



**CURANUM**

*Good care has a home.*



*CURANUM AG, Munich*

QUARTERLY REPORT FOR THE PERIOD  
FROM JANUARY 1 TO JUNE 30, 2005

## THE GROUP AT A GLANCE

mil. €	1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.3.	
	Q2 / 2005	Q2 / 2004	HY1 / 2005	HY1 / 2004	Q1 / 2005	Q1 / 2004
Sales revenue	47.4	46.4	93.6	89.2	46.2	42.6
Personnel costs	24.0	23.5	47.4	45.8	23.4	22.4
Rental expense	7.0	8.2	15.7	16.0	8.7	7.7
EBITDA	6.8	5.5	12.7	10.2	5.9	4.7
in % of Sales	14.3	11.9	13.6	11.4	12.8	11.0
Depreciation	1.1	1.1	2.9	2.6	1.9	1.4
EBIT	5.8	4.4	9.8	7.6	4.0	3.3
in % of Sales	12.2	9.5	10.5	8.5	8.7	7.7
Investment Earnings	- 1.8	- 1.7	- 3.1	- 3.5	- 1.3	- 1.8
EBT	4.0	2.6	6.7	4.1	2.7	1.5
Net profit	2.5	1.9	4.2	2.6	1.6	0.7
EPS* (EUR)	0.09	0.06	0.14	0.09	0.06	0.02
Cash flow	6.1	5.5	8.3	7.4	2.2	1.9
CPS* (EUR)	0.21	0.19	0.28	0.25	0.07	0.06
Cash and cash equivalents	1.6	0.5	1.6	0.5	2.2	0.9
Shareholders' Equity	37.8	31.7	37.8	31.7	39.5	33.1
in % of balance sheet total	20.7	16.1	20.7	16.1	21.1	16.8
Balance sheet total	183.0	197.3	183.0	197.3	187.5	197.4
Employees (average)	4,149	3,947	4,102	3,927	4,054	3,907
Facilities**	45	46	45	46	45	46
Care places	5,651	5,794	5,651	5,794	5,641	5,805
Assisted living apartments	689	692	689	692	686	692

\* EPS=net profit / number of outstanding shares (29,700,000, basic and diluted)

CPS=net cash movements from current business operations / number of outstanding shares

\*\* including facilities under management



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### IMPROVEMENT OF DOMESTIC ACTIVITY IN GERMANY CONTINUES TO BE SLUGGISH

The global economy clearly lost momentum at the end of the first half of 2005, in particular due to continued high prices for oil and raw materials. Business cycle analysts have even begun to speculate that the USA has already passed the peak of the current economic cycle. Nevertheless, there continues to be strong growth in production, while favorable monetary framework conditions even suggest the possibility of continued expansion.

Development of the German economy during the current financial year continues to proceed in a two-fold manner: Growth impulses primarily emanated from abroad, and export-oriented enterprises increased their investments in the second quarter. The domestic economy continued to be weak, as domestic demand and private consumption failed to gain any genuine foothold. Due to below average growth in incomes, private households kept a lid on spending and consumption, while the high energy prices and the tense job market situation contributed toward even further insecurity on the part of gainfully employed individuals with regard to their prospective future incomes.

### NEW ELECTIONS HAVE NO IMPACT ON THE MARKET FOR NURSING CARE SERVICES

The elections to the German Parliament or Bundestag, which are slated for September, will presumably have no decisive impact on the market for nursing care services. Although all of the political parties stress the necessity for reforming the nursing care insurance system, none of them are prepared to say exactly how this particular feat is to be accomplished. In the meantime, the SPD has even distanced itself once again from the Rürup proposal to equalize

amounts for in- and outpatient care by reducing payments for in-patient care, and the party has even gone so far as to announce that no cuts in benefits will be made in the area of in-patient treatment. In contrast, the CDU/CSU only talks about giving priority to domestic over in-patient care in its election platform; however, it fails to specify the measures that should be taken in order to preserve and further develop the nursing care insurance system.

What unites current political protagonists is their failure to provide clear statements about how the nursing care insurance system will continue to be financed and what is to be done in the case of those claims that have already been earned from past payments of contributions. An opening of the "one-class-system", which was described in the last quarterly report and which in essence has actually already begun, has not been addressed by any party at all. Obviously, however, all parties are convinced that the nursing care insurance system should be preserved and linked to an index; consequently, a retreat in the direction of cutting the required amounts is not a viable alternative for anyone.

### CAPACITY UTILIZATION INCREASES TO 93.4%, SALES REVENUE CONTINUES TO GROW

The first half of the current financial year saw a very positive trend in terms of capacity utilization within the CURANUM Group. Compared with the same period in the previous year, the rate of capacity utilization rose from an average of 91.6 % to 93.4 % in the first half of the year 2005. Thus we are well within the scope of our planning and we also continue to expect an increase of up to 95 % by the end of the financial year.

Sales revenue rose from € 89.2 m to € 93.6 m from January 1 to June 30 and was thus slightly above our

## MANAGEMENT REPORT

expectations. Although the increase in capacity utilization had a positive impact on revenues, relinquishing the facility in Lehrte proved, by contrast, to have an impact in the second half of the year 2004. Nevertheless, we achieved a sales increase of almost 5 % with approximately 150 beds less in the first half of the year. Apart from the increase in occupancy in this context, an increase in the calculation of investment costs in several facilities could also be noted and these will have a positive impact on sales and the result in the further course of the year. Proceeds from nursing care and service rose in the first half of the year to a total of € 84.1 m (€ 79.9 m in the previous year), the apartment division with out-patient services amounted to € 5.7 m as in the previous year and other revenues accounted for € 3.8 m (previous year: € 3.5 m) of sales revenues.

In the second quarter of 2005 the increase in sales was lower compared with the same period in the previous year (+2.2 %) as the jump in sales here had less of an impact through consolidation of Franziskushaus GmbH, effective as of May 1, 2004. Within the Group CURANUM AG realized € 47.4 m, following € 46.4 m in the previous year.

### EBITDA MARGIN INCREASES TO 14.3% IN THE SECOND QUARTER OF 2005

Personnel – which in principle represents the largest cost factor on the nursing care market – developed at a slightly less than average rate in the first half of the year 2005, showing a 3.5 % increase from € 45.8 m to € 47.4 m. Rental expenses were maintained at the same level at approximately € 16.0 m, while the administrative expense rose from € 6.1 m to € 7.0 m. Earnings before interest, taxes, depreciation and

amortization (EBITDA) improved by about 25 % to € 12.7 m (previous year: € 10.2 m), particularly due to the increase in capacity utilization within the Group, increases in the calculation of investment costs and through resolute implementation of our cluster strategy. As a result, the EBITDA margin improved from 11.4 % in the previous year period to 13.6 % in the first half of the year 2005. After write-offs in the amount of € 2.9 m (previous year: € 2.6 m) the operating result (EBIT) amounted to € 9.8 m and thus rose by around 29 %.

The result before taxes (EBT) developed even more favorably because of an improvement in the financial result: CURANUM AG was able to conclude the first half of the year with a 63.4 % increase or € 6.7 m (previous year: € 4.1 m)<sup>1</sup>. The consolidated net profit for the period rose to € 4.2 m (previous year: € 2.6 m), while earnings per share improved from € 0.09 to € 0.14 at the end of the just elapsed period under review.

mil. €	HY1-2005	HY1-2004	Difference to previous year
<b>SALES REVENUE</b>	<b>93.6</b>	<b>89.2</b>	<b>4.9 %</b>
Personnel costs	47.4	45.8	3.5 %
Rental expense	15.7	16.0	-1.9 %
<b>EBITDA</b>	<b>12.7</b>	<b>10.2</b>	<b>24.5 %</b>
in % of sales	13.6	11.4	--
Depreciation	2.9	2.6	11.5 %
<b>EBIT</b>	<b>9.8</b>	<b>7.6</b>	<b>28.9 %</b>
in % of sales	10.5	8.5	--
Financial result	-3.1	-3.5	-11.4 %
EBT	6.7	4.1	63.4 %
<b>NET PROFIT</b>	<b>4.2</b>	<b>2.6</b>	<b>61.5 %</b>
EPS (€)	0.14	0.09	55.6 %

1. In comparison to the first quarterly report for 2005, which continued to show interest paid from financial leasing in administrative expense, we have now duly incorporated these interest expenditures into net interest income in the earnings statement (also retroactively). The operating result ratios (EBITDA, EBIT) thus increase accordingly, while there is no change in the consolidated net profit for the period.

## MANAGEMENT REPORT

Regarding the second quarter alone, CURANUM AG achieved a result before interest, taxes, depreciation and amortization (EBITDA) of € 6.8 m (previous year: € 5.5 m), and the EBITDA margin thus rose to 14.3%. The EBIT margin also developed quite positively in the three months from April 1 to June 30: from 9.4% in the second quarter of 2004 the net yield ratio for the operating result increased to 12.2% in the second quarter of 2005.

The result after taxes (net profit) climbed in the second quarter from € 1.9 m to € 2.5 m and thus nearly reached the peak of the entire half-year result of the previous year. Earnings per share increased to € 0.09, following € 0.06 in the second quarter of the previous year.

mil. €	Q2-2005	Q2-2004	Difference to previ- ous year
<b>SALES REVENUE</b>	<b>47.4</b>	<b>46.4</b>	<b>2.2%</b>
Personnel costs	24.0	23.5	2.1%
Rental expense	7.0	8.2	-14.6%
<b>EBITDA</b>	<b>6.8</b>	<b>5.5</b>	<b>23.6%</b>
in % of sales	14.3	11.9	
Depreciation	1.1	1.1	0.0%
<b>EBIT</b>	<b>5.8</b>	<b>4.4</b>	<b>31.8%</b>
in % of sales	12.2	9.5	
Financial result	-1.8	-1.7	5.9%
EBT	4.0	2.6	53.8%
<b>NET PROFIT</b>	<b>2.5</b>	<b>1.9</b>	<b>31.6%</b>
EPS (€)	0.09	0.06	50.0%

### CASH FLOW TREND

The cash flow from current business activity rose from € 7.4m in the first half of the year 2005 to € 8.3 m. Here repayment of short-term liabilities and/or the lower use of current account credits led to a cer-

tain reduction. The cash flow per share (CPS) thus amounted to € 0.28 per share (previous year: € 0.25 per share).

### ACCOUNTS PAYABLE TO SHAREHOLDERS PARTLY BALANCED

The assets side of the semi-annual balance sheet was reduced by about € 5 m in comparison to the close of the previous financial year. Repayment of accounts payable to shareholders in the amount of € 3.3 m as of June 30, 2005 contributed primarily to this development. The remaining € 7.1 m were already repaid when the report was prepared, but will only be processed in the next quarterly report. In addition, tangible assets were reduced to € 86.5 m, in particular through regular depreciation. All in all current assets fell from € 29.0 m to € 24.8 m, while there was a decline in long-term assets from € 159.1 m to € 158.2 m.

In comparison to the first quarter the liabilities side changed as a result of several instances of reorganization; here we draw reference to the explanations in the Annex (Notes). Altogether, the company's short-term liabilities in the amount of € 52.1 m declined by December 31, 2004 to reach a total of € 48.2 m, while long-term liabilities fell by approximately € 1 m to € 97.0 m. Decisive for this development was the reduction of short-term loans from € 18.2 m to € 15.7 m as a result of less use of current account credits. In comparison to December 31, 2004 provisioning increased from € 2.4 m to € 4.4 m due to formation of imputed reserves of less than one year.

The overall debt burden of € 145.2 m appears to be relatively high because of the new obligation to capitalize leasing commitments in accordance with International Financial Reporting Standards (IFRS), deferred taxes and other effects based on the change

## MANAGEMENT REPORT

of the company's accounting system to IFRS. However, the CURANUM Group actually only has interest-bearing debt amounting to € 30.8 m, consisting of convertible profit-sharing capital (€ 12.3 m), mortgaged loans (€ 13.9 m) as well as current account credits (€ 4.6 m). Hardly any use will presumably be made of the latter in the second half of the year.

There was no change in equity capital in the first half of the year 2005 (€ 37.8 m); however, the equity capital ratio rose to 20.7 % as a result of the lower balance sheet total (December 31, 2004: 20.2%).

### INVESTMENTS

We invested approximately € 770,000 in the first half of the year in the course of maintenance and renovation measures as well as replacement of equipment at our facilities. For the entire financial year we are planning further investments in the amount of € 1.7m in order to carry out these measures at our facilities.

### STAFF

As a result of the greater capacities used the number of staff at the company also increased in the first half of the year 2005, although operations at the facility in Lehrte were concluded as of July 31, 2004. Thus the average number of staff at the company rose from 3,927 to 4,102 persons. The CURANUM Group employed a total of 4,149 staff as of the target date June 30, 2005; 3,392 of them were salaried employees, 652 temporary help and 105 were apprentices and trainees.

### STATUTORY GENERAL MEETING 2005

On June 23, 2005 the statutory general meeting once again took place at our business premises in Germering. Approximately 120 persons, among them 96 shareholders and representatives appeared at the CURANUM senior citizens residence near Munich. They represented 14.5 million shares altogether, which corresponded to 48.88 % of the entire 29.7 million shares.

Apart from the standard items on the agenda extension of the company's authorization to purchase its own shares, creation of approval capital through cancellation of the existing authorization, new elections to the supervisory board, modification of the remuneration for the supervisory board as well as amendment of the bylaws with regard to adaptations to the law on Corporate Integrity and Modernization of the Right to Contest (UMAG). Except for the last specified point all of the items on the agenda were adopted with the required majority; the amendments of the by-laws for adaptation to the UMAG were removed from the agenda at the request of the general meeting of shareholders. Thus no vote was taken on this item.

The following persons were elected to the supervisory board, which now consists of a total of six members:

- Dr. Michael Roggen, attorney, Meerbusch (chairman)
- Dr. Dieter Thomaе, Dipl.-Kfm. (business graduate), M.d.B (Member of the German Parliament), Sinzig – Bad Bodendorf
- Mr. Michael Sasse, attorney and notary public, Schwelm

- Ms. Angelika Pohl, commercial clerk, Munich
- Ms. Sabine Merazzi-Weirich, commercial clerk, Munich
- Ms. Sabine Klöckner, commercial clerk, Schwelm

The attendance list and the precise voting results can be found as usual on the Internet at [www.curanum.de](http://www.curanum.de) under Investor Relations/HV-Service.

### OUTLOOK, PLANNING AS SPECIFIED BY IFRS

For the entire year of 2005 it is expected that there will be somewhat stronger growth of 1.8 % in the level of disposal incomes of private households than in the previous year. There should also be gradual improvement in the job market situation in the second half of the year. If the federal government makes use of the opportunity to institute resolute reforms after the election in September and is able to successfully communicate these to citizens, then private households could clearly increase their consumption based upon greater security with regard to future expenditures on health and retirement. In this way, there would still be another chance to accelerate domestic activity before the global economic upturn begins to subside.

As far as the nursing care market is concerned, we also expect an acceleration of the process of concentration and privatization that can already be observed. The pressure to perform and capital investment needs will continue to increase as a result of the upward pressure on costs due to the ever increasing share of additional private contributions and /or transfer payments from the social welfare agencies, as well as the better comparability of the various offers on the market. Weaker suppliers will be forced to give up or close their facilities.

CURANUM AG will continue its growth strategy in the second half of the year 2005 by purchasing existing facilities. Detailed examinations and negotiations with promising candidates are still in progress; however, to date we have had to reject all of the companies that have been examined thus far as they failed to satisfy our requirements. We expect to receive respective reports in the third and fourth quarters.

We now plan on obtaining in accordance with International Financial Reporting Standards (IFRS) sales of € 187.8 m, earnings before interest, taxes, depreciation and amortization (EBITDA) of € 25.6 m, an operating result (EBIT) of € 19.4 m and a net profit of € 8.5 m.

Munich, in August 2005  
The Board of Management





CURANUM AG, MUNICH  
CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2005 (IFRS)

<b>ASSETS</b>	30.6.2005 T€	31.12.2004 T€
<b>Current assets</b>		
Cash and cash equivalents	1,613	1,871
Trade accounts receivable	5,434	6,042
Inventories	483	551
Prepaid expenses and other current assets	17,293	20,540
<b>TOTAL CURRENT ASSETS</b>	<b>24,823</b>	<b>29,003</b>
<b>Non-current assets</b>		
Property, plant and equipment	86,547	90,824
Intangible assets	195	215
Goodwill	39,723	36,318
Investments	1,059	1,059
Deferred tax assets	30,676	30,676
Other assets	3	3
<b>TOTAL NON CURRENT ASSETS</b>	<b>158,203</b>	<b>159,094</b>
<b>TOTAL ASSETS</b>	<b>183,026</b>	<b>188,097</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

	30.6.2005 T€	31.12.2004 T€
<b>Current liabilities</b>		
Short-term portion of finance lease debt	3,655	3,518
Short-term debt and current portion of long-term debt	15,677	18,160
Trade accounts payable	10,238	11,436
Accruals	4,357	2,436
Income tax payable	3,331	4,298
Other current liabilities	9,945	10,667
Others	1,018	1,593
<b>TOTAL CURRENT LIABILITIES</b>	<b>48,221</b>	<b>52,109</b>
<b>Non-current liabilities</b>		
Long-term debt, less current portion	2,831	2,920
Capital lease obligations, less current portion	60,906	62,667
Deferred tax liability	20,308	19,553
Others	12,956	12,895
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>97,001</b>	<b>98,035</b>
<b>Shareholders' equity</b>		
Share capital	29,700	29,700
Additional paid-in capital	5,136	5,136
Treasury stock	93	171
Retained earnings / accumulated deficit	2,710	2,677
Minority interests	165	269
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>37,804</b>	<b>37,953</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>183,026</b>	<b>188,097</b>

CURANUM AG, MUNICH  
**CONSOLIDATED CASH FLOW STATEMENT**  
 IN THE PERIOD FROM JANUARY 1 TO JUNE 30, 2005 (IFRS)

	1.1.-30.6.2005 T€	1.1.-30.6.2004 T€
Net profit / loss	4,175	2,610
Adjustments for:		
Minority Interest	16	25
Depreciation and amortization	2,934	2,567
Increase / decrease in provisions and accruals (without deferred tax liability)	1,921	-1,165
Other expenses and income not affecting payments	350	-102
Change in net working capital	-1,102	3,509
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>8,294</b>	<b>7,444</b>
Purchase of property, plant and equipment	-257	-594
Cash inflows from disposals of property, plant and equipment	913	0
Other	-97	-97
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>559</b>	<b>-691</b>
Cash repayments of amounts borrowed	-2,572	-2,513
Payment of capital lease liabilities	-2,381	-2,614
Dividend payment 2004	-4,158	-2,376
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-9,111</b>	<b>-7,503</b>
Net increase (decrease) in cash and cash equivalents	-258	-750
Cash and cash equivalents at beginning of period	1,871	1,215
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,613</b>	<b>465</b>

CURANUM AG, MUNICH  
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
IN THE PERIOD FROM JANUARY 1 TO JUNE 30, 2005 (IFRS)

	Share capital T€	Additional paid-in capital T€	Retained earnings T€	Accumu- lated profit/loss T€	Equity portion of convert- ible bond T€	Minority interest T€	Total T€
<b>AS OF JAN. 1, 2004</b>	<b>29,700</b>	<b>5,136</b>	<b>7,744</b>	<b>-11,546</b>	<b>0</b>	<b>-15</b>	<b>31,019</b>
Net income for the period	-	-	-	8,578	-	85	8,663
Changes in the consolidated entity	-	-	-	-2,099	-	199	-1,901
Other changes	-	-	-	-	171	-	171
<b>Total</b>	<b>29,700</b>	<b>5,136</b>	<b>7,744</b>	<b>-5,067</b>	<b>171</b>	<b>269</b>	<b>37,953</b>
<b>AS OF DEC. 31, 2004</b>	<b>29,700</b>	<b>5,136</b>	<b>7,744</b>	<b>-5,067</b>	<b>171</b>	<b>269</b>	<b>37,953</b>
Net income for the period	-	-	-	4,191	-	-	4,191
Other changes	-	-	-	-4,158	-78	-104	-4,340
<b>Total</b>	<b>29,700</b>	<b>5,136</b>	<b>7,744</b>	<b>-5,034</b>	<b>93</b>	<b>165</b>	<b>37,804</b>
<b>AS OF JUN. 31, 2005</b>	<b>29,700</b>	<b>5,136</b>	<b>7,744</b>	<b>-5,034</b>	<b>93</b>	<b>165</b>	<b>37,804</b>

CURANUM AG, MUNICH  
NOTES ON INTERIM REPORT ON JUNE 30, 2005  
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

## 1. GENERAL DISCLOSURES ON THE COMPANY

Curanum AG (hereafter referred to as "Curanum" or the "Company"), Maximilianstrasse 35c, Munich, was created in November 2000 from the merger of Bonifatius Hospital & Seniorenresidenz AG, Munich, which was founded in 1994 and listed on the stock exchange since 1998, and Curanum AG, Munich, which was set up in 1981. The object of Curanum AG's business is to set up, operate, advise on and manage specialized clinics and rehabilitation centers, medical care and health institutions, old people's homes and nursing homes as well as facilities in the catering and hotel trade.

## 2. ACCOUNTING AND VALUATION METHODS

Accounting and valuation methods have not been changed since the last quarterly accounts as of March 31, 2005. We thus refer to the notes concerning accounting and valuation methods in quarterly report Q1 2005.

### THE REPORTING BASIS

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

The accounts were converted from HGB (German Commercial Code) to IFRS taking into account IFRS 1. With the exception of the regulation governing company mergers, the Company did not use any of the exceptional regulations of IFRS 1.13.

The profit and loss account was converted from the cost-summary method to the cost of sales method in the course of the conversion to IFRS.

The quarterly accounts were produced in accordance with IAS 34, and do not necessarily include all the information contained in the consolidated financial statements. Reference is made to the consolidated financial statements as of December 31, 2004 produced in accordance with HGB and the quarterly report according to IFRS as of March 31, 2005.

The accounts are prepared using the cost of acquisition principle. This does not apply to derivative financial instruments which were valued at their attributable current market value.

The quarterly accounts were produced in euros. Unless otherwise specified, all values are rounded to thousands of euros (TEUR).

CURANUM AG, MUNICH  
NOTES ON INTERIM REPORT ON JUNE 30, 2005  
IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The accounts now drawn up for the first time in accordance with IFRS contain transitional accounts in item 6 of these notes in order to clarify for readers the main balance sheet adjustments to the shareholders' equity shown in accordance with the previous accounting principles (HGB) in converting it to shareholders' equity shown in accordance with IFRS. Item 6 also contains a transitional account of the period earnings prepared in accordance with the previous accounting principles (HGB) in the last set of accounts, converting them to the period earnings for the same period in accordance with IFRS. This transitional account is sufficiently detailed to make the main adjustments to the profit and loss account comprehensible to readers.

In the financial statements for the period ended June 30, 2005, there have been changes in comparison with the report of the first quarter 2005 in that individual items have been reallocated to other items in the balance sheet and the income statement. These reallocations have no impact on the consolidated result. In the main, they constitute the reclassification of interest on finance leasing agreements from general administrative expenses into interest income, as well as the reclassification of other expenses from general administrative expenses into production costs. Moreover, the short-term portion of long-term borrowings and leasing liabilities were transferred from long-term liabilities to current liabilities, and other provisions which were formerly under current liabilities are now classified as an individual item.

#### DECLARATION OF CONFORMITY WITH IFRS

The quarterly accounts of Curanum AG and its subsidiaries were prepared in compliance with International Financial Reporting Standards (IFRS). Comparative information for the 2nd quarter of 2004 has been correspondingly adjusted.

CURANUM AG, MUNICH  
 NOTES ON INTERIM REPORT ON JUNE 30, 2005  
 IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

CONSOLIDATED COMPANIES

The following companies were consolidated as of June 30, 2005:

Company	Country of incorporation	Stake %	Share of voting rights %
CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG, Munich	Germany	100.00	100.00
CURANUM GmbH, Haan	Germany	100.00	100.00
CURANUM Betriebs GmbH, Haan	Germany	100.00	100.00
CURANUM Bad Hersfeld GmbH, Haan	Germany	100.00	100.00
Krankenheim Ruhesitz am Wannsee – Seniorenheimstatt GmbH, Berlin	Germany	100.00	100.00
CURANUM Franziskushaus GmbH, Gelsenkirchen	Germany	100.00	100.00
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, Sieglar	Germany	100.00	100.00
Seniorenzentrum Hennef GmbH, Hennef	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
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
MHS Multi-Hygiene-Service GmbH, Herne	Germany	51.00	51.00

The following companies are included in the quarterly accounts to June 30, 2004 but were deconsolidated in the remaining course of the financial year 2004:

- Bad Schwartauer AVG Altenheim-Vermietung GmbH & Co. KG as of December 31, 2004
- CURANUM Lehrte GmbH, Haan as of July 31, 2004



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CURANUM Bonifatius DT GmbH, Karlsfeld, which is included in the quarterly accounts to June 30, 2004, was merged with CURANUM AG, Munich, in the financial year 2004, and the company's operations were hived off to CURANUM Betriebs GmbH.

Franziskus-Service GmbH, Gelsenkirchen, which was consolidated in the quarterly account Q2-2004 merged with opticura Service GmbH, Haan, in business year 2004.

#### EARNINGS PER SHARE

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

#### RELATIONSHIPS WITH AFFILIATED PERSONS / COMPANIES

With regard to the Company's relationships with affiliated persons / companies, we refer to the explanations given in the annual statement of accounts as of December 31, 2004.

Changes by comparison with the consolidated financial statements as of December 31, 2004 have taken place to the extent that the receivables from AVG GmbH, Munich amount to TEUR 7,115 (December 31, 2004: TEUR 9,119) for the quarterly accounts on June 30, 2005, and the liabilities of TEUR 319 shown in the consolidated financial statements as of December 31, 2004 amount to TEUR 281 in the quarterly accounts on June 30, 2005.

### 3. SEGMENT REPORTING

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

### 4. CONTINGENT LIABILITIES AND CONTINGENT RECEIVABLES

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

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

#### 5. EVENTS AFTER THE BALANCE SHEET REFERENCE DATE

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

The present quarterly accounts were approved for publication by the Company's management board on August 11, 2005.

#### 6. TRANSITIONAL ACCOUNTS ON FIRST-TIME APPLICATION OF IFRS

Transitional account for shareholders' equity from HGB to IFRS

	Cut-off date 1.1.2004 T€	Cut-off date 31.12.2004 T€
<b>SHAREHOLDERS' EQUITY ON CUT-OFF DATE UNDER HGB</b>	<b>23,275</b>	<b>26,097</b>
1. Finance lease relationships	-13,307	-15,387
2. Start-up and expansion expenses	-575	-575
3. Scheduled depreciation of tangible assets	413	614
4. Convertible participation certificates	322	171
5. Goodwill	13,170	15,643
6. Change to group of consolidated companies	0	651
7. Deferred taxes	7,721	10,739
<b>SHAREHOLDERS' EQUITY ON CUT-OFF DATE UNDER IFRS</b>	<b>31,019</b>	<b>37,953</b>

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Transitional account for quarterly / annual earnings from HGB to IFRS :

	1.1.-30.6.2004 T€	1.1.-31.12.2004 T€
<b>PERIOD EARNINGS UNDER HGB</b>	<b>2,247</b>	<b>5,198</b>
1. Finance lease relationships	-814	-2,080
2. Scheduled depreciation of tangible assets	50	201
3. Goodwill	603	994
4. Change to group of consolidated companies	523	1,332
5. Deferred taxes	0	3,018
<b>PERIOD EARNINGS UNDER IFRS</b>	<b>2,609</b>	<b>8,663</b>

#### EXPLANATIONS OF TRANSITIONAL ACCOUNTS:

##### 1. FINANCE LEASE RELATIONSHIPS

The Company has concluded numerous rental and lease contracts as the lessee as part of its business operations. Such contracts comprise both the leasing of complete nursing homes and the leasing of individual assets or groups of assets. As part of the classification of leasing relationships in accordance with IAS 17, the object of the contract was split in each case into its main assets in accordance with the "component approach" under IAS 16, to the extent that these assets differ in their useful lives. As of January 1, 2004, the Company capitalized assets of TEUR 64,686 in fixed assets which are to be found in its finance leases. The book value of these assets as of June 30, 2005 is TEUR 58,996.

##### 2. START-UP AND EXPANSION EXPENSES

In accordance with its previous accounting rules (HGB), Curanum had capitalized expenses for the start-up and expansion of its operations and amortized them over a period of 4 years. Under IFRS, the full amount of these costs must be immediately reflected in income when they are incurred.

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3. SCHEDULED DEPRECIATION OF TANGIBLE ASSETS

Under IFRS, the amortization period for fixed assets is calculated in accordance with the economic useful life of the assets. These useful lives differ from the amortization periods used previously which were based essentially on specifications issued by the German tax authorities.

4. CONVERTIBLE PARTICIPATION CERTIFICATES

The method of showing convertible participation certificates in the balance sheet under IFRS entails splitting them into a shareholders' equity and borrowed capital component which leads to corresponding differences in the amounts shown.

5. GOODWILL

The Company is applying IFRS 3 Company mergers retrospectively to past mergers. This results in the capitalization of goodwill amounting to TEUR 13,170 in the opening balance, which under previous accounting rules, on the one hand, was set off against the Company's earnings reserves at its time of creation, and, on the other, was subject to scheduled depreciation.

6. CHANGE TO GROUP OF CONSOLIDATED COMPANIES

Companies shown as participating interests in accordance with previous accounting rules were included as subsidiaries of Curanum AG as part of their full consolidation under IFRS.

7. DEFERRED TAXES

In its opening balance as of January 1, 2004, the Company shows deferred tax claims of TEUR 28,759 and deferred tax liabilities of TEUR 21,038 which result essentially from temporary differences in the way in which finance lease relationships are shown in the balance sheet by comparison with their fiscal valuation. Previously, deferred tax assets and deferred tax liabilities were not netted off.

## CONTACT

If you should have further questions concerning our company or if you like to sign up for the company mailing list please contact:

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More information about our company and our facilities: [www.curanum.de](http://www.curanum.de)

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