



CURANUM

Good care has a home.

CURANUM AG, Munich

QUARTERLY REPORT FOR THE PERIOD
FROM JANUARY 1 TO SEPTMBER 30, 2004

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GERMAN ECONOMY STILL IN THE TOW OF THE GLOBAL ECONOMY

The buoyant global upturn lost some momentum in the third quarter of the ongoing year due to the discontinuation of financial policy impulses emanating from the USA, administrative restrictions in China and the strong rise in crude oil prices. In 2004, economic activity in Germany benefited from strong export impulses that failed to spark firmer domestic demand, resulting in a continuation of weak domestic markets in the third quarter of 2004. By the beginning of the fourth quarter the economic upswing had not resulted in any improvements on the employment market. It is expected that the continuation of economic growth will result in a gradual improvement in employment situation; however, a rapid and significant improvement is hardly probable. Based on rising disposable income and gradually increasing employment security experts anticipate stronger consumer spending by next year at the latest. We are convinced that the brightening situation on the employment markets and firmer domestic demand will also result in stronger demand for care places.

FINANCIAL DURESS FORCES BAVARIAN MUNICIPALITIES TO ACCOMMODATE PERSONS IN NEED OF CARE IN DOUBLE BED ROOMS

Although policy makers in the past had demanded more single bed rooms for persons in need of care and had also committed government means towards targeted funding of such accommodation, the Federal State of Bavaria has reached an agreement with financially weak districts to accommodate recipients of social security submitting new applications for care places in two bed rooms. With this decision, the government of the Federal State of Bavaria is responding to several

initiatives by Bavarian districts that had announced these measures as part of their policy to reduce local government and municipal expenditures. Christa Stewens, the responsible Minister for Social Security, regards two bed rooms as basically reasonable and has therefore approved of the initiative of the districts as legitimate. It is apparent, however, that access to single bed rooms is frequently asserted with the help of medical or doctor's certificates.

As a matter of principle, CURANUM AG has single bed and two bed rooms at all care facilities, especially in view of the fact that an exclusive single bed concept would often disagree with the wishes of residents and their families. In some instances the interested parties are looking for an accommodation option that is more cost favorable by comparison with single bed rooms, or they appreciate the advantages of double bed solutions in terms of the company with other residents and the additional safety component associated with a shared room.

MEDIA, POLITICAL CIRCLES AND INTEREST GROUPS REPRESENTING THE SOCIALLY DISADVANTAGED CONTRIBUTE TO THE POOR REPUTATION OF NURSING CARE OF SENIOR CITIZENS

Surveys have revealed that the majority of persons active in the care of senior citizens are very satisfied with their work and attend to individuals in need of care – also beyond prescribed scope of tasks. Surveys have also shown that the majority of residents are satisfied with the work performed by the care and nursing staff.

In spite of this situation, the media, policy makers and also the interest groups representing the socially disadvantaged have continuously voiced accusations of

the apparently poor state of affairs in nursing care for the elderly in Germany. The drift of the media reporting would readily suggest that just about every care facility is beset with serious irregularities and mismanagement.

In line with the basic way in which the mass media function, negative events are accorded far more space than positive activities and developments. It is well known to the general public, however, that improved funding and therefore more personnel for the system of nursing care for the elderly would enable the care and nursing facilities to bring stronger focus to the needs of the occupants.

As especially policy makers have failed to find convincing concepts addressing to the issues of financing the demographically caused rising number of persons requiring nursing care, a convenient approach is taken in finding the parties at fault and solving the problems: more stringent legislation, more controlling and more documentation obligations have resulted. The fact that these changes entail less time being available for committed, high quality care would not appear to interest policy makers, the media and interest groups representing the socially disadvantaged to any appreciable measure.

What remains is the poor reputation of nursing care of the elderly among the general public, an impression that is thoroughly reversed by anyone who has ever taken the time to visit one of our care facilities and witness the committed and outstanding work of our staff first hand. We would be pleased if you could also take the opportunity to visit one of our 45 facilities and form your own opinion.

QUALITY INITIATIVE AT CURANUM

Our quality management system of many years standing, which was certified according to DIN ISO last year, was bolstered by new staff joining the department in the second half of 2004. This measure was taken in order to not only consistently monitor and improve the high quality of care at our facilities, but also in order to continuously provide our staff with training, advanced vocational training and thereby place even greater emphasis on “customer satisfaction” in other words, to focus our activities even more strongly on the resulting quality we achieve. In addition, we have assigned an independent, external institute dedicated to nursing care science to assess and evaluate our facilities, in order to gain an evaluation of our performance from a different vantage point and further improve our activities.

SALES INCREASE BY 8.5%

In the first nine months of the current business year the overall performance of the CURANUM Group was up by 8.5% to € 137.8 million (previous year: € 127.1 million). This was mainly due to the inclusion of Franziskushaus GmbH in group of consolidated companies as of May 1, 2004 and the improved occupancy of the care facilities commissioned at the end of 2002. At € 122.1 million, the Group generated around 91 % of the sales revenues directly from care services, a further € 1.8 million from outpatient care service and € 6.9 million from the activities in the assisted living sector. The item of miscellaneous operating earnings consists of earnings from the liquidation of valuation allowances (T€ 961), from below the line items (T€ 873), reimbursements on goods (T€ 428), as well as the liquidation of reserves (T€ 335) and other earnings (T€ 958).

MANAGEMENT REPORT

In the third quarter alone from July 1 to September 30, 2004 the CURANUM Group generated total sales of € 47.4 million, which represents a gain of 8.4% over the third quarter of the previous year (€ 43.7 million).

EBITDA LEAPS BY 25% TO € 9.4 MILLION

The key performance figures of the first nine months, and especially from the third quarter, clearly reflect the success of our efforts to further increase the capacity utilization of our facilities and achieve synergy effects by bundling secondary services. Moreover, the performance of Franziskushaus GmbH made a significant contribution to the improved earnings. As of September 30, 2004, earnings before interest, tax, depreciation and amortization and extraordinary items (EBITDA) had moved ahead from € 7.5 million to € 9.4 million (+25.6%), while earnings before interest, tax and extraordinary items (EBIT) amounted to € 7.2 million (previous year: € 5.8 million). Thanks to the increase of 28.6 % profit on ordinary activities (EBT) improved from € 5.1 million in the first nine months of the previous year to € 6.6 million in the reporting period just concluded.

Due to a one-time discount on accounts receivable from the former subsidiary Curanum Bonifatius AT GmbH the result was reduced by € 1.5 million. Due to lower taxes on income earnings after tax (EAT) in the first nine months of the ongoing business year came in at € 3.6 million, which represents an increase of around 42%. Earnings per share (EAT distributed over 29.7 million shares) moved up to € 0.12 (previous year: € 0.08).

THIRD QUARTER ESPECIALLY STRONG

In the third quarter of the ongoing business year the earnings before interest, tax and extraordinary items

was up by 52.9% to € 3.8 million (previous year: € 2.5 million), while prior tax earnings even leapt by 77.6% to € 2.8 million (previous year: € 1.6 million). In spite of the extraordinary result, earnings after tax rose to € 1.3 million, while the previous year's figure stood at € 0.5 million. Consequently, earnings per share rose sharply from € 0.017 to € 0.045 in the third quarter.

Cash flow from ordinary business activities stood at T€ 358 (previous year: € 15.2 million) due to the planned and seasonal reduction of accounts receivable and outstanding. Cash flow from investment activities amounted to T€ 117 (previous year: € -9.8 million), while cash flow from financing activities of € -2.4 million (previous year: € -5.4 million) consisted mainly of the dividend disbursement.

FURTHER IMPROVEMENT OF EQUITY RATIO

The financial position showed only minor changes by comparison with June 30, 2004. Due to seasonal fluctuations the accounts receivable from sales and services declined to € 3.8 million (June 30, 2004: € 5.5 million), while miscellaneous asset dipped to € 19.3 million (June 30, 2004: € 20.7 million) so that current assets were down from € 27.0 million at the end of the first half of 2004 to € 23.9 million as of September 30, 2004.

Thanks to the good earnings situation and the moderate disbursement, the Group net loss of € -11.5 million in the previous year (December 31, 2003) came in at € -10.4 million at the end of the reporting period. Due to the repayment of receivables and debts the balance sheet total was reduced from € 101.6 million to € 88.1 million, the equity ratio rose in this period from 22.9% to 27.8%.

STAFF

In the first nine months of the year 2004 the CURANUM Group employed an average of 3,914 (previous year: 3,869), of which 2,751 are salaried employees, 539 industrial and trade employees and 624 temporary workers. Our 106 trainees and interns reflects our commitment to offering young individuals the opportunity to obtain qualified training and qualify suitable members of younger generations for positions in the growing employment market of care and nursing professions serving the elderly.

PERFORMAXX: CURANUM SHARE WORTH € 3.57 – ALSO EXCLUDING FURTHER ACQUISITIONS

On October 19, 2004 Performaxx Research GmbH issued an analysis of CURANUM AG and recommended "buy" as an initial evaluation. The Performaxx Research analysts based their evaluation on three scenarios: according to the first scenario the company will grow by acquiring 5 to 7 facilities per year that will be financed by increasing share capital whereby the number of shares will grow steadily. The second model is based on exclusive organic growth by a maximum of one facility per year with 100 beds, while the third scenario assumes a total stagnation as of 2005. The model calculations show the current undervaluation of the company in a very clear manner, even without any growth whatsoever. According to the growth scenario the Performaxx analysts rate the share at € 3.83, given organic growth of only 100 beds per year at € 3.57 and even without growth Performaxx accords the CURANUM share a value of € 2.19.

Please visit our home page www.curanum.de where you can download the entire analysis under the Investor Relations/Downloads section.

OUTLOOK

The economic research institutes forecast improvements on the labor market at the end of the ongoing business year and the upcoming year. Disposable income is expected to move ahead by 2.3% in the year 2005 and after deduction of rising prices of 1.5% around 1% will remain. The reforms of the health care system, including the nursing care insurance scheme, are still subject to controversial debate and it is not anticipated that an agreement will be reached in this year still.

We can be pleased with the excellent performance of the CURANUM Group to date, against the backdrop of an environment that presented a number of difficulties. In the ongoing business year we expect to be able to exceed the planned operating result. The examination of suitable acquisition objects will be continued, while the negotiations engaged in to date have not yet been brought to a successful conclusion. We are confident, however, that we will be able to announce our next step in our expansion strategy in the near future.

Munich, November 2004
The management board

CURANUM AG, MUNICH
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2004

ASSETS	Notes	30.9.2004 €	31.12.2003 €
A. EXPENSES FOR THE START-UP AND EXPANSION OF THE BUSINESS	1)	359,502.11	575,203.37
B. FIXED ASSETS			
I. Intangible assets	2)		
1. Concessions, industrial property rights and similar rights and assets, and licenses in such rights and assets		8,185,652.12	8,198,782.03
2. Goodwill		18,992,903.51	13,377,568.86
		27,178,555.63	21,576,350.89
II. Tangible assets	3)		
1. Land, similar rights and buildings including buildings on leasehold land		20,930,906.39	20,925,258.01
2. Other equipment, factory and office equipment		5,055,383.21	5,462,739.83
3. Prepayments and construction in process		0.00	65,681.28
		25,986,289.60	26,453,679.12
III. Financial assets	4)		
1. Participating interests		7,643,874.61	7,824,309.21
2. Other loans		0.00	755,645.94
		7,643,874.61	8,579,955.15
		60,808,719.84	56,609,985.16
C. CURRENT ASSETS			
I. Inventories			
1. Raw materials and supplies		504,309.99	493,300.00
2. Work in process: goods and services		54,421.70	54,421.70
		558,731.69	547,721.70
II. Receivables and other assets	5)		
1. Trade receivables	5a)	3,753,198.79	8,533,811.63
2. Other assets	5b)	19,294,775.55	27,905,084.78
		23,047,974.34	36,438,896.41
III. Securities			
1. Other securities		0.00	2,800,000.00
IV. Cash on hand, bank balances	6)	327,204.56	421,474.69
		23,933,910.59	40,208,092.80
D. PREPAID EXPENSES AND DEFERRED CHARGES	7)	2,970,831.32	2,730,678.51
E. TAX ACCRUALS		0.00	1,525,000.00
BALANCE SHEET TOTAL		88,072,963.86	101,648,959.84

SHAREHOLDERS' EQUITY AND LIABILITIES		Notes	30.9.2004 €	31.12.2003 €
A. SHAREHOLDERS' EQUITY	8)			
I. Subscribed capital	8a)		29,700,000.00	29,700,000.00
II. Capital reserves			5,136,316.04	5,136,316.04
III. Consolidated balance sheet deficit			-10,350,794.07	-11,546,170.66
IV. Minority interests	8b)		-14,217.13	-15,098.96
			24,471,304.84	23,275,046.42
B. SPECIAL ACCOUNT FOR INVESTMENT SUBSIDIES			13,214,447.35	13,468,029.86
C. ACCRUALS				
1. Tax accruals			3,290,306.98	4,500,764.99
2. Other accruals	9)		7,283,514.40	6,770,570.34
			10,573,821.38	11,271,335.33
D. ACCOUNTS PAYABLE	10)			
1. Convertible profit-sharing certificates	10a)		12,271,005.15	12,271,005.15
2. Bank loans and overdrafts			8,798,884.06	12,093,959.36
3. Customer advances			70,730.83	70,730.83
4. Trade payables			4,766,730.75	9,882,448.35
5. Other liabilities	10b)		12,176,990.37	17,491,386.29
			38,084,341.16	51,809,529.98
E. DEFERRED INCOME			1,729,049.13	1,825,018.25
BALANCE SHEET TOTAL			88,072,963.86	101,648,959.84

CURANUM AG, MUNICH
CONSOLIDATED INCOME STATEMENT
FOR Q3 AND THE PERIOD FROM JANUARY 1 TO SEPTEMBER 30, 2004

	Quarterly Report III/2004 1.7.-30.9.2004 €	Quarterly Report III/2003 1.7.-30.9.2003 €	9-month Report 1.1.-30.9.2004 €	9-month Report 1.1.-30.9.2003 €
1. Sales	46,303,527.04	43,100,020.90	134,284,304.23	125,049,641.37
2. Decrease/Increase in finished goods and work in progress	0.00	0.00	0.00	10,992.78
3. Other operating income	1,060,420.06	588,254.08	3,553,727.33	2,027,966.36
	47,363,947.10	43,688,274.98	137,838,031.56	127,088,600.51
4. Cost of materials				
a) Property rental and lease expenses	10,832,518.41	10,210,953.70	32,268,882.24	29,507,849.51
b) Cost of raw materials, supplies and merchandise	3,484,634.41	3,500,306.22	10,540,289.13	10,376,462.21
c) Cost of purchased services	2,027,412.18	2,021,414.16	5,997,724.96	5,773,846.68
5. Personnel expenses				
a) Wages and salaries	19,732,345.28	19,360,355.77	57,371,228.35	55,197,331.75
b) Social security, pensions and other benefits	3,711,916.65	3,418,104.25	10,659,275.59	10,318,292.18
6. Amortization of fixed tangible and intangible assets	794,348.59	606,112.56	2,233,776.27	1,707,560.39
7. Other operating expenses	3,822,334.07	2,723,259.76	11,571,756.73	8,407,460.25
	44,405,509.59	41,840,506.42	130,642,933.27	121,288,802.97
8. Income from participating interests	6,390.00	66,390.00	19,209.52	199,170.00
9. Other interest and similar income	271,439.91	262,165.61	726,287.56	985,528.58
10. Interest and similar expenses	-442,236.43	-602,833.57	-1,342,890.87	-1,854,907.89
	-164,406.52	-274,277.96	-597,393.79	-670,209.31
11. NET OPERATING INCOME	2,794,030.99	1,573,490.60	6,597,704.50	5,129,588.23
12. Extraordinary net income (loss)	-1,463,589.61	0.00	-1,463,589.61	0.00
13. Taxes on income	65,724.54	-961,567.88	-1,337,653.89	-2,329,484.94
14. Other taxes	-71,206.67	-102,731.13	-224,202.58	-279,010.01
15. NET INCOME FOR THE YEAR	1,324,959.25	509,191.59	3,572,258.42	2,521,093.28
16. Accumulated losses brought forward from previous year	-11,546,170.66	-9,754,160.94	-11,546,170.66	-9,754,160.94
17. Dividend payment	0.00	0.00	-2,376,000.00	-5,346,000.00
18. Earnings due to other shareholders	-93.55	-57.86	-881.83	-429.26
19. CONSOLIDATED BALANCE SHEET DEFICIT	-10,221,304.96	-9,245,027.21	-10,350,794.07	-12,579,496.92

CURANUM AG, MUNICH
CONSOLIDATED CASH FLOW STATEMENT
AS OF SEPTEMBER 30, 2004

	1.1. - 30.9.2004 T€	1.1. - 30.9.2003 T€
Earnings for the period (including minority interests) before extra-ordinary results	5,036	2,521
+/- Write-downs / Write-ups of fixed assets	2,234	1,708
+/- Change in accruals	-697	3,044
+/- Other expenses and income not affecting payments	721	82
-/+ Increases / Decreases in inventories, trade receivables and other assets that are not attributable to investment or financing activity	6,850	12,381
+/- Increases / Decreases in trade payables and other liabilities that are not attributable to investment or financing activity	-13,786	-4,534
= NET CASH MOVEMENTS FROM CURRENT BUSINESS OPERATIONS	358	15,202
+ Cash inflows from tangible fixed assets / intangible fixed assets	965	0
- Cash outflows for investments in tangible fixed assets / intangible fixed assets	-803	-10,503
+ Cash inflows into special accounts for investment subsidies	0	630
- Cash outflows from special accounts for investment subsidies	-434	0
+ Cash inflows from disposals of financial assets	155	31
= NET CASH MOVEMENTS FROM INVESTMENT ACTIVITY	-117	-9,842
- Profit distribution in the current financial year	-2,376	-5,346
- Cash outflows from the redemption of loans and (financial) credit	-36	-48
= NET CASH MOVEMENTS FROM FINANCING ACTIVITY	-2,412	-5,394
Changes in financial resources affecting payments	-2,171	-34
Financial resources at the beginning of the period	421	356
Change in financial resources resulting from the consolidated entity	2,077	0
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	327	322
Cash and cash equivalents	327	322
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	327	322

CURANUM AG, MUNICH
 CHANGES IN CONSOLIDATED FIXED ASSETS
 IN THE PERIOD FROM 1.1. TO 30.9.2004

	ACQUISITION AND PRODUCTION COST				
	1.1.2004 €	Additions €	Disposals €	Change in the consolidated entity €	
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	24,569.28	0.00	0.00	8,440,198.87
2. Goodwill	37,593,787.00	0.00	742,927.07	7,277,441.41	44,307,151.45
	46,009,416.59	24,569.28	742,927.07	7,277,441.41	52,747,350.32
II. Tangible assets					
1. Land, similar rights and buildings including buildings on leasehold land	23,194,100.10	463,940.03	73,458.88	1,588.95	23,472,534.16
2. Other equipment, factory and office equipment	8,741,912.36	184,847.91	124,085.88	46,881.21	8,811,494.08
3. Prepayments and construction in process	65,681.28	128,790.06	195,314.78	843.44	9,764.38
	32,001,693.74	777,578.00	392,859.54	49,313.60	32,293,792.62
III. Financial assets					
1. Participating interests	9,358,184.85	6,875,000.00	155,434.60	-6,900,000.00	9,177,750.25
2. Other loans	755,645.94	0.00	255,645.94	-500,000.00	255,645.94
	10,113,830.79	6,875,000.00	411,080.54	-7,400,000.00	9,433,396.19
TOTAL	88,124,941.12	7,677,147.28	1,546,867.15	-73,244.99	94,474,539.13

1.1.2004 €	ACCUMULATED DEPRECIATION			30.9.2004 €	BOOK VALUES	
	Additions €	Disposals €	Change in the consolidated entity €		30.9.2004 €	31.12.2003 T€
575,203.36	215,701.26	0.00	0.00	719,004.20	359,502.11	575
216,847.56	37,699.19	0.00	0.00	242,306.98	8,185,652.12	8,198
24,216,218.14	985,633.30	75,210.27	8,756.66	24,744,037.26	18,992,903.51	13,378
24,433,065.70	1,023,332.49	75,210.27	8,756.66	24,986,344.24	27,178,555.63	21,576
2,268,842.09	386,421.72	0.00	0.00	2,524,223.87	20,930,906.39	20,925
3,279,172.53	608,320.80	96,267.95	2,947.01	3,611,036.13	5,055,383.21	5,463
0.00	0.00	0.00	0.00	0.00	0.00	66
5,548,014.62	994,742.52	96,267.95	2,947.01	6,135,260.00	25,986,289.60	26,454
1,533,875.64	0.00	0.00	0.00	1,533,875.64	7,643,874.61	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	7,643,874.61	8,580
31,514,955.96	2,018,075.01	171,478.22	11,703.67	32,655,479.88	60,808,719.84	56,610

CURANUM AG, MUNICH
LIST OF SHAREHOLDINGS AS OF SEPTEMBER 30, 2004

	Stake %	Subscribed Capital T€	Share- holders' Equity 2003 T€	Earnings Q III 2004 T€	Earnings 2003 T€	Notes
1. CONSOLIDATED SUBSIDIARIES						
CURANUM GmbH, Haan	100.00	16,600	17,551	0	0	1
CURANUM Betriebs GmbH, Haan	100.00	600	1,560	0	0	1
CURANUM Bad Hersfeld GmbH, Haan	100.00	25	793	0	0	1
Krankenheim Ruhesitz am Wannsee - Seniorenheimstatt GmbH, Berlin	100.00	26	1,007	0	0	1
Residenz Lobberich GmbH, Nettetal-Lobberich	100.00	25	-1,377	-360	-588	
accurato GmbH, München	100.00	26	27	0	0	1
OPTICURA Service GmbH, Haan	100.00	51	63	0	0	1
CURANUM Baubetreuung und Immobilien- management GmbH, Haan	100.00	230	230	0	0	1
GAP Media Service GmbH, Munich	100.00	77	85	0	0	1
Bonifatius GPG Gesellschaft für Pflege und Gesundheit mbH, Munich (of which paid-in capital outstanding T€ 383,5)	55.00	511	348	-2	-1	
Curanum Bessenbach GmbH, Haan	100.00	25	24	-11	-141	
CURANUM Franziskushaus GmbH, Gelsenkirchen	100.00	102	103	481	0	
Altenheim Betriebsgesellschaft Nord GmbH, Munich	100.00	25	25	-1	-	
Altenheim Betriebsgesellschaft Süd GmbH, Munich	100.00	25	25	-1	-	
2. OTHER SHAREHOLDINGS						
Bad Schwartauer AVG Altenheim-Vermietung GmbH & Co. KG, Munich	92.04	1,028	1,404	-	253	2
RIAG Seniorenzentrum "Ennepetal" KG, Königswinter	92.68	1,048	769	-	76	2
RIAG Seniorenzentrum "Erste" KG, Königswinter	93.75	2,045	1,580	-	117	2
RIAG Seniorenzentrum "Zweite" KG, Königswinter	93.47	1,197	1,083	-	32	2
Curanum Bonifatius AT GmbH, Vienna	10.00	71	-	-	-	3
AT Management GmbH & Co. Bauträger MUC I KG, Munich	18.40	8,334	-	-	-	3
MHS Multi-Hygiene-Service GmbH, Gelsenkirchen	51.00	26	31	-	103	2

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

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004

1. GENERAL REMARKS

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 interim report was drawn up according to DRS 6 (German Accounting Standard No. 6).

The Income Statement was drawn up in accordance with the cost categories oriented format.

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 September 30, 2004.

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 CONSOLIDATED FINANCIAL STATEMENTS
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DEBT CONSOLIDATION

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

ELIMINATION OF INTERCOMPANY PROFITS

The elimination of intercompany profits in the inventories was dispensed with, since although the intercompany deliveries of goods and provision of services – insofar as the market permits – are calculated with a profit mark-up, the intercompany inventories that applied on the balance sheet date and the intercompany profits contained therein have only an insignificant impact on the assets, financial and earnings situation of the group (§ 304 Para 2, HGB). It was not necessary to carry out any other eliminations of intercompany profits.

CONSOLIDATION OF INCOME AND EXPENSES

Intercompany sales, expenses and income were eliminated.

TAX DEFERMENT

No tax deferments had to be carried out as a result of the uniform group accounting and valuation methods being applied. Owing to a group company tax loss carried forward, active deferred taxes accrued in the consolidated financial statement in accordance with DRS 10 as of December 31, 2003.

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.

CURANUM AG, MUNICH
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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 FIXED ASSETS

Tangible fixed assets are capitalized at acquisition cost. They are depreciated using the straight-line method in accordance with the useful life that is effective for tax purposes. The full annual depreciation applies to movable tangible fixed assets added in the first half of the year, and half of the annual depreciation applies to such additions in the second half of the year.

Low-cost fixed assets with net acquisition costs of up to € 410.00 are depreciated in full and reported as disposals in the year in which they are purchased.

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.

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.

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 CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004

ACCRUALS

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

SHAREHOLDERS' EQUITY AND LIABILITIES

The shareholders' equity and liabilities are reported at their repayment amounts.

5. NOTES TO CONSOLIDATED BALANCE SHEET

EXPENSES FOR THE START-UP AND EXPANSION OF THE BUSINESS

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.

(1) 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 schedule.

(2) INTANGIBLE ASSETS

The depreciation of goodwill is based on a regular useful life of 15 years.

(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

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004

(4) FINANCIAL ASSETS

The listing of the shareholdings in accordance with § 313 Para 2, HGB 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 is shown in the following table:

Type of Receivable	Sum total T€	Falling due in more than one year T€
Trade receivables	3,753	1,075
Other assets	19,295	5,056

(5a) The trade receivables resulted mainly from the billing of nursing care services and the renting of apartments to costing units and private patients.

(5b) The other assets include receivables from companies amounting to T€ 9,007 (2003: T€ 8,672), receivables from the sale of a company amounting to T€ 0 (2003: T€ 3,478) and receivables from the sale of three parts of companies amounting to T€ 5,808 (2003: T€ 7,752).

(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.

(7) PREPAID EXPENSES AND DEFERRED CHARGES

The prepaid expenses and deferred charges contain special rental payments of T€ 2,194 (2003: T€ 2,657), which will be reversed over the terms of the rental and lease agreements on which the payments are based.

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004

(8) SHAREHOLDERS' EQUITY

Shareholders' equity developed as follows:

2003	1.1.2003 €	Dividend payment €	Net income for the period €	30.9.2003 €
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	2,520,664.02	-12,579,496.92
Balancing items for shares of other shareholders	-15,583.30	0.00	429.26	-15,154.04
Shareholders' equity	25,066,571.80	-5,346,000.00	2,521,093.28	22,241,665.08

2004	1.1.2004 €	Dividend payment €	Net income for the period €	30.9.2004 €
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	3,571,376.59	-10,350,794.07
Balancing items for shares of other shareholders	-15,098.96	0.00	881.83	-14,217.13
Shareholders' equity	23,275,046.42	-2,376,000.00	3,572,258.42	24,471,304.84

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004

(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.

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 CONSOLIDATED FINANCIAL STATEMENTS
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(10) 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 profit-sharing 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 is shown in the following table:

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	8,799	5,930	1,350	3,191	Land charges
				775	Guaranties
Prepayments	71	71	0	0	
Trade Payables	4,766	4,766	0	0	
Other liabilities	12,177	10,176	1,005	792	Collateral
of which taxes	758	758	-	-	
	(Vj. 1,437)	(Vj. 1,437)	-	-	
of which social security payables	2,073	2,073	-	-	
	(Vj. 2,991)	(Vj. 2,991)	-	-	
	38,084	20,943	2,355	4,758	

(10b) Other liabilities contain liabilities to shareholders amounting to T€ 692 (2003: T€ 1,414).

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004

6. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

CONTINGENCIES

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.

OTHER FINANCIAL OBLIGATIONS

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

Type of obligation	T€
from rental and lease agreements for	
- nursing care centers	44,991
- office premises	430
from ground lease interest	77
from other rental and lease agreements	1,483

7. NOTES TO THE INCOME STATEMENT

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 CONSOLIDATED FINANCIAL STATEMENTS
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PERSONNEL EXPENSES

Of the group's personnel expenses, T€ 73 (2003: T€ 162) relate to pension expenses.

OTHER OPERATING EXPENSES AND REVENUES

Among the other operating expenses of the group are expenses that do not belong to the accounting period amounting to T€ 1,114 (2003: T€ 887).

Among the other operating revenues are revenues that do not belong to the accounting period in the amount of T€ 873 (2003: T€ 4,335)

EXTRAORDINARY RESULT

This item consists solely of expenses amounting to T€ 1,464 resulting from a write-down of receivables from a former affiliated company.

8. OTHER INFORMATION

ORGANS OF THE COMPANY / THE GROUP

The Supervisory Board consisted of the following persons in the first nine month 2004 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 24.6.2004)
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€ 46 in the year under review.

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2004

The Management Board consisted of the following persons in the first nine month 2004 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 2003 under review.

EMPLOYEES

The average payroll as of September 30, 2004 consisted of 3,914 employees (2003: 3,869) for the group; these are classified according to the following groups:

Employees	30.9.2004	31.12.2003
- white-collar employees	2,751	2,766
- industrial employees	539	549
- apprentices/trainees	106	96
- temporary staff	624	554

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.

Munich, November, 2004

The Management Board



Hans-Milo Halhuber
Chairman of the
Management Board



Bernd Scheweling
Member of the
Management Board



Jens Spitzer
Member of the
Management Board

CONTACT

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

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If you should have any requests concerning our facilities you can call our free info hotline under 0800/CURANUM (2872686).

More information about our company and our facilities:
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