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CURANUM AG, Munich
ANNUAL REPORT 2004

THE GROUP AT A GLANCE

IMPORTANT KEY FIGURES	2004	as % of	2003	as % of	2002	as % of	2001	as % of
	mil. €	total sales	mil. €	total sales	mil. €	total sales	mil. €	total sales
INCOME								
Total Sales and Operating Revenue	189.5	100.0 %	182.3	100.0 %	176.7	100.0 %	147.8	100.0 %
Staff Costs	90.2	47.6 %	86.8	47.6 %	89.3	50.5 %	74.2	50.2 %
Material Costs	65.9	34.8 %	62.7	34.4 %	59.3	33.6 %	52.9	35.8 %
EBITDA	15.6	8.2 %	12.5	6.9 %	10.9	6.2 %	8.1	5.5 %
EBIT	12.5	6.6 %	9.8	5.4 %	8.6	4.9 %	6.7	4.5 %
Investment Earnings	-0.8	-0.4 %	-3.4	-1.9 %	-2.2	-1.2 %	-0.5	-0.3 %
Extraordinary Result	-2.1	-1.1 %	0.0	0.0 %	-1.7	-1.0 %	-1.0	-0.7 %
Net Profit	5.2	2.7 %	3.6	2.0 %	3.4	1.9 %	4.7	3.2 %
EPS (EUR)	0.18	-	0.12	-	0.11	-	0.16	-
CASH FLOW								
Cash Flow	8.1	-	8.3	-	9.6	-	13.6	-
CPS (EUR)	0.27	-	0.28	-	0.32	-	0.46	-
ASSETS								
Fixed Assets	60.7	66.0 %	56.6	55.7 %	53.0	54.5 %	45.7	57.8 %
Current Assets	28.4	30.9 %	40.2	39.6 %	40.8	41.9 %	29.2	36.9 %
EQUITY AND LIABILITIES								
Stockholders' Equity	26.1	28.4 %	23.3	22.9 %	25.1	25.8 %	25.8	32.6 %
Accruals	8.8	9.6 %	11.3	11.1 %	8.4	8.6 %	7.4	9.4 %
Liabilities	42.0	45.7 %	51.8	51.0 %	48.7	50.1 %	36.3	45.9 %
incl. Convertible Bond Capital	12.3	13.4 %	12.3	12.1 %	12.3	12.6 %	12.3	15.5 %
BALANCE SHEET TOTAL								
	92.0	100.0 %	101.6	100.0 %	97.3	100.0 %	79.1	100.0 %
EMPLOYEES AND FACILITIES								
Employees (average)	3,912	-	3,869	-	3,769	-	3,140	-
Facilities	45	-	46	-	47	-	43	-
Care Places	5,641	-	5,804	-	5,708	-	5,182	-
Assisted Living Apartments	686	-	688	-	747	-	672	-

CURANUM AG, Munich

ANNUAL REPORT 2004



At first glance, it may seem unusual for a company to connect the loving care of elderly people with commercial success. We are convinced, however, that the one could not possibly function without the other. People can only be well attended to if enough money is available for investment and, therefore, for the continued operation of the company. This money, in





turn, can only be earned if the care and support offered are good enough to convince many people. We work to achieve this goal day in and day out. The company's encouraging annual result proves that our concept is the right one. And this ensures that, in the future too, we will be able to keep our promise: good care has a home.



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LETTER TO OUR SHAREHOLDERS



Hans-Milo Halhuber

Bernd Scheweling

Jens Spitzer

Dear Shareholders,

Things are happening on the nursing care market – not only in the operation of the facilities, but also, and particularly, on the financing side. On the one hand the provision of public funds is becoming increasingly tighter, while on the other hand, the capital market is increasingly turning to nursing care companies and offering them resources and services. The consequence of the first development is that municipal and even charitable operators are reducing their activities, and in some cases even leaving the market altogether. The second factor is leading to intensified expansion activities on the part of private operators who have access to the capital market. CURANUM AG, as one of the leading and above all most transparent companies on the nursing care market, is therefore the address of choice for institutional and private equity investors. In the last and, particularly, current financial years we have been the object of great interest from many investors, a fact which has also been reflected in our share price in a gratifying manner.

The fact that this interest is justified not only by this attractive market and its opportunities for the future is shown by our results in the financial year 2004. In order to put the growth from the previous years on a secure footing, we refrained from opening or acquiring any new facilities in the financial year ended. Instead, we improved our internal structures, worked on the occupancy rates of our existing facilities and prepared ourselves structurally and organizationally for further growth in the current financial year. The results achieved are indeed respectable.

We achieved our sales targets almost exactly, for example, increasing our sales by 6.7% despite disposing of a nursing care facility. The key earnings figures demonstrate even more clearly that working on our occupancy rates and our internal cost structures has been worthwhile: operating earnings (EBIT), for example, increased by 28%, from € 9.8 million to € 12.5 million, while earnings before tax improved by no less than 85% to € 11.7 million. After allowing for taxes, earnings climbed to € 5.2 million (+ 46%), which corresponds to earnings per share of € 0.18. In the last annual report we informed you about our goal of achieving an EBITDA margin of 8% over the next two years. In fact we achieved this goal during the financial year ended, when the EBITDA margin (before extraordinary results) reached 8.2%.

In view of these positive results, we and the Supervisory Board jointly propose that € 4.2 million, or € 0.14 per share, of the parent company CURANUM AG's distributable unappropriated retained earnings of € 10.4

LETTER TO OUR SHAREHOLDERS

million be distributed as dividends. By increasing the dividend we would like to offer you, dear shareholders, a continuation of the attractive return on your investment, even at the higher share price now prevailing. To finance further growth in the current financial year, we are planning to carry the remaining € 6.2 million from the parent company's unappropriated retained earnings forward to new account.

In the current financial year we will, firstly, keep working on improving our efficiency in the administrative area, the extension of our computer systems in our administration and nursing care fields and new services along the nursing care value chain. We will also resume our strategy of growth, particularly by acquiring existing nursing care facilities. In connection with this we are already conducting negotiations with prospective operators which we expect to conclude in the second half of the year at the latest. All in all, we are planning for moderate increases in sales and earnings from the realization of the improvement potential referred to above.

Although an increased level of interest in CURANUM AG in connection with further rises in trading sales was already discernible in the financial year 2004, this initially had no positive impact on the company's share price. Not until the beginning of the new year did the price start to gain rapidly, with the liquidity on the XETRA and Frankfurt trading centers increasing equally sharply. The placement of a sizeable block of AVG shares at a UK-based fund company then provided the initial spark for stronger interest among institutional investors, accompanied by a further rise in the share price. Since the soundness of these developments is not only confirmed by various analysts, but also underpinned by the development of the company's earnings, we expect the positive trend to continue during the further course of the year.

We would like to thank you most warmly for your trust in CURANUM AG and its staff. We will do our best to keep shaping developments positively and to increase the value of the company.

Sincerely yours,



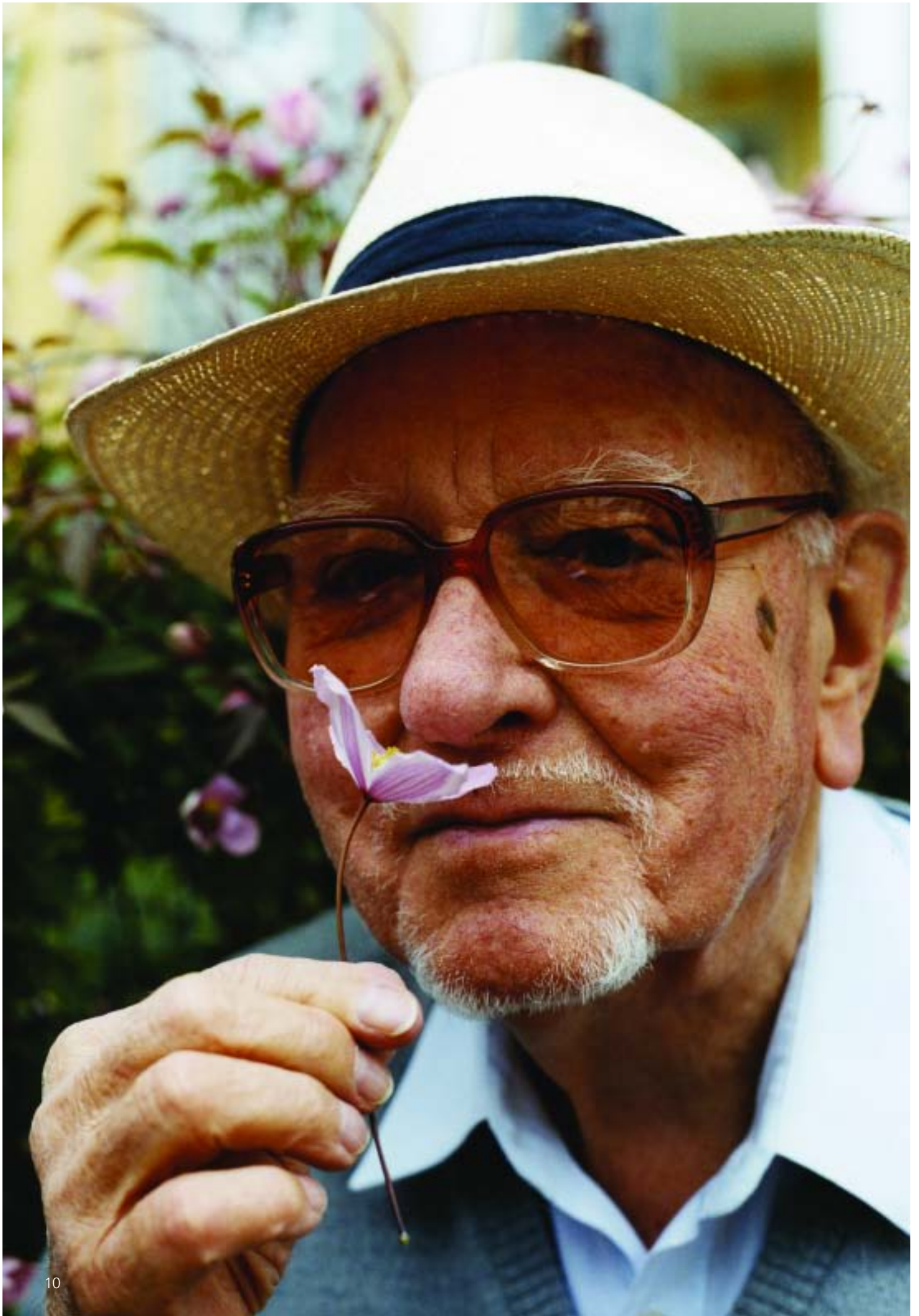
Hans-Milo Halhuber
Chairman of the
Management Board



Bernd Scheweling
Member of the
Management Board



Jens Spitzer
Member of the
Management Board



THE SHARE

KEY STOCK MARKET DATA (31/12/2004)

ISIN	DE 0005240709
SIN	524070
Class	No-par-value shares
Capital stock	€ 29.700.000
Number of shares	29.700.000
Shareholder structure	AVG Altenheim-Vermietung Geschäfts- führungs GmbH 69,9 %, free float 31,1 % (actually)
Listings	Regulated market Frankfurt, Munich, Prime Standard, unlisted trading Hamburg, Düsseldorf, Berlin, Stuttgart
Index	Prime IG Health Care Performance Index Prime Pharma & Healthcare Performance Index Prime All Share price index GEX German Entrepreneurial Index CDAX Performance-Index Classic All Share price index
Designated Sponsor	Gebhard & Co. Wertpapierhandelsbank AG
Financial year	December 31
Initial listing	November 30, 1998
Stock market abbreviation	BHS, Reuters: BOHG.DE, Bloomberg: BHS GR
Proposed dividend	€ 0.14 per share for the 2004 financial year
Market capitalization	Mio. € 54,6
Average turnover per day	
2004 in shares/€	22.991 shares / € 44.442
Yearly high/low	€ 2,15 / € 1,65
Average price	€ 1,90
Opening/closing price	€ 1,97 / € 1,84
Earnings per share (EPS)	€ 0,18
Cash Flow per share (CPS)	€ 0,27

WALTER ASSMANN,

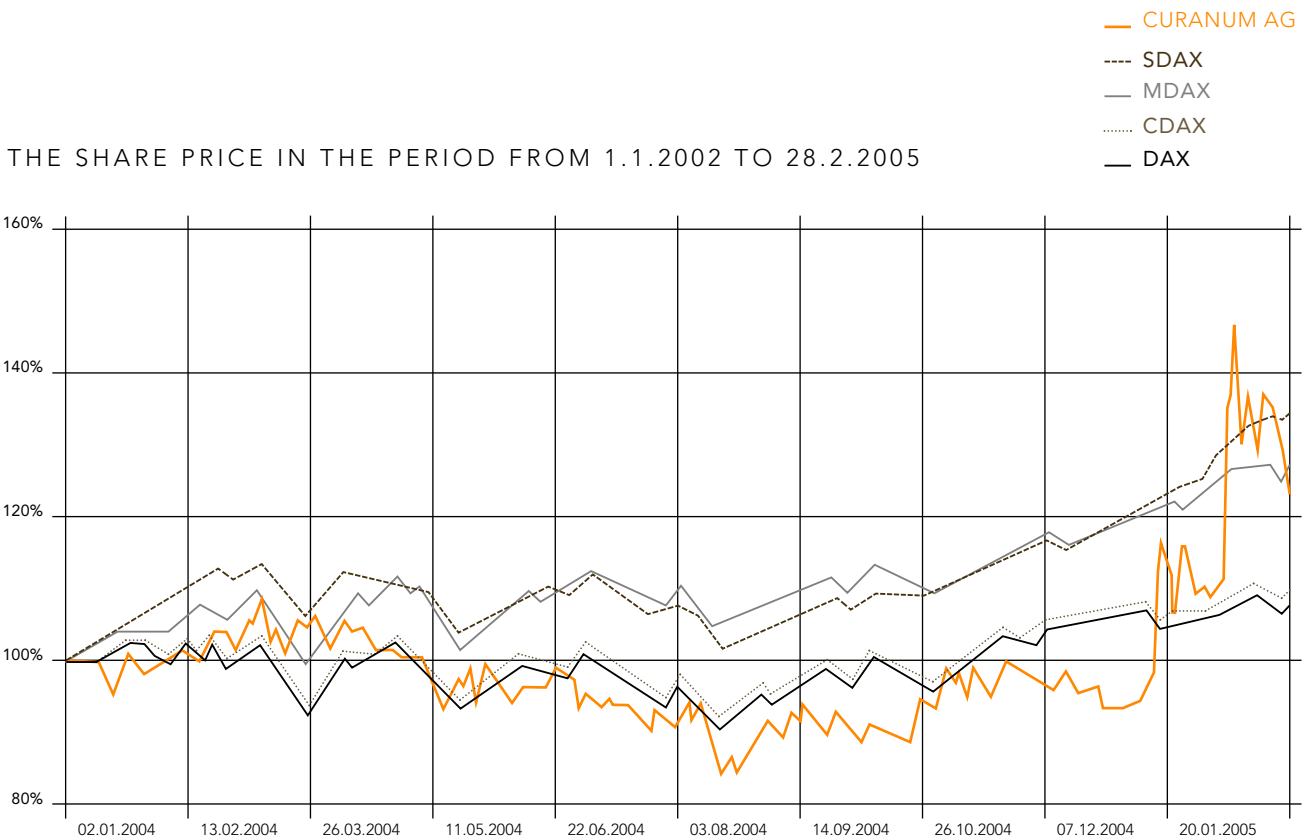
*will soon celebrate his 97th birthday and loves to travel –
his next trip to Italy is planned for April 17th. Mr. Assmann
lives at our senior citizens' residence Münchhausen in
Karlsfeld.*

THE SHARE

SIDEWAYS MOVE FOR BLUE CHIPS, SECOND-LINE SHARES CONTINUE TO RISE SHARPLY

Following the rally that made up for lost time in 2003, the leading indices consolidated on a broad basis in the financial year 2004. Although the general market index CDAX and the blue-chip index DAX did not make their losses good until November and closed the year with increases of 7% (CDAX) and 5.9% (DAX) respectively, the second and thirddier shares pulled ahead right from the start of the year.

All in all, the MDAX rose by another 18.7% and the SDAX by no less than 19.2%. The CURANUM AG share price also began 2004 on a positive note and reached its high of € 2.15 in March before falling continuously to € 1.65 in August. The year's starting price was reached again in November, whereupon the CURANUM share fell again in December and closed the year at just € 1.84 as of December 30, 2004. However, the CURANUM share began 2005 with a terrific rally that took its way beyond the € 2.00 mark. By the time this Annual Report was printed, the share price had reached € 2.50.



THE SHARE

STOCK MARKET TURNOVER INCREASES FURTHER

Trading liquidity again increased in 2004. All in all, CURANUM shares with a value of € 11.4 million were traded on German stock exchanges in the financial year ended (previous year: € 8.8 million), which corresponds to an average trading volume of € 44,442 or 22,991 shares per trading day. In the process, 2004 was the first financial year in which more shares were traded on the electronic trading platform XETRA than on the trading floor in Frankfurt: 45.9% of the trading volume was traded on XETRA, 42.9% in Frankfurt and 11.1% on the other German regional stock exchanges. Another increase in trading turnover is expected for the current year; 5,285,934 shares changed hands in the first three months alone, corresponding to a turnover of 83,904 shares per day.

GROWING INTEREST IN THE CURANUM SHARE

The rise in our share price at the beginning of the year has confirmed our assessment that the interest in the healthcare market, small caps and, in particular, CURANUM AG is increasing strongly. The number of inquiries has risen significantly, primarily from institutional investors, and private equity investors are also showing more interest. The ongoing political and social debates on the increasingly ageing population and its consequences for the social security systems in Germany, as well as new studies on the emerging "mega market healthcare", are generating a great deal of interest in companies that will profit from this demographic trend in the future.

The good performance of small caps over the past two years, moreover, has led to an increased tendency to invest in companies that are not represented in any of the well-known select indices and do not fulfill the size and liquidity criteria of the established funds.

RECOMMENDATIONS 2004

In 2004, research institutions and media that specialize in analyzing the small cap segment again concerned themselves with the CURANUM share, issuing the following recommendations:

Date	Research institution	Assessment
January 5, 2004	HPS Research	"buy"
January 19, 2004	Independent Research	"buy"
January 23, 2004	GBC Research	"neutral"
September 7, 2004	Performaxx-Anlegerbrief	"trading chance"
October 18, 2004	Performaxx Research	"buy"
October 19, 2004	Performaxx-Anlegerbrief	"buy"
January 3, 2005	HPS Research	"buy"
January 7, 2005	Nebenwerte-Journal	"promising"

HIGHER DIVIDEND PAYOUT PLANNED

The Management and Supervisory Boards are again proposing an attractive dividend, located within our target range of 4-5%, for the financial year 2004. With the share price having increased in the meantime, this means that the dividend will be increased to € 0.14 and that the total sum distributed will amount to € 4,158,000.00 €.

ADMISSION TO NEWLY ESTABLISHED INDEX GEX

Since the start of the current financial year, CURANUM AG has been admitted to the newly established German Entrepreneurial Index, or GEX for short. The GEX brings together small and medium-sized, or “Mittelstand”, companies that are largely owner-run and still in their strongest phase of growth. For that reason, the criteria for admission to the new index are as follows:

> *Management board and supervisory board members or their families must hold between 25 and 75 percent of the voting rights.*

> *The company's IPO must have taken place within the past ten years.*

The primary consideration behind this newly established index is that companies managed by their owners perform better in the long term than other companies. If the GEX is calculated back several years and compared with the DAX, TecDAX and SDAX, the results seem to confirm this notion. In the period from June 2002 to September 2004, the GEX outperformed the aforementioned indices; only the MDAX was out in the lead during this period.

DIRECTORS' DEALINGS AT THE START OF THE CURRENT FINANCIAL YEAR

After carrying out a meticulous examination of the future prospects and share price potential of CURANUM AG, Gartmore Investment Management plc, London, acquired 1.1 million shares from the major shareholder AVG Altenheim Vermietung Geschäftsführungs GmbH, Munich. The shares were placed on January 20, 2005 in over-the-counter trading for a price of € 2.20, with the transaction therefore having no direct impact on the price.

CURANUM AG regards this transaction as the first step towards achieving a broader spectrum of shareholders and, in the longer-term, a higher free float and a higher level of trading liquidity on the stock exchange. The intention is to broaden the shareholder spectrum still further in the future, and AVG GmbH is ready to place more shares with investors. This also holds out the advantage for CURANUM AG that released funds at AVG could be used to pay off liabilities to CURANUM AG, with these thereby flowing back into the company and being available to finance expansion. By selling, AVG is additionally using the opportunity to diversify its investments more strongly. In the long term, however, AVG will remain the majority shareholder in CURANUM AG with at least 51% of the shares.

The Management Board of CURANUM AG welcomes the step in view of the positive effects for the company that are referred to above. Not least, the investment by the Gartmore fund managers confirms that the future prospects of CURANUM AG are also appreciated by fund managers in other countries.

INCREASED NUMBER OF SHAREHOLDERS

In the run-up to the ordinary shareholders' meeting, which in the financial year ended was again held at our nursing care facility in Germering, the enlargement of the shareholder spectrum was clearly in evidence. For example, many more invitations to the meeting had to be sent out to the depository banks in 2004 than had been the case in the previous year, and the number of registrations for the shareholders' meeting also increased. This, however, was not reflected in the number of people attending; 81 shareholders took the opportunity to experience the Management and Supervisory Boards live. With 22,469,651 no-par shares, the shareholders present represented 75.66% of the capital stock. In addition to the standard agenda items, the prolongation of the authorization to acquire treasury stock, a vote to increase the size of the Supervisory Board, the approval of the merger of Curanum Bonifatius DT GmbH into CURANUM AG, the spinning off of the associated assets to CURANUM GmbH and the alteration to the articles of incorporation in respect of the number of Supervisory Board members were the subject of resolutions. All of the agenda items were approved with 99% of the votes and thereby adopted. The Management Board's answers to questions during the general debate seemed to convince our shareholders, while the generous buffet prepared by the chefs at our nursing care center in Germering definitely met with the approval of all those present.

INVESTOR RELATIONS ACTIVITIES INTENSIFIED

In the financial year 2004 we again intensified our investor relations activities for private shareholders and institutional investors. Two analysts' conferences were held in the financial city of Frankfurt for the first time in April, and again in November. In April, in addition to the two industry conferences, we presented the results for 2004 at our annual balance sheet press conference cum analysts' conference, and in November we were able to present CURANUM AG to many investors, also from abroad, as part of the German Equity Forum (Deutsches Eigenkapitalforum). The financing challenges on the nursing care market were the topic under discussion at the Health Conference (Gesundheitstag) in April, while in November non-listed companies and their corporate strategies were also presented as part of the first all-day industry conference.

As a result of the increased interest being shown, also by small cap and industry funds, asset managers and private equity investors, we conducted many more discussions with institutional investors than in the previous years. Since the German nursing care market is probably the most strictly state-regulated market of its kind in the world, foreign investors, particularly those in the European and US regions, are in need of explanations regarding the huge opportunities that can be opened up by the deregulation and privatization of the market, as well as the risks that exist primarily in the legal field.

If you have any queries concerning the nursing care market and about our company, please contact our investor relations department directly. Our website, www.curanum.de, which will be revised and improved during the current financial year, also offers you a wealth of useful information about CURANUM AG and all of our senior citizens' and nursing care facilities throughout Germany.



MANAGEMENT REPORT

Management and Group Management Report of CURANUM AG for the financial year 2004

EXPORTS GROW STRONGLY – GERMAN DOMESTIC DEMAND HAS DAMPENING EFFECT

Following the depressed economic trend of the past three years, the general economic situation in Germany returned to an appreciable upward drive for the first time during 2004. The real increase of 1.7% in gross domestic product was the highest since 2000. Even if the impact of five working days more than in the previous year is disregarded, gross domestic product grew by 1.1%. The momentum was provided mainly by foreign trade, which grew by 8.2%, and by fixed asset investments, which also increased sharply compared with the previous year. Domestic demand again failed to make any headway, despite the fact that state consumption expenditure was increased by 0.4%. Private consumption, which accounts for around 60% of aggregate macroeconomic performance, decreased by 0.3%. This clearly reflected the persistence of general uncertainty regarding pensions, health insurance, nursing care insurance and the fear of unemployment. Another factor was that although national income increased by 3.0%, the only areas to benefit from this were corporate and asset incomes, which at 10.7% posted their highest growth rate since German reunification. Wages and salaries stagnated at their pre-

vious year's level. The savings ratio, moreover, increased again to 10.9%, the highest level since 1995. The Compulsory Health Insurance Modernization Law (Gesetz zur Modernisierung der Gesetzlichen Krankenversicherung – GMG) placed an additional burden on private households in the form of higher surcharges, surgery charges and reductions in treatment covered by the insurance, while the promised reduction in contributions failed to materialize at most of the health insurance funds. Increases in the prices of energy and fuel and the rise in social security contributions also played their part in ensuring that any gains in net wages and salaries flowing from the tax reform would be offset to some extent.

In the last quarter of 2004, however, private consumption increased in comparison with the year as a whole. Experts believe that this trend will be maintained in the current year and have an impact on the labor market. The improvement in the consumption climate at the beginning of 2005 confirmed this trend.

THE NURSING CARE MARKET – DEMOGRAPHY BRINGS STRONG GROWTH

In Germany there are 2.3 million women and 840,000 men who are 80 or more years of age. Almost 40 % of them can no longer cope on their own at home. It is not simply that around a third have problems climbing the stairs or can hardly bathe themselves alone any more; many are also unable to remember whether they went shopping yesterday or what day it is. Today, 70% of people in need of

GERTRUD MESSERSCHMIDT,

even at 82 years of age, no one can hold a candle to her during "Bingo" sessions. She lives at our senior citizens' care center St. Viti, Uelzen.

nursing care are looked after at home. According to a survey, only 45% of respondents can imagine themselves in that situation in the future. The increasing number of people dependent on nursing care, moreover, contrasts with an ever-decreasing number of relatives who are in a position to guarantee nursing care in home surroundings. The inescapable consequence of this is that demand for professional nursing care in specialist facilities will continue to increase. Contrary to the assertions of several individuals involved in health policy at political level, moreover, persons heavily dependent on nursing care and those suffering from dementia can hardly be looked after as outpatients or cared for at home.

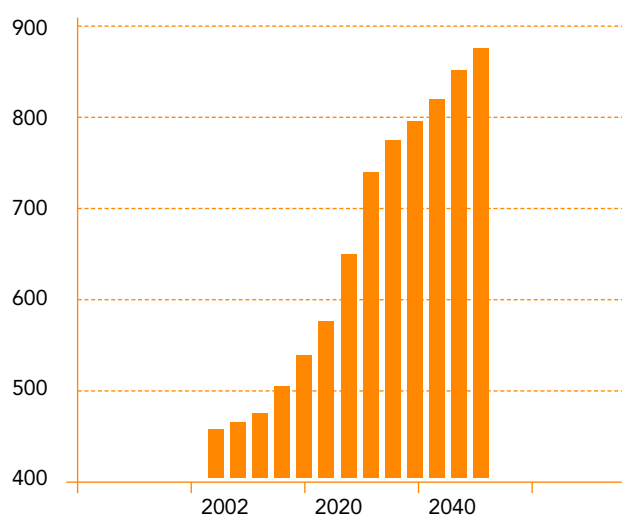
Some 50 years ago, one-third of the population was under 20 years of age and only one-seventh was over 59. Today, however, not even one in five is under 20 and a quarter of the population has passed retirement age. In another 50 years' time, one in three will be 60 or older. In 2050, in other words, there will be 880 pensioners for every 1000 people between 20 and 60 – twice as many as today.

The strongest growth will be shown by the numbers of people at least 80 years old: while the over-80s number 3.2 million at present, this figure will increase to between 9 and 10 million by 2050. The probability of becoming dependent on nursing care at this age is several times higher than for 60 year olds, and for the over-90s dependency on nursing care is the rule rather than the exception. Accordingly, it is expected that the number of 80-85 year-olds dependent on nursing care will increase by 280% by 2050, accompanied by increases of 240% for 85-90 year-olds and up to 410% for the over-90s. The disproportionate increase in the number of persons of such advanced ages will also lead to a rise in the degree of dependency on nursing care, which in turn means that the demand for care will grow more strongly than the number of care cases. The effects of changed family structures and the increasing participation

of women in working life also play their part in ensuring that nursing care in familiar surroundings will decline and professional assistance will have to be used more intensively. The nursing care market will expand hugely over the next few years merely as a result of home care being replaced by inpatient care.

The dementia syndrome is another crucial factor that will lead to significant growth in nursing care provision in inpatient facilities in Germany. According to the German Alzheimer Society, (Deutsche Alzheimergesellschaft), one in five people aged 80 or more is affected by dementia. Within the next five years their numbers are expected to increase to some 1.5 million. In this area too, the risk of illness increases with age. Two-thirds of dementia sufferers are cared for at home, although as the illness advances this is no longer possible. In recent years the proportion of sufferers receiving inpatient care consequently increased to around 40%.

Numbers of people at least 60 years old for every 1000 persons between 20 and 60



CONSOLIDATION ON THE NURSING CARE MARKET

The market for inpatient nursing care facilities continues to be dominated by the charitable and church-based care organizations, which provide 416,000 of the 675,000 places in German nursing care establishments and therefore have a market share of some 62%. The proportion of private care providers has increased strongly in recent years and now stands at 27%, while the proportion accounted for by public institutions decreased to 11%. This breakdown refers to the number of nursing care places. The fact that public and charitable care providers operate larger establishments than the private operators on average becomes clear when market shares in respect of the number of establishments are examined; here there is a shift to 36% for the private operators, 56% for the charitable organizations and just 8% for public-sector institutions.

In future, given the financial situation faced by the regional authorities, it is likely that the significance of the public nursing care institutions will decline further. Some market participants even expect the municipal providers of inpatient care services to disappear from that market altogether. Charitable nursing care providers are also considering disposing of facilities, although the establishments in question are frequently unattractive for private operators in view of the high costs involved in taking on their staff and carrying out modernization work.

Last year, as a result of the increased pressure on margins from which many establishments suffered due to earnings stagnation accompanied by rising costs and inefficient management, numerous operators found themselves in financial difficulties. Many charitable institutions, for example, had to file for insolvency, while public-sector care providers seemed concerned primarily with drawing up cost-cutting plans for personnel and administrative expenses,

privatization projects and closures. The major church organizations in the nursing care field also reported financial shortfalls and a disinclination to invest, mainly as a result of public subsidies for nursing care facilities drying up.

Last year, the financial and at times qualitative problems faced by the operating companies led to discussions about possible solutions, also at political level and among the associations in the sector. On the one hand, there were discussions on reductions in quality standards as these can clearly no longer be financed, and on the other, commissions were set up to reduce bureaucracy in nursing care. Concrete results have yet to materialize, however.

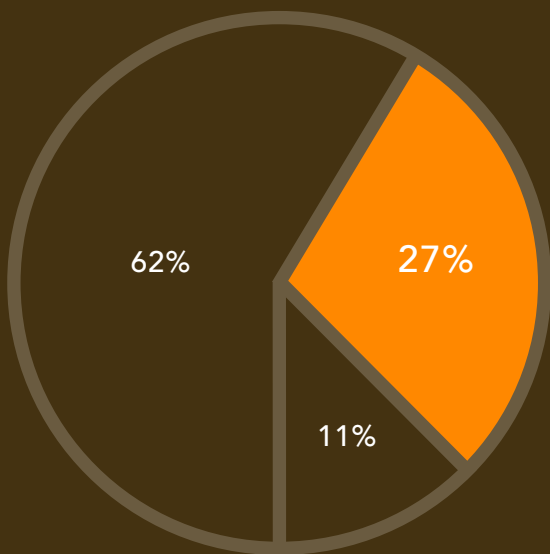
> The opportunities for private operators with successful management that gives them access to private capital, and therefore the option of acquiring existing care providers, are growing. The tremendous growth on the nursing care market and the substantial financial resources held by professional investors will bring about a market consolidation, from which well-positioned operators will emerge as the winners.

MANAGEMENT REPORT

MARKET SHARE

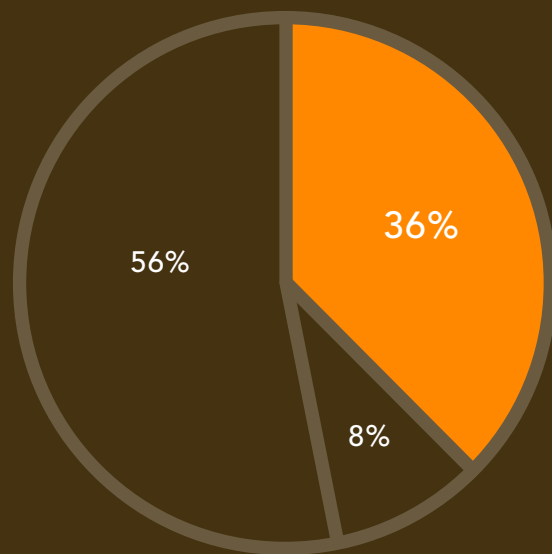
MARKET SHARE REF. TO CARE PLACES

Public	11 %
Non-profit	62 %
Private	27 %



MARKET SHARE REF. TO FACILITIES

Public	8 %
Non-profit	56 %
Private	36 %



REFORM OF NURSING CARE INSURANCE REMAINS ON THE AGENDA

After the Federal Government had postponed its decision on reforming the compulsory nursing care insurance scheme at the beginning of the reporting period, there were heated public debates about various options. As we described in the last annual report, the blocked Rürup plan had proposed reducing the flat-rate amounts for inpatient nursing care to € 500 at care level I (previously € 1,023) and to € 1,000 at care level II (previously € 1,279) to put home and inpatient care on an equal footing. The shifting of the costs that residents and their relatives could no longer pay onto the municipal authorities as providers of public assistance would have been the logical consequence.

In 2004 the compulsory nursing care insurance scheme is expected to show a deficit of some € 860 million, and the scheme's reserves from 1995 would soon be exhausted if this trend were to persist. The higher contributions from childless adults and pensioners since January 1, 2005 will merely delay the trend, and all of the political parties are agreed that a reform is urgently needed.

In any case, the compulsory nursing care insurance scheme has a major structural defect as far as the future is concerned: since only one flat rate for each care level has been paid since 1996, and this rate is not linked to cost increases and inflation, the proportion of additional payments made by the residents and relatives is increasing constantly and the services covered by the insurance will become negligible in the long term. For that reason, the Rürup model provided for an index-linking of the insured services combined with an intergenerational equalization of burdens from 2010 onwards, with a higher contribution of 3.2% for pensioners, of which only 2.6% would have to be paid. The rest would come from a capital stock that would have been accumu-

lated with a part of the insurance premiums over the preceding years.

Other models put their faith entirely in capital-covered insurance. The economic organizations "Vereinigung der bayerischen Wirtschaft" and "Kronberger Kreis" have proposed that every citizen, irrespective of his or her age when the insurance commences, should pay a fixed premium that covers the current risk of nursing care plus a precautionary component for the future. This would make it possible to provide inexpensive insurance for young people while limiting senior citizens' premiums to a maximum of € 50. The rest would have to be financed partly by tax revenues that would accrue to the fiscal authorities as a result of the distribution and taxation of the previous compulsory nursing care insurance premiums. The other part would have to be paid by the nursing care patients themselves until the accumulated capital cover was sufficient. Once the capital-covered nursing care insurance scheme was launched, the state would therefore withdraw gradually from its financing obligation with each passing year.

It is doubtful, however, that any reform will be enacted in the current parliamentary period. Although reform has been heralded at political level, the resultant additional burdens on sizeable segments of the voting population prior to the 2006 election make a quick decision rather unlikely.

NEW CONCEPTS AND FORMS OF ACCOMMODATION FOR THE FUTURE?

In view of the strained financial situation and a lack of places for particular residents and/or syndromes, there has been an ongoing public debate about alternative forms of accommodation and nursing care for a considerable period of time, and some of these forms have even been tested. The spectrum of these proposals and residential concepts includes the blunt demand for the “outpatientization” of the nursing care market, for example, high-priced senior citizens’ residences and elaborate special accommodation concepts for elderly dementia sufferers or young disabled people.

Since outpatient nursing care services are currently on the retreat in Germany and home care for large numbers of people severely dependent on nursing care is impossible to provide, the proposal for more outpatient care seems rather unrealistic, particularly since more and more caring relatives are having to be replaced by professional nursing care services and/or inpatient care services. In the high-priced segment of exclusive senior citizens’ residences too, certain signs of saturation are becoming evident, particularly since very wealthy senior citizens often remain within their own homes and have the nursing care services look after them there. Academics from the real estate sector expect to see the largest quantitative increase in growth in the medium price segment of sheltered accommodation.

New residential forms such as household communities of senior citizens together with younger people, or common households containing several older people, some suffering from dementia, are expected to have greater chances in the future. Such models combine the cost-saving element of nursing care at home assisted by outpatient nursing care services, with local synergies in individual cases. These models foresee the generations helping each other acti-

vely, likewise the residents with their differing degrees of dependence on nursing care. In Germany there are around 250 of these household communities, many of them still in the experimental phase. There is one aspect, though, that unites all of these projects: if the residents become genuinely dependent on nursing care, they must move into a nursing home like the residents of many sheltered facilities – high-quality nursing care cannot be provided by housemates or neighbors, certainly not at all hours of the day and night.

WELL-INFORMED PEOPLE ARE POSITIVE ABOUT NURSING CARE FACILITIES

All in all, the care of the elderly still has a poor image. The *Altenpflege-Monitor 2004*, a representative survey of expectations among future recipients of such care, found that the majority regarded it as too expensive (68%), while nearly as many believed that the care staff had too little time (66%) and a sizeable proportion believed that they were very badly paid (47%). For those reasons, only 34% of respondents could imagine moving to a nursing home for the elderly in the future.

This negative attitude towards care for the elderly and nursing care in inpatient facilities is nourished primarily by a lack of information, prejudices and, as described in the last quarterly report, many recurring negative reports in the media. Potential customers are usually poorly informed and have many prejudices against nursing care establishments, which were not dispelled in the past due to the operators’ poor information practices. This is also confirmed by the *Altenpflege-Monitor*: only around 20% of the respondents described themselves as at least well informed.

There are nevertheless ever-increasing numbers of people who can imagine moving into a nursing care establishment in their old age. The reason for preferring this alternative to all the others clearly lies in their personal experience. The people who would prefer inpatient care are better informed and know more about the services on offer and their costs than those who reject them: most have a relative or acquaintance who is being cared for in such an establishment and therefore know about inpatient nursing care from their own experience. Many have also informed themselves in detail on the premises. Accordingly, the authors of the *Altenpflege-Monitor* came to the following conclusion: the best advertisement for inpatient care of the elderly is the inpatient care itself!

You too can take the opportunity to inform yourself in detail in one of our 45 establishments: at www.curanum.de you will find contact details for all of CURANUM's nursing care establishments in Germany.

CURANUM WITH COMPETITIVE ADVANTAGES

Over the next few years, the market for nursing care services is expected to change in ways that cannot be compared with the consolidation to date. In future, the operators will all have to fulfill one condition: in order to facilitate the necessary investment in real estate and operations, and thereby guarantee the continued existence of the undertaking in the long term, the care institutions will have to work according to commercial principles and make profits, since other financing options such as public subsidies are going to be phased out. Irrespective of the growth of the nursing care market and the resultant increase in demand, operators unable to fulfill this condition over the longer term will get into difficul-

ties. Private operators of inpatient senior citizens' and nursing homes that can already demonstrate a certain size, profitability level and innovative power will emerge from this consolidation process as the winners.

CURANUM AG is both a large and a small operator on this market. With a market share of less than one percent, we have not yet attained a significant market position. In spite of that, our 45 nursing care establishments and our total of more than 6,000 beds mean that we are one of the largest private operators in the sector.

> The company, the only nursing care company listed on the stock exchange, concentrates solely on its core area of competence: operating senior citizens' and nursing care establishments and providing associated services covering all aspects of nursing care. CURANUM AG does not operate any other inpatient healthcare facilities such as rehabilitation clinics or hospitals dealing with acute cases.

> Furthermore, the company possesses hardly any real estate, preferring to lease properties from real estate investors. This rules out the distortions that can arise as a result of the simultaneity of service provision and real estate ownership.

> Thanks to lean central departments, cluster-building with several establishments and the resultant cost-effective provision of services at a high CURANUM standard, the company generates substantial synergies and cost savings that are beyond the reach of other operators.

> Our uniform company-wide catering system guarantees the tasty and varied meals at a constantly high standard on the one hand, while on the other enabling us to guarantee favorable prices through centralized purchasing.

> *Innovative ideas and services mean that we can extend the value-added chain in respect of the residents and the services that they demand, e.g. by introducing a pharmacy concept or in-house doctors in our establishments.*

> *The quality of care is paramount for us. With our long-established quality management, we ensure a consistently high standard of nursing care by holding regular training courses and examinations.*

> *Modern computer solutions guarantee maximum efficiency in all of our company's divisions: every establishment is integrated into our SAP system, up-to-date controlling data from all of the facilities ensure short reaction times and Group-wide monthly accounts guarantee rapid and comprehensive management information.*

SALES GROWTH WITH FEWER BEDS

Although no new facilities were opened in the financial year 2004, Franziskushaus GmbH, which we had previously operated via a management contract, was consolidated for the first time as of May 1, 2004. CURANUM AG disposed of the nursing care center in Lehrte again as of August 1, 2004 after being unable to ensure its profitable operation. The number of beds in the Group was thereby reduced from 5,805 at the beginning of the financial year to 5,641 at its end and the number of apartments from 692 to 686 in the same period.

The CURANUM Group nevertheless increased its sales from € 170.2 million to € 181.7 million, primarily as a result of higher occupancy rates in its newer facilities and the first-time consolidation of Franziskushaus GmbH. At € 164.7 million, revenues from nursing care services accounted for 90.7% of the total, with revenues from the apartments segment

contributing 5.0 %, outpatient care services 1.3% and other revenues (reimbursements for incontinence articles and personnel costs as well as third party rentals) 3.0% to total sales.

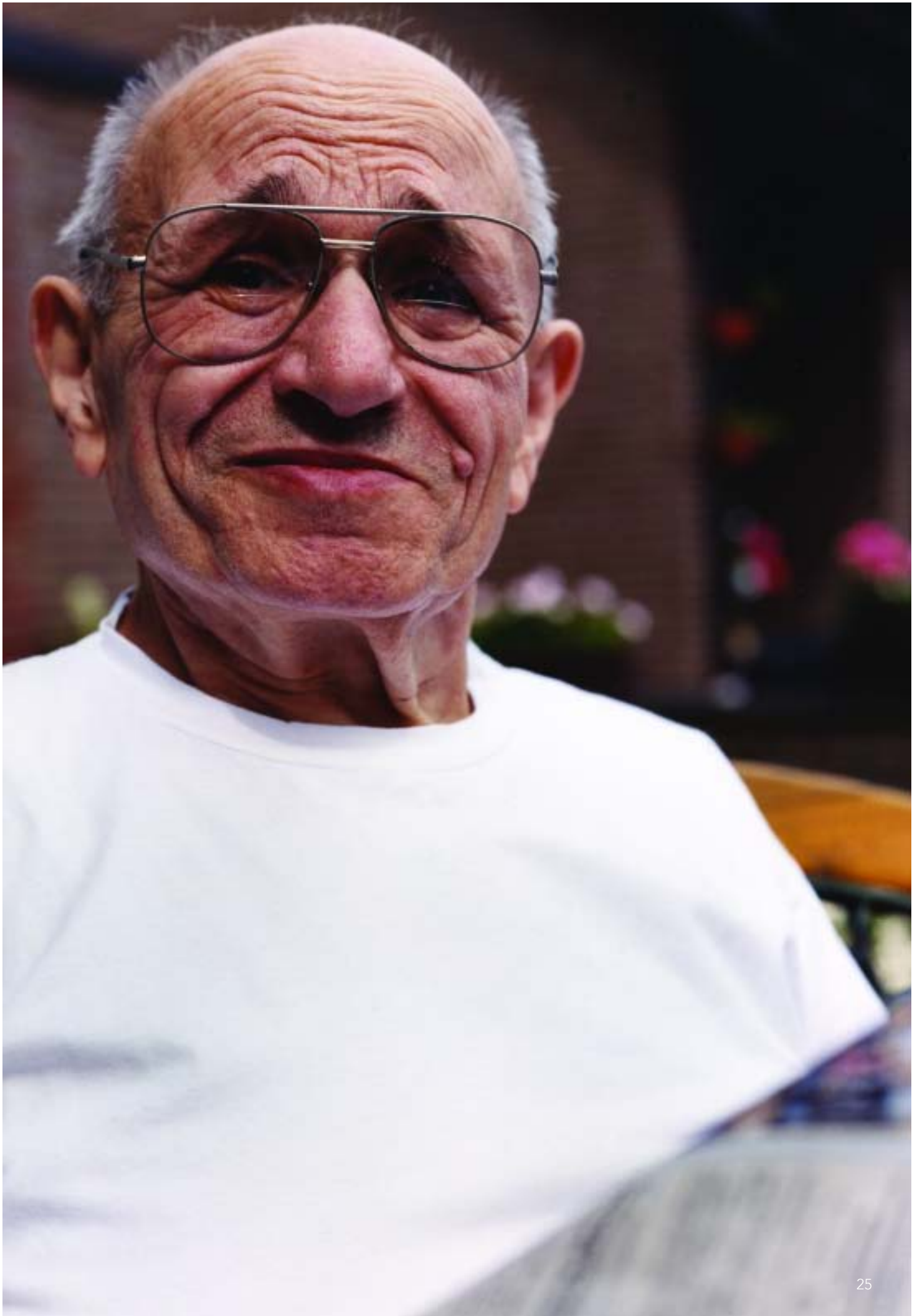
Other operating earnings decreased from € 12.1 million to € 7.8 million in the financial year ended; in the previous year this item had included sale proceeds from the disposal of a part-enterprise. In 2004, other operating earnings consisted mainly of income from the retransfer of valuation allowances and provisions, income unrelated to the reporting period and reimbursements for merchandise (see Notes, p. 16).

Total Group sales increased from € 182.3 million in the previous year to € 189.5 million. We thereby achieved our sales plans for € 187.3 million, which we published in our Annual Report 2003, with near-precision and even slightly exceeded our sales target, excluding acquisitions. Total sales per employee were up to € 48,430 (previous year: € 47,108), while sales per nursing bed rose to € 33,586 (previous year: € 31,513).

Rental expenses in the Group, including ancillary rental costs and real estate lease charges, moved ahead to € 43.1 million (previous year: € 40.6 million) in the financial year 2004, with the rental expenses ratio thereby accounting for some 23% of total sales. All in all, the cost of materials increased by 5.2% to € 65.9 million (previous year: € 62.7 million). Personnel expenses increased by 3.9% to € 90.2 million (previous year: € 86.8 million), with the personnel expenses ratio remaining at around

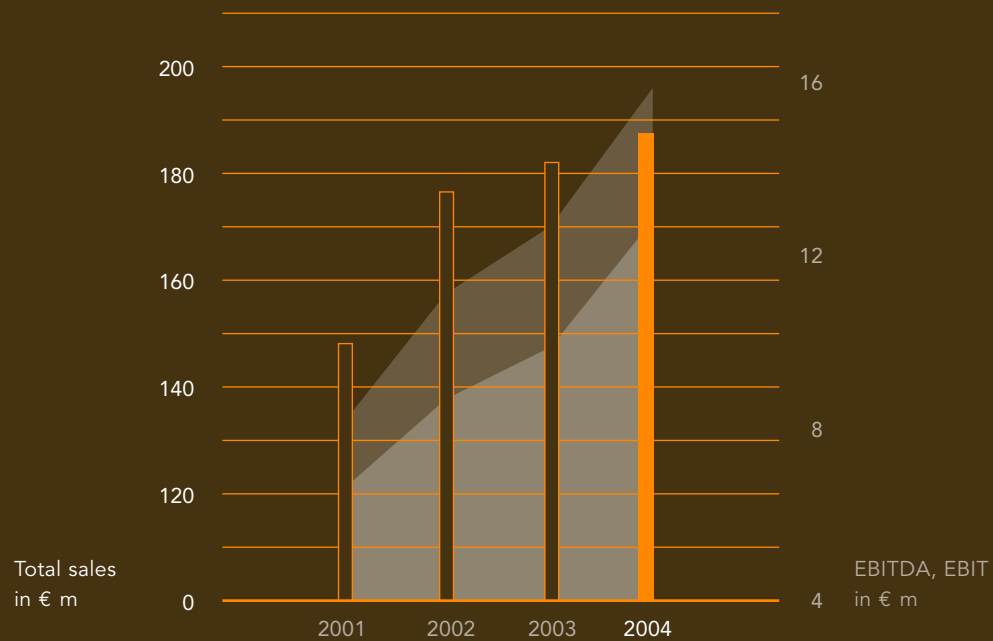
SIEGFRIED BOROWSKY,

breeds birds and is still a sharp-shooter at 70 – with his camera, he photographs at all shows and festivities. He lives at our senior citizens' residence Liesborn.



TOTAL SALES AND EBITDA / EBIT 2001 - 2004

- Sales
- EBITDA
- EBIT



48% of aggregate performance in the reporting period. Other operating expenses decreased by 12.3% to € 17.8 million (previous year: € 20.3 million). These essentially comprise general administrative costs, charges, insurance, ancillary personnel costs, lease charges and write-downs on receivables (see table in Notes, p. 80).

DISPROPORTIONATE GROWTH IN EARNINGS – PLAN FOR 2004 COMFORTABLY EXCEEDED

Our key earnings figures increased disproportionately as a result of substantial gains in occupancy rates at the newer CURANUM care facilities and the rigorous exploitation of cost-cutting potential. In the latter area, the impact of our pooling of facilities located near to each other, and the synergies that resulted from this, was no less substantial than our increases in efficiency resulting from improved computer systems and leaner administrative structures.

In the Group as a whole, earnings before interest, taxes, depreciation, amortization and extraordinary results (EBITDA) increased by 24.5% to € 15.6 million (previous year: € 12.5 million). The EBITDA margin in respect of aggregate performance thereby increased from 6.9% in the previous year to 8.2% in the financial year ended. We therefore exceeded our goal of an EBITDA margin of 8% earlier than planned.

Consolidated earnings before interest, taxes and extraordinary results (EBIT) improved by € 9.8 million to € 12.5 million (+28.2%). Due to the reduction in liabilities and the absence of any necessity, in contrast to the previous year, of writing down financial assets, the financial result improved from € -3.4 million in the previous year to € -0.8 million. This led to a sharp increase in earnings before taxes

and extraordinary results (EBT) from € 6.3 million to € 11.7 million (+85.5%).

The extraordinary result of € 2.1 million was occasioned by the valuation allowance for a receivable from a former affiliated company. Tax expenses in the Group increased from € 2.4 million in the previous year to € 4.1 million in the financial year ended.

Earnings after tax (EAT) in the Group consequently increased by 46.2% to € 5.2 million (previous year: € 3.6 million), with the plan from the start of the financial year being exceeded by almost 50%. Earnings per share (EPS) amounted to € 0.18 per share (previous year: € 0.12 per share), with the number of shares coming to 29,700,000.

Cash flow from current business operations decreased marginally at Group level from € 8.3 million in the previous year to € 8.1 million, with the retransfer of provisions, the reduction of liabilities and the extraordinary result all making themselves felt. Cash flow from investment activity amounted to € -5.5 million (previous year: € -2.8 million), while cash flow from financing activity decreased to € -2.4 million (previous year: € -5.4 million) for distribution-induced reasons. The financial resources portfolio increased to € 1.6 million by the end of the reporting period (previous year: € 0.4 million).

The parent company CURANUM AG received € 15.8 million from participating interests within a profit pooling agreement (previous year: € 14.3 million) and € 2.3 million as other operating income (previous year: € 4.9 million) in the reporting year. Net income for the year after taxes and extraordinary results (EAT) amounted to € 7.9 million. After the addition of the unappropriated retained earnings from the previous year in the amount of € 4.8 million and the deduction of the dividend distribution for the financial year 2003 (€ 2.4 million), unappropriated

retained earnings in the financial year 2004 increased to € 10.4 million (previous year: € 4.8 million).

In view of the good results achieved, the Management and Supervisory Boards propose raising the dividend to € 0.14 per share (previous year: € 0.08). Against the background of our strategy of growth through acquisitions and the opening of new facilities, we regard the distribution sum of € 4,158,000.00 as appropriate, firstly to guarantee an attractive dividend yield despite the substantial increase in the share price, and secondly to keep the resources necessary for further growth in the financial year 2004 available.

BALANCE SHEET STRUCTURE IMPROVES FURTHER

In comparison with the previous year, the assets side of the consolidated balance sheet was characterized by an increase in goodwill and a reduction in receivables and other assets. Goodwill, for example, increased to € 20.7 million as of the end of the reporting period (previous year: € 13.4 million), primarily as a result of the consolidation of Franziskushaus GmbH as of May 1, 2004. Fixed assets increased to € 60.7 million (previous year: € 56.6 million), while the ratio of fixed assets to total assets rose from 55.7% to 65.9%.

In the current assets area, trade receivables decreased from € 8.5 million to € 5.6 million. Other assets decreased from € 27.9 million to € 20.7 million. This resulted from the partial settlement of receivables from the sale of enterprises and/or part-enterprises. Current assets at Group level decreased from € 40.2 million to € 28.4 million, while the ratio of current assets to total assets decreased to 30.9% (previous year: 39.6%).

Shareholders' equity in the Group increased from € 23.3 million to € 26.1 million as of December 31, 2004 as a result of the increased net result for the year and the moderate dividend payout. The capital ratio consequently increased from 22.9% to 28.4% in the reporting year ended. Accruals decreased by € 2.5 million to € 8.8 million (previous year: € 11.3 million). In addition to tax accruals totaling € 4.0 million, this balance sheet item includes other accruals such as vacation, premium, accounting and auditing cost accruals as well as accruals for time surcharges or employers' liability insurance associations amounting to a total of € 4.9 million.

The liabilities in the Group decreased from € 51.8 million to € 42.0 million. The Group managed to reduce its bank loans and overdrafts by € 2.8 million to € 9.3 million and its trade payables by € 4.4 million to € 5.5 million. Other liabilities decreased from € 17.5 million to € 14.8 million and included liabilities for taxes and social security contributions, purchase obligations for three nursing care properties, lease security deposits for sheltered apartments and the deferment for interest on convertible profit-sharing certificates. The outside capital ratio in the Group consequently decreased to 45.7%, having been 51.0% in the previous year. All in all, the balance sheet total at Group level decreased from € 101.6 million to € 92.0 million.

DORIS ZAHMEL,

has a great passion: celebrating! With her show talent, she spreads cheerfulness and jollity. Mrs. Zahmel is 62 and lives at our care facility Am Wannsee in Berlin.



On the assets side, the balance sheet of the parent company CURANUM AG was largely unchanged. Fixed assets were down slightly to € 51.2 million (previous year: € 53.1 million), while current assets increased from € 32.0 million to € 34.7 million. The good results led to a rise of some 11% in shareholders' equity to € 56.0 million (previous year: € 50.4 million), with the capital ratio improving to 65.1% in the corporation (previous year: 59.2%). Liabilities decreased from € 28.5 million in the previous year to € 24.2 million. The balance sheet total came to € 86.0 million (previous year: € 85.1 million).

INVESTMENT

In the financial year 2004 we invested a total of € 2.4 million in conversion, extension and renovation measures, furniture and fittings and medical equipment and aids. Most of these investments were accounted for by minor renovation work and small fittings and items of furniture at many of our establishments. We invested T€ 130, for example, in medical equipment and aids and T€ 500 in furniture and fittings. At one establishment, however, sheltered apartments were also converted into nursing care rooms, and at another site we invested in a new specialized care station for people suffering from PVS.

We invested some T€ 140 in new computer equipment, particularly servers, desktop computers and notebooks, and another T€ 130 in software licenses for nursing home administration and accounting.

In order to increase the general public awareness of the CURANUM® brand and distinguish the brand's image clearly from those of its competitors, CURANUM AG repositioned the brand in the financial year 2004 and created a new corporate identity based on a new, fresh corporate design and a clear brand

statement. The previous brand values of competence, social understanding, quality awareness and efficiency were retained, although the social component was emphasized as the focal point. On this basis the emotional lead message was realized interestingly and professionally with a clear and simple design as the basis, enhanced with lively, warm colors and friendly images.

SLIGHT INCREASE IN STAFF NUMBERS

The average number of staff employed during the reporting year increased slightly from 3,869 in the previous year to 3,912, of which 2,749 were white-collar employees, 537 industrial and trade employees, 626 temporary workers and 107 trainees and interns.

THE 2004 QUALITY CAMPAIGN

The constant improvement of our high-quality nursing care is one of our most important corporate goals and is a matter of special concern to us. Therefore we are constantly developing and monitoring the quality management system that is firmly established at all of our facilities. Our long-established quality management unit was strengthened with additional personnel last year to ensure not only the constant monitoring and improvement of nursing care quality, but also the further training and qualification of our employees and to make sure that "customer satisfaction", i.e. the quality of our results, increasingly becomes the main focus of our activities. In addition, we regularly have our care facilities examined by an independent, external nursing care institution. In this way we can assess our services from another point of view – besides our internal QM and the external checks by the MDK (Medizinischer Dienst der

Krankenversicherung) and nursing home supervisors – and improve them accordingly.

RISK MANAGEMENT

In the financial year ended the risk management committee met regularly to examine the defined parameters that are authoritative for determining a risk inherent in the operation of our nursing care facilities that threatens our existence. Our Group-wide, real-time controlling system, which analyzes all of the data from the facilities and head office that are relevant for decision-making on the same day, is a management tool that functions as an early warning system, allowing us to act quickly rather than merely reacting. The parameters are examined continuously and discussed by the Management Board at least once a month.

> In the last financial year, the consolidation in the hospitals segment led to significant developments in the personnel field. Many staff members were released as a consequence of rationalization measures, reduction in the length of stays and/or preparation for case-by-case flat-rate remuneration. Qualified nursing care employees have therefore been available in sufficient quantities for inpatient care facilities for some time now, and even in densely populated regions there are now hardly any staff shortages. This means that de facto, there is no longer a staff procurement risk with regard to qualified care staff. There remains a shortage of qualified management employees for running the care facilities, however. The major quantitative criteria for recognizing personnel risks are the personnel expenses ratio in the Group, the amount of overtime being worked and the level of absenteeism / number of days off sick.

> The primary parameter for the sales risk is regarded as the capacity utilization or occupancy rate,

which is also a decisive ratio for sales and earnings.

> Earnings per nursing care facility are regarded as the central determinant of the earnings/loss risk from operating activities.

> Our internal quality management system ensures that quality deficiencies rarely occur, and when they do they can usually be eliminated before they are ascertained by external examiners. We nevertheless check every facility with precision both internally and externally to keep our most important commodity, quality, at the highest possible level. In this area too, complaints flow into our early warning system so that timely corrective action can be taken.

> Although we eliminate the liquidity risk by applying our innovative treasury/cash management system, our risk management system includes this parameter as an auditing value.

> The most incalculable risk for operators of nursing care establishments is probably the legislature. In the past two years, new laws were initiated with the objective of maintaining quality without providing any additional resources; these led to greater bureaucracy and documentation expense in the nursing care establishments without providing the resources necessary to deal with them. The Rürup proposals for reforming compulsory nursing care also go in this direction, even aiming to maintain the existing quality level with considerably fewer resources for the residents receiving inpatient care. The ones to suffer would ultimately be the residents and the authorities responsible for public assistance. Although care facility operators such as CURANUM AG can observe developments in this area closely and anticipate the consequences that current draft legislation would have, the private senior citizens' nursing home operators' lobby is too weak to even oppose planned laws, let alone prevent them from being enacted. From a current viewpoint,

however, the state's duty to guarantee the efficient provision of nursing care to people in need of it means that there are unlikely to be any radical changes that could endanger the operators of nursing care establishments.

Other crucial risks, such as those typically occurring in industrial, production or service companies, are largely ruled out at CURANUM AG. Country-specific and currency translation risks do not apply because our operations are all located in Germany. Risks of price changes and default are ruled out by virtue of the guaranteed "state" revenues, since the social welfare system helps out whenever a resident is unable to pay. There are no concentrations of risk on the procurement or selling side, particularly since adequate diversification is guaranteed in every purchasing segment. The buyer structure naturally displays no monopolistic concentration, since our customers are consumers, generally between 80 and 95 years of age and in need of nursing care.

In the financial year 2004 the risk management committee constantly supervised and examined all of the potential risks that exist within the CURANUM Group. It did not, however, ascertain any risks that endanger the further existence of the company.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no business transactions of particular significance between the end of the reporting period and the date on which the annual financial statements were prepared.

OUTLOOK AND PLANNING FOR 2005

As the upturn in the global economy proceeds during 2005, the prospects for the German economy are also fairly positive. Although the pace will slacken, private consumption and the labor market are expected to have a positive impact in the second half of the year. The tax reduction at the beginning of the year and the rise in the value of the euro, which has a price-curbing effect, are likely to permit a slight increase in private consumption, despite higher energy prices. The situation on the labor market is also expected to brighten up in the second half of the year.

We also estimate that the prospects for demand for inpatient nursing care places are more positive in the current financial year. For one thing, as the improvement in the economic situation in Germany slowly begins to influence the domestic and labor markets, the positive effects will also seep through to the nursing care market. Two other factors, however, are likely to have a greater impact on demand. Firstly, the decline in the birth rate during the First World War curbed the growth in the numbers of people in need of nursing care, with the lowest point being reached in 2004. Accordingly, the numbers of people aged 80 or more are expected to increase again over the next few years. On the supply side, openings of new establishments will tend to decrease in number because of the aforementioned problems faced by many of our competitors. The intensified competition at several locations is also hardly likely to bring about any increase in supply. The general economic situation, demand and supply are all likely to develop to our advantage, with the result that CURANUM AG can make active use of the market consolidation.

The following value drivers or management variables will be crucial for the future development of sales and earnings at the CURANUM Group:

MANAGEMENT REPORT

> *The growth in sales that results from new establishments being opened and particularly from existing ones being acquired will further reduce costs as a result of the fixed cost degression effect.*

> *In view of the high proportions of fixed costs in nursing care, the occupancy rates of the establishments are crucial for sales revenues and the most important earnings factor for the Group.*

> *The most crucial factor for achieving high occupancy rates is the quality of the nursing care facility and its services; other factors are the professionalism of the staff and the marketing activities.*

> *The level of nursing care charges also influences the earnings situation, although they also affect demand if the competitive environment intensifies.*

> *Other cost-cutting measures such as the bundling of facilities and a resultant increase in the efficiency of secondary service provision can increase earnings power further. Innovative additional services create value-added for our residents and open up further sales and earnings potential for the CURANUM Group.*

> *In the nursing care field too, leaner administrative structures featuring effective computer deployment offer rationalization potential.*

In the current financial year, CURANUM AG will continue to work intensively to improve its value-driving management variables. The success achieved in the financial year 2004 and the fact that the key target figures were comfortably exceeded demonstrate that we are moving in the right direction. Apart from the consolidation of Franziskushaus GmbH, we did not add any new establishments to our portfolio during the last financial year; on the contrary, we disposed of an establishment. This consolidation phase was good for the company, particularly in view of the fact that the necessary structures must be put in place during periods of strong growth to ensure that the size thereby attained is managed efficiently. We did our homework during the financial year ended, and now we are going to continue with our manageable growth in the current year.

Our budget for the CURANUM Group consequently provides for an aggregate operating performance of € 195.8 million, with operating earnings before inte-

€ million	2004	2005e
Total sales	189.5	195.8
EBITDA	15.6	15.0
EBIT	12.5	11.2
EAT	5.2	6.1
Facilities	45	46
Care places	5,641	5,923
Assisted living apartments	686	706

rest, taxes, depreciation and amortization (EBITDA) coming to € 15.0 million. Our budget provides for earnings after tax (EAT) of € 6.1 million.

We confirm that a regular, informal exchange of views took place between Management Board and the Supervisory Board and that transactions requiring authorization were approved unanimously during ongoing consultations or at meetings.

In its report on relations with affiliated companies, which according to section 312, para. 3, German Stock Corporation Act (AktG) must be prepared separately, the Management Board has declared that to the best of its knowledge pertaining to the reporting period, CURANUM AG received an appropriate counter-performance in every relevant legal transaction and measures as defined by section 312, AktG were neither taken nor omitted.

> We would like to thank our employees most warmly for their work and their great commitment at all times of the day and night in the interests of our residents. Our appreciation of our employees' commitment is particularly deeply felt because we know that their work can be demanding both mentally and physically.

We would like to thank our shareholders and business associates for their trust and their agreeable cooperation. Following a long barren period for our share price, we would like to thank our long-standing shareholders in particular for their loyalty – and rewarding that loyalty was not the least of our considerations when we decided to set an attractive dividend. The current year is already showing clearly that the market for nursing care services is becoming more and more attractive and that institutional investors, too, can no longer ignore the German nursing care market. We are assuming that the trend in our share price at the beginning of the year was just the start of a positive trend that will persist over the course of the year and as our ongoing results are reported.

We would like to thank our customers, in other words our residents, and their relatives for their trust in our work and their appreciation of our care facilities. We have made it our top priority to guarantee the best possible care with the resources at our disposal and would like everyone to feel at home with us. Now and in future, we will remain committed to these aims and objectives.

Munich, March 2005

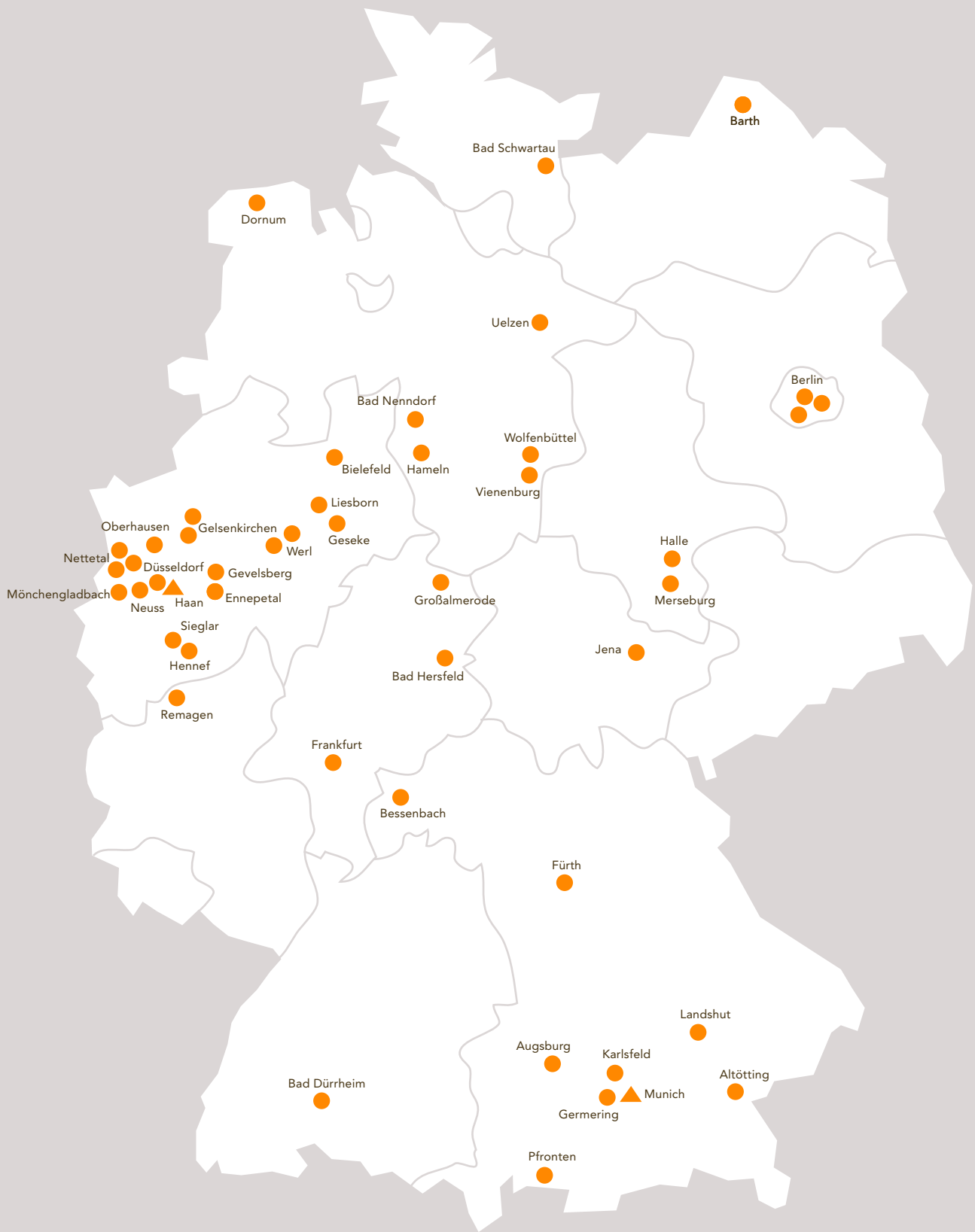
The Management Board

**SENIORENPFLEGEZENTRUM AM
SPESSART, BESSENBACH**

has been opened up in 2003, only a few minutes to walk from the heart of the community of Bessenbach, which belongs to the natural park "Spessart".



THE CURANUM GROUP



● = operating facilities

▲ = head office

THE CURANUM GROUP

PORTRAIT

With a total of 46 nursing establishments and 5,641 nursing care places, as well as 686 assisted living apartments, CURANUM AG ranks as one of the largest listed operators of care facilities in Germany. The company has specialized in nursing care for more than 20 years. We provide short and long-term inpatient care at all stages of the nursing care process, assisted living accommodation and various special care services, e.g. for residents suffering from gerontological and psychiatric changes, dementia or PVS.

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 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.

We operate in a market determined by demographic and socio-economic factors that holds enormous potential, and we will be expanding our comprehensive network of care facilities continuously over the next few years. The current demand for nursing care places is already enormous and is set to multiply within the next 50 years. Thanks to our exceptional market position in Germany we will profit from the

emerging ongoing consolidation process and will consistently pursue our aim of becoming the qualitative market leader among private operators.

NURSING CARE

OUR RANGE OF NURSING SERVICES

People who are dependent on nursing care need special attention and care.

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 m² 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.

THE CURANUM GROUP

CHRONICLE

1981	Company founded	Jan. 2002	Nursing home acquired in Bad Hersfeld
1981 – 1996	13 nursing homes constructed in Hesse, Bavaria, Lower Saxony and North Rhine-Westphalia	Feb. 2002	3 nursing homes acquired in Berlin
1996	Acquisition of the Kleeblatt group with 12 nursing homes in North Rhine-Westphalia, Lower Saxony, Rhineland-Palatinate, Mecklenburg-West Pomerania and Saxony Anhalt	May 2002	Nursing home opened in Düsseldorf
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. 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.
Nov. 2000	Integration into the listed company Bonifatius Hospital & Seniorenresidenzen AG, Munich, which operates establishments in Fürth, Passau, Kötzing, Karlsfeld near Munich, Augsburg, Vienna and Villach		
May 2001	Nursing home opened in Landshut		
Dec. 2001	2 nursing homes acquired in Eschweiler and Lehrte		

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

We regard ourselves as a provider of high-quality nursing care services focused primarily on the medium price segment.

We are aware of the fact that the way our residents perceive their quality of life is not wholly dependent on nursing care, nutrition and medical care. That is why we have established certain principles for their care and accommodation. The nursing care plan, for example, is geared to the needs of each individual resident and takes his or her preferences and aversions into account. We encourage the residents to retain their habits from home and to co-determine the course of their day as far as possible. In this way, many elements of the nursing care can be organized in accordance with their own preferences.

Most of the facilities contain an exercise room, creative areas, day rooms, a prayer room, a kiosk, a hairdresser and green spaces around the buildings. Some senior citizens' residences (e.g. Hennef, Hameln, Bad Nenndorf, Remagen) offer swimming pools and a club room plus library.

In all of the facilities the residents can participate in an extensive program of events. Computer courses, baking and cookery courses, swimming courses, exercise, supplemented in some facilities by language courses, reading and discussion circles, handicrafts, skittles, games and singing, provide each and every resident with the opportunity to make the most of his or her skills and interests. Talks on art and far-away countries, concerts and stage productions, film shows and church services complete the spectrum.

Excursions to the surrounding areas and the annual summer festivals are very popular with the residents. Many events and courses are held in cooperation with the local authority and can therefore be attended by anyone who is interested. We also make some of our rooms available to institutions such as adult

education centers. In this way, the CURANUM nursing care facilities are becoming much-visited places where residents, their relatives, friends and fellow citizens of all ages meet and mingle.

OUR SERVICES IN ALL ASPECTS OF NURSING CARE

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

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.

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 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

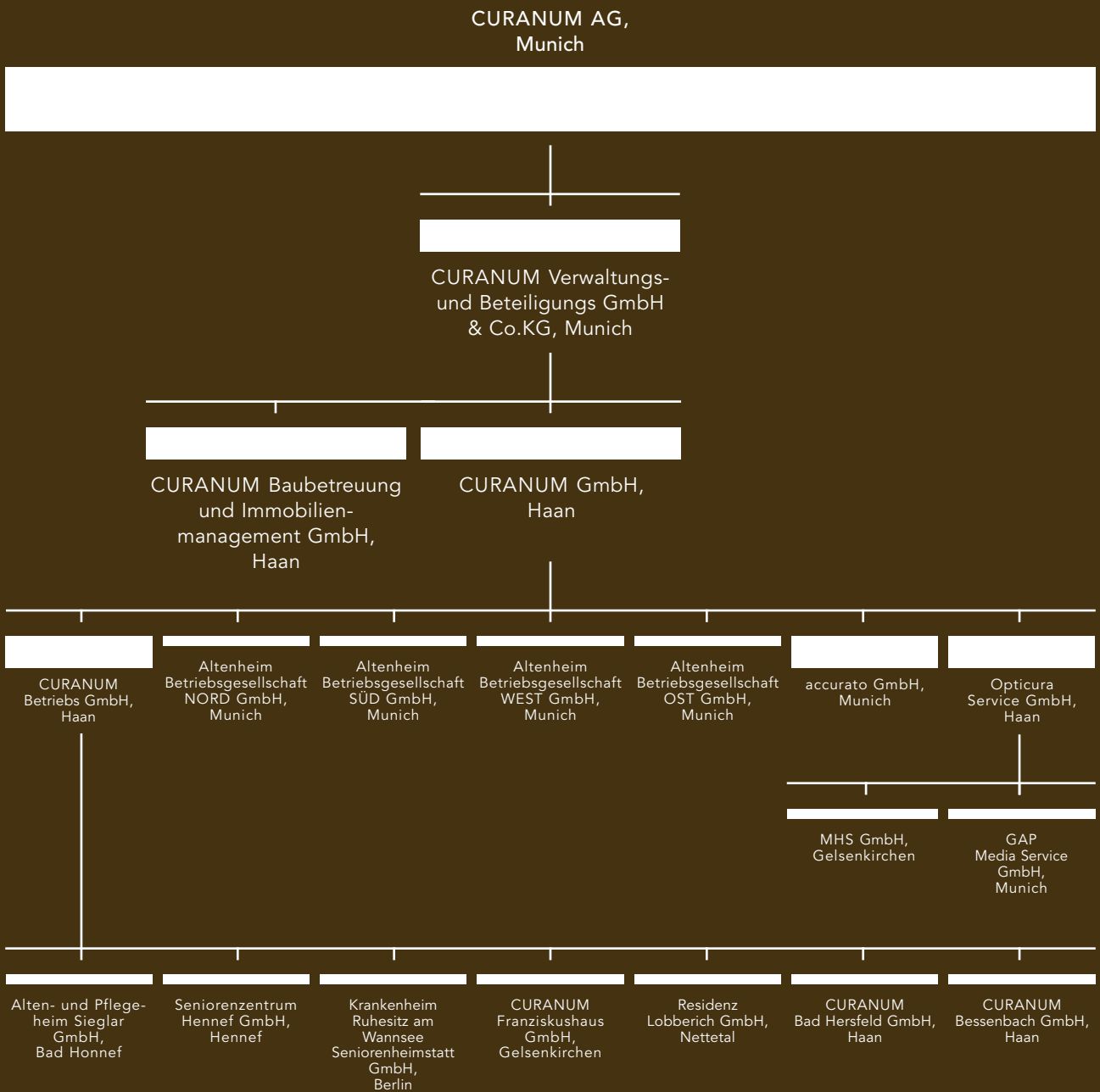
the customer. The results of this evaluation are then once more the starting point for further improving the services offered.

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.

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.

THE CURANUM GROUP

GROUP AND INVESTMENT STRUCTURE



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. Jörg Lüttge Attorney and tax consultant, Bonn

Dr. Wolfgang Freimuth Business administration graduate, Hannover
other Supervisory Board mandates: mercant AG, Holzwickede,
Chairman of the Supervisory Board

Michael Sasse Attorney and notary, Schwelm

Wolfgang Sauermilch Graduate social worker (retired), Düsseldorf

Dr. Dieter Thomae Business administration graduate, Member of the German
Bundestag (Federal parliament), Sinzig

Angelika Pohl commercial employee, Munich*

Sabine Merrazi-Weirich commercial employee, Munich*

Björn Michael commercial employee, Forstern, Vice chairman of the
Supervisory Board*

*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 31.12.2004, the Management Board members held 4,464 shares; the members of the Supervisory Board held a total of 9,900 shares.



REPORT BY THE SUPERVISORY BOARD

Dear Shareholders,

In the financial year ended, our attention was focused primarily on the topics of quality assurance, improving internal structures and increasing the occupancy rates of the newer CURANUM AG facilities. Other focal points were discussions about the restructuring of the Group and the resultant mergers and reorganizations of Group companies.

We performed the duties that are incumbent upon us according to the law and our articles of incorporation and supervised the management activities of the Management Board on a continuous basis. Altogether, four Supervisory Board meetings were held. At all of these meetings the Management Board reported on the current development of business, future corporate plans and important business transactions. The Management Board also maintained contact with the Supervisory Board outside of these meetings, informing it continuously about the ongoing course of business and events of particular significance.

TOPICS FROM THE INDIVIDUAL SUPERVISORY BOARD MEETINGS

Meeting on March 31, 2004

In the first meeting held in the financial year 2004, the Management Board presented the annual financial statements for 2003 and explained important key data and background information regarding the results posted by the Corporation and the Group. In addition, the auditors reported on the course of their audit and individual valuation and accounting principles. The Management Board, the Supervisory Board and the auditors then held an in-depth joint discussion on questions and issues brought up by individual members of the Supervisory Board. In the presence of the auditors, the annual financial statements were approved and adopted. The Supervisory Board gave its consent to the proposal by the Management Board to distribute the sum of € 2.4 million (€ 0.08 per share for the 29,700,000 shares entitled to dividend payments) from the unappropriated retained earnings of € 4.8 million to the shareholders as dividends. Furthermore, the Management Board reported on the plans for the financial year 2004, new properties, financing issues and negotiations

JOHANNA HELLWIG,

a hat, a cane, no umbrella: Mrs. Hellwig still gets around at almost 90, and especially enjoys taking walks with her son. She lives at our senior citizen and care facility, Boothstrasse, Berlin.

REPORT BY THE SUPERVISORY BOARD

with lessors. In conclusion, the agenda for the shareholders' meeting and the compliance with the provisions of the Corporate Governance Code were debated.

Meeting on June 24, 2004

At the second Supervisory Board meeting, called immediately after the ordinary shareholders' meeting, the results of the shareholders' meeting were discussed and the voting behavior debated. The Management Board reported on the development of business at the company, the comparison between target and actual results and the probability of the target figures being attained in the financial year 2004. The occupancy situation was analyzed and further measures were discussed and explained. Quality assurance and the classification of residents were other topics that were discussed in detail at this meeting. The Management and Supervisory Boards also debated Supervisory Board members' contracts with the company. Following an intensive examination of performance and remuneration, the contracts were approved unanimously by the Supervisory Board.

Excerpt from the meeting on September 24, 2004

At this meeting the results from the first six months of 2004 and their impact on target achievement in the year as a whole were explained. The Management Board reported in detail on the causes and effects of the non-inauguration of the planned facilities in Essen and Ansbach. Other focal points of the discussions were the changes in the Group structure, the merger of Curanum Bonifatius DT GmbH into CURANUM AG and other restructurings of Group companies. In addition, the Management and Supervisory Boards discussed effects of labor union activities in the care facilities, pending labor court proceedings and staff remuneration structures. In conclusion, the status of the ongoing tax audit and the planned switch to international accounting standards were explained by the Management Board.

Excerpt from the meeting on November 26, 2004

The year's fourth meeting concerned itself primarily with the further commercial development of the company in the reporting year 2004. The Management Board reported on risk management, the first results of the quality offensive and the development of bank financing and explained the trend in the company's liabilities. The corporate plans and the target balance sheet for 2005 were then discussed intensively with the Supervisory Board and every question on the subject was answered. At this meeting an outside speaker reported on the prospects of nursing care insurance and possible developments in the future. The final topic of debate was the remuneration of the Management Board with regard to fixed and variable components and the contractual alterations that these involve.

REPORT BY THE SUPERVISORY BOARD

Supervisory Board meeting to approve the balance sheet on April 5, 2005

At the ordinary shareholders' meeting on June 24, 2004, the shareholders elected Ernst & Young Deutsche Allgemeine Treuhand AG, Wirtschaftsprüfungsgesellschaft, Munich, as the Corporation and Group auditor for the financial year 2004. In accordance with their mandate, the auditors examined the annual financial statements, the consolidated financial statements and the joint management report for CURANUM AG and the Group for the financial year 2004 that were prepared by the Management Board.

The audit did not lead to any objections. The auditors granted the unqualified audit certificate to both the annual financial statements and the consolidated financial statements.

The annual financial statements and consolidated financial statements as of December 31, 2004, including the joint management report, were made available to the Supervisory Board at the Supervisory Board meeting held for the purpose of approving the balance sheet, where they were examined by us. The annual financial statements were discussed in detail together with the Management Board and the auditors at the Supervisory Board's balance sheet meeting. The Supervisory Board noted the results of the audit with approval. The annual financial statements and consolidated financial statements 2004 for CURANUM AG prepared by the Management Board were approved without objection and are thereby adopted.

In view of the positive development of business in the financial year ended, the Supervisory Board gave its approval to the Management Board's proposal to distribute € 4,158,000.00, or € 0.14 per share, from the unappropriated retained earnings totaling € 10,357,341.92 to the shareholders as a dividend for the financial year 2004, and to carry forward € 6,199,341.92 to new account.

REPORT ON THE RELATIONS WITH AFFILIATED COMPANIES

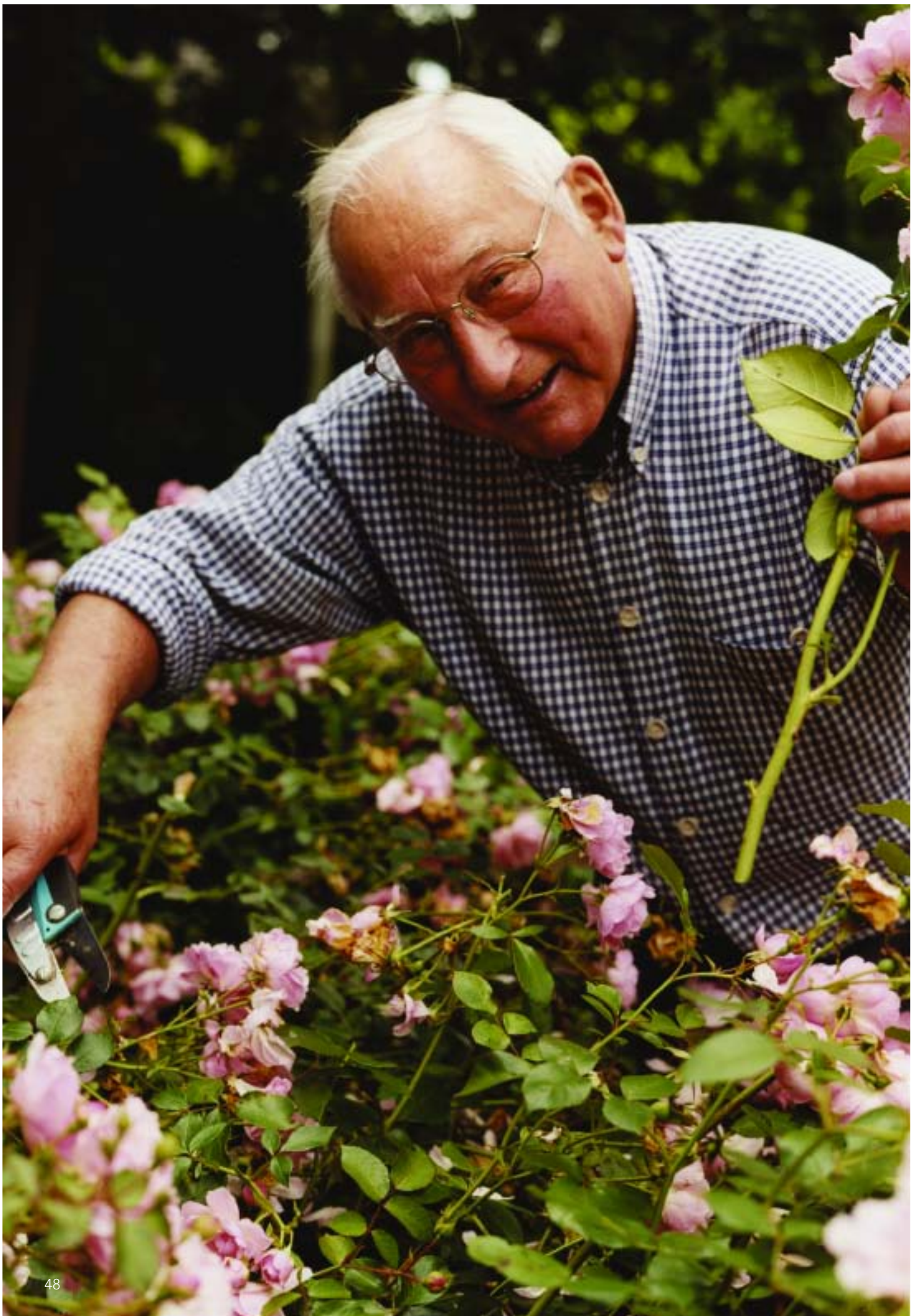
We examined the report by the Management Board on relations with affiliated companies, as defined by sections 312, 313, German Stock Corporation Act (AktG), for the financial year 2004. The result of the auditors' examination of the relations with affiliated companies was noted with approval.

We would like to thank all of the members of the Management Board for their committed work, their positive cooperation and not least their readiness to explain even complicated interrelations and details in an understandable manner. We would like to express our special thanks to all of the employees for their commitment to the welfare of each and every person residing in the CURANUM facilities.

Munich, April 2005



Dr. Michael Roggen
Chairman of the Supervisory Board



C O R P O R A T E G O V E R N A N C E

CORPORATE GOVERNANCE

In the financial year 2004, the Management Board and Supervisory Board of CURANUM AG consulted on the question of corporate governance within the company in meetings of the Supervisory Board and in informal discussions, and the overwhelming majority of recommendations and suggestions were implemented throughout the group.

DECLARATION OF CONFORMITY IN ACCORDANCE WITH § 161 AKTG (COMPANIES ACT)

The Management Board and Supervisory Board of CURANUM AG declare that the code of conduct recommendations made by the Code Commission on corporate governance and corporate monitoring set up by the German Government are being met – with the exception of the points listed below – and will continue to be met.

> *The remuneration paid to members of the Management Board contains fixed and variable components. The stock option plan that has been agreed has not yet been allocated. There is therefore as yet no remuneration component by performance providing a long-term incentive and with an element of risk as defined by Rule 4.2.3 of the Code. There is therefore no detailed disclosure of the remuneration system in the Notes or in the management report, on the Internet or at the shareholders' meeting. (Rule 4.2.3)*

> *The Notes to the consolidated financial statements contain no individual disclosure of the components*

GEORG FRANK,

is not only popular with the plants and flowers. All residents value his good nature and his great readiness to help. Mr. Frank, 77, lives at our residence in Lobberich.

making up the remuneration of the Management Board, categorized by fixed component, performance-related components, and components with a long-term incentive effect. (Rule 4.2.4)

> *The Supervisory Board of CURANUM AG has not constituted an audit committee, and the annual accounts and consolidated financial statements are audited by the entire Supervisory Board. However, there are other technically qualified committees. (Rule 5.3.2)*

> *Membership of the Supervisory Board is only made dependent on the member's qualifications and experience, not on their age, and therefore there is no age limit for members of the Supervisory Board. (Rule 5.4.1)*

> *The Supervisory Board receives no performance-related remuneration. (Rule 5.4.5) The Articles of Association of CURANUM AG provide for fixed annual remuneration of the Supervisory Board in accordance with § 15. We agree with the ruling of the Federal Supreme Court made in March 2004 according to which stock options for members of the Supervisory Board make no sense as there is no evidence whatever or clear reasons why members of a Supervisory Board should exercise their supervisory role better with the aid of stock options.*

> *The Notes to the consolidated financial statements contain no itemized disclosures of the remuneration paid or benefits granted for personal services rendered by the Supervisory Board, in particular consultancy or brokering services. (Rule 5.4.5)*

> *The consolidated financial statements and interim reports will be prepared in accordance with international accounting standards from 2005 onwards. (Rule 7.1.1)*

The Management Board and Supervisory Board of
CURANUM AG

Munich, May 2005

CURANUM AG, Munich
FINANCIAL STATEMENTS 2004

CURANUM AG, MUNICH
BALANCE SHEET AS OF DECEMBER 31, 2004

ASSETS	Notes	31.12.2004 €	31.12.2003 T€
A. FIXED ASSETS			
I. Intangible assets			
Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets		8,001,200.00	8,001
II. Tangible assets 3)			
1. Land, similar rights and buildings including buildings on leasehold land		5,310,865.58	4,123
2. Other equipment, factory and office equipment		39,454.99	45
		5,350,320.57	4,168
III. Financial assets 4)			
1. Shares in affiliated companies		33,264,372.90	33,151
2. Participating interests		4,611,335.12	7,811
		37,875,708.02	40,962
		51,227,228.59	53,131
B. CURRENT ASSETS			
I. Receivables and other assets 5)			
1. Trade receivables		0.00	23
2. Receivables from affiliated companies		16,538,442.54	19,786
3. Other assets		13,991,086.06	12,159
		30,529,528.60	31,968
II. Bank balances 6)			
		4,207,209.02	1
		34,736,737.62	31,969
C. PREPAID EXPENSES AND DEFERRED CHARGES			
		23,667.11	26
BALANCE SHEET TOTAL		85,987,633.32	85,126

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2004 €	31.12.2003 T€
A. SHAREHOLDERS' EQUITY	8)		
I. Subscribed capital	8a)	29,700,000.00	29,700
II. Capital reserves		11,762,658.82	11,763
III. Earnings Reserves		4,145,273.59	4,145
IV. Unappropriated retained earnings		10,357,341.92	4,827
		55,965,274.33	50,435
B. ACCRUALS			
1. Tax accruals		4,535,949.62	4,139
2. Other accruals	9)	1,271,130.01	2,030
		5,807,079.63	6,169
C. ACCOUNTS PAYABLE	10)		
1. Convertible profit-sharing certificates	10a)	12,271,005.15	12,271
2. Bank loans and overdrafts		4,006,131.06	4,736
3. Trade payables		543,901.72	364
4. Payables to affiliated companies	10b)	5,785,649.66	6,923
5. Other liabilities		1,608,591.77	4,228
		24,215,279.36	28,522
BALANCE SHEET TOTAL		85,987,633.32	85,126

CURANUM AG, MUNICH
INCOME STATEMENT 2004

	Notes	2004 €	2003 T€
1. Sales	11)	0.00	134
2. Other operating income	12a)	2,319,919.92	4,744
		2,319,919.92	4,878
3. Cost of materials		120,400.29	20
4. Personnel expenses			
a) Wages and salaries		1,100,640.75	965
b) Social security benefits		5,189.13	9
5. Amortization of fixed tangible and intangible assets		87,862.24	90
6. Other operating expenses	12b)	2,886,500.40	7,370
		4,200,592.81	8,454
7. Income from profit and loss absorption agreement		15,806,478.21	14,322
8. Other interest and similar income		643,453.46	728
9. Write-down of long-term financial assets and current securities		0.00	-767
10. Interest and similar expenses		-1,526,266.32	-2,083
		14,923,665.35	12,200
11. NET OPERATING INCOME		13,042,992.46	8,624
12. Extraordinary net income (loss)		-2,123,589.61	0
13. Taxes on income		-3,008,634.76	3,990
14. Other taxes		-4,200.01	4
15. NET INCOME FOR THE YEAR		7,906,568.08	4,630
16. Unappropriated profits brought forward		4,826,773.84	5,543
17. Profit distribution		2,376,000.00	-5,346
18. UNAPPROPRIATED RETAINED EARNINGS		10,357,341.92	4,827

CURANUM AG, MUNICH
CASH FLOW STATEMENT 2004

	2004 T€	2003 T€
Earnings for the period	7,907	4,629
+/- Write-downs of fixed assets	88	90
+/- Increase / Decrease in accruals	-362	5,049
+/- Other expenses and income not affecting payments	-880	767
= CASHFLOW IN THE NARROW SENSE	6,753	10,535
-/+ Increase / Decrease in inventories, trade receivables and other assets	2,835	1,115
+/- Increase / Decrease in trade payables and other liabilities	-4,801	-6,319
= NET CASH MOVEMENTS FROM CURRENT BUSINESS OPERATIONS	4,787	5,331
- Cash outflows for investments in tangible fixed assets	-1,271	0
+ Cash inflows from disposals of financial assets	9,822	32
- Cash outflows for investments in financial assets	-6,736	0
= NET CASH MOVEMENTS FROM INVESTMENT ACTIVITY	1,815	32
- Cash outflows from the redemption of loans and (financial) credit	-20	-18
- Profit distribution in the current financial year	-2,376	-5,346
= NET CASH MOVEMENTS FROM FINANCING ACTIVITY	-2,396	-5,364
Changes in financial resources affecting payments	4,206	-1
Financial resources at the beginning of the period	1	2
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	4,207	1
Cash and cash equivalents	4,207	1
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	4,207	1

CURANUM AG, MUNICH
CHANGES IN FIXED ASSETS
IN THE PERIOD FROM 1.1. TO 31.12.2004

	ACQUISITION AND PRODUCTION COST					
	01.01.2004 €	Additions from affilia- tion €	Additions €	Repostings €	Disposals €	31.12.2004 €
I. INTANGIBLE ASSETS						
1. Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	8,011,864.24	31,418.53	0.00	0.00	31,418.53	8,011,864.24
2. Goodwill	0.00	4,693,928.52	0.00	-4,693,928.52	0.00	0.00
	8,011,864.24	4,725,347.05	0.00	-4,693,928.52	31,418.53	8,011,864.24
II. TANGIBLE ASSETS						
1. Land, similar rights and buildings including buildings on leasehold land	4,352,540.74	176,847.50	1,263,791.78	0.00	176,847.50	5,616,332.52
2. Other equipment, factory and office equipment	104,388.33	306,255.83	6,795.36	0.00	306,255.83	111,183.69
	4,456,929.07	483,103.33	1,270,587.14	0.00	483,103.33	5,727,516.21
III. FINANCIAL ASSETS						
1. Shares in affiliated companies	33,227,420.38	0.00	1,965,927.62	4,693,928.52	6,546,209.84	33,341,066.68
2. Participating interests	9,345,146.91	0.00	76,694.00	0.00	3,276,630.15	6,145,210.76
	42,572,567.29	0.00	2,042,621.62	4,693,928.52	9,822,839.99	39,486,277.44
TOTAL	55,041,360.60	5,208,450.38	3,313,208.76	0.00	10,337,361.85	53,225,657.89

ACCUMULATED DEPRECIATION

BOOK VALUES

01.01.2004 €	Additions from affilia- tion €	Additions €	Disposals €	31.12.2004 €	31.12.2004 €	31.12.2003 €
10,664.24	30,089.26	0.00	30,089.26	10,664.24	8,001,200.00	8,001,200.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00
10,664.24	30,089.26	0.00	30,089.26	10,664.24	8,001,200.00	8,001,200.00
229,106.58	14,098.75	76,360.36	14,098.75	305,466.94	5,310,865.58	4,123,434.16
59,861.42	169,664.49	11,501.88	169,299.09	71,728.70	39,454.99	44,526.91
288,968.00	183,763.24	87,862.24	183,397.84	377,195.64	5,350,320.57	4,167,961.07
76,693.78	0.00	0.00	0.00	76,693.78	33,264,372.90	33,150,726.60
1,533,875.64	0.00	0.00	0.00	1,533,875.64	4,611,335.12	7,811,271.27
1,610,569.42	0.00	0.00	0.00	1,610,569.42	37,875,708.02	40,961,997.87
1,910,201.66	213,852.50	87,862.24	213,487.10	1,998,429.30	51,227,228.59	53,131,158.94

CURANUM AG, MUNICH
CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2004

ASSETS	Notes	31.12.2004 €	31.12.2003 T€
A. EXPENSES FOR THE START-UP AND EXPANSION OF THE BUSINESS			
	1)	287,601.69	575
B. FIXED ASSETS			
I. Intangible assets			
1. Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets		8,205,106.21	8,199
2. Goodwill	2)	20,675,069.56	13,378
		28,880,175.77	21,577
II. Tangible assets			
1. Land, similar rights and buildings including buildings on leasehold land		22,194,986.35	20,925
2. Other equipment, factory and office equipment		4,977,707.67	5,463
3. Prepayments and construction in process		0.00	66
		27,172,694.02	26,454
III. Financial assets			
1. Participating interests	4)	4,624,373.06	7,824
2. Other loans		0.00	756
		4,624,373.06	8,580
		60,677,242.85	56,611
C. CURRENT ASSETS			
I. Inventories			
1. Raw materials and supplies		473,812.46	493
2. Work in process: goods and services		54,421.70	54
		528,234.16	547
II. Receivables and other assets			
1. Trade receivables	5b)	5,597,280.28	8,534
2. Other assets	5c)	20,691,885.67	27,905
		26,289,165.95	36,439
III. Securities			
Other securities		0.00	2,800
IV. Cash on hand, bank balances			
	6)	1,604,180.42	421
		28,421,580.53	40,207
D. PREPAID EXPENSES AND DEFERRED CHARGES			
	7)	2,661,757.56	2,731
E. TAX ACCRUALS			
		0.00	1,525
BALANCE SHEET TOTAL		92,048,182.63	101,649

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes	31.12.2004 €	31.12.2003 T€
A. SHAREHOLDERS' EQUITY	8)		
I. Subscribed capital	8a)	29,700,000.00	29,700
II. Capital reserves		5,136,316.04	5,136
III. Consolidated balance sheet deficit		-8,727,402.15	-11,546
IV. Minority interests	8b)	-11,676.83	-15
		26,097,237.06	23,275
B. SPECIAL ACCOUNT FOR INVESTMENT SUBSIDIES		13,117,064.53	13,468
C. ACCRUALS			
1. Tax accruals		3,592,822.10	4,501
2. Provisions for deferred taxes		371,000.00	0
3. Other accruals	9)	4,862,950.50	6,771
		8,826,772.60	11,272
D. ACCOUNTS PAYABLE	10)		
1. Convertible profit-sharing certificates	10a)	12,271,005.15	12,271
2. Bank loans and overdrafts		9,278,725.83	12,094
3. Customer advances		70,730.83	71
4. Trade payables		5,492,962.27	9,882
5. Other liabilities	10c)	14,845,760.54	17,491
		41,959,184.62	51,809
E. DEFERRED INCOME		2,047,923.82	1,825
BALANCE SHEET TOTAL		92,048,182.63	101,649

CURANUM AG, MUNICH
CONSOLIDATED INCOME STATEMENT FOR 2004

	Notes	2004 €	2003 T€
1. Sales	11)	181,677,747.93	170,183
2. Other operating income	12a)	7,782,193.53	12,077
		189,459,941.46	182,260
3. Cost of materials			
a) Property rental and lease expenses		43,086,032.10	40,561
b) Cost of raw materials, supplies and merchandise		14,735,469.46	14,177
c) Cost of purchased services		8,119,439.12	7,957
4. Personnel expenses			
a) Wages and salaries		75,473,648.13	72,513
b) Social security, pensions and other benefits		14,719,704.36	14,289
5. Amortization of fixed tangible and intangible assets		3,047,049.14	2,742
6. Other operating expenses	12b)	17,766,017.08	20,263
		176,947,359.39	172,502
7. Income from participating interests		0.00	304
8. Other interest and similar income		1,012,897.98	1,231
9. Write-down of long-term financial assets and current securities		0.00	-2,262
10. Interest and similar expenses		-1,803,107.82	-2,712
		-790,209.84	-3,439
11. NET OPERATING INCOME		11,722,372.23	6,320
12. Extraordinary net income (loss)		-2,123,589.61	0
13. Taxes on income		-4,103,521.72	-2,434
14. Other taxes		-297,070.26	-332
15. NET INCOME FOR THE YEAR		5,198,190.64	3,554
16. Accumulated losses brought forward from previous year		-13,922,170.66	-15,100
17. Earnings due to other shareholders		-3,422.13	0
18. CONSOLIDATED BALANCE SHEET DEFICIT		-8,727,402.15	-11,546

CURANUM AG, MUNICH
CONSOLIDATED CASH FLOW STATEMENT 2004

	2004 T€	2003 T€
Earnings for the period (including minority interests) before extraordinary items	7,322	3,555
+/- Write-downs / Write-ups of fixed assets	3,047	2,742
+/- Change in accruals	-2,444	2,832
+/- Other expenses and income not affecting payments	235	1,439
+/- Profit/Loss from the disposal of fixed assets	-90	-20
-/+ Increases / Decreases in inventories, trade receivables and other assets that are not attributable to investment or financing activity	11,764	-5,310
+/- Increases / Decreases in trade payables and other liabilities that are not attributable to investment or financing activity	-9,577	3,029
+/- Cash in- and outflows from extraordinary items	-2,124	0
= NET CASH MOVEMENTS FROM CURRENT BUSINESS OPERATIONS	8,133	8,267
+ Cash inflows from tangible fixed assets / intangible fixed assets	112	92
- Cash outflows for investments in tangible fixed assets / intangible fixed assets	-2,309	-3,271
+ Cash inflows into special accounts for investment subsidies	0	337
- Cash outflows from special accounts for investment subsidies	-531	0
- Cash outflows from investments in consolidated subsidiaries	-7,205	0
+ Cash inflows from disposals in consolidated subsidiaries	550	0
+ Cash inflows from disposals of financial assets	4,007	31
- Cash outflows for investments in financial assets	-77	0
= NET CASH MOVEMENTS FROM INVESTMENT ACTIVITY	-5,453	-2,811
- Cash outflows to company owners and minority shareholders	-2,376	-5,346
- Cash outflows from the redemption of loans and (financial) credit	-51	-45
= NET CASH MOVEMENTS FROM FINANCING ACTIVITY	-2,427	-5,391
Changes in financial resources affecting payments	253	65
Financial resources at the beginning of the period	421	356
Change in financial resources resulting from the consolidated entity	930	0
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	1,604	421
Cash and cash equivalents	1,604	322
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	1,604	421

CURANUM AG, MUNICH
 CHANGES IN CONSOLIDATED FIXED ASSETS
 IN THE PERIOD FROM 1.1. TO 31.12.2004

	ACQUISITION AND PRODUCTION COST				
	01.01.2004 €	Additions €	Disposals €	Change in the consolidated entity €	31.12.2004 €
A. EXPENSES FOR THE START-UP AND EXPANSION OF THE BUSINESS	1,150,406.73	0.00	0.00	0.00	1,150,406.73
B. FIXED ASSETS					
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets	8,415,629.59	130,436.04	116,266.04	0.00	8,429,799.59
2. Goodwill	37,593,787.00	0.00	676,473.47	9,342,947.65	46,260,261.18
	46,009,416.59	130,436.04	792,739.51	9,342,947.65	54,690,060.77
II. Tangible assets					
1. Land, similar rights and buildings including buildings on leasehold land	23,194,100.10	1,824,940.11	138,442.31	1,588.95	24,882,186.85
2. Other equipment, factory and office equipment	8,741,912.36	290,401.09	435,969.87	46,881.21	8,643,224.79
3. Prepayments and construction in process	65,681.28	26,488.97	93,013.69	843.44	0.00
	32,001,693.74	2,141,830.17	667,425.87	49,313.60	33,525,411.64
III. Financial assets					
1. Participating interests	9,358,184.85	6,951,694.00	3,251,630.15	-6,900,000.00	6,158,248.70
2. Other loans	755,645.94	0.00	255,645.94	-500,000.00	0.00
	10,113,830.79	6,951,694.00	3,507,276.09	-7,400,000.00	6,158,248.70
TOTAL	88,124,941.12	9,223,960.21	4,967,441.47	1,992,261.25	94,373,721.11

ACCUMULATED DEPRECIATION

BOOK VALUES

01.01.2004 €	Additions €	Disposals €	Change in the consolidated entity €	31.12.2004 €	31.12.2004 €	31.12.2003 T€
575,203.36	287,601.68	0.00	0.00	862,805.04	287,601.69	575
216,847.56	51,912.07	44,066.25	0.00	224,693.38	8,205,106.21	8,198
24,216,218.14	994,384.62	0.00	374,588.86	25,585,191.62	20,675,069.56	13,378
24,433,065.70	1,046,296.69	44,066.25	374,588.86	25,809,885.00	28,880,175.77	21,576
2,268,842.09	521,681.59	103,323.18	0.00	2,687,200.50	22,194,986.35	20,925
3,279,172.53	816,880.31	433,482.73	2,947.01	3,665,517.12	4,977,707.67	5,463
0.00	0.00	0.00	0.00	0.00	0.00	66
5,548,014.62	1,338,561.90	536,805.91	2,947.01	6,352,717.62	27,172,694.02	26,454
1,533,875.64	0.00	0.00	0.00	1,533,875.64	4,624,373.06	7,824
0.00	0.00	0.00	0.00	0.00	0.00	756
1,533,875.64	0.00	0.00	0.00	1,533,875.64	4,624,373.06	8,580
31,514,955.96	2,384,858.59	580,872.16	377,535.87	33,696,478.26	60,677,242.85	56,610

CURANUM AG, MUNICH
LIST OF SHAREHOLDINGS AS OF DECEMBER 31, 2004

	included in		Stake	Subscribed Capital	Shareholders Equity	Earnings	Notes
	individual statement	consolidated statement	%	T€	T€	T€	
1. CONSOLIDATED SUBSIDIARIES							
CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG, Munich (of which paid-in capital outstanding T€ 1.000)		X	100.00	1,000	985	-15	
CURANUM GmbH, Haan	X	X	100.00	16,600	24,211	0	1
CURANUM Betriebs GmbH, Haan		X	100.00	600	8,960	0	1
Opticura Service GmbH, Haan		X	100.00	26	37	0	1
accurato GmbH, Munich		X	100.00	26	27	0	1
Altenheim Betriebsgesellschaft Nord GmbH, Munich		X	100.00	25	25	0	1
Altenheim Betriebsgesellschaft Süd GmbH, Munich		X	100.00	25	25	0	1
Altenheim Betriebsgesellschaft West GmbH, Munich		X	100.00	25	25	0	1
Altenheim Betriebsgesellschaft Ost GmbH, Munich		X	100.00	25	25	0	1
Alten- und Pflegeheim Sieglar GmbH, Bad Honnef		X	100,00	25	25	0	1
Seniorenzentrum Hennef GmbH, Hennef		X	100,00	25	21	-4	1
Krankenheim Ruhesitz Am Wannsee - Seniorenheimstatt GmbH, Berlin		X	100.00	26	26	0	1
CURANUM Franziskushaus GmbH, Gelsenkirchen		X	100.00	102	103	0	1
Residenz Lobberich GmbH, Nettetal-Lobberich		X	100.00	25	-1,783	-405	
CURANUM Bad Hersfeld GmbH, Haan		X	100.00	25	793	0	1
CURANUM Bessenbach GmbH, Haan		X	100.00	25	-28	90	1
CURANUM Baubetreuung und Immobilienmanagement GmbH, Haan		X	100.00	230	230	0	1
GAP Media Service GmbH, Munich		X	100.00	77	93	8	1
Bonifatius GPG Gesellschaft für Pflege und Gesundheit mbH, Munich (of which paid-in capital outstanding T€ 384)	X	X	55.00	511	339	-8	
2. OTHER SHAREHOLDINGS							
Bad Schwartauer AVG Altenheim-Vermietung GmbH & Co. KG, Munich	X		24.00	1,281	1,966	309	2;4
RIAG Seniorenzentrum "Ennepetal" KG, Königswinter	X		92.68	1,048	854	85	2;4
RIAG Seniorenzentrum "Erste" KG, Königswinter	X		93.75	2,045	1,598	129	2;4
RIAG Seniorenzentrum "Zweite" KG, Königswinter	X		93.47	1,207	981	14	2;4
Curanum Bonifatius AT GmbH, Villach	X		10.00	71	-2,857	-1,013	3;5
AT Management GmbH & Co. Bauträger MUC I KG, Munich	X		18.40	-	-	-	6
MHS Multi-Hygiene-Service GmbH, Gelsenkirchen			51.00	26	31	75	2;4

1 Profit- and loss-pooling agreement
2 No consolidation according to § 296 Para. 1 No. 1 HGB
3 Application of § 286 Para. 3 S. 2 HGB, § 313 Para. 2 No. 4 HGB
4 Preliminary figures as of 31.12.2004
5 Figures as of 31.8.2003
6 Figures not available due to insolvency

1. GENERAL REMARKS

CURANUM AG, Munich, is opting for §§ 298 Para 3 and 315 Para 3, German Commercial Code (HGB) and consolidating the Notes of the group and the parent company. If divergences are not indicated separately, the declarations contained therein apply to both Financial Statements.

The Consolidated Financial Statements and individual Financial Statements of CURANUM AG, Munich, were drawn up in accordance with the accounting regulations of the German Commercial Code (Handelsgesetzbuch) and the relevant provisions of the German Stock Corporation Act (Aktiengesetz).

The Income Statement was drawn up in accordance with the cost categories oriented format. In accordance with § 297 Para 1, sentence 2, German Commercial Code (HGB), a Cash Flow Statement is enclosed along with these Notes. We refrained from drawing up segmental reports, since all of the companies that are included in the Consolidated Financial Statements are involved solely in the running of private nursing homes.

2. CONSOLIDATED ENTITY

Besides the parent company, all of the directly or indirectly owned subsidiaries are integrated into the Consolidated Financial Statements, provided that there are no special reasons for their exclusion.

Subsidiaries in which the parent company holds a stake of more than 50 % are integrated according to the principles of full consolidation, with the minority stake being reported where applicable.

The companies that are integrated into the Consolidated Financial Statements are referred to in the list of shareholdings.

The cutoff date for the companies included in the consolidation is 31 December 2004.

THE FOLLOWING SUBSIDIARIES WERE ACQUIRED IN THE REPORTING YEAR:

1. As of May 1, 2004, 100 % of the shares in CURANUM Franziskus Haus GmbH, Gelsenkirchen.

The subsidiary operates three nursing care facilities in Gelsenkirchen and Oberhausen with a total of 316 in-patient care places. The acquisition costs amounted to T€ 6,850, including T€ 530 as goodwill. The goodwill of T€ 6,748 arising from the acquisition will be amortized using the straight-line method over a period of 15 years. CURANUM Franziskus Haus GmbH posted sales of T€ 11,476 in 2003 (T€ 11,392 in 2004). Earnings from ordinary activities in 2003 amounted to T€ 793 (T€ 707 in 2004). Due to existing control and profit transfer agreements (in 2004 with CURANUM Betriebs GmbH), no result for the year was reported for 2003 or 2004.

2. As of May 1, 2004 100 % of the shares in Franziskus Service GmbH, Bad Honnef.

The company provides domestic services, particularly in the fields of catering, cleaning and laundry, for the care facilities operated by CURANUM Franziskus Haus GmbH. The acquisition costs amounted to T€ 355. Due to the retroactive merger of Franziskus Service GmbH into Opticura Service GmbH as of January 1, 2004, information about sales (T€ 2,335 in 2003) and earnings from ordinary activities (T€ 793 in 2003) can be provided only for 2003. A result for the year of T€ 136 was reported for 2003. The goodwill of T€ 330 arising from the acquisition will be amortized using the straight-line method over a period of 11 years.

3. As of May 28, 2004 100 % of the shares in Alten- und Pflegeheim Sieglar GmbH, Bad Honnef.

The acquisition of the current business operations of the Sieglar-based care facility from CURANUM Betriebs GmbH as of December 1, 2004 means that this subsidiary now operates a nursing care facility with 168 inpatient care places. The acquisition costs amounted to T€ 1,735. The goodwill arising from the acquisition will be amortized using the straight-line method over a period of 15 years. Since the facility in Sieglar was part of CURANUM Betriebs GmbH in 2003, it is not possible to make any statements about sales, results from ordinary activities or results for the year in 2003 or 2004 (up to November 30, 2004). From December 1, 2004 onwards, Alten- und Pflegeheim Sieglar GmbH posted sales of T€ 504 and earnings from ordinary activities of T€ 64. Due to an existing control and profit transfer agreement with CURANUM Betriebs GmbH, no result for the year was reported for 2003 or 2004.

THE FOLLOWING SUBSIDIARIES WERE SOLD IN THE REPORTING YEAR:

- As of July 31, 2004 100 % of the shares in CURANUM Lehrte GmbH, Haan. CURANUM Lehrte GmbH operates a nursing care facility in Lehrte with 153 inpatient care places and 6 apartments. Its removal from the consolidated group as of July 31, 2004 led to a capital gain of T€ 685.

3. CONSOLIDATION PRINCIPLES

CAPITAL CONSOLIDATION

The capital is consolidated using the book value method in accordance with § 301 Para 1 sentence 2 no.1, HGB. According to this method, the acquisition costs of the participating interests are set off against the pro rata book values of their shareholders' equity at the time of acquisition or at the time when they were first integrated into the Consolidated Financial Statements. Assetside balancing items that arise from this offsetting are capitalized as goodwill in accordance with § 301 Para 3, HGB and depreciated regularly in accordance with § 309 Para 1 or set off openly against the reserves in the year of acquisition or the following year.

CURANUM AG, MUNICH
NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

DEBT CONSOLIDATION

The receivables and payables that arise between the group companies were eliminated.

ELIMINATION OF INTERCOMPANY PROFITS

The elimination of intercompany profits had not been carried out.

CONSOLIDATION OF INCOME AND EXPENSES

Intercompany sales, expenses and income were eliminated.

DEFERRED TAXATION

The application of uniform accounting and valuation regulations throughout the Group had the consequence that relevant tax deferments had to be carried out only where the reporting of special accounts under tax law was waived in the consolidated financial statements. Due to a tax loss carryforward by an affiliated company, deferred tax assets were formed for this purpose in the previous year's consolidated financial statements; these were exhausted in the reporting year. Tax deferments on grounds of intercompany mergers and the resultant goodwill at affiliated companies were neutralized at Group level.

4. ACCOUNTING AND VALUATION METHODS

The Balance Sheet and the Income Statement were drawn up in accordance with §§ 266, HGB and 275 Para 2, HGB.

The financial statements of the companies integrated into the Consolidated Financial Statements were drawn up in accordance with uniform accounting and valuation methods.

INTANGIBLE ASSETS

Intangible assets that were acquired are reported in the accounts at acquisition cost and, if subjected to wear and tear, are reduced by regular depreciations in accordance with their useful life.

GOODWILL

The existing self-generated goodwill and the goodwill arising from the first-time consolidation are reduced by regular depreciations in accordance with their useful lives, provided that they are not set off against reserves.

TANGIBLE ASSETS

Tangible assets were capitalized at acquisition cost. Their depreciation is carried out using the straight-line method over the useful life recognized under tax law. As a result of the change in tax regulations, additions in the reporting year are being reported as of their actual date of addition for the first time.

Low-cost fixed assets with net acquisition costs of up to € 410.00, with the exception of primary equipment, are depreciated in full in the year of their addition. In the reporting year immediate reporting as disposals was waived for the first time.

FINANCIAL ASSETS

Insofar as they are not consolidated, shares in affiliated companies and participating interests are reported in the balance sheet at acquisition cost, including subsequent acquisition costs if applicable. In respect of their composition, we refer to the enclosed list of shareholdings.

INVENTORIES

The inventories are valued at acquisition cost whereby raw materials and supplies have been accorded a fixed valuation for the first time.

RECEIVABLES AND OTHER ASSETS

Receivables and other assets are reported at their nominal value. Appropriate specific and general provisions are set up for discernible risks.

DEFERRED TAXATION

- Individual financial statements -

As a result of the merger between Curanum Bonifatius DT GmbH and CURANUM AG that was executed in the reporting year and the subsequent spinning off of Curanum Bonifatius DT GmbH's care facilities of into Curanum Betriebs GmbH, the merger loss of T€ 4,694 was capitalized as goodwill and has given rise to a liabilities-side deferred tax provision of T€ 1,126 at the controlling company CURANUM AG. When the liabilities-side deferred tax provision was set up, it was estimated on the basis of a corporation tax rate of 25 % and a solidarity surcharge of 5.5 %.

As a result of the merger of Franziskusservice GmbH, which was acquired in the reporting year, and its merger into Opticura GmbH, the merger loss of T€ 330 was capitalized as goodwill and has given rise to a liabilities-side deferred tax provision of T€ 115 at the controlling company CURANUM AG. When the liabilities-side deferred tax provision was set up, it was estimated on the basis of a trade tax rate of 16 %, a corporation tax rate of 25 % and a solidarity surcharge of 5.5 %.

- Consolidated financial statements -

As a result of a corporate tax loss carryforward amounting to T€ 5,216 posted by Curanum Bonifatius DT GmbH as of December 31, 2002, deferred tax assets of T€ 1,525 were formed for this purpose in the previous year's consolidated financial statements. When the deferred tax assets were set up, they were estimated on the basis of a corporation tax rate of 25 % and a solidarity surcharge of 5.5 %. As a result of the merger of Curanum Bonifatius DT GmbH that was executed in the reporting year, the deferred tax assets formed in the previous year were utilized.

Since the merger between Curanum Bonifatius DT GmbH and CURANUM AG carried out in the reporting year cannot be reported from a Group perspective, the tax provision of T€ 1,126 that was carried as a liability in the individual financial statements was adjusted in the consolidated financial statements.

Since no special accounts under tax law were set up in the consolidated financial statements, this has given rise to a liabilities-side deferred tax provision of T€ 371. When the liabilities-side deferred tax provision was set up, it was estimated on the basis of a corporation tax rate of 25 % and a solidarity surcharge of 5.5 %.

EXTRAORDINARY ITEMS FOR INVESTMENT ALLOWANCES

Extraordinary items contain building subsidies under public law for the construction or redevelopment of nursing homes. There is a retransfer when the properties eligible for favourable treatment start operations depending on their period of depreciation.

CURANUM AG, MUNICH
NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

ACCRUALS

The accruals take account of all discernible risks and contingent liabilities and correspond to the expected expenses.

LIABILITIES

The liabilities are reported at their repayment amounts.

5. NOTES TO INDIVIDUAL AND CONSOLIDATED BALANCE SHEET

(1) EXPENSES FOR THE START-UP AND EXPANSION OF THE BUSINESS

- Consolidated financial statements -

The reported amount refers to the costs of a new nursing care center opened in 2001 that were not covered by income in the year when it opened. The scheduled reversal of this item will take place over four years, starting in 2002.

FIXED ASSETS

The changes in fixed assets and the depreciation and amortization in the year under review are shown in the enclosed fixed-asset movement schedules.

(2) INTANGIBLE ASSETS

The depreciation of goodwill is based on a regular useful life of 15 years. The total goodwill is based on following items:

CURANUM AG, MUNICH
 NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

- Consolidated financial statements -

T€

	T€
accurato GmbH, Munich	232
CURANUM GmbH, Haan	5,357
Residenz Lobberich GmbH, Nettetal-Lobberich	1,694
Krankenheim Ruhesitz Am Wannsee-Seniorenheimstatt GmbH, Berlin	3,223
CURANUM Franziskushaus GmbH, Gelsenkirchen	6,942
CURANUM Bad Hersfeld GmbH, Haan	1,201
Opticura Service GmbH, Haan	300
Alten- und Pflegeheim Sieglar GmbH, Bad Honnef	1,726
	20,675

(3) TANGIBLE ASSETS

The regular depreciations are based on the following useful lives, which are uniform throughout the group:

Buildings	50 years
Improvements in buildings	8 - 15 years
Technical equipment and machinery / Factory and office equipment	3 - 20 years

(4) RECEIVABLES AND OTHER ASSETS

The listing of the shareholdings in accordance with § 285 no. 11, HGB (individual Financial Statements) and § 313 Para 2, HGB (Consolidated Financial Statements) can be found in the enclosed list of shareholdings.

CURRENT ASSETS

(5) RECEIVABLES AND OTHER ASSETS

The composition of the receivables and other assets and their residual periods to maturity are shown in the following tables:

CURANUM AG, MUNICH
 NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

- Individual financial statements -

Type of receivable	Sum total T€	Falling due in more than one year T€
Receivables from affiliated companies	16,538	0
Other assets	13,991	8,119

(5a) The receivables from affiliated companies result from ongoing clearing transactions and the profit pooling by CURANUM GmbH for the financial year 2004.

The other assets include receivables from shareholders amounting to T€ 9,119.

- Consolidated financial statements -

Type of receivable	Sum total T€	Falling due in more than one year T€
Trade receivables	5,597	882
Other assets	20,692	11,812

(5b) The trade receivables result essentially from the billing of nursing care services and rental of apartments to cost units and self-payers.

(5c) The other assets include receivables from shareholders amounting to T€ 9,384 and receivables from the sale of two operating units amounting to T€ 4,212.

(6) CASH ON HAND AND BANK BALANCES

Cash on hand and bank balances are reported at their nominal value. This item constitutes the financial resources in the enclosed cash flow statements.

CURANUM AG, MUNICH
NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

(7) PREPAID EXPENSES AND DEFERRED CHARGES

- Consolidated financial statements -

The prepaid expenses and deferred charges contain special rental payments of T€ 2,657, which will be reversed over the terms of the rental and lease agreements on which the payments are based.

(8) SHAREHOLDERS' EQUITY

Shareholders' equity for the fiscal years 2003 and 2004 developed as follows:

Individual financial statements	1.1.2003 €	Profit distribution €	Net income for the year €	31.12.2003 €
Subscribed capital	29,700,000.00	0.00	0.00	29,700,000.00
Capital reserves	11,762,658.82	0.00	0.00	11,762,658.82
Earnings reserves				
- Other earnings reserves	4,145,273.59	0.00	0.00	4,145,273.59
Unappropriated retained earnings	5,543,290.09	-5,346,000.00	4,629,483.75	4,826,773.84
Shareholders' equity	51,151,222.50	-5,346,000.00	4,629,483.75	50,434,706.25

Individual financial statement	1.1.2004 €	Profit distribution €	Net income for the year €	31.12.2004 €
Subscribed capital	29,700,000.00	0.00	0.00	29,700,000.00
Capital reserves	11,762,658.82	0.00	0.00	11,762,658.82
Earnings reserves				
Other earnings reserves	4,145,273.59	0.00	0.00	4,145,273.59
Unappropriated retained earnings	4,826,773.84	-2,376,000.00	7,906,568.08	10,357,341.92
Shareholders' equity	50,434,706.25	-2,376,000.00	7,906,568.08	55,965,274.33

CURANUM AG, MUNICH
NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

Consolidated financial statement	1.1.2003 €	Withdrawals from reserves Profit distribution €	Consolidated net income for the year €	31.12.2003 €
Subscribed capital	29,700,000.00	0.00	0.00	29,700,000.00
Capital reserves	5,136,316.04	0.00	0.00	5,136,316.04
Consolidated balance sheet deficit	-9,754,160.94	-5,346,000.00	3,553,990.28	-11,546,170.66
Balancing items for shares of other shareholders	-15,583.30	0.00	484.34	-15,098.96
Shareholders' equity	25,066,571.80	-5,346,000.00	3,554,474.62	23,275,046.42

Consolidated financial statement	1.1.2004 €	Withdrawals from reserves Profit distribution €	Consolidated net income for the year €	31.12.2004 €
Subscribed capital	29,700,000.00	0.00	0.00	29,700,000.00
Capital reserves	5,136,316.04	0.00	0.00	5,136,316.04
Consolidated balance sheet deficit	-11,546,170.66	-2,376,000.00	5,194,768.51	-8,727,402.15
Balancing items for shares of other shareholders	-15,098.96	0.00	3,422.13	-11,676.83
Shareholders' equity	23,275,046.42	-2,376,000.00	5,198,190.64	26,097,237.06

(8a) SUBSCRIBED CAPITAL

The capital of the company amounting to € 29,700,000.00 as of 31 December 2001 comprises 29,700,000 no par value bearer shares.

AUTHORIZED CAPITAL

A resolution of the Annual Shareholders' Meeting on 27 November 2000 authorized the Management Board, with the approval of the Supervisory Board, to increase the capital stock on one or more occasions in return for contributions in cash or in kind up to 27 November 2005, but by no more than € 12,307,464.00 (Authorized Capital 2000). The Management Board has not yet made use of this authorization.

CONTINGENT CAPITAL

The capital stock was increased conditionally by € 1,533,875.64 as a result of the resolution from 20 May 1997 (Contingent Capital 1997). The increase was listed in the Commercial Register on 8 August 1997. The contingent capital increase will be effected only insofar as the holders of convertible profit-sharing certificates in accordance with the terms and conditions of those certificates exercise their conversion rights up to 1 August 2007.

In addition, the Annual Shareholders' Meeting resolved on 27 November 2000 to increase the capital stock by a further € 330,000.00 (Contingent Capital 2000). The contingent capital increase was carried out to facilitate the issuance of stock options to employees of the company. A stock option plan has not yet been drawn up.

(8b) BALANCING ITEMS FOR HOLDINGS OF OTHER SHAREHOLDERS

These were reported with the pro rata capital held by the other shareholders in the subsidiary Bonifatius GPG Gesellschaft für Pflege und Gesundheit mbH, Munich, that was integrated into the Consolidated Financial Statements, balanced against the pro rata results for the year.

SPECIAL ACCOUNT FOR INVESTMENT SUBSIDIES

The special account contains public building cost subsidies for the erection and/or renovation of nursing care facilities. They will be released analogous to their amortization period when the subsidized facilities are put into operation.

ACCRUALS

(9) OTHER ACCRUALS

The other accruals basically consist of personnel expenses, outstanding bills and the cost of financial statements and audits.

CURANUM AG, MUNICH
NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

(10) SHAREHOLDERS' EQUITY AND LIABILITIES

(10a) The convertible profit-sharing certificates amounting to T€ 12,271.0 that were issued are divided up into 2,000 units with a nominal value of € 1,022.59 (corresponding to DM 2,000.00) and 2,000 units with a nominal value of € 5,112.92 (corresponding to DM 10,000.00). The issuing price was 104%. The premium from the issuance of the convertible profit-sharing certificates amounting to T€ 491 was transferred to the capital reserves. The certificates could be converted to shareholders' equity for the first time in November 1999. No conversion has yet taken place. In principle, convertible profitsharing certificates that are not converted by 1 August 2007 will fall due at their nominal value on 31 August 2007. The composition of the liabilities and their times to maturity are shown in the following tables:

- Individual financial statements -

Type of accounts payable	Sum total T€	Expected times to maturity		Security provided	
		Up to 1 year T€	More than 5 years T€	Amount T€	Type
Convertible profit-sharing certificates	12,271	0	0	0	
Bank loans and overdrafts	4,006	2,639	1,271	1,483	Land charges
Trade payables	544	544	0	0	
Payables to affiliated companies	5,786	5,786	0	0	
Other liabilities	1,609	1,322	287	0	
- of which taxes	64 (2003: 67)	64 (2003: 67)	-	-	
- of which social security payables	1 (2003: 5)	1 (2003: 5)	-	-	

(10b) The accounts payable to affiliated companies are the result of ongoing clearing transactions. Other liabilities contain liabilities to shareholders amounting to T€ 319.

CURANUM AG, MUNICH
NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

- Consolidated financial statements -

Type of accounts payable	Sum total T€	Expected times to maturity		Security provided	
		Up to 1 year T€	More than 5 years T€	Amount T€	Type
Convertible profit-sharing certificates	12,271	0	0	0	
Bank loans and overdrafts	9,279	6,421	2,618	3,191	Land charges
Trade payables	71	71	0	775	Guaranties
Prepayments	5,493	5,493		0	
Other liabilities	14,846	14,089	0	0	
- of which taxes	1,249	1,249	287	792	Collateral
	(2003: 1,437)	(2003: 1,437)	-	-	
- of which social security payables	2,951	2,951	-	-	
	(2003: 2,991)	(2003: 2,991)	-	-	
			-	-	

(10c) Other liabilities contain liabilities to shareholders amounting to T€ 319.

6. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENCIES

- Consolidated financial statements -

CURANUM AG has issued a letter of comfort for the benefit of Curanum Bonifatius AT GmbH and will exert influence on that company so that it honors all of its obligations.

In addition, there exists an obligation arising from a real estate lease agreement for a residential and nursing home in Vienna, Austria, with an annual lease amounting to T€ 1,352. The real estate lease agreement also gives rise to a counterclaim of the same amount resulting from a sublease agreement concluded with the operating company, which entered fully into the lease agreement in the previous year.

CURANUM AG, MUNICH
 NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

OTHER FINANCIAL OBLIGATIONS

The other financial obligations refer to rental and lease obligations of the following amounts:

Type of receivable	Individual Financial Statements T€	Consolidated Financial Statements T€
from rental and lease agreements for		
- nursing care centers	2,254	41,896
- office premises	0	419
from ground lease interest	77	77
from other rental and lease agreements	39	2,030

7. DERIVATIVE FINANCIAL INSTRUMENTS

On December 22, 2004 CURANUM AG concluded two interest rate derivative transactions (trigger swap variation), each with a term of two years. Each of the interest rate derivative transactions has a nominal value of T€ 5,000. The two interest rate derivative transactions are deposited as credit, since the swaps serve to reduce the lending interest rates for the reported convertible profit-sharing certificates. In the event of a mark-to-market valuation with close-of-business parameters, CURANUM AG would pay T€ 117 and T€ 121 respectively as of the balance sheet date.

8. NOTES TO THE INCOME STATEMENT

(11) SALES

The sales that are reported are accounted for by the operation of nursing care centers and the renting of apartments.

All of the sales were generated in Germany.

CURANUM AG, MUNICH
NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

(12a) OTHER OPERATING INCOME

	Individual Financial Statements T€	Consolidated Financial Statements T€
Refund on merchandise	0	576
Income from the reversal of accruals	0	436
Income from the retransfer of valuation allowances	871	2,070
Other income not related to the reporting period	22	1,365
Other operating income	1,426	3,334

PERSONNEL EXPENSES

Of the group's personnel expenses 109 T€ (2003: 162 T€) relate to pension expenses.

(12b) OTHER OPERATING EXPENSES

	Individual Financial Statements T€	Consolidated Financial Statements T€
General administrative costs	1,463	5,698
Charges	4	2,474
Insurances	61	799
Rental/Leases	41	1,670
Expenses from write-downs on receivables	871	2,563
Expenses from appropriation to valuation allowances	67	472
Other expenses not related to the reporting period	14	1,596
Other operating expenses	366	2,495

FINANCIAL RESULT

The financial result reported in the individual financial statements includes income earnings of affiliated companies amounting to T€ 1.

EXTRAORDINARY NET INCOME/LOSS

This item consists entirely of expenses amounting to T€ 2,124 that were occasioned by a valuation allowance for receivables from a formerly affiliated company.

9. OTHER INFORMATION

ORGANS OF THE COMPANY / THE GROUP

The Supervisory Board consisted of the following persons in the year under review:

- Dr. Michael Roggen, attorney, Meerbusch - Chairman -
- Mr. Björn Michael, commercial employee, Forstern - Vice-Chairman -
- Dr. Dieter Thomae, business administration graduate (Dipl.-Kaufmann)
- Dr. Jörg Lüttge, attorney and tax consultant, Bonn
- Mr. Klaus Neumann, business administration graduate (Dipl.-Kaufmann), Dormagen (until 31.01.2004)
- Dr. Wolfgang Freimuth*, business administration graduate (Dipl.-Kaufmann), Hannover (since 24.06.2004)
- Mr. Michael Sasse, attorney and notary, Schwelm
- Mr. Wolfgang Sauermilch, graduate social worker, Düsseldorf
- Ms. Sabine Merazzi-Weirich, commercial employee, Munich
- Mr. Harry Plewe, commercial employee, Heinsberg
- Ms. Angelika Pohl, commercial employee, Munich

The total cost of remuneration for the members of the Supervisory Board amounted to T€ 42 in the year under review.

The Management Board consisted of the following persons in the year under review:

- Mr. Hans-Milovan Halhuber, assessor (Ass.-jur.), Grünwald - Chairman -
- Mr. Bernd Scheweling, business administration graduate, Munich
- Mr. Jens Spitzer, merchant, Cologne

Remuneration amounting to T€ 685 was paid to or partly deferred for the Management Board in the year under review.

* Further Supervisory Board mandate: mercant AG, Holzwickede

CURANUM AG, MUNICH
 NOTES TO INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS 2004

EMPLOYEES

The average payroll during the financial year under review consisted of three board members for the Corporation (AG) and 3,912 for the group; these are classified according to the following groups:

Employees 2004	Corporation (AG)	Group
- white-collar employees	0	2,749
- industrial employees	0	537
- apprentices/trainees	0	107
- temporary staff	0	626

EXEMPTION IN ACCORDANCE WITH § 264 PARA 3, GERMAN COMMERCIAL CODE (HGB)

The following companies, which were integrated into the Consolidated Financial Statements of CURANUM AG as part of the full consolidation, are making use of the exemption from the obligation to draw up, audit and publish annual financial statements and a management report in accordance with the stipulations that apply to corporations:

- CURANUM GmbH, Haan
- CURANUM Betriebs GmbH, Haan
- Krankenhaus Ruhesitz Am Wannsee – Seniorenheimstatt GmbH, Berlin
- Opticura Service GmbH, Haan
- CURANUM Franziskushaus GmbH, Gelsenkirchen
- Altenheim Betriebsgesellschaft Süd GmbH, Munich

CORPORATE GOVERNANCE

CURANUM AG has issued the declaration that is stipulated by § 161, Stock Corporation Act (AktG) and made it permanently accessible to the shareholders.

PROPOSAL FOR THE APPROPRIATION OF EARNINGS

The Management and Supervisory Boards of the company propose to pay a dividend of € 0.14 per share, corresponding to a total amount of T€ 4,158. The remaining retained earnings are to be carried forward to the next year.

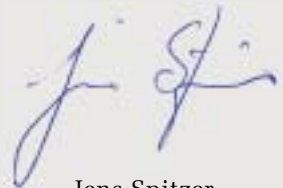
Munich, March 2005



Hans-Milo Halhuber



Bernd Scheweling



Jens Spitzer

AUDIT CERTIFICATE

We have issued the following combined certificate of approval for the consolidated financial statements, annual accounts – the auditing of which is the subject of a separate report – and the management report and group management report:

„We have audited the Financial Statements, including the accounting records, of Curanum AG, Munich, and its report on the position of the company and the group for the financial year from January 1 to December 31, 2004. The maintenance of accounting records and the preparation of the Financial Statements and the Annual Report under German commercial law are the responsibility of the legal representatives of the Company. Our task is to deliver an assessment of the Financial Statements, including the accounting records, and of the Annual Report on the basis of the audit conducted by us.

We have conducted our audit of the Annual Accounts in accordance with § 317, German Commercial Code (HGB) and in consideration of the generally accepted auditing standards as defined by the Institut der Wirtschaftsprüfer (IDW) [German Institute of Auditors]. These rules require that the audit be planned and carried out in such a manner that they detect with sufficient certainty any inaccuracies and infringements which in consideration of the principles of proper accounting might have a significant impact on the picture of the company's assets, financial and earnings situation as conveyed by the Financial Statements and by the Annual Report of the Company and the Group. In defining the audit activities to be undertaken, consideration is given to knowledge of the business activities and the economic and legal circumstances of the company and the group and possible errors that may be anticipated. Within the framework of the audit, the efficiency of the internal control system and proof of the information contained in the accounting records, the Financial Statements and the Management Report of the Company and the Group are assessed primarily on the basis of random sampling. The audit encompasses assessments of the balance sheet reporting principles applied and the most important appraisals by the Company's legal representatives as well as an evaluation of the overall presentation of the Financial Statements and the Management Report of the Company and the Group. We are of the opinion that our audit provides a sufficiently secure basis for our assessment.

Our audit has not given rise to any objections. We are satisfied that in consideration of the principles of proper accounting, the Financial Statements and Consolidated Financial Statements convey a picture of the assets, financial and earnings situation of the Company which accords with the actual circumstances. The annual Management Report of the Company and the Group provides an accurate overall impression of the situation of the Company and the Group and accurately represents the risks for future development.“

Munich, 1 April 2004

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Walbröl
auditor

Schmidt
auditor

CURANUM AG – FINANCIAL CALENDAR 2005

19 TH APRIL 2005	Press conference, Munich
20 TH APRIL 2005	Analyst conference, Frankfurt
17 TH MAY 2005	Quarterly report I/2005
23 RD JUNE 2005	Annual General Meeting
11 TH AUGUST 2005	Quarterly report II/2005
4 TH OCTOBER 2005.....	Analyst conference, Frankfurt
10 TH NOVEMBER 2005	Quarterly report III/2005
NOVEMBER 2005	German Equity Conference, Frankfurt

CONTACT

CONTACT

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More information about our company and our facilities:
www.curanum.de

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Good care has a home.