility. Some of the senior citizens' residential homes (e.g. Hennef, Hameln, Bad Nenndorf, Remagen) provide swimming pools and a club room with library. In all of the establishments, the residents can take part in an extensive program of events. Computer courses, baking and cooking courses, reading and discussion circles, handicrafts, skittles, games and singing enable all of the residents to make the most of their abilities and interests. Lectures on art

OUR QUALITY MANAGEMENT

In the CURANUM group, quality management is a senior management task; this means that quality is controlled from the very highest level. Company-wide quality standards not only ensure compliance with legally binding standards, but also make nursing care transparent and understandable for everyone involved.

The main areas of responsibility of the quality management department, which has existed for several years as an independent specialist department within CURANUM AG, are concentrated on the focal points of quality analysis, consultancy, auditing and training as well as the provision of information and documentation relevant to the area of quality. The target groups – and therefore the department's internal customers – are, in addition to the Management Board and managers, the facilities forming part of the CURANUM Group which provide full inpatient and outpatient care for the elderly.

Added to these target groups are external customers outside of CURANUM AG who take advantage of our services. The basis and yardstick for this work

While quality management is being elaborated internally within departments, all of the internal processes within departments, including the related responsibilities and required documents, are described in the form of unified process documentation. These processes are divided up into the categories of management, core, support, measuring, analysis and improvement processes, and form the kernel of CURANUM AG's quality management handbook.

The results of the ongoing evaluation of the success of these processes are the basis for further quality-related improvement of the services to be provided.

are principally the statutory and official regulations for fulfilment of the specific quality requirements in the area of nursing care for the elderly.

The focal point for us is customer satisfaction. The services to be offered are planned using the care requirements ascertained from customers. Once the services have been provided they are evaluated by the customer. The results of this evaluation are then once more the starting point for further improving the services offered.

The CURANUM group achieved its goal of establishing quality management as a management function for the whole company. Quality is accordingly being managed from the highest level, while quality standards throughout the company ensure not only that statutory regulations are complied with, but also render care transparent and wholly comprehensible to all concerned.

ORGANS

> MANAGEMENT BOARD

Hans-Milo Halhuber, Grünwald . . . . Chairman of the Management Board

Bernd Scheweling, Munich . . . . Member of the Management Board

Jens Spitzer, Cologne . . . . Member of the Management Board

> SUPERVISORY BOARD

Dr. Michael Roggen . . . . Attorney, Meerbusch, Chairman of the Supervisory Board

Dr. Dieter Thomae . . . . Business administration graduate, Sinzig, Vice chairman of the Supervisory Board

Michael Sasse . . . . Attorney and notary, Schwelm

Angelika Pohl . . . . Commercial employee, Munich*

Sabine Weirich . . . . Commercial employee, Munich*

Sabine Klöckner . . . . Commercial employee, Schwelm*

*employee representatives

MANAGEMENT BOARD

HANS-MILO HALHUBER

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

Bernd Scheweling, born in Wuppertal in 1949, is co-founder 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.

JENS SPITZER

Jens Spitzer, born in Hildesheim in 1951, has worked for the company since 1996. Before joining the Management Board in November 2001, he was managing director of several operational subsidiaries of CURANUM.

Prior to that, Mr. Spitzer was employed as specialized departmental head and facility manager by several operators of senior citizens' facilities. Mr. Spitzer is a graduate in business administration and has also completed courses of study in psychology and aspects of old age.

As of 31.12.2005, the Management Board members held 4,464 shares; the members of the Supervisory Board held a total of 8,620 shares.

REPORT BY THE SUPERVISORY BOARD

Dear shareholders,

In the 2005 business year, our discussions focused primarily on the conversion of the accounting basis to IFRS, the acquisition of new operations and of whole companies and the related financing, the personnel situation as well as current market developments. Further topics on which we focused included the occupancy situation, risk management and corporate governance as well as current projects such as the central laundry facility that incorporates a logistics concept.

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. At all the meetings, the Management Board reported about current business developments, future company plans as well as important business events. Outside the meetings, too, the Management Board was in contact with the Supervisory Board and informed us constantly about the further development of business and about particular events.

TOPICS FROM INDIVIDUAL SUPERVISORY BOARD MEETINGS:

Meeting on April 5, 2005

In the Supervisory Board accounting meeting concerning the 2004 consolidated annual financial statements, the Management Board presented key events and the background to and information about individual account items. The auditors explained the audit report and the main focus points of the audit. Following this, the Management Board discussed the management report and explained risks and matters of liability as well as their effects on the current business year. Finally, the Supervisory Board put questions to both the Management Board and the auditors. Individual factual areas were discussed in detail. The annual financial statements were noted and approved in the presence of the auditors. The Supervisory Board endorsed the suggestion of the Management Board to distribute an amount of € 4.2 million (€ 0.14 per share for the 29,700,000 dividend-entitled shares) as a dividend to the shareholders from the net retained profits of € 10.4 million.

HILDEGARD HESSE UND MARIA HALWAS

are the sports cracks at the Grossalmerode Senior Citizens' Center. Hardly surprising: both are excellent gymnasts and Ms. Halwas is a former member of the Hessische-Waldecksche Alpine Club.

Subsequently, the Management Board reported on developments in the current business year, the switch to the new IFRS accounting standards, changes in personnel and new projects designed to exploit further synergy effects as part of secondary services. Following this, the Management Board explained the planning for the 2005 business year. The Supervisory Board held consultations on the employment agreements of the Management Board and resolved to engage the members of the Management Board for three years.

Meeting on June 22, 2005

In the run-up to the Ordinary General Meeting, the voting process was discussed, new elections to the Supervisory Board were prepared and the proposal for the selection of the auditor was discussed. As part of the updated Corporate Governance Code, the declaration of Independence of the proposed auditors and their suitability was discussed and noted.

From the meeting on June 23, 2005

The third meeting of the Supervisory Board in the 2005 business year was at the same time the constituting meeting of the newly elected, reduced Supervisory Board. During the meeting, Dr. Michael Roggen was unanimously elected Chairman of the Supervisory Board. The Supervisor Board now consists of the following members:

– Dr. Michael Roggen: Lawyer, Meerbusch, Chairman of the Supervisory Board
– Dr. Dieter Thomae: Graduate businessman, Sinzig, Deputy Chairman of the Supervisory Board
– Michael Sasse: Lawyer and notary, Schwelm
– Angelika Pohl: Commercial clerk, Munich
– Sabine Weirich: Commercial clerk, Munich
– Sabine Klöckner: Commercial clerk, Schwelm

The following have left the Supervisory Board:

– Dr. Jörg Lüttge: Lawyer and tax consultant, Bonn
– Wolfgang Sauermilch: Graduate social worker (in retirement), Düsseldorf
– Dr. Wolfgang Freimuth: Graduate businessman, Hannover
– Björn Michael: Commercial clerk, Forstern

At this juncture, we should like to extend our heartfelt thanks to all of the departing members of the Supervisory Board for their contribution to the work of the company.

Following the analysis of the General Shareholders' Meeting, the Management Board reported on developments in the current business year and explained the current business figures. As part of this, the positive development of the share price was also presented as well as developments in the shareholder structure. Furthermore, discussions were held concerning questions of corporate governance and the remuneration of individual members of the Supervisory Board within the context of legal and consultancy agreements.

From the meeting on September 23, 2005

The fourth meeting focused again on the development of the share price and the valuation and capitalization of the whole group that depends on it. The Management Board reported on its work together with banks within the context of the heightened attractiveness of the CURANUM share and the related reduction in the costs of financing. In the further course of the meeting, individual questions regarding accounting were clarified against the background of the conversion from HGB to IFRS and the work being carried out with the auditing company was discussed.

Subsequently, the Management Board reported in detail on the operating business, the current personnel situation, the development of occupancy, rating management as well as regarding new plans in the area of care documentation. An additional area of focus for the reporting was the controlling and risk management systems that had been implemented. Following this, current audits and negotiations surrounding acquisition targets stood on the agenda. The Supervisory Board gave its support to a continuation of the ongoing negotiations. The acquisitions of the facilities in Sieglar and Hennef, which are already being operated in a management contract, were discussed in depth.

Meeting on December 13, 2005

The main topics of the last meeting of the Supervisor Board in the 2005 business year where the nine-month financial statements of the CURANUM Group, the developments of the care market in Germany and the development of new projects in the services area. In addition, the Management Board reported in detail about the modification to the accounting structure, potential areas for cost saving in administration as well as personnel implementation planning and the subject of pay scales in the facilities. Besides further corporate governance topics, the planning for the 2006 business year was explained and detailed discussions were held regarding new product areas and ways of differentiating products and services. In addition, risks were discussed and personnel topics were explored in greater depth.

Supervisory Board accounting meeting on May 9, 2006

On June 23, 2005, at the Ordinary General Meeting, the shareholders elected Ernst & Young Deutsche Allgemeine Treuhand AG, Wirtschaftsprüfungsgesellschaft, Munich, to be the auditor of the Company and Group accounts for the 2005 financial year. In accordance with their duties, the auditors have audited the annual financial statements, the consolidated financial statements and the respective management reports for CURANUM AG and the Group for the year 2005, which were prepared by the Management Board.

The audit led to several qualifications. The auditors issued the audit certificate on a qualified basis not only for the annual financial statements but also for the consolidated financial statements.

The annual financial statements and the consolidated financial statements as of December 31, 2005, including the respective management reports, were made available to the Supervisory Board before the accounting meeting of the Supervisory Board and we ourselves examined them. Together with the Management Board and with the auditors, the annual financial statements were discussed in detail at the accounting 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 2005, as prepared by the Management Board, are approved and, as a consequence, determined finally.

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 2005 financial year a dividend of € 3.0 million, corresponding to EUR 0.10 per share, from the net retained profits of € 14.7 million and to carry € 11.7 million forward to the new account.

Report on relations to associated companies

We examined the report of the Management Board for the 2004 financial year regarding relations to associated companies in the sense of §§ 312, 313 of the German Stock Corporation Act (AktG). We noted and approved the auditor's report concerning relations to associated companies.

We should like to thank all members of the Supervisory Board for the good work they have done together with us and we wish them much success in the coming business year. We should also like to extend our very warm thanks to all employees of the CURANUM Group for all their good work.

Munich, May 2006

Dr. Michael Roggen
Chairman of the Supervisory Board

INGEBORG BEGEMANN AND ORHAN DUROWSKI

are the best of friends. The favorite resident and the favorite care professional from the Senior Citizens' Residence and Care Center Am Mühlbach, Augsburg.

CORPORATE GOVERNANCE

At their respective meetings in financial year 2005 the Management and Supervisory Boards of CURANUM AG focused on complying with the stipulations of the German Corporate Governance Code of 2002. In particular, the new requirements from June 2, 2005 played a key role in the respective discussions. 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.

After the General Meeting of Shareholders resolved to reduce the Supervisory Board to six members in financial year 2004 and the term of office of the existing Supervisory Board members ended with the termination of the General Meeting for 2005, new elections to the Supervisory Board took place within the scope of this General Meeting. In contrast to the new version of Rule 5.4.3, from June 2, 2005, all of the members were elected in a common vote and not on the basis of electing members individually. On the one hand, this block voting was approved already prior to publication of the revised version of the Code; on the other hand, there was no particular reason that suggested that voting behavior would turn out differently in the case of the individual persons standing for election. For this reason voting was carried out within the scope of a common election. We shall observe the proposal of the Code for the next election and carry out individual elections as a result.

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 three 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 members and persons close to such members reaches or exceeds the sum of € 5,000 within a single calendar year. We immediately reported such transactions to the Federal Financial Supervisory Authority (BaFin) in the year 2005 and published them on our website under Investor Relations/Directors' Dealings (Rule 6.6).

Rule 6.2 was also adhered to in financial year 2005 with respect to the threshold values of major shareholders that trigger reports in accordance with § 21 of the Securities Trading Act (WpHG). As a consequence major shareholder AVG Altenheim Vermietung Geschäftsführungs GmbH notified us that it reduced its 71.47% official share at the beginning of the financial year during the course of the year. On May 19, 2005 the AVG GmbH share fell below the threshold of 50% and amounted to 46.90% as of this point in time; on August 8, 2005 the company's

Trade date	Name	Function	Instrument	CUSIP	Transaction type	Number	Price in €	Note
20.01.2005	AVG GmbH, Hans-Milo Halhuber	CEO	Share	524070	Sale	1,100,000	2,20	1)
21.06.2005	Dr. Andrea Halhuber	Spouse of the CEO	Share	524070	Purchase	100,000	-	2)
21.06.2005	Hans-Milo Halhuber	CEO	Share	524070	Purchase	500,000	-	2)
08.08.2005	Dr. Andrea Halhuber	Spouse of the CEO	Share	524070	Sale	100,000	4,82	1)
10.08.2005	Jens Spitzer	MMB	Share	524070	Purchase	150,000	-	2)
07.10.2005	Hans-Milo Halhuber	CEO	Share	524070	Sale	500,000	5,50	1)
02.12.2005	Jens Spitzer	MMB	Share	524070	Sale	150,000	5,50	1)

1) Off-bourse 2) Waiver of further rights and options MMB= Member of the Management Board

voting share fell below the threshold of 25% and amounted to 24.92% as of this point in time. On December 2, 2005 the company's voting share fell below the threshold of 10% and amounted to 4.71% as of this point in time. These reports were published in a national journal for the publication of mandatory stock exchange announcements in accordance with § 25 of the Securities Trading Act (WpHG).

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 7.1.1 and prepare our consolidated financial statements in accordance with international financial reporting standards (IFRS). Remuneration of the Management and Supervisory Boards, in particular consulting and negotiating services, in contrast to the previous year, are also indicated in the notes to the consolidated financial statements; however in a single amount, without itemization.

- The remuneration for members of the Management Board includes both fixed and variable components. The approved share option plan has yet to be distributed. 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. For this reason detailed information on the remuneration system has been omitted so far in the notes to the consolidated financial statement and/or in the management report, on the Internet and at the General Meeting of Shareholders. (Rule 4.2.3)

- Individualized information on the components of the Chairman's remuneration, divided according to fixed sum, performance-related components and components with a long-term incentive effect, has been omitted in the notes to the consolidated financial statement. We are of the opinion that the Chairman's remuneration in one amount, combined with the management function of the Supervisory Board, suffices in order to prevent abuse. (Rule 4.2.4)

- 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, May 2006

ILSE MEISSNER AND ELENA ZAPARA

took a liking to each other immediately. They have known each other for over four years and live at the Residence Remagen.

CURANUM AG, Munich

FINANCIAL STATEMENTS 2005

CURANUM AG, MUNICH

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2005 (IFRS)

ASSETS	Notes	31.12.2005 T€	31.12.2004 T€
Current assets			
Cash and cash equivalents	1.1	2,175	1,868
Trade accounts receivable	1.2	3,782	5,959
Inventories	1.3	468	551
Prepaid expenses and other current assets	1.4	6,319	17,758
Tax receivables	1.4	1,646	228
TOTAL CURRENT ASSETS		**14,390**	**26,364**
Non-current assets			
Property, plant and equipment	2.1	85,440	90,620
Intangible assets	2.2	297	215
Goodwill	2.2	41,650	35,147
Shareholdings	2.3	0	11
Shares in associated companies	2.3	0	1,129
Other financial assets		0	3
Deferred tax assets	7	11,801	11,893
Other long-term assets	2.4	11,002	2,493
Minorities		208	156
TOTAL NON CURRENT ASSETS		**150,397**	**141,667**
TOTAL		**164,787**	**168,031**

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2005 T€	31.12.2004 T€
Current liabilities			
Short-term portion of finance lease debt	8	3,803	3,518
Short-term debt and current portion of long-term debt	3.1	4,727	5,777
Trade accounts payable	3.2	4,385	5,794
Provisions	3.3	3,384	2,461
Income tax payable	3.4	4,822	3,478
Other current liabilities	3.5	17,269	19,257
Others	3.5	1,082	1,526
TOTAL CURRENT LIABILITIES		**39,472**	**41,812**
Non-current liabilities			
Long-term debt	4.1	13,476	15,006
Finance lease obligations	4.1/8	60,259	63,144
Deferred tax liability	7	1,596	1,389
Provisions	4.2	757	757
Others	4.1/4.2	12,158	12,023
TOTAL NON-CURRENT LIABILITIES		**88,247**	**92,320**
Shareholders' equity			
Share capital	5.1	29,700	29,700
Additional paid-in capital	5.1	11,763	11,763
Convertible profit-sharing certificate	4.1	1,051	1,051
Revenue reserves	5.2	2,937	2,937
Retained earnings/accumulated deficit		-8,383	-11,551
TOTAL SHAREHOLDERS' EQUITY		**37,068**	**33,900**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**164,787**	**168,031**

CURANUM AG, MUNICH

CONSOLIDATED INCOME STATEMENT 2005 (IFRS)

	Notes	1.1. - 31.12.2005 T€	1.1. - 31.12.2004 T€
1. SALES	6.1	**188,482**	**183,739**
2. Cost of production	6.2	153,108	151,500
3. GROSS PROFIT / LOSS		**35,374**	**32,239**
4. Sales Costs	6.3	970	659
5. General administrative expenses	6.4	14,467	12,627
6. Other operating expenses	6.5	3,551	6,982
7. Other operating income	6.5	3,252	4,304
8. OPERATING INCOME / LOSS		**19,639**	**16,275**
9. Interest and other expenses	6.6	8,055	8,250
10. Interest and other income	6.6	1,241	1,003
11. Profit/loss participation associated companies	2.3	-616	0
12. Depreciation on financial assets	2.3	-11	0
13. RESULT BEFORE INCOME TAX AND MINORITY INTERESTS		**12,198**	**9,028**
14. Income tax	7	4,810	3,982
15. Other taxes		24	4
16. Minority interest		38	74
17. NET INCOME / LOSS		**7,326**	**4,968**
Net income per share (basic) *, €		0.25	0.17
Net income per share (diluted) *, €		0.25	0.17

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

CURANUM AG, MUNICH

CONSOLIDATED CASH FLOW STATEMENT F0R 2005 (IFRS)

	1.1. - 31.12.2005 T€	1.1. - 31.12.2004 T€
Net income before tax	12,198	9,028
Adjustments for:		
Depreciation	6,142	6,603
Financial results	-1,241	-1,003
Interest expenses	8,055	8,250
Result from disposals of fixed assets	265	7
Other expenses and income not affecting payments	-5,241	1,297
Increase/decrease in provisions and allowances	923	-5,554
Change in net working capital	-5,225	6,080
CASH FLOW FROM CURRENT ACTIVITIES	**15,876**	**24,708**
Interest paid	1,494	1,978
Tax paid	1,718	1,331
CASH FLOW FROM OPERATING ACTIVITIES	**12,664**	**21,399**
Purchase of property, plant and equipment	-1,013	-2,974
Cash inflows from disposals of property, plant and equipment	924	139
Interest received	-351	-854
Others (Increase in financial lease positions not affecting payments)	-952	-897
CASH FLOW FROM INVESTING ACTIVITIES	**-1,392**	**-4,586**
Cash repayments of amounts borrowed	-2,580	-9,557
Payment of capital lease liabilities	-4,227	-3,698
Dividend payment in 2004/2003	-4,158	-2,376
CASH FLOW FROM FINANCING ACTIVITIES	**-10,965**	**-15,631**
Net increase/decrease in cash and cash equivalents	307	1,182
Cash and cash equivalents at beginning of period	1,868	686
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**2,175**	**1,868**

CURANUM AG, MUNICH

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS´ EQUITY IN THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2005 (IFRS)

	Share capital T€	Additional paid-in capital T€	Retained earnings T€		Accumu-lated profit/loss T€	Equity portion of converti-ble bond T€	Total T€
AS OF JAN 1, 2004	29,700	11,763	2,937		-14,693	1,051	30,758
Net income before IAS 8 adjustment	--	--	--	5,806	--	--	--
Adjustment according to IAS 8	--	--	--	-839	--	--	--
Net income including IAS 8 adjustment	--	--	--		4,967	--	4,967
Dividend payment	--	--	--		-2,376	--	-2,376
Changes in the consolidated entity including consolidation of Curanum Franziskushaus GmbH	--	--	--		-135	--	-135
Other changes	--	--	--		686	--	686
Total	29,700	11,763	2,937		-11,551	1,051	33,900
AS OF DEC 31, 2004	29,700	11,763	2,937		-11,551	1,051	33,900
Net income	--	--	--		7,326	--	7,326
Dividend 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2005 (IFRS)

A. GENERAL INFORMATION CONCERNING 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.

Since October 29, 2002, the majority shareholder of CURANUM AG has been AVG Altenheim-Vermietung Geschäftsführungs GmbH (abbreviated: AVG). During the period from January 1, 2004 to May 19, 2004, AVG held the majority of the shares. As of the balance sheet reporting date on December 31, 2005, the shares in CURANUM AG are broadly held.

B. ACCOUNTING PRINCIPLES

BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as formulated by the International Accounting Standards Board (IASB) and as approved by the EU as well as taking into account the provisions of § 315a of the German Commercial Code (HGB). As of the time of transfer to IFRS on January 1, 2004, CURANUM AG prepared a set of opening accounts that provide the point of departure for IFRS accounting.

The conversion of the accounting basis from the German Commercial Code (HGB) to IFRS was performed while taking IFRS 1 into consideration. With the exception of the rule regarding business combinations, the Company has made no use of the exemptions permitted in IFRS 1.13.

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

As a matter of principle, the financial statements were prepared using the historical cost principle. Trade receivables as well as other receivables from loans were entered at fair value while taking into account any value impairments. The liability portion of the convertible profit-sharing certificate that was issued was calculated by applying the effective rate of interest method to historical costs minus scheduled amortization.

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

These financial statements, which have been prepared for the first time according to IFRS, contain transitional calculations in Point C of the notes the financial accounts, which provide clarification to readers on the key accounting adjustments made to equity as reported according to the previous accounting principles (German

Commercial Code [HGB]) in order to convert it to equity accounted according to IFRS. Point C also contains a transitional calculation of the periodic result, which was prepared in the last set of financial statements according to the previous accounting principles (German Commercial Code [HGB]), to the periodic result of the same period according to IFRS. This transitional calculation is sufficiently detailed to make the key adjustments in the income statement as well as in the statement of cash flows comprehensible to readers.

DECLARATION OF AGREEMENT WITH IFRS

The consolidated financial statements of Curanum AG and its subsidiaries were prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU. At the same time, the consolidated financial statements for the comparable 2004 period were prepared for the first time according to IFRS. A summary of key accounting principles is presented below.

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 the financial and commercial policy of the company in such a way that it benefits from its activities. Control also exists, for example, if the Group holds half or less than half of the voting rights in the company, as long as this company fulfils the characteristics of a special purpose entity as defined in IAS 27 in combination with SIC-12.

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 or sold during the course of the financial year are included in the consolidated financial statements from the time of their purchase or to the time of their disposal.

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 intercompany results were not carried out. Group-internal sales, expenses and profits were eliminated.

MINORITY SHARES

Equity capital and net profit for the year attributable to minority shareholders were reported separately both in the balance sheet and in the 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. Such a surplus amount and any further loss attributable to minority shares are reported under long-term liabilities. Insofar as concerns negative capital shares of minority shareholders, they are reported under long-term assets.

SCOPE OF CONSOLIDATION

As at December 31, 2005, the following subsidiaries were fully consolidated:

Company	Head office	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
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

The companies RIAG "Ennepetal", RIAG "Erste" and RIAG "Zweite" were fully consolidated in the Group financial statements, since these companies are factually controlled by Curanum according to IAS 27 in connection with SIC-12.

CHANGES TO THE SCOPE OF CONSOLIDATION

Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG, Munich

In an agreement of December 6, 2004, CURANUM AG sold 74.05% of its limited partnership shares to Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG and, as of December 31, 2004, holds 24% of the shares in the Company. 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. For the sake of simplicity, the transition from the full consolidation applied in the opening balance sheet to the equity method was carried out as of December 31, 2004. By comparison with applying the date of December 6, 2004, no material effect has resulted from this approach.

Curanum Lehrte GmbH

In an agreement dated March 10, 2004, Curanum Betriebs GmbH, Haan sold its share in Curanum Lehrte GmbH with a nominal value of EUR 25,000.00 with effect from August 1, 2004 for a disposal price of T€ 550. CURANUM Lehrte GmbH, Haan was deconsolidated as of July 31, 2004.

Curanum Bonifatius DT GmbH

In the 2004 financial year, CURANUM Bonifatius DT GmbH, Karlsfeld, was merged with CURANUM AG, Munich. The operations of the company were spun off into CURANUM Betriebs GmbH.

As of December 31, 2005, the following companies were consolidated for the first time in the Group financial statements:

– Wäscherei Ellerich GmbH, Haan
– Curanum Westfalen GmbH, Haan
– Sieglar GmbH, Bad Honnef. As at September 30, 2005, the company was deconsolidated and re-entered into the Group financial statements on the same reporting date. We should like to draw your attention to our remarks concerning changes in the Group structure.

As at December 31, 2005, shares in MHS Multi-Hygiene-Service GmbH, Herne were sold and deconsolidated.

CASH AND CASH EQUIVALENTS

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

TRADE RECEIVABLES AND OTHER RECEIVABLES

Receivables are reported at the fair value of the service rendered and valued at their historical costs while taking into account corresponding value impairments for uncollectible receivables.

Subsequent valuation is carried out so that, on each balance sheet reporting date, potential uncollectible or value-impairing factors are calculated and taken into consideration through the creation of specific charges applied to the related receivables.

DERIVATIVE FINANCIAL INSTRUMENTS

In order to lower the interest expense of the convertible profit-sharing certificate and of borrowings on current account, CURANUM has entered into interest rate derivative transactions. As a result of this hedging connection, the Management Board has decided against an accounting treatment of the interest rate derivative transactions that have been agreed.

We should like to draw your attention to the remarks made under Point 12.

INVENTORIES

Inventories are valued at historical costs. Value impairments were not required in 2005 and 2004.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at their historical costs minus cumulative depreciation and cumulative value impairment expenses. 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. Subsequent expenses, such as repair and maintenance costs arising after the non-current assets were put into operation, are registered as expenses in the period in which they occur.

Leasing agreements for property and equipment, which are capitalized as part of finance leasing, are broken down into the asset categories, land, buildings, and equipment, according to the "component approach".

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

Buildings	22 - 40 years
Fittings	8 - 20 years
Technical equipment and machinery / operating and office equipment	3 - 20 years

For fittings of care facilities capitalized as part of finance leasing, depreciation is carried out over 20 years, 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 book values for property, plant and equipment are subject to periodic review 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.

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 complete care homes but also individual or group leasing of assets. In addition to this, from time to time, business lease agreements have existed that concerned the lease of the entire operation of a facility. As at December 31, 2005, no business lease agreements continued to exist.

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. 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.

In the case of sale and leaseback transactions that lead to a financing lease agreement, no sales proceeds are booked through the income statement but instead they are entered to the same amount as a deferred leasing liability and released over the duration of the leasing agreement.

OPERATING LEASE AGREEMENTS

Leasing agreements, where essentially all risks and opportunities connected with the property remain with the lessor, are classified as operating lease agreements. 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.

The monetary value of incentives granted by the lessor in connection with the conclusion of the leasing agreement are reported as a reduction of rental expenses on a straight line basis over the duration of the leasing agreement.

In the case of sale and leaseback transactions that lead to an operating lease agreement, any gain/loss is recognized immediately, in accordance with IAS 17.61, as long as the transaction was carried out at fair value.

FINANCIAL ASSETS/LIABILITIES

In these financial statements, financial assets contain primarily loans and receivables. At CURANUM there are no financial investments that are held until maturity or are available for disposal. Shareholdings and shares in associated companies are not attributed to the last two mentioned categories.

When the financial asset is reported for the first time, it is entered at historical costs that correspond to the fair value of the service rendered. The gains and losses from the reporting of a financial asset at fair value are booked immediately through the income statement if receivables or loans are subject to value impairments or are taken off the books.

Liabilities are reported at the repayment amount. 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.

INTANGIBLE ASSETS

When added to the accounts, intangible assets are valued at historical costs. 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 cumulative value impairment expenses. Intangible assets (software/licenses) are amortized on a straight line basis over their estimated useful lives. 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 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.

The historical costs of new software are capitalized and treated as an intangible asset as long as these costs do not form an integral component of the hardware to which it relates. Software is amortized over a period of five years on a straight line basis. Costs that have arisen in order to restore or secure the future economic benefit that the Company may expect from the originally assessed profitability of software systems already in place are reported as expenditure when restoration or maintenance works were carried out.

GOODWILL

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. After it has been reported for the first time, goodwill is valued at historical costs minus cumulative value impairment expenses. 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. A value impairment applied to goodwill is not reversed in subsequent reporting periods.

With respect to the assessment of value impairments to goodwill, we should like to refer to our comments on impairment tests under Point E. 2.2.

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. If it is expected that the expenses required to satisfy a deferred obligation will be reimbursed either in part or in whole by another party, the reimbursement is only reported if it is as good as certain that the Company will receive the reimbursement.

RECOGNITION OF SALES AND PROFITS

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 sales 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.

Proceeds from the sale of goods are reported after the delivery has taken place and the risks and opportunities have transferred to the buyer.

Insofar as it is permitted by law, sales, 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 accounts with receivables or liabilities.

COSTS OF DEBT CAPITAL

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

PUBLIC AUTHORITY DONATIONS

Public authority donations are not reported until there is sufficient security that the Company will be able to fulfill the conditions that are attached to them and that the Company will in fact receive the donations. Insofar as the public authority donations have been granted on the basis that the Company will acquire property, plant and equipment, they reduce the historical costs of these assets. As part of the reduced scheduled depreciation applied to this property, plant and equipment, the proceeds are booked through the income statement in a way that is analogous to the reporting of the connected expenses that they are intended to compensate.

INCOME TAXES

The level of income taxes is dependent on the level of profits and takes deferred taxes into account.

The formation of deferred taxes 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.

– The deferred tax liability resulting from taxable temporary differences, which are connected with shareholdings in subsidiaries, associated companies and shares in joint ventures, may not be reported if the periodic duration of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

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.

Income taxes relating to items that are captured directly in equity, are reported in equity and not in the income statement.

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

VALUE IMPAIRMENT OF 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 financial investments that are held until maturity, a value impairment or bad debt charge is booked through the income statement.

At CURANUM there are no further classes of financial assets. We should like to draw your attention to our remarks concerning financial assets.

OTHER ASSETS

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. The fair value is the higher of the net disposal price and the useful value of an asset. The net disposal price is the amount that can be achieved from the disposal of an asset on the usual terms prevailing in the market, less the costs of the disposal. The useful value is the present value of estimated future cash flows that are expected from the continued use of an asset and its disposal at the end of the useful period. The fair value is calculated for each asset individually or, if this is not possible, for the cash-generating unit to which the asset belongs.

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.

With respect to the impairment of goodwill, we should like to refer to our comments on impairment tests under Point E.

APPLICATION OF ESTIMATES/DISCRETIONARY DECISIONS

When preparing the consolidated financial statements, assumptions and estimates were used for the valuation of assets and liabilities. 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 options for property as well as for the categorization of liabilities attributable to the convertible profit-sharing certificate into an equity component and an external capital component as well as the categorization 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 judgement.

EARNINGS PER SHARE

With respect to earnings per share, we should like to draw your attention to the disclosure in the income statement of these consolidated financial statements and to our remarks under Point 9.

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 in only the German market. Segmental reporting is not performed because the Company can be divided into neither different business segments nor different geographical segments.

CONTINGENT LIABILITIES AND CLAIMS

Contingent liabilities are not entered in the consolidated financial statements. They are disclosed in the notes to the consolidated financial statements except where a possibility of an outflow of resources embodying economic benefits is very improbable.

Contingent claims are not entered in the consolidated financial statements. They are entered in the notes to the consolidated financial statements, however, when the inflow of economic benefits is probable.

C. FIRST-TIME PREPARATION OF IFRS FINANCIAL STATEMENTS

TRANSITIONAL ACCOUNT FROM HGB TO IFRS FOR EQUITY

	Reporting date 1.1.2004 T€	Reporting date 31.12.2004 T€
Equity capital on the reporting date according to HGB	**23,275**	**26,097**
1. Financing lease agreements	- 16,491	- 17,451
2. Start-up and expansion expenses	- 575	0
3. Scheduled depreciation of property, plant and equipment	401	513
4. Convertible profit-sharing certificates	495	376
5. Goodwill	12,855	13,796
6. Changes in the scope of consolidation/other	18	418
7. Deferred taxes	10,779	10,990
Equity capital on the reporting date according to IFRS	**30,757**	**34,739**
Corrections in accordance with IAS 8	0	-839
Corrected equity capital on the reporting date according to IFRS	**30,757**	**33,900**

TRANSITIONAL ACCOUNT FROM HGB TO IFRS FOR THE RESULT FOR THE YEAR

	1.1. - 31.12.2004 T€
Periodic result according to HGB	**5,194**
1. Financing lease agreements	- 963
2. Start-up and expansion expenses	575
3. Scheduled depreciation of property, plant and equipment	112
4. Convertible profit-sharing certificates	- 119
5. Goodwill	941
6. Changes in the scope of consolidation/other	- 145
7. Deferred taxes	211
Periodic result according to IFRS	**5,806**
Corrections in accordance with IAS 8	- 839
Corrected periodic result according to IFRS	**4,967**

REMARKS CONCERNING THE TRANSITIONAL ACCOUNTS:

1. FINANCING LEASE AGREEMENTS

As a lessee, the Company has entered into a number of rental and leasing agreements as part of its business operation that comprise not only the leasing of complete care homes but also the individual or group leasing of assets. As part of the classification of leasing agreements according to IAS 17, the object of the agreement in each case was categorized according to the "components approach" according to IAS 16 into its key asset components – land and buildings as well as equipment – insofar as these have different useful lives. For the purposes of categorization, historical costs for the fittings were calculated using historical costs per care place. The remaining share of the leasing agreements (leasing installment) was allocated to land/buildings. As of January 1, 2004, the company had capitalized property, plant and equipment assets of T€ 64,796, which form part of financing leasing. The book value of these assets as of December 31, 2005, is T€ 58,079. In addition, in the opening balance sheet as of January 1, 2004, a financing lease agreement from a sale and leaseback transaction was capitalized with a book value of T€ 3,150.

As of December 31, 2004, the book value was T€ 2,538. The financing lease ended on January 1, 2005.

2. START-UP AND EXPANSION EXPENSES

In compliance with the HGB accounting rules that have applied to date, CURANUM had capitalized expenses for the start-up and expansion of the operating business and amortized than over a period of four years. According to IFRS, these costs should be recognized in full as soon as they occur against the income statement.

3. SCHEDULED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

According to IFRS, the depreciation period for property, plant and equipment is assessed using the economic useful lives of the assets. These useful lives differ from the depreciation periods used to date, which were primarily oriented to fiscal regulations.

4. CONVERTIBLE PROFIT-SHARING CERTIFICATES

Accounting for convertible profit-sharing certificates according to IFRS results in a categorization into equity capital and external capital components, which leads to corresponding differences in reporting. The external capital component is valued at historical costs. Changes in the external capital component are reported with earnings effect in the financial results along with the due interest payments. According to the accounting principles applied to date, the repayment obligation was reported under liabilities and the due interest expenditure was booked through the income statement.

5. GOODWILL

The Company applies IFRS 3 Business combinations to past business combinations from January 1, 2000. As a result of this, the capitalization of goodwill of T€ 12,885 arises in the opening accounts, which, under the accounting principles applied to date, were netted off against the Company's capital reserves at the time when they arose, on the one hand and, on the other hand, subject to scheduled amortization.

6. CHANGES IN THE SCOPE OF CONSOLIDATION/OTHER

Companies reported as shareholdings according to the accounting principles applied to date were included in the scope of full consolidation according to IFRS as subsidiaries of CURANUM AG in the opening accounts of January 1, 2004. The following companies are concerned:

– RIAG Seniorenzentrum "Erste" GmbH & Co. KG, Bad Honnef
– RIAG Seniorenzentrum "Zweite" GmbH & Co. KG, Bad Honnef
– RIAG Seniorenzentrum "Ennepetal" GmbH & Co. KG, Bad Honnef
– Bad Schwartauer AVG Altenheim Vermietung GmbH & Co. KG, Munich
– MHS Multi-Hygiene-Service GmbH, Herne

7. DEFERRED TAXES

In its opening accounts of January 1, 2004, the Company reports a net balance of tax claims of T€ 10,779, which result primarily from temporary differences based on the following circumstances:

Goodwill

Goodwill, which is subject to amortization from a fiscal perspective but not under IFRS, results in temporary differences. Besides this, goodwill entered solely in the tax accounts but not in the IFRS accounts, leads to temporary differences.

Property, plant and equipment

Different useful lives in the tax accounts and in IFRS accounts lead to temporary differences since depreciation for tax purposes is based on the depreciation for wear and tear tables published by the tax authorities.

Finance leasing

The capitalization of finance lease agreements for property and equipment, which is not performed in the tax accounts, results in temporary differences. The related entry on the liabilities side of the balance sheet of leasing obligations for property and equipment results in further temporary differences, since this liabilities-side entry does not occur in the tax accounts.

Provisions

Provisions for operational risks (for example, provisions for potential losses), which are formed in the IFRS accounts, but should not be entered in the tax accounts, however, result in temporary differences.

8. CORRECTIONS IN ACCORDANCE WITH IAS 8

Among the events subsequent to the accounting reporting date of December 31, 2004, the following business events should be mentioned, which took place in the first quarter of the 2005 financial year and which have effects on the valuation of the consolidated financial statements for 2004. These valuation modifications were corrected in these financial statements in the 2004 comparative figures according to IAS 8.42 a). These concern the following circumstances that are explained below:

Disposal of Illertissen land

As evidenced by a notary deed dated October 19, 2004, CURANUM AG acquired a piece of land (Illertissen marking, plot number 1351/7) for a purchase price of T€ 1,214. The above-mentioned purchase agreement was cancelled as a result of a cancellation agreement of March 22/March 29, 2005 and sold back for a purchase price of T€ 870. Taking into account a claim for reimbursement of land purchase tax of T€ 43, a book loss of T€ 351 resulted from the unwinding transaction. In the comparable figures for 2004, this charge was reflected in the property, plant and equipment item.

Disposal of Dr. Rief trust loans

As at December 31, 2004, CURANUM AG reported a loan receivable of T€ 932. This concerns a receivable due to a trust agreement into which CURANUM AG entered on November 30, 1999 .

In 2005, CURANUM AG concluded an agreement of transfer and transferred the above mentioned receivable for a purchase price of T€ 444. This agreement resulted in the need to make a write-off on the receivable of T€ 488. In the comparable figures for 2004, this charge was reflected in other short-term assets.

An earnings per share effect for 2004 of € 0.03 results from the above mentioned corrections.

9. ADJUSTMENTS TO THE STATEMENT OF CASH FLOWS

Changes to the composition of liquid funds result from the modification of the scope of consolidation. The consolidation of companies mentioned under Point 6 resulted in an increase in liquid funds of T€ 265 in the opening accounts. As of December 31, 2005, liquid funds rose by T€ 125 (previous year T€ 264).

Adjustments to cash flows from continuing operations were carried out due to the modification of the periodic pre-tax result as well as of depreciation and interest expenses (as a result of the effects described under Points 1-8). Besides this, there were effects from finance leasing and the modified scope of consolidation in the form of higher depreciation (2005: +T€ 3,095; 2004: +T€ 3,861) and interest expenses (2005: +T€ 6,814; 2004: + T€ 5,600). Besides this, the operating cash flow contains interest paid of T€ 1,494 (previous year T€ 1,978) and income tax paid (2005: T€ 1,718; 2004: T€ 1,331).

Cash flows from investment activities contain interest received of T€ 351 (previous year T€ 854).

As a result of the expanded scope of consolidation, cash flows from financing activities were modified to include the long-term bank borrowings of the special purpose entities.

D. MODIFICATIONS TO THE GROUP ORGANIZATION

IN THE 2004 FINANCIAL YEAR, THE FOLLOWING GROUP COMPANIES WERE FOUNDED:

CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG, Munich

In a deed of partnership dated December 8, 2004, Curanum Verwaltungs- und Beteiligungs- GmbH & Co. KG was founded. CURANUM AG is a limited partner with a partnership share of € 1,000,000.00. CURANUM AG'S capital contribution obligation is rendered through putting up all its shares in Curanum GmbH, Haan. The shares were contributed as of January 1, 2005. General partner without deposit is Curanum Beteiligungs-GmbH, Munich.

Altenheim Betriebsgesellschaft Nord GmbH, Munich

As evidenced by a notarial deed of foundation of June 21, 2004, Altenheimbetriebsgesellschaft Nord GmbH, Munich was founded. The sole shareholder is Curanum GmbH with a subscribed equity contribution of € 25,000.00. In a purchase and takeover agreement of October 6, 2004, the operations of Seniorenresidenz Geertz in Bad Schwartau were sold as of October 1, 2004 by Curanum Betriebs GmbH, Haan to Altenheimbetriebsgesellschaft Nord GmbH, Munich for a purchase price of € 126,042.84.

Altenheim Betriebsgesellschaft Süd GmbH, Munich

As evidenced by a notarial deed of foundation of June 21, 2004, Altenheimbetriebsgesellschaft Süd GmbH, Munich was founded. The sole shareholder is Curanum GmbH with a subscribed equity contribution of € 25,000.00. In a purchase and takeover agreement of October 6, 2004, the operations of Seniorenresidenz Hirschhalde in Bad Dürrheim were sold as of October 1, 2004 by Curanum Betriebs GmbH, Haan to Altenheimbetriebsgesellschaft Süd GmbH, Munich for a purchase price of € 126,232.65.

Altenheim Betriebsgesellschaft Ost GmbH, Munich

As evidenced by a notarial deed of foundation of September 28, 2004, Altenheimbetriebsgesellschaft Ost GmbH, Munich was founded. The sole shareholder is Curanum GmbH with a subscribed equity contribution of € 25,000.00. In a purchase and takeover agreement of October 6, 2004, the operations of Altenpflegeheim Barth were sold as of October 1, 2004 by Curanum Betriebs GmbH, Haan to Altenheimbetriebsgesellschaft Ost GmbH, Munich for a purchase price of € 62,082.86.

Altenheim Betriebsgesellschaft West GmbH, Munich

As evidenced by a notarial deed of foundation of September 28, 2004, Altenheimbetriebsgesellschaft West GmbH, Munich was founded. The sole shareholder is Curanum GmbH with a subscribed equity contribution of € 25,000.00. In a purchase and takeover agreement of October 6, 2004, the operations of Seniorenzentren Mozart und Amadeus, Werl were sold as of October 1, 2004 by Curanum Betriebs GmbH, Haan to Altenheimbetriebsgesellschaft West GmbH, Munich for a purchase price of € 132,430.05.

Alten- und Pflegeheim Sieglar GmbH, Bad Honnef

As evidenced by a notarial deed of foundation of May 28, 2004, Alten- und Pflegeheim Sieglar GmbH, Bad Honnef was founded. The sole shareholder is Curanum Betriebs GmbH, Haan with a subscribed equity contribution of € 25,000.00, which corresponds to the costs of acquiring the shareholding. The sole shareholder controls 100% of the voting rights. In an agreement dated November 2, 2004, Curanum Betriebs GmbH acquired the operations of the Sieglar facility as of November 30, 2004 for a purchase price of € 1,730,000.00. In an agreement dated November 2, 2004, Alten- und Pflegeheim Sieglar GmbH acquired the operations of the Sieglar facility from Curanum Betriebs GmbH as of December 1, 2004 for a purchase price of € 1,730,000.00.

Seniorenzentrum Hennef GmbH

As evidenced by a notarial deed of foundation of May 14, 2004, Seniorenzentrum Hennef GmbH, Haan was founded. Sole shareholder of the limited company is Curanum Betriebs GmbH, Haan with a subscribed equity contribution of € 25,000.00.

IN THE 2004 FINANCIAL YEAR, THE FOLLOWING GROUP COMPANIES WERE ACQUIRED:

Franziskushaus GmbH, Gelsenkirchen

With a purchase agreement of March 10, 2004, Curanum GmbH, Haan acquired on May 1 2004 all shares (€ 102,258.38) in Franziskushaus GmbH, Gelsenkirchen for a purchase price of € 6,850,000.00. As a result, Curanum GmbH holds 100% of the voting rights. With a purchase contract of September 28, 2004, Curanum GmbH, Haan sold these shares on to Curanum Betriebs GmbH, Haan for a purchase price of T€ 6,850.00.

Franziskus Service GmbH, Bad Honnef

With a purchase contract of March 10, 2004, Opticura Service GmbH, Haan acquired all shares (€ 25,000.00) on May 1, 2004 in Franziskus Service GmbH, Bad Honnef for a purchase price of € 25,000.00. As a result, Opticura

GmbH holds 100% of the voting rights. In a merger agreement of August 23, 2004, Franziskus Service GmbH was merged into Opticura Service GmbH, Haan as of January 1, 2004.

A dormant partnership existed between Franziskus Service GmbH, Curanum GmbH and Franziskushaus GmbH. The dormant partnership was cancelled as at December 31, 2004 with a cancellation agreement concluded on December 22, 2004.

RIAG Seniorenzentrum "Zweite" GmbH & Co. KG, Bad Honnef

With a purchase contract of December 9, 2004, CURANUM AG acquired, as of December 31, 2004, a limited partnership share of DM 150,000.00 in RIAG Seniorenzentrum "Zweite" GmbH & Co. KG, Bad Honnef from RIAG Real Investitions AG, Bad Honnef for a purchase price of € 76,694. Curanum AG's limited partnership share in RIAG "Zweite" been raised from € 2,150,000.00 to € 2,300,000.00. As a result, CURANUM AG holds 100% of the limited partnership shares.

Sieglar GmbH, Haan

In an agreement dated November 2, 2004, Curanum Betriebs GmbH acquired the operations of the Sieglar facility as of November 30, 2004 for a purchase price of T€ 1,730 and has integrated them into Alten- und Pflegeheim Sieglar GmbH, which was newly founded in 2004. We should like to draw your attention to the remarks made concerning business combinations in 2005.

IN THE 2004 FINANCIAL YEAR, THE FOLLOWING COMPANY LAW EVENTS TOOK PLACE WITHIN THE GROUP:

With a purchase agreement of December 30, 2004, Curanum GmbH, Haan sold all shares in Curanum Baubetreuung und Immobilienmanagement GmbH, Haan to Curanum Verwaltungs- und Beteiligungs GmbH & Co. KG, Munich.

With a purchase agreement of September 28, 2004, CURANUM AG sold its shares in Krankenheim Ruhesitz am Wannsee-Seniorenheimstatt GmbH, Berlin to Curanum Betriebs GmbH, Haan.

With a purchase agreement of July 6, 2004, CURANUM AG, Munich sold its share of € 25,000.00 in Curanum Bessenbach GmbH, Haan to Curanum Betriebs GmbH, Haan.

With a merger agreement of July 6, 2004, between CURANUM AG, Munich and Curanum Bonifatius DT GmbH, Karlsfeld, Curanum Bonifatius DT was merged with CURANUM AG. The merger date was January 1, 2004. After the merger was concluded, the facilities of Curanum Bonifatius DT were spun out of CURANUM AG and transferred via Curanum GmbH to Curanum Betriebs GmbH.

IN THE 2005 FINANCIAL YEAR, THE FOLLOWING GROUP COMPANIES WERE FOUNDED:

Wäscherei Ellerich GmbH, Haan

As evidenced by a notarial deed of foundation of December 1, 2005, Wäscherei Ellerich GmbH, Haan was founded. Curanum GmbH, Haan is the sole shareholder with a capital contribution of € 25,000.00. The company started operations on January 1, 2006 with the acquisition of the operations of Wäscherei Ellerich.

Curanum Westfalen GmbH, Haan

As evidenced by a notarial deed of foundation of November 25, 2005, Curanum Westfalen GmbH, Haan was founded. Curanum GmbH, Haan is the sole shareholder with a capital contribution of € 25,000.00. The company started operations on January 1, 2006, concurrent with the start of the period of the company lease agreements concerning seven facilities in North Rhine Westphalia.

IN THE 2005 FINANCIAL YEAR, THE FOLLOWING GROUP COMPANIES WERE ACQUIRED:

Sieglar GmbH, Haan

With effect from July 1, 2002, the Sieglar facility was sold by Curanum Betriebs GmbH for a purchase price of T€ 1,800 to a company not included in the consolidated financial statements. At the same time, a company lease agreement concerning the ongoing operations of the facility was concluded with a period from July 1, 2002 until December 31, 2007.

In an agreement dated November 2, 2004, Curanum Betriebs GmbH acquired the operations of the Sieglar facility as of November 30, 2004 for a purchase price of T€ 1,730 and has integrated them into Alten- und Pflegeheim Sieglar GmbH, which was newly founded in 2004. Goodwill of T€ 1,725 arose from the acquisition of the company.

At the same time, an irrevocable offer to purchase all shares in Sieglar GmbH was made by Curanum Betriebs GmbH to a company not included in the consolidated financial statements. With an agreement dated September 30, 2005, this company has accepted the offer to purchase the shareholding in Sieglar GmbH and sold it in a further agreement dated September 30, 2005 to Curanum Betriebs GmbH for a purchase price of T€ 2,003. As a result of the business combination in the sense of IFRS 3, this company now holds 100% of the voting rights in Sieglar GmbH. In the consolidated financial statements, goodwill on consolidation of T€ 1,978 is reported from the acquisition of the shares.

In connection with the acquisition of the shares in Sieglar GmbH, the acquired assets and liabilities contained in the company are listed below: non-current assets including goodwill T€ 1,686, inventories/receivables

T€ 151 and cash and cash equivalents T€ 914. Besides this, the following were acquired: provisions T€ 160, liabilities T€ 2,565.

Betrieb Fürth

With effect as of December 30, 2001, the Fürth facility was sold by Curanum Bonifatius DT to a company outside the Group. At the same time, a company lease agreement concerning the ongoing operations of the facility was concluded with a period from January 1, 2002 until December 31, 2007.

With a purchase contract of July 4, 2005, Curanum Betriebs GmbH (as the legal successor to Curanum Bonifatius DT) acquired the operations of the Fürth facility for a purchase price of € 3,800,000.00. The date of the transfer was August 1, 2005.

In connection with the acquisition of the Fürth operation, the following listed assets and liabilities were acquired: non-current assets T€ 31, inventories/receivables T€ 514 and cash and cash equivalents T€ 254. Besides this, the following items were acquired: provisions T€ 73, liabilities T€ 724.

Seniorenzentrum Hennef GmbH

Curanum Betriebs GmbH has made an irrevocable offer to a company outside the group to acquire all of the shares in Hennef GmbH. With a contract of July 15, 2005, Betriebs GmbH has acquired this call right for a purchase price of T€ 716. The purchase price was capitalized with the costs of acquiring the shareholding and this resulted in goodwill of the same amount in the consolidated financial statements.

The abovementioned transactions (Sieglar/Fürth/Hennef) have served to secure the long-term existence of the Sieglar/Hennef/Fürth facilities within the group of companies of the CURANUM Group.

IN THE 2005 FINANCIAL YEAR, THE FOLLOWING GROUP-INTERNAL TRANSACTION TOOK PLACE:

In order to fulfill its obligation to render a capital contribution as set out in the foundation agreement of Curanum Verwaltungs- und Beteiligungs GmbH & Co. KG of December 8, 2004, CURANUM AG is lodging its shares in Curanum GmbH, Haan with Curanum Verwaltungs- und Beteiligungs GmbH & Co. KG.

IN THE 2004 AND 2005 FINANCIAL YEARS, THE FOLLOWING GROUP COMPANIES WERE SOLD:

Curanum Lehrte GmbH

With a contract dated March 10, 2004, Curanum Betriebs GmbH, Haan sold its share in the company of € 25,000.00. The purchase price was € 550,000.00. The transfer date was August 1, 2004.

Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG

With an agreement of December 6, 2004, CURANUM AG, Munich sold 74.05% of its limited partnership shares in Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG. The purchase price was € 2,991,195.55. The purchase agreement states that the purchase price is to be paid in six equal annual installments. The transfer date was January 1, 2004.

MHS Multi-Hygiene-Service GmbH, Herne

With an agreement of October 31, 2005, Opticura Service GmbH sold its share of € 25,500.00 in MHS Multi-Hygiene-Service GmbH, Herne. The purchase price was € 13,037.94. The date of transfer was December 31, 2005.

As a matter of principle, where the company purchases are concerned, the book values of the acquired assets and liabilities corresponded to their values. As a consequence, any differential amount with respect to the purchase price could result in the reporting of goodwill. Further hidden reserves as well as intangible assets that have so far not been capitalized were not acquired.

We have forgone disclosure in accordance with IFRS 3.70 in order to avoid any damage to the operating business.

E. DISCLOSURES TO THE CONSOLIDATED BALANCE SHEET AND TO THE CONSOLIDATED INCOME STATEMENT

1. SHORT-TERM ASSETS

1.1 CASH AND CASH EQUIVALENTS

	2005 T€	2004 T€
Bank deposits and cash in hand	2,175	1,868
Cash and cash equivalents in the balance sheet	**2,175**	**1,868**
Cash and cash equivalents in the cash flow statement	**2,175**	**1,868**

As of the December 31, 2005 accounting reporting date, the Group has access to credit lines of € 15.0 million (2004: € 15.0 million). No qualifications exist with respect to the use of these credit lines. As of the December 31, 2005 accounting reporting date, T€ 4,277 (previous year T€ 5,344) was utilized.

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

We should like to draw your attention to the remarks made concerning short-term bank borrowings.

1.2 TRADE RECEIVABLES

	2005 T€	2004 T€
Trade receivables from care services	4,130	4,964
Other trade receivables	73	1,496
Less charges for doubtful receivables	-421	-501
Trade receivables, net	**3,782**	**5,959**

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.

Specific bad debt charges were formed against trade receivables in relation to the age structure and estimated value retention of the receivables, where the receivables for care services concerned self-pay patients. In the case of receivables due from recipients of social security benefits, specific bad debt charges were formed where costs transfers for residents 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 2005, T€ 414 of additions to specific bad debt charges was reported as expenses (2004: T€ 401).

Other trade receivables contain primarily receivables from auxiliary services and services provided for residents. In the previous year, a receivable of € 1.1 million from the conclusion of a know-how license agreement was reported in this item. This receivable was settled in 2005 by a receivables purchase and netting-off by AVG GmbH. We should like to draw your attention to our remarks concerning related persons and companies.

1.3 INVENTORIES

	2005 T€	2004 T€
Raw materials, consumables and supplies	468	496
Work in progress	0	55
Total	**468**	**551**

The raw materials, consumables and supplies item contains the inventory value of inventories of groceries, commercial requisites and medical care benefits in the facilities. The changes between 2005 and 2004 result from the sale of a facility in 2004 as well as the terminal consolidation of a Group company (MHS Multi-Hygiene-Service GmbH, Herne) as of December 31, 2005.

The work in progress item in 2004 contained construction supervision services rendered by a Group company for a third party, which had not yet been invoiced.

1.4 OTHER SHORT-TERM ASSETS

	2005 T€	2004 T€
Deferred expenses		
Prepayments for company lease agreements for Westfalen GmbH	667	0
Other deferred expenses	949	958
Receivables from the disposal of facilities	0	4,212
Receivables from shareholders	3,047	9,384
Receivables from the sale of shares in associated companies	499	499
Receivables from associated companies	0	655
Receivables from trust loans granted	0	444
Other receivables	1,157	1,606
	6,319	**17,758**
Receivables due from the tax authorities/taxes	1,646	228
Total	**7,965**	**17,986**

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 in the consolidated financial statements of December 31, 2005 as a deferred item. 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 present value of the rental prepayment is € 6.7 million as of December 31, 2005, based on a rate of interest of 6.5%.

The other deferred expenses contain prepayments for vehicle taxes, subscriptions, advertising etc. for services that will be utilized in subsequent years.

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

The receivables from the sale of facilities of T€ 2,339 concerned, in the previous year, receivables from the sale of a facility in Hennef as per a purchase contract dated December 15, 2003. Besides this, in 2004, receivables of T€ 1,874 were reported from the sale of the facility in Fürth as per the purchase agreement of December 6/December 18, 2001. According to the purchase agreement, the purchase price is due in three equal installments of DM 4.5 million, of which the first is due on December 31, 2002. The installments still in arrears as of December 31, 2004 were deferred and subject to continued interest charges.

With an agreement of December 6, 2004, CURANUM AG, Munich sold 74.05% of its limited partnership shares in Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG. The purchase price was T€ 2,991. As of December 31, 2005, the receivable amounted to T€ 2,167 including interest. Of this, T€ 499 has a residual maturity of up to one year.

Other receivables contain primarily receivables due from suppliers for reimbursements (T€ 436), due from staff (T€ 71), deposits (T€ 117) as well as account-holders running on a debit basis of T€ 276.

In 2004, tax receivables contain receivables from imputed investment income-tax and the solidarity contribution tax for distributions in 2004. In 2005, imputed investment income-tax/solidarity contribution tax was reported of T€ 17, as well as receivables from trade taxes of T€ 1,629. This concerns trade tax prepayments for Curanum GmbH in 2005 that are now being reclaimed due to a change of the parent company relevant for trade tax purposes.

2. LONG-TERM 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€	2004 Total T€
Historical costs				
January 1, 2004	104,040	34,781	146	138,967
Additions	2,044	2,640	0	4,684
Disposals	(64)	(78)	(66)	(208)
Changes in the scope of consolidation/other	(7,280)	(825)	(80)	(8,185)
December 31, 2004	**98,739**	**36,518**	**0**	**135,258**
Cumulative depreciation and value impairments				
January 1, 2004	25,242	17,090	0	42,332
Depreciation for the year	3,290	3,271	0	6,561
Disposals	(0.00)	(48)	(0)	(48)
Changes in the scope of consolidation/other	(4,050)	(157)	0	(4,207)
December 31, 2004	**24,482**	**20,156**	**0**	**44,638**
Net book value	**74,258**	**16,362**	**0**	**90,620**

As part of the acquisition of Franziskushaus GmbH and Franziskus Service GmbH, property, plant and equipment with a book value of T€ 1,051 was acquired. As part of the acquisition of the Sieglar operating business, property, plant and equipment with a book value of T€ 29 was acquired.

	Land, rights similar to land and constructions T€	Other facilities, operating and office equipment T€	2005 Total T€
Historical costs			
January 1, 2005	98,739	36,518	135,257
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	**97,898**	**37,164**	**135,062**
Cumulative depreciation and value impairments			
January 1, 2005	24,131	20,156	44,287
Depreciation for the year	2,832	3,244	6,076
Disposals	(2)	(118)	(120)
Changes in the scope of consolidation/other	0	(621)	(621)
December 31, 2005	**26,961**	**22,661**	**49,622**
Net book value	**70,937**	**14,503**	**85,440**

Equipment held as part of finance leasing

The historical costs of leasing agreements for property and equipment held by the company as part of a finance leasing, as at December 31, 2005 amounted to € 87,816,394.61 and as of December 31, 2004 € 87,641,287.95 and, as of December 31, 2005 and 2004, have a net book value of € 58,079,424.45 or € 61,602,067.64. Of the historical costs, as of December 31, 2005/December 31, 2004, € 62,267,606.57 was attributable to land and € 25,548,788.04 attributable to business equipment (2004: € 25,373,681.38). The net book value is broken down as follows: Land and property € 47,378,387.64 (2004: € 49,581,436.28) and operating and business equipment € 10,701,036.81 (2004: € 12,020,631.36).

BASIC ASSUMPTIONS USED FOR ESTIMATES

In the area of non-current assets, estimates are used for determining the depreciable life of the assets. The estimate concerns the period in which the company will be able to use the asset to generate revenues.

2.2 INTANGIBLE ASSETS

	Goodwill T€	Software/ licenses/ similar rights T€	Prepayments rendered T€	2004 Total T€
Historical costs				
January 1, 2004	28,819	537	0	29,356
Additions	9,644	130	0	9,775
Disposals	0	(116)	0	(116)
Changes in the scope of consolidation/other	(3,316)	0	0	(3,316)
December 31, 2004	**35,147**	**551**	**0**	**35,699**
Cumulative depreciation and value impairments				
January 1, 2004	0	334	0	334
Depreciation for the year	(4)	46	0	42
Disposals	0	(44)	0	(44)
Changes in the scope of consolidation/other	4	0	0	4
December 31, 2004	**0**	**336**	**0**	**336**
Net book value	**35,147**	**215**	**0**	**35,362**

	Goodwill T€	Software/ licenses/ similar rights T€	Prepayments rendered T€	2005 Total T€
Historical costs				
January 1, 2005	35,147	551	0	35,698
Additions	6,503	21	116	6,640
Disposals	0	(0)	0	(0)
Changes in the scope of consolidation/other	0			
December 31, 2005	**41,650**	**572**	**116**	**42,338**
Cumulative depreciation and value impairments				
January 1, 2005	0	336	0	336
Depreciation for the year	0	55	0	55
Disposals	0	(0)	0	(0)
Changes in the scope of consolidation/other				
December 31, 2005	**0**	**391**	**0**	**391**
Net book value	**41,650**	**181**	**116**	**41,947**

Prepayments rendered for facilities under construction

The prepayments rendered concern the full extent prepayments for an invoicing system for the homes administration area implemented on January 1, 2006.

Goodwill

The goodwill contained in the above table of assets concern the following individual companies:

	31.12.2005 T€	31.12.2004 T€
Curanum Franziskushaus GmbH, Gelsenkirchen	7,536	7,536
Opticura Service GmbH, Haan	330	330
Curanum Bad Hersfeld GmbH, Haan	1,534	1,534
Residenz Lobberich GmbH, Nettetal	1,616	1,616
Curanum Betriebs GmbH, Haan	3,800	0,00
Curanum GmbH, Haan	17,905	17,905
Alten- und Pflegeheim Sieglar GmbH, Haan	3,713	1,735
Krankenheim Ruhesitz am Wannsee Seniorenheimstatt GmbH, Berlin	4,029	4,029
Seniorenzentrum Hennef GmbH	716	0
accurato GmbH, Munich	348	348
Special purpose entities	123	114
Total	**41,650**	**35,147**

The opening set of accounts as of January 1, 2004 includes a value impairment to the goodwill of Lobberich of T€ 554 from the 2002 financial year.

In accordance with the provisions of IFRS 3, the Group is discontinuing scheduled amortization of goodwill from December 31, 2000. The original historical costs have been capitalized. From now on the goodwill will be subject to an annual impairment test, always on the accounting reporting date and whenever corresponding indicators are present. The impairment tests are performed for each cash-generating unit or group that has such goodwill.

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

The fair value of these cash-generating units is calculated on the basis of useful value, applying cash flow forecasts. The cash flow forecasts are based on financial plans approved by the company management for a period of three years. As in the previous year, the discount rate applied to the cash flow forecast is 8.0% and is composed of a basis rate and a risk premium. Cash flows subsequent to the period of three years are calculated more conservatively using a growth rate of 0.0%.

2.3 SHARES IN ASSOCIATED COMPANIES AND SHAREHOLDINGS

The following is a list of all key shareholdings and shares in associated companies as of December 31, 2004/2005:

Company	Reported as	Participation quota	Proportional annual profit T€	Book value as of 31.12.2005 (31.12.2004) 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 (11)
Bad Schwartauer AVG GmbH & Co. KG	Shares in associated companies	24%	-616	0 (1,129)

[1] financial statements not available

The shareholdings are included in the consolidated financial statements as of December 31, 2005 at historical costs. In accordance with the IAS 28, the shares in associated companies are included in the consolidated financial statements using the equity method, since CURANUM AG holds 24% of the shares exerts a significant influence on the company.

The annual financial statements of Bad Schwartauer AVG GmbH & Co. KG contain the following key balance sheet figures in 2005 in 2004:

	2005 T€	2004 T€
Total assets	3,123	8,032
Liabilities including long-term bank borrowings	5,505	6,057
Sales	1,001	1,003
Net profit for the year	-2,557	318

2.4 OTHER LONG-TERM ASSETS

	2005 T€	2004 T€
Deferred expenses		
Prepayments for company lease agreements for Westfalen GmbH	9,333	0
Receivables from the sale of shares in associated companies	1,668	2,493
Sum of other long-term assets	**11,001**	**2,493**

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 rental prepayment of € 10,000,000.00 rendered in 2005 for the above-mentioned agreement is reported in the consolidated financial statements of December 31, 2005 as a deferred item. Of the total rental prepayment, € 9,333,333.33 has a residual period to maturity of more than one year and is consequently reported with long-term assets.

With an agreement of December 6, 2004, CURANUM AG, Munich sold and transferred 74.05% of its limited partnership shares in Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG. The purchase price was € 2,991,195.55. As of December 31, 2005, the receivable amounted to T€ 2,167 including interest. Of this, € 1,668,301.38 (2004: € 2,492,662.88) has a residual maturity in excess of one year.

3. SHORT-TERM LIABILITIES

3.1 SHORT-TERM BANK BORROWINGS

	2005 T€	2004 T€
Short-term portion of long-term loans	450	433
Current account borrowing facilities	4,277	5,344
Total	**4,727**	**5,777**

Securities for the bank borrowings are commented on in the section on long-term loans.

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€ 4,385 (previous year T€ 5,794).

3.3 PROVISIONS

Provisions contain invoices from utilities and disposal companies outstanding as of the reporting date as well as outstanding supplier invoices. Besides this, provisions are reported for fees for the Company management as well as for operational risks. The composition of other provisions can be seen in the table below.

	Utilities, waste disposal T€	Outstanding invoices T€	Fees T€	Operational risks T€	Other T€	Total T€
Balance as of Jan. 1, 2004	79	13	324	475	3,036	3,927
Provisions formed during the year	177	75	520	0	610	1.382
Provisions released during the year	(19)	(0)	(0)	(0)	(256)	(275)
Provisions utilized during the year	(60)	(13)	(324)	(0)	(2,177)	(2,574)
Balance as of Dec. 31, 2004	177	75	520	475	1,213	2,460

	Utilities, waste disposal T€	Outstanding invoices T€	Fees T€	Operational risks T€	Other T€	Total T€
Balance as of Jan. 1, 2005	177	75	520	475	1,213	2,460
Provisions formed during the year	250	260	1,662	0	692	2,864
Provisions released during the year	(29)	(5)	(0)	(0)	(270)	(304)
Provisions utilized during the year	(148)	(60)	(520)	(0)	(909)	(1,637)
Balance as of Dec. 31, 2005	250	270	1,662	475	726	3,383

The other provisions are composed as follows:

	2005 T€	2004 T€
Potential losses from loans granted	300	240
Legal costs/compensation	137	189
Ancillary rental costs	57	20
Severely handicapped persons contribution	49	63
Deferred interest	35	0
Obligation from settlement of CFE Immobilien Entwicklungs GmbH, Vienna	0	575
Premiums	0	53
Other	148	73
Total	726	1,213

3.4 INCOME TAX LIABILITIES

	2005 T€	2004 T€
Corporation tax liabilities	2,361	2,087
Trade tax liabilities	2,461	1,391
Total	**4,822**	**3,478**

3.5 OTHER SHORT-TERM LIABILITIES

	2005 T€	2004 T€
Liabilities to staff	2,495	2,215
Salary and wage liabilities	3,701	3,772
Social security liabilities	3,046	2,951
Liabilities to shareholders	0	319
Loans	2,584	2,020
Prepayments received	2,668	2,059
Borrowing accounts in credit	695	809
Deferred revenues	410	232
Hennef sale and leaseback leasing liability	0	2,538
Other	1,670	2,341
Total	**17,269**	**19,256**
Other short-term liabilities	1,081	1,526

The liabilities to staff of T€ 2,495 (2004: T€ 2,215) are composed of holidays outstanding (T€ 450; 2004: T€ 537), contributions to professional cooperatives (T€ 583, 2004: T€ 464), other obligations such as overtime hours, premiums, short-term partial retirement obligations and settlements (T€ 1,206; 2004: T€ 957) as well as time allowances (T€ 256; 2004: T€ 256).

The obligation arising from partial retirement obligations with staff (T€ 227) contains a short-term component of T€ 95. 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 arrears of remuneration towards the employee 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 leasing obligation contained the obligation from the finance leasing connected with the company lease agreement that CURANUM entered into for a facility. In the financial years 2001/2002/2003, a total of three facilities were sold and leased back immediately as part of a corporate leasing agreement. The corporate leasing agreements ended on 30.11.2004/31.12.2004/31.07.2005. In 2005 a total of T€ 204 (2004: T€ 1,500) of corporate leasing payments was disbursed.

Deposits received from tenants in managed residential facilities were reported with the other liabilities (T€ 1,107; 2004: T€ 1,094), as were deferred interest payments for the convertible profit-sharing certificate (T€ 310; 2004 T€ 310) as well as security retentions resulting from construction and repair measures.

The other short-term liabilities comprised primarily liabilities from salary and church taxes.

The liabilities from loans concern loans extended to CURANUM companies by related parties.

4. LONG-TERM LIABILITIES

4.1 LONG-TERM LOANS

	2005 T€	2004 T€
Long-term bank borrowings	13,476	15,006
Short-term portion of bank borrowings	450	433
Total bank borrowings	**13,926**	**15,439**
Convertible profit-sharing certificates	12,025	11,895
Finance leasing obligations with 6% effective interest rate	60,259	63,143
Total long-term interest-bearing liabilities	**85,760**	**90,044**

Repayments of bank borrowings are scheduled as follows:

	2005 T€	2004 T€
2005	--	1,513
2006	450	450
2007	473	473
2008	498	498
2009	523	523
Subsequently	11,982	11,982
Total	**13,926**	**15,439**

The following securities exist for bank borrowings:

– Transfer of certified land charges of T€ 971 bearing on the land registry of Jena
– Amount-limited individual guarantee of CURANUM AG of T€ 644.
– Registered land charge for property serving as security at Gatterburg, Munich.

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 (€ 1022.59) 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 reserves. The first time it was possible to carry out conversion into equity capital was 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 taken place. The conversion right is secured through conditional capital 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 long-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%.

Leasing liabilities

With respect to leasing liabilities, we should like to draw your attention to Point 8 "Leasing".

4.2 OTHER LONG-TERM LIABILITIES / PROVISIONS

	2005 T€	2004 T€
Geseke purchase obligation	470	470
Hirschhalde purchase obligation	287	287
Provisions	**757**	**757**
Liabilities to shareholders	24	62
Long-term portion of partial retirement	109	28
Other	0	38
Convertible profit-sharing certificates	12,025	11,895
Other	**12,158**	**12,023**

Long-term provisions include 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 obligation was discounted using a 6.5% interest rate and, as of the accounting reporting date, amounted to T€ 757 (previous year T€ 757).

The 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, 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.

5. EQUITY

5.1 SUBSCRIBED CAPITAL / CAPITAL RESERVES

	2005 T€	2004 T€
29.7 million ordinary shares; nominal value € 1.00 per share	29,700	29,700

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

	Shares (in thousands)		Subscribed capital (in thousands)		Capital reserves (in thousands)	
Ordinary shares	2005	2004	2005	2004	2005	2004
Issued and fully paid						
January 1	29,700	29,700	29,700	29,700	11,762	11,762
December 31	29,700	29,700	29,700	29,700	11,762	11,762

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.

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, as the result of a resolution of the Shareholders' General Meeting of November 27, 2000, the registered capital was increased by a further € 330,000.00 (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 to date not been created.

5.2 REVENUE RESERVES

(i) Development of the revenue reserves

The revenue reserves result from the conversion of the accounts from HGB to IFRS and since January 1, 2004 amount to an unchanged T€ 2,937.

(ii) Dividends

The cash dividends set for 2004 were as follows:

	2004 T€	
Ordinary shares EUR 0.14 per share in 2004	4,158	

In 2005, T€ 4,158 was distributed for 2004. In 2004, the distribution of 2003 amounted to T€ 2,376.

The Management Board and the Supervisory Board of the Company recommended distributing an amount of € 0.10 per share for 2005, which corresponds to a total amount of T€ 2,970.

6. NOTES ON THE GROUP INCOME STATEMENT

6.1 SALES

The CURANUM Group generated total sales of T€ 170,939 from the care of inpatients including direct services such as catering, cleaning and laundry (previous year T€ 164,903), T€ 11,312 from the rental of managed apartments and the rendering of outpatient care services (previous year T€ 11,473) as well as T€ 6,232 from other sales (previous year T€ 7,362).

6.2 COSTS OF PRODUCTION

The costs of production contain:

	2005 T€	2004 T€
Personnel expenditure for care and services	85,073	83,993
Rents	32,734	32,096
Remaining expenses	29,174	28,807
Depreciation	6,126	6,604
Total	**153,107**	**151,500**

Remaining expenses contain:

	2005 T€	2004 T€
Foodstuffs	6,194	6,119
Medical care requirements	1,924	1,985
Water/power/electricity	4,574	4,306
Third-party building cleaning services/laundry	4,539	6,037
Property and other charges	2,111	1,710
Other	9,832	8,650
Total	**29,174**	**28,807**

The depreciation concerns the scheduled depreciation of intangible assets (primarily software) of T€ 55 (previous year T€ 42), buildings T€ 2,832 (previous year T€ 3,290) and operating and office equipment T€ 3244 (previous year to 271). Depreciation includes depreciation incurred as part of finance leasing. Depreciation has been allocated exclusively to the costs of production item since they can be attributed to expenses related to generating sales from care services.

6.3 SALES COSTS

The sales costs are composed as follows:

	2005 T€	2004 T€
Personnel expenditure	249	96
Remaining expenses	721	563
Total	**970**	**659**

Remaining expenses include mainly expenses for advertising and public relations activities of T€ 674 (previous year T€ 558).

6.4 GENERAL ADMINISTRATION COSTS

The administration costs are composed as follows:

	2005 T€	2004 T€
Personnel expenditure	10,189	8,050
Remaining expenses	4,278	4,576
Total	**14,467**	**12,626**

The remaining expenses contain primarily expenses for legal and consultancy costs (2005: T€ 1,501; previous year T€ 1,911), fees/contributions (2005: T€ 486; previous year T€ 1,122), telephone/fax/cell phone charges (2005: T€ 350; previous year T€ 349).

PERSONNEL EXPENDITURE AND AVERAGE NUMBER OF EMPLOYEES

The personnel expenditure contained in items 6.1 to 6.3 is composed as follows:

	2005 T€	2004 T€
Wages and salaries	78,825	75,597
Settlements	339	348
Professional cooperative	948	957
Social contributions	15,399	15,237
Total	**95,511**	**92,139**

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

	2005 T€	2004 T€
Salaried employees	3,407	3,286
Temporary personnel	649	626
Total excluding trainees	4,056	3,912
Trainees	118	107
Total	**4,174**	**4,019**

6.5 OTHER OPERATING INCOME (EXPENSES)

	2005 T€	2004 T€
Revenues	3,252	4,304
Expenses	(3,551)	(6,982)
Total other operating expenses	**(299)**	**(2,678)**

Other operating income includes income from reimbursements received T€ 569 (previous year T€ 577), income from the release of bad debt charges applied to receivables and provisions/liabilities of T€ 447 and 321 (previous year T€ 466 and 312) as well as revenues that lay outside the period of T€ 1,071 (previous year T€ 1,013). In the previous year this position included income from the markdown of the level of purchase obligations for pieces of land of T€ 1,244.

In 2005, the release of provisions of T€ 240 concerns the release of a provision for potential losses in connection with loans granted. The remaining amount concerns primarily the release of provisions for invoices outstanding.

In the reporting year, other operating expenses contain expenses from the application of a bad debt charge to receivables of T€ 2,322 (previous year T€ 2,124), expenses that lay outside the period of T€ 931 (previous year T€ 1,391) and other rental expenses T€ 229 (previous year T€ 1,637). Besides this, this item contains book losses from the disposal of non-current assets of T€ 65 (previous year T€ 442).

The specific bad debt charge results from loans granted for rental payments to Bonifatius AT GmbH, which operates a facility in Vienna/Austria. Due to the difficult economic situation of the facility, the receivables were subject in 2005 and 2004 to specific bad debt charges. We should like to draw your attention to our remarks concerning other financial obligations.

In 2005, the book losses contain T€ 351 from the disposal of a piece of land in Illertissen. As the disposal occurred in the first quarter of 2005 it was attributable to the 2004 financial year and, as a result, it was reported with expenses that lay outside the period. In accordance with the IAS 8, the amount was corrected and allocated to the 2004 financial year. We should like to draw your attention to the remarks made under Point C. 8.

6.6 FINANCE EXPENSES

	2005 T€	2004 T€
Interest income	1,241	1.003
Interest expenses for diverse loans	(942)	(1,457)
Interest expenses for financing lease agreements	(4,869)	(5,002)
Interest expenses for the convertible profit-sharing certificate	(1,050)	(1,040)
Other financing expenditure	(1,194)	(751)
Net financing expenses	**(6,814)**	**(7,247)**

Other financing expenditure contains primarily interest paid on current accounts of T€ 505 (2004: T€ 485), interest payments for short-term liabilities from loans and purchase agreements of T€ 363 (2004: T€ 137) as well as guarantee commissions of T€ 31 (2004: T€ 25).

Interest income contains T€ 1,081 (2004: T€ 1,054) of loans and other receivables granted. T€ 114 results from interest rate derivative transactions.

7. NOTES ON INCOME TAXES AND DEFERRED TAXES

	2005 T€	2004 T€
Actual tax expenditure	4,399	3,423
Deferred income taxes	411	559
Total income taxes	**4,810**	**3,982**

	2005 T€	2004 T€
Income taxes for the current year	4,848	5,768
Income taxes for previous years	(449)	(2,345)
Actual tax expenditure, total	**4,399**	**3,423**

	2005 T€	2004 T€
Origination and reversal of temporary differences	299	275
Elimination of deferred taxes resulting from individual accounts	112	284
Deferred tax expenditure, total	**411**	**559**

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:

	2005 T€	2004 T€
Earnings before taxes	12,198	9,028
Taxes applying tax rate applicable to the parent company of 38.61% (2004: 38.48%)	4,710	3,474
Other, non tax-deductible expenses/trade tax additions	94	91
Effect of divergent trade tax result	-66	172
Tax-free allocation of shares as per § 8b II Capital Tax Act (KStG)	0	-29
Hidden capital contribution	0	-24
Deconsolidation results	0	15
Correction of error as per IAS 8	0	87
Effect of previous years' taxes	97	159
Other effects	-25	37
Tax burden	**4,810**	**3,982**

DEFERRED TAX CLAIMS AND DEFERRED TAX LIABILITIES

Deferred tax claims and deferred tax liabilities of the Company are as follows, using a basis that does not apply netting-off:

	Deferred taxes		Deferred tax liabilities	
	2005 T€	2004 T€	2005 T€	2004 T€
Property, plant and equipment				
Divergent useful lives			299	302
Finance leasing			22,388	23,653
Other	16	16		
Goodwill	4,828	4,175	448	296
Provisions	592	567		
Liabilities				
Finance leasing	27,773	29,801		
Special reserve item § 6b Income Tax Act (EstG)			371	371
Other items	598	633	95	66
Total	**33,807**	**35,192**	**23,601**	**24,688**

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€ 5,767 (previous year T€ 6,502). Taking into account the other effects presented above, as of December 31, 2005, deferred tax assets of T€ 11,801 result (previous year T€ 11,893) as well as deferred tax liabilities of T€ 1,596 (previous year T€ 1,389).

Under the following circumstances, deferred taxes result for the above listed items:

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

– Provisions: Provisions for operational risks, which are formed in the IFRS accounts, but should not be entered in the tax accounts, however, result in temporary differences.

– Liabilities: The capitalization 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 capitalized and amortized solely in the tax accounts but which may not be entered in the IFRS accounts, leads to temporary differences.

An ongoing external Group audit for CURANUM AG and its subsidiaries is currently not included. The Company has performed provisions for risks expected from the external audit.

8. LEASING

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 leasing agreements provide for payments that are based on a fixed percentage of sales generated. In 2005, rental costs in connection with finance leasing agreements amounted to € 8,519,151.88 and in 2004, € 8,142,008.05. 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:

	2005 T€	2004 T€
Land	1,163	1,163
Buildings	61,104	61,104
Fittings and operational equipment	25,549	25,374
	87,816	**87,641**
Cumulative depreciation	(29,737)	(26,039)
Net book value	**58,079**	**61,602**

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

	2004 T€
During the first year	8,639
1st to 5th years	31,830
After 5 years	71,931
Total of minimum lease obligations (net)	**112,400**
Interest	(40,303)
Present value of minimum obligations	**69,120**
Obligations from finance leasing:	
During the first year	3,969
1st to 5th years	11,518
After 5 years	53,633

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:

	2005 T€	2004 T€
Basic leasing costs	38,628	39,371
Proceeds from subleasing agreements	(327)	(309)
Total	**38,301**	**39,063**

Sale and leaseback transactions

The facilities were sold in the 2001/2002/2003 financial years and leased back immediately as part of a company lease agreement. The company leasing agreements ended on 30.11.2004/31.12.2004/31.07.2005. In 2005 a total of T€ 204 (2004: T€ 1,500) of corporate leasing payments was disbursed. In the case of one of the three company lease agreements, a finance lease is concerned.

9. EARNINGS PER SHARE

Undiluted earnings per share has been calculated by dividing the periodic result attributable to the ordinary shareholders of € 7,326,370.52 (2004: € 4,967,706.56) by the weighted average number of ordinary shares outstanding during the period (2005: 29,700,000, 2004: 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	40,00	50 units	100,000
2,000	10,000	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	2005 T€	2004 T€
Group net profit for the period	7,326	4,968

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

For the 2005 financial year, earnings per share were generated of € 0.25 (2004: € 0.17).

With respect to distributions performed, we should like to draw your attention to the equity capital transition account.

10. OTHER FINANCIAL OBLIGATIONS

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

	2005 T€	2004 T€
2005	--	44,422
2006	51,550	51,550
2007	52,056	52,056
2008	51,680	51,680
2009	48,734	48,734
2010	46,912	46,912
Subsequently	494,262	494,262
Total	745,196	789,618

Other financial obligations can be split individually as follows:

	2005 T€	2006 T€	2007 T€	2008 T€	2009 T€	2010 T€	Subsequently T€
Rents for property	42,392	49,160	49,927	50,237	47,815	46,235	486,604
Maintenance agreements etc	2,030	2,390	2,129	1,443	919	677	7,658
Total	44,422	51,550	52,056	51,680	48,734	46,912	494,262

There exists an obligation resulting from a property lease agreement for a residential and care home in Vienna/Austria, which is operated by Bonifatius AT GmbH, with an annual lease of T€ 1,352, of which CURANUM AG pays T€ 960. A counterclaim exists from the property leasing agreement due to a subleasing agreement concluded with the operator company, which entered fully into the lease agreement in the 2002 financial year. The receivable was subject in the 2005 and 2004 financial years to a 100% specific bad debt charge. In addition, a provision for potential losses of T€ 300 was created in 2005.

Besides this, put 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.

11. LIQUIDITY AND INTEREST RATE RISKS / DERIVATIVE FINANCIAL INSTRUMENTS

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.

In order to reduce the interest expenditure associated with the convertible profit-sharing certificates and with current account borrowings at ING Bank AG, three interest rate derivative transactions were concluded that have contributed positively in the reporting year to a reduction of interest expenses. The nominal value of the interest rate derivative transactions is T€ 5,000 and T€ 2,500; in total T€ 12,500. As of the accounting reporting date, the following individual transactions were outstanding:

Current no.	Start	End	Nominal amount/€	Interest/reference rate
1	20.05.2005	20.05.2008	5,000,000.00	10J-EUR-ISDA_ EURIBOR/4,5%
2	15.07.2005	15.01.2009	5,000,000.00	10J-EUR-ISDA_ EURIBOR/4,5%
3	18.07.2005	18.07.2008	2,500,000.00	6M-EUR-Euribor-Telerate/Quanto (([1yCHFlibor]*2) -0,39%)

From the aforementioned transactions, in 2005, revenues resulted of T€ 114 and expenses of T€ 17.

However, 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. In the instance of a worst-case scenario, the maximum loss using close of business parameters and marking-to-market valuation would be € 0.5 million for the 2006 financial year. The maximum profit would be € 0.7 million. As a result of the above hedging connection, the Management Board has decided against an accounting treatment of the interest rate derivative transactions that have been agreed (IAS 39).

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 us with a daily report on the development of interest rates and on the relevant parameters that have effects on interest rate developments also in the future. Corresponding reporting by the bank regarding the development of the interest rate derivatives is also carried out at regular intervals.

All mortgage loans have a fixed rate of interest at a low level. In the case of current-account lines, a market-normal risk exists from changes in interest rates, which can be categorized as minor as a result of the low level of utilization of the lines.

Liquidity risks

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

The repayment of the convertible profit-sharing certificates that is due on August 31, 2007, represents a liquidity risk, since on the above-mentioned date the entire amount of formally DM 24.0 million or € 12.3 million is due for payment. However, as a result of early budgeting for the requisite liquidity reserves or through the issue of a new profit-sharing certificate, we can minimize this liquidity risk.

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, 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. There are no concentrations of risk on the procurement or sales sides, especially since, within purchasing, sufficient diversification is ensured in all areas.

In the 2005 financial year, the risk management committee conducted ongoing monitoring and checking of all areas of risk potential in the CURANUM Group. Risks to inventories were not determined.

12. LEGAL DISPUTES

As of the accounting reporting date, the following unconcluded legal processes existed:

CURANUM AG is defendant in a legal dispute with a former tenant. The plaintiff is demanding the payment of € 2.54 million, alleging that, during the initial approaches concerning the rental agreement, CURANUM failed to make sufficient disclosures. CURANUM is proceeding on the basis that the lawsuit will be rejected in its entirety, since no fault applies to CURANUM and a large part of the fault lies with the plaintiff. This view is supported by the fact that, among other things, the plaintiff was entitled to withdraw from the rental agreement, but failed to make use of this opportunity, despite evidence that the plaintiff was familiar with the construction law problem in question. For these reasons, in these consolidated financial statements, CURANUM has judged that no future risk exists for the Company from the above-mentioned case and, for this reason, has not created a provision for it.

In a draft notice of July 17, 2005, a public authority has announced its intention to revoke the decision to grant public sponsoring funds of T€ 960. This draft notice was discussed with the authorities responsible, as a result of which the amount being reclaimed was reduced without contention to T€ 530. Not included in the calculation of this amount is the distribution of costs for the creation of a fifth floor for the sponsored object. Were these costs to be included in the calculation, from the point of view of CURANUM, no reimbursement claim would exist on the part of the authority. In this case, however, a grant amount of T€ 165 that has not yet been disbursed would no longer be paid.

As a result of the assessment presented above, CURANUM has so far created neither a receivable nor a provision resulting from this set of circumstances.

13. DISCLOSURES REGARDING RELATED PERSONS AND COMPANIES

13.1 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

AVG Altenheim Vermietung Geschäftsführungs GmbH, Munich

Until May 19, 2005, AVG Altenheim-Vermietung Geschäftsführungs GmbH (abbreviated: AVG) was the majority shareholder of CURANUM AG. During this period, AVG held the majority of the shares. Consequently, in the above-mentioned period, AVG is regarded as controlling company in the sense of §17 of the German Stock Corporation Act (AktG). A controlling agreement with AVG did not exist and does not exist.

Also in the period subsequent to May 19, 2005, AVG, which is controlled by the Board of CURANUM, qualifies as a related company in the sense of IAS 24.

In 2005 in 2004, the following business events took place between CURANUM and AVG (T€):

	2005 T€	2004 T€
Granting/taking up of loans	10,307	1,379
Repayment of loans	-14,836	-2,505
Acquisition/transfer of receivables and liabilities (net)	3,768	264
Company purchases	-5,803	0
Interest/other services	439	416

Business events from company purchases 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. We should like to draw your attention to the remarks made under Point D.

The balance of receivables of the CURANUM Group amounted, as of December 31, 2005, to T€ 2,980 (2004: T€ 9,064).

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 24.

With an agreement of December 6, 2004, CURANUM AG, Munich sold 74.05% of its limited partnership shares in Bad Schwartauer AVG Altenheimvermietung GmbH & Co. KG to VGB. The purchase price was € 2,991,195.55. As of December 31, 2004, CURANUM AG reported a receivable due from VGB of the same amount. As of December 31, 2005, the receivable still amounted to T€ 2,167 including interest of T€ 176.

As a result of company lease agreements for two facilities, in 2005 the CURANUM Group paid total lease amounts of T€ 204 (2004: T€ 1,741) to VGB. As of December 31, 2005, a liability of T€ 25 existed towards VGB GmbH.

M&A Vermögensverwaltung & Beteiligung GmbH & Co. KG

M&A, which is controlled by the Board of CURANUM, qualifies as a related company in the sense of IAS 24.

As of January 1, 2005, a loan receivable due from M&A existed of T€ 100 (2004: T€ 93), which was increased by a receivable of interest due of T€ 5 in the 2005 financial year (2004: T€ 7). The total amount of T€ 105 was repaid by M&A in 2005. As at December 31, 2005, the balance amounted to T€ 0.

Maxxware Computer Concepts GmbH

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

In 2004 and 2005, CURANUM ordered information technology hardware from the company Maxxware. As a result of these purchases, in 2005, expenses/liabilities of T€ 321 (2004: T€ 35) arose for the CURANUM Group. As of the accounting reporting date, a receivable existed of T€ 2 (previous year 0).

CURANUM Beteiligungs GmbH

CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG rendered a monthly fee of T€ 29 to its general partner for taking over management duties and liability. In 2005, CURANUM booked a total of T€ 348 as expenditure. As of the accounting reporting date, liabilities existed of T€ 116.

13.2 TRANSACTIONS WITH MEMBERS OF THE SUPERVISORY BOARD AS WELL AS THE MANAGEMENT BOARD

In 2004, members of the Management Board granted loans of T€ 157, including interest, and further receivables of members of the Management Board due from the CURANUM Group existed from 2003 of T€ 308. In 2004, all liabilities of the Company were settled. In 2005, there were no open items from these transactions.

In 2005, supervisory board fees of T€ 50 (2004: T€ 42) were paid to members of the Supervisory Board. In 2005, a total of T€ 550 (2004: T€ 506) was paid to members of the Supervisory Board for services rendered.

13.3 TRANSACTIONS WITH FURTHER RELATED COMPANIES AND PERSONS

In 2005, loans of T€ 2,561 (2004: T€ 1,650) were granted to the CURANUM Group. Of these amounts, T€ 1,791 was paid off in 2005 (2004: T€ 0). In 2005, interest of T€ 150 (2004: T€ 14) resulted from the above-mentioned loans. As of December 31, 2005, liabilities existed of T€ 2,584.

13.4 MANAGEMENT BOARD REMUNERATION

Expenditure includes Management Board remuneration of T€ 2,594 (previous year T€ 1,022). The expenses are distributed among CURANUM AG (T€ 332, previous year T€ 885), CURANUM KG (T€ 30; previous year T€ 0) and CURANUM GmbH (T€ 2,232, previous year T€ 137).

13.5 BONIFATIUS AT GMBH

As of December 31, 2005, loan receivables exist of T€ 5,863, including interest, from rental payments for a senior citizens care facility in Vienna/Austria, which have been subject to a bad debt charge in their entirety. Due to the difficult economic situation of the facility, the loans granted were subject in 2005 and 2004 to specific bad debt charges. We should like to draw your attention to our remarks concerning contingent liabilities.

14. EVENTS SUBSEQUENT TO THE ACCOUNTING REPORTING DATE

The following key events following the reporting date, which are not to be taken into account in the financial statements and for which a failure to provide disclosure could influence commercial decisions based on the financial statements, occurred in the financial year:

Events following the reporting date that provide additional information regarding the position of the Company on the reporting date (events that must be taken into account) are reflected in the balance sheet. Events following the reporting date that do not require reporting in the balance sheet are disclosed in the Notes to the financial statements, if they are of importance. The following key events following the reporting date to be mentioned are:

– Purchase agreement between Mr. Thomas Ellerich, Kaisersesch (Seller) and Wäscherei Ellerich GmbH (Buyer), which is a 100% subsidiary of Curanum GmbH, of January 16, 2006. With this purchase agreement, Wäscherei Ellerich GmbH acquires all the movable assets as well as raw materials, consumables and supplies required for the operations of this laundry. The purchase price is € 1,700,000.00.

– Company leasing agreement between Curanum Westfalen GmbH and

Seniorenresidenz Wuppertal an der Oper oHG, Wuppertal
Seniorenresidenz Concordia GmbH & Co. KG, Ennepetal
Seniorenresidenz Pax GmbH & Co. KG, Ennepetal
Seniorenresidenz Iserlohn auf der Auemes oHG, Iserlohn
Schwelmer Seniorenresidenz GmbH & Co. KG, Schwelm
Seniorenresidenz Schwelm GmbH & Co. KG, Schwelm
Seniorenresidenz Hagen-Emst oHG, Hagen

in each case from December 8, 2005. The lease agreements commenced in each case on January 1, 2006 and have been concluded 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 in the consolidated financial statements of December 31, 2005 as a deferred item. The facilities have a total of 890 care places and seven managed apartments. For the current year, additional sales of around € 22.0 million are expected from these.

– The Company Bonifatius GPG Gesellschaft für Pflege und Gesundheit mbH, Munich is in liquidation in the 2006 financial year. On March 8, 2006, this was entered in the Companies Register HRB 116469 at the Local Court of Munich. On December 31, 2005, the shares in the company were written off to € 0.00.

These consolidated financial statements were released for publication by the Management Board of the Company on April 21, 2006.

15. OTHER DISCLOSURES

MANAGEMENT BOARD

In the reporting year, the Management Board consisted of the following members:

– Mr. Hans-Milo Halhuber, Ass.-jur., Grünwald (Chairman)
– Mr. Bernd Scheweling, Business Economist, Munich
– Mr. Jens Spitzer, Businessman, Cologne

SUPERVISORY BOARD

In the reporting year, the Supervisory Board consisted of the following members:

– Dr. Michael Roggen, Lawyer, Meerbusch (Chairman)
– Mr. Björn Michael, Commercial Clerk, Forstern (Deputy Chairman) until 23.06.2005
– Dr. Dieter Thomae, Business Graduate, MdB, Sinzig-Bad Bodendorf (Deputy Chairman since 23.03.2006)
– Dr. Jörg Lüttge, Lawyer and Tax Consultant, Bonn until 23.06.2005
– Dr. Wolfgang Freimuth, Business Graduate, Hannover until 23.06.2005
– Mr. Michael Sasse, Notary, Schwelm
– Mr. Wolfgang Sauermilch, Graduate Social Worker, Düsseldorf until 23.06.2005
– Mrs. Sabine Merazzi-Weirich, Commercial Clerk, Munich
– Mrs. Angelika Pohl, Commercial Clerk, Munich
– Mrs. Sabine Klöckner, Commercial Clerk, Schwelm from 23.06.2005

Two members of the Supervisory Board were engaged simultaneously as officers of the Company. In the interim, the Company has revoked the company officer appointments.

AUDITOR'S EMOLUMENTS

In the 2005 financial year, the auditor invoiced the Company for fees of T€ 34 for other consultancy services (previous year T€ 224) and T€ 182 for tax consultancy services (previous year T€ 437). Expenses for audit fees were reported in 2005 of T€ 203 at Curanum Verwaltungs- und Beteiligungs GmbH & Co. KG. In 2004, expenses of T€ 322 were reported for audit fees.

RELEASE IN ACCORDANCE WITH § 264 III

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
– Residenz Lobberich GmbH, Nettetal-Lobberich
– accurato GmbH, Munich
– OPTICURA Service GmbH, Haan
– Wäscherei Ellerich GmbH, Haan
– Curanum Westfalen GmbH, Haan
– CURANUM Baubetreuung und Immobilienmanagement GmbH, Haan
– GAP Media Service GmbH, Munich
– Curanum Bessenbach GmbH, Haan

CORPORATE GOVERNANCE

CURANUM AG has issued the declaration required according to §161 of the German Stock Corporation Act (AktG) and has made it permanently available for shareholders.

Munich, April 25, 2006

The Management Board

AUDIT OPINION

We have issued the following qualified opinion on the consolidated financial statements and the group management report:

“We have audited the consolidated financial statements prepared by CURANUM AG, Munich, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement, and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2005 to December 31, 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

With the exception of the limitations of scope presented below, we conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Insitute 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 the entities to be included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. With the exception of the qualifications presented below, we believe that our audit provides a reasonable basis for our opinion.

With the exception of the following qualifications, our audit has not led to any reservations:

The Company did not perform a valuation of the interest swaps. The interest swaps with nominal amounts totaling EUR 12,500 k have not been considered in the consolidated financial statements as of December 31, 2005. The fair value of the interest swaps could be verified neither by the company’s own valuations nor by an external appraisal and we could not obtain reasonable assurance on the fair value of the interest swaps through alternative audit procedures. Therefore, it cannot be precluded that the consolidated financial statements as of December 31, 2005 might be deficient as regards financial assets or financial liabilities which may have to be carried, the effects on the financial result and the necessary disclosures in the notes to the consolidated financial statements and in the group management report 2005 relating to the explanations in the group management report in the section on interest risks.

In its consolidated income statement the Company discloses scheduled depreciation of property, plant and equipment and scheduled amortization of intangible assets totaling EUR 6,126 k in full in the cost of sales. This depreciation and amortization has not been allocated by the Company to the functions production, sales and administration. Therefore, it cannot be precluded that the consolidated financial statements might be deficient in that the cost of sales might have been disclosed too high and the selling expenses and / or general administrative expenses might have been disclosed too low.

The amount of taxes paid as disclosed in the cash flow statement was not substantiated, nor is it reconcilable with the tax claims, tax liabilities and income tax expense from current taxes presented in the consolidated financial statements as of December 31, 2005. Therefore, it cannot be precluded that the consolidated financial statements might be deficient in this respect.

Nor were we able to obtain reasonable assurance on the aforementioned issues through alternative audit procedures.

In its cash flow statement, the Company has disclosed other non-cash investments in fixed assets of EUR 952 k under cash paid for investments.

Contrary to the requirements of IFRS 3, the Company has omitted to make the following disclosures on business combinations in its consolidated financial statements which are material for the complete and clear presentation of the business events in the consolidated financial statements:

– There is no description of the composition of acquisition cost.

– Information is missing about the amounts recognised at the acquisition date for each class of assets, liabilities and contingent liabilities of the purchased companies and the carrying amounts of each of these classes determined, in accordance with IFRS, immediately before the business combination.

– A description is missing of the factors which contributed to the acquisition costs that resulted in the recognition of goodwill.

– The amount is missing of the profit or losses of the purchased entities included in the group result of CURANUM AG since the date of acquisition as is information about the revenues and profit or loss for the period as though the acquisition date for all business combinations effected during the period had been the beginning of that period.

– The necessary disclosures are missing on the purchase of Wäscherei Ellerich GmbH, which represents a business combination effected after the balance sheet date but before the consolidated financial statements were authorized for issue.

- The items of property, plant and equipment and intangible assets acquired in the course of the business combinations were not disclosed separately in the statement of changes in property, plant and equipment and intangible assets in the notes to the consolidated financial statements pursuant to IAS 16 and IAS 38.

- The separate presentation of the cash flows from business combinations in the cash flow statement and the required disclosures in the notes to the consolidated financial statements are missing.

Contrary to the requirements of IAS 36, the Company has omitted from its consolidated financial statements material disclosures on recognized goodwill and the test of this goodwill for impairment. There is neither a description of each key assumption for the determination of the value in use of the cash-generating units nor disclosures on the impairment losses recognized.

Contrary to the requirements of IAS 12, the Company has omitted from its consolidated financial statements disclosures on income taxes and existing tax risks. A disclosure of the amount of unused tax losses for which no deferred tax assets is recognised in the balance sheet is missing as is a disclosure of the deferred tax income and tax expenses recognised in the consolidated income statement regarding any kind of temporary differences as this is not apparent from the changes in the amounts recognised in the balance sheet.

Contrary to the requirements of IAS 24 the Company has omitted the following disclosures from its consolidated financial statements on related parties which are material for the full and clear presentation of the relationships and transactions in the consolidated financial statements:

- Disclosures are missing on the terms and conditions for sales of companies to and acquisition of companies from related parties. The acquisition of the business operations of the Sieglar care facility in 2004 from a related party as well as the sale to another related party and subsequent purchase of shares in Alten- und Pflegeheim Sieglar GmbH, Bad Honnef, in 2005 are not presented on a scale that is sufficient to understand the effects of these business transactions on the net assets, financial position and results of operations of the Group.

- The expense recognised during the period in respect of bad debts due from related parties is not disclosed.

- The aggregation of certain items impairs the understanding of the effects of related party transactions. Receivables and liabilities from loans granted and loans borrowed have been offset. Interest expenses for or interest income from loans have not been disclosed separately.

Contrary to the requirements of IAS 32, the Company has omitted from its consolidated financial statements disclosures on financial instruments or presented these wrongly. Disclosures on fair values of the financial assets and financial liabilities recognized in the consolidated financial statements are missing. The disclosure of the accounting principles for investments is deficient.

In its consolidated income statement the Company presents the minority interests of EUR 38 k in a separate line above the group profit. In accordance with the classification of the minority interests as financial liability, the profit or loss from minority interest should however be classified within the financial result of CURANUM AG.

In its consolidated balance sheet as of December 31, 2005 the Company recognises goodwill of EUR 716 k on Seniorenzentrum Hennef GmbH, Haan. However, this goodwill does not result from a business combination within the meaning of IFRS 3 but from a compensation payment to a third party for its waiver of a contractually warranted right to purchase shares in Seniorenzentrum Hennef GmbH, Haan. The amount of EUR 716 k presented as goodwill has to be eliminated from the consolidated balance sheet and recognised as other operating expense in the consolidated income statement. The accounting of the Company thus influences the presentation in all parts of the consolidated financial statements as of December 31, 2005 and in the 2005 group management report.

With these qualifications, 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 Sec. 315a (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. With the aforementioned qualifications, the group management report is consistent with consolidated financial statements prepared in accordance with the applicable financial reporting framework 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 25, 2006
Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Walbröl
Wirtschaftsprüfer
[German Public Auditor]

Tropschug
Wirtschaftsprüferin
[German Public Auditor]

CURANUM AG – FINANCIAL CALENDAR 2006

12TH MAY 2006	Quarterly report I/2006
22ND JUNE 2006	Annual General Meeting
10TH AUGUST 2006	Quarterly report II/2006
8TH SEPTEMBER 2006	Investor conference, Hamburg
24TH OCTOBER 2006	Analyst conference, Paris
25TH OCTOBER 2006	Analyst conference, Geneva
9TH NOVEMBER 2006	Quarterly report III/2006
25TH - 27TH NOVEMBER 2006	German Equity Conference, Frankfurt

CONTACT

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IMPRINT:

Published by:	CURANUM AG Maximilianstrasse 35c 80539 Munich
Concept / Design:	Saints, Munich
Photos:	Katja Nitsche, Hamburg
Translation:	Baker & Harrison, Munich
Lithography:	Medienprinzen GmbH, Munich
Printing:	Blueprint AG, Munich

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CURANUM
Good care has a home.