



CURANUM

Good care has a home.

CURANUM AG, Munich

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

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MARKED INDICATIONS OF ECONOMIC UPSWING

Since the beginning of the year the overall economic production output gained decided momentum, thereby marking the end of the stagnation phase. Driven by the global economic developments, export dynamics once again proved the driving force of the upturn. The export impulses sparked stronger corporate investment activities that were additionally buoyed by declining unitized labor costs and the continuation of favorable financing conditions. The expansion in private consumption remained modest. While disposable income showed a stronger increase at the beginning of the year thanks to tax relief, the impact on actual consumer expenditures was low due to the stronger propensity to save and risen expenditures on health care. Due to the delay in which the business cycle affects the employment markets, the economic upturn has not incurred any notable effects on employment. Positive effects on the unemployment figures are anticipated for the second half of the year.

LEGISLATION PASSED USHERING IN MORE STRINGENT ACTION AGAINST UNRECORDED EMPLOYMENT

Mainly due to cost reasons, but in individual situations also due to emergency situations, more and more individuals are being employed illegally in German households to perform care and nursing functions. According to journalistic investigations, some 30,000 women from Poland are illegally employed, mainly in urban regions, in care and nursing functions. In many instances this illegal employment is tolerated by all parties involved and merely regarded as a trivial offence, especially in view of the fact that the health insurance schemes of individuals receiving social benefits and the nursing care insurance have been

pushed to their limits. Especially the general lack of qualifications of such illegally employed individuals poses a problem for persons in need of nursing care. In addition, in the recent past a number of operators of stationary care facilities experienced serious economic difficulties in a number of locations.

On the one hand, it is expected that the legislation now approved by the Bundestag (Lower House of the German Parliament) envisaging more stringent action against illicit work will result in a decline in illegal employment. On the other hand, citizens from neighboring countries that have now joined the EU and who were formerly working illegally will soon be able to work legally in Germany, thereby discarding their illegal status and the associated wage levels.

SALES INCREASE ACCORDING TO PLANNING

In the first six months of the current business year the CURANUM Group generated sales of EUR 88.0 million (previous year: EUR 81.9 million), representing a gain by 7.4 %. Overall performance improved by 8.5% to EUR 90.5 million, while the Group had generated € 83.4 million in the same period last year.

On the one hand, this increase in sales was the result of increasing capacity utilization at the end of 2002 and the commissioning of the facilities in Frankfurt, Uelzen, Germering, Pfronten and Bessenbach. On the other hand, the Franziskushaus GmbH was consolidated on May 1, 2004 for the first time, and the sales of the three facilities in Gelsenkirchen and Oberhausen were added to Group sales as of this date.

The CURANUM Group generated a total of 90.8% of sales from care and nursing services including residence and catering, an additional 5.2 % from the

MANAGEMENT REPORT

rental of assisted living apartments, and 1.3% from outpatient nursing services. All in all, our sales development in the first half of 2004 ran a very satisfactory course, and given the total sales achieved as per June 30, 2004, we are well in line with our planning.

In the second quarter from April 1 to June 30, 2004 sales even picked up by 9.2% to € 45.4 million (previous year: € 41.6 million), and total performance amounted to EUR 47.2 million (previous year: € 42.2 million) which represents a rise by 11.8%. This is attributable to the initial consolidation of Franziskus-haus GmbH that has been contributing to total revenue as of May 2004.

EBITDA RISES IN THE FIRST HALF-YEAR BY 12.3%

In the first half of 2004 the company succeeded in increasing earnings before interest, tax, depreciation and amortization (EBITDA) by 12.3 % from € 5.1 million to € 5.7 million. The consolidation of Franziskus-haus GmbH incurred higher depreciation expense to goodwill that impacted earnings before interest and tax. In the first half of the year EBIT moved up from € 4.0 million to € 4.2 million, marking an increase by 7.2 % by comparison with the prior year. Earnings after tax (EAT) came in at EUR 2.2 million after € 2.0 million in the first half of 2003 (+ 11.7%). Consequently, net earnings per share increased from € 0.07 to € 0.08 in the first half-year of 2004 (€ 2,247,299.17 distributed over 29,700,000 shares).

Due to the fact that the facilities newly opened at the end of 2002 did not have to make rent payments in the first half year subsequent to commissioning, rental expenditures in the first half of 2004 showed a relatively strong increase by comparison with the previous year. As a result, a number of key earnings figures were slightly lower in the second quarter of 2004

by comparison with the same period last year. Earnings before interest, tax, depreciation and amortization rose from € 3.3 million to € 3.4 million and EBIT as per June 30 2004 came in at € 2.5 million (previous year: € 2.7 million). Earnings after taxes amounted to € 1.6 million following on € 1.8 million in the second quarter of 2003, which translates as € 0.05 per share for the second quarter of 2004 (previous year: € 0.06).

FINANCIAL POSITION

Due to the initial consolidation of Franziskus-haus GmbH as well as Franziskus Service GmbH the balance sheet item goodwill increased by € 6.7 million, while shareholdings were down by the equivalent sum over the first quarter of 2004. By comparison with December 31, 2003 capital assets increased by some € 5 million, whereas tangible assets and financial assets showed no changes.

By comparison with the cut off date December 31, 2003 total current assets were down by € 13 million to € 27.0 million, which is attributable to the sale of RIAG AG as well as the reduction in receivables in the first quarter of 2004. By comparison with the first quarter of 2004, other assets continued to decline from € 22.0 million to € 20.7 million, which is due to the planned reduction of receivables from the sale of facilities.

Due to the dividend disbursement of June 25, 2004 totaling € 2.4 million equity capital on June 30 of the ongoing business year amounted to € 23.1 million (December 31, 2003: € 23.9 million), which represents an equity ratio of 24.6 %. The moderate dividend policy adopted will contribute to successively increasing the Group's equity ratio in future.

Cash flow from ordinary business activities from January through to June 30 of the ongoing year amounted to € 2.1 million (previous year: € 14.3 million), and

the cash flow from investment activities totaled T€ 140 (previous year: € -8.9 million). Due to the dividend disbursement, cash flow from financing activities stood at € -2.4 million, while last year's figure was € -5.4 million due to the higher distribution.

STAFF

The number of employees throughout the CURANUM Group was an average 3,927 employees during the first half of 2004, while the figure stood at an average of 3,869 employees in 2003. In the first half of 2004 the workforce was structured as follows: some 70% salaried employees, 16% temporary staff and 14% employees in trade and industry. The number of trainees and interns rose to 105 members of staff (previous year: 96).

ANNUAL GENERAL MEETING APPROVES MERGER

The Annual General Meeting for the 2004 business year once again took place at our care center in Gernering near Munich. The most important resolutions adopted pertained to further restructuring measures within the Group geared to concluding the strategic restructuring of the Group structure, reducing administrative input and expenditures, and utilizing the loss carryforward on subsidiaries. In this context, the merger of CURANUM BONIFATIUS DT GmbH to CURANUM AG was on the agenda for voting, as well as the subsequent separation of assets to CURANUM GmbH. The medium term objective is to merge all operating care units to form a single subsidiary.

The shareholders present represented share capital totaling € 22,466,675.00 which equals 75.66% of the total capital of € 29.7 million, which is a considerable

increase in represented shares over the previous year. The widened group of shareholders is also reflected by the increased number of share depots that contain CURANUM shares. Once again, the shareholders and representatives of shareholder protection organizations were very satisfied with the results achieved and the work of the management board. None of the participants, however, were particularly pleased with the development of the share price, and the potential for future gains – in view of the positive developments of the past years - was clearly emphasized. All of the items on the agenda were adopted by a 99% voting majority, thereby enabling all resolutions to be adopted with the respective majority.

The detailed voting results as well as a number of other informative items on the Annual General Meeting are available on our home page www.curanum.de under the Investor Relations/HV-Service heading.

DIVIDEND DISTRIBUTION OF EUR 0.08 PER SHARE

Based on a resolution adopted by the Annual General Meeting on the previous day, a dividend outpayment was disbursed on June 25, 2004, representing a total sum of € 2,376,000.00 or 49.2% of the 2003 net earnings available for distribution of CURANUM AG totaling € 4,826,773.84.

NEW SUPERVISORY BOARD MEMBER ELECTED

The Annual General Meeting elected Dr. Wolfgang Freimuth, former board chairman of the Maternus-Kliniken AG, as a full member of the supervisory board. Dr. Freimuth replaces Klaus Neumann, who retired from the board in January 2004.

OUTLOOK

In the second half-year of 2004 we expect the markets to gain further momentum, whereby economic research institutes forecast the crest of the overall market upswing to be around the beginning of the first half of 2005. It is only at this point in time that market growth will impact the employment market and the impulses generated in the export sector will stream down to revive private consumer expenditure.

For the ongoing business year we do not anticipate an increase in occupancy levels driven by stronger markets. In addition, public financing difficulties are showing negative effects on payment practice and occupancy levels. At the same time, we will increase our capacity utilization by taking further measures in the areas of quality, controlling and marketing.

We will also consistently continue to assess interesting acquisition candidates and we are currently engaged in negotiations with several interesting operators that would be suitable for complete or partial acquisition.

In view of the results we have achieved in the first half of 2004 we are well in line with our planning for the overall year, excluding any acquisitions, and we assume that we will continue to perform according to plans. However, we do hope that one or several negotiations we are leading will achieve a positive result and that we will be able to adjust our forecasts accordingly at the end of the year.

Munich, August 2004

The management board

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

ASSETS	Notes	30.6.2004 €	31.12.2003 €
A. EXPENSES FOR THE START-UP AND EXPANSION OF THE BUSINESS	1)	431,402.53	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		8,197,891.89	8,198,782.03
2. Goodwill		19,563,114.19	13,377,568.86
		27,761,006.08	21,576,350.89
II. Tangible assets	3)		
1. Land, similar rights and buildings including buildings on leasehold land		20,948,310.29	20,925,258.01
2. Other equipment, factory and office equipment		5,200,457.95	5,462,739.83
3. Prepayments and construction in process		9,764.38	65,681.28
		26,158,532.62	26,453,679.12
III. Financial assets	4)		
1. Participating interests		7,643,874.61	7,824,309.21
2. Other loans		255,645.94	755,645.94
		7,899,520.55	8,579,955.15
		61,819,059.25	56,609,985.16
C. CURRENT ASSETS			
I. Inventories			
1. Raw materials and supplies		503,892.99	493,300.00
2. Work in process: goods and services		54,421.70	54,421.70
		558,314.69	547,721.70
II. Receivables and other assets	5)		
1. Trade receivables	5a)	5,491,861.19	8,533,811.63
2. Other assets	5b)	20,663,816.69	27,905,084.78
		26,155,677.88	36,438,896.41
III. Securities			
1. Other securities		0.00	2,800,000.00
IV. Cash on hand, bank balances	6)	289,594.35	421,474.69
		27,003,586.92	40,208,092.80
D. PREPAID EXPENSES AND DEFERRED CHARGES	7)	3,218,192.14	2,730,678.51
E. TAX ACCRUALS		1,525,000.00	1,525,000.00
BALANCE SHEET TOTAL		93,997,240.84	101,648,959.84

SHAREHOLDERS' EQUITY AND LIABILITIES		Notes	30.6.2004 €	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			-11,675,659.77	-11,546,170.66
IV. Minority interests	8b)		-14,310.68	-15,098.96
			23,146,345.59	23,275,046.42
B. SPECIAL ACCOUNT FOR INVESTMENT SUBSIDIES			13,311,639.94	13,468,029.86
C. ACCRUALS				
1. Tax accruals			5,232,554.80	4,500,764.99
2. Other accruals	9)		7,289,487.81	6,770,570.34
			12,522,042.61	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			11,592,739.06	12,093,959.36
3. Customer advances			70,730.83	70,730.83
4. Trade payables			5,095,455.35	9,882,448.35
5. Other liabilities	10b)		14,142,088.78	17,491,386.29
			43,172,019.17	51,809,529.98
E. DEFERRED INCOME			1,845,193.53	1,825,018.25
BALANCE SHEET TOTAL			93,997,240.84	101,648,959.84

CURANUM AG, MUNICH
CONSOLIDATED INCOME STATEMENT
FOR Q2 AND THE PERIOD FROM JANUARY 1 TO JUNE 30, 2004

	Quarterly Report II/2004 1.4.-30.6.2004 €	Quarterly Report II/2003 1.4.-30.6.2003 €	6-month Report 1.1.-30.6.2004 €	6-month Report 1.1.-30.6.2003 €
1. Sales	45,397,258.57	41,563,051.45	87,980,777.19	81,949,620.47
2. Decrease/Increase unfinished goods and work in progress	0.00	10,992.78	0.00	10,992.78
3. Other operating income	1,809,712.43	666,688.23	2,493,307.27	1,439,712.28
	47,206,971.00	42,240,732.46	90,474,084.46	83,400,325.53
4. Cost of materials				
a) Property rental and lease expenses	10,934,044.68	9,805,840.46	21,436,363.83	19,296,895.81
b) Cost of raw materials, supplies and merchandise	3,534,701.03	3,387,818.84	7,055,654.72	6,876,155.99
c) Cost of purchased services	2,004,477.77	1,979,182.25	3,970,312.78	3,752,432.52
5. Personnel expenses				
a) Wages and salaries	19,216,121.28	17,455,239.85	37,638,883.07	35,836,975.98
b) Social security, pensions and other benefits	3,534,366.96	3,469,831.88	6,947,358.94	6,900,187.93
6. Amortization of fixed tangible and intangible assets	798,981.47	573,400.96	1,439,427.68	1,101,447.83
7. Other operating expenses	4,619,097.42	2,842,226.69	7,749,422.66	5,684,200.49
	44,641,790.61	39,513,540.93	86,237,423.68	79,448,296.55
8. Income from participating interests	-31,070.48	88,890.00	12,819.52	132,780.00
9. Other interest and similar income	263,525.50	383,867.87	454,847.65	723,362.97
10. Interest and similar expenses	-436,725.76	-627,003.80	-900,654.44	-1,252,074.32
	-204,270.74	-154,245.93	-432,987.27	-395,931.35
11. NET OPERATING INCOME	2,360,909.65	2,572,945.60	3,803,673.51	3,556,097.63
12. Extraordinary net income (loss)	-689,256.91	-672,400.92	-1,403,378.43	-1,367,917.06
13. Other taxes	-92,790.82	-111,954.74	-152,995.91	-176,278.88
14. NET INCOME FOR THE YEAR	1,578,861.92	1,788,589.94	2,247,299.17	2,011,901.69
15. Accumulated losses brought forward from previous year	-11,546,170.66	-9,754,160.94	-11,546,170.66	-9,754,160.94
16. Dividend payment	-2,376,000.00	-5,346,000.00	-2,376,000.00	-5,346,000.00
17. Earnings due to other shareholders	-733.44	-116.88	-788.28	-371.40
18. CONSOLIDATED BALANCE SHEET DEFICIT	-12,344,042.18	-13,311,687.88	-11,675,659.77	-13,088,630.65

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

	1.1. - 30.6.2004 T€	1.1. - 30.6.2003 T€
Earnings for the period (including minority interests)	2,247	2,012
+/- Write-downs / Write-ups of fixed assets	1,439	1,101
+/- Change in accruals	1,251	1,096
+/- Other expenses and income not affecting payments	-700	67
-/+ Increases / Decreases in inventories, trade receivables and other assets that are not attributable to investment or financing activity	6,486	13,060
+/- Increases / Decreases in trade payables and other liabilities that are not attributable to investment or financing activity	-8,594	-2,994
= NET CASH MOVEMENTS FROM CURRENT BUSINESS OPERATIONS	2,129	14,342
+ Cash inflows from tangible fixed assets / intangible fixed assets	735	0
- Cash outflows for investments in tangible fixed assets / intangible fixed assets	-594	-9,568
+ Cash inflows into special accounts for investment subsidies	0	630
- Cash outflows from special accounts for investment subsidies	-156	0
+ Cash inflows from disposals of financial assets	155	31
= NET CASH MOVEMENTS FROM INVESTMENT ACTIVITY	140	-8,907
- Cash outflows from the redemption of loans and (financial) credit	-2,376	-5,346
- (financial) credit	-24	-32
= NET CASH MOVEMENTS FROM FINANCING ACTIVITY	-2,400	-5,378
Changes in financial resources affecting payments	-131	57
Financial resources at the beginning of the period	421	356
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	290	413
Cash and cash equivalents	290	413
= FINANCIAL RESOURCES AT THE END OF THE PERIOD	290	413

CURANUM AG, MUNICH
CHANGES IN CONSOLIDATED FIXED ASSETS
IN THE PERIOD FROM 1.1. TO 30.6.2004

	ACQUISITION AND PRODUCTION COST				30.6.2004 €
	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	564,076.96	7,277,441.41	44,307,151.45
	46,009,416.59	24,569.28	564,076.96	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	335,760.24	58,915.13	1,588.95	23,472,534.16
2. Other equipment, factory and office equipment	8,741,912.36	104,295.35	81,594.84	46,881.21	8,811,494.08
3. Prepayments and construction in process	65,681.28	128,790.06	185,550.40	843.44	9,764.38
	32,001,693.74	568,845.65	326,060.37	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	0.00	-500,000.00	255,645.94
	10,113,830.79	6,875,000.00	155,434.60	-7,400,000.00	9,433,396.19
TOTAL	88,124,941.12	7,468,414.93	1,045,571.93	-73,244.99	94,474,539.13

1.1.2004 €	ACCUMULATED DEPRECIATION			30.6.2004 €	BOOK VALUES	
	Additions €	Disposals €	Change in the consolidated entity €		30.6.2004 €	31.12.2003 T€
575,203.36	143,800.84	0.00	0.00	719,004.20	431,402.53	575
216,847.56	25,459.42	0.00	0.00	242,306.98	8,197,891.89	8,198
24,216,218.14	594,272.73	75,210.27	8,756.66	24,744,037.26	19,563,114.19	13,378
24,433,065.70	619,732.15	75,210.27	8,756.66	24,986,344.24	27,761,006.08	21,576
2,268,842.09	255,381.78	0.00	0.00	2,524,223.87	20,948,310.29	20,925
3,279,172.53	408,809.24	79,892.65	2,947.01	3,611,036.13	5,200,457.95	5,463
0.00	0.00	0.00	0.00	0.00	9,764.38	66
5,548,014.62	664,191.02	79,892.65	2,947.01	6,135,260.00	26,158,532.62	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	255,645.94	756
1,533,875.64	0.00	0.00	0.00	1,533,875.64	7,899,520.55	8,580
31,514,955.96	1,283,923.17	155,102.92	11,703.67	32,655,479.88	61,819,059.25	56,610

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

	Stake %	Subscribed Capital T€	Share- holders' Equity 2003 T€	Earnings first half year 2004 T€	Earnings 2003 T€	Notes
1. CONSOLIDATED SUBSIDIARIES						
CURANUM GmbH, Haan	100.00	16,500	17,551	0	0	1
CURANUM Betriebs GmbH, Haan	100.00	500	1,560	0	0	1
CURANUM BONIFATIUS DT GmbH, Karlsfeld	100.00	100	-2,610	-1,083	-854	
CURANUM Lehrte GmbH, Haan	100.00	25	-213	70	-210	
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	-205	-588	
accurato GmbH, Munich	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, München (of which paid-in capital outstanding T€ 383,5)	55.00	511	348	-2	-1	
Curanum Bessenbach GmbH, Haan	100.00	25	24	-31	-141	
Franziskus Service GmbH, Bad Honnef	100.00	25	25	14	136	
CURANUM Franziskushaus GmbH, Gelsenkirchen	100.00	102	103	384	0	
Altenheim Betriebsgesellschaft Nord GmbH i.G., Munich	100.00	25	25	0	-	
Altenheim Betriebsgesellschaft Süd GmbH i.G., Munich	100.00	25	25	0	-	
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 JUNE 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 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 June 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
AS OF JUNE 30, 2004

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.

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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.

Loans are reported at their nominal value.

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.

TAX ACCRUAL AND DEFERRAL

Due to the corporation tax loss carryforward at Curanum Bonifatius DT GmbH amounting to T€ 5,780 as at 31.12.2003, deferred tax assets of T€ 1,525 were formed in the consolidated financial statements. In forming the

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deferred tax assets, a corporation tax rate of 25% and a solidarity surcharge of 5.5% were used.

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.

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 INDIVIDUAL AND CONSOLIDATED BALANCE SHEET

(1) 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.

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.

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(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

(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 are shown in the following tables:

Type of Receivable	Sum total T€	Falling due in more than one year T€
Trade receivables	5,492	0
Other assets	20,664	5,227

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- (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€ 8,896 (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€ 5,969 (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€ 3,119 (2003: 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 developed as follows:

2003	1.1.2003 €	Dividend payment €	Net income for the period €	30.6.2003 €
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	2,011,530.29	-13,088,630.65
Balancing items for shares of other shareholders	-15,583.30	0.00	371.40	-15,211.90
Shareholders' equity	25,066,571.80	-5,346,000.00	2,011,901.69	21,732,473.49

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2004	1.1.2004 €	Dividend payment €	Net income for the period €	30.6.2004 €
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	2,246,510.89	-11,675,569.77
Balancing items for shares of other shareholders	-15,098.96	0.00	788.28	-14,310.68
Shareholders' equity	23,275,046.42	-2,376,000.00	2,247,299.17	23,146,345.59

(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.

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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(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.

(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 are shown in the following tables:

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AS OF JUNE 30, 2004

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	11,593	8,612	1,362	3,191	Land charges
				775	Guaranties
Prepayments	71	71	0	0	
Trade Payables	5,095	5,095	0	0	
Other liabilities	14,142	12,141	1,005	792	Collateral
of which taxes	1,193	1,193	-	-	
	(Vj. 1,437)	(Vj. 1,437)	-	-	
of which social security payables	2,127	2,127	-	-	
	(Vj. 2,991)	(Vj. 2,991)	-	-	
	43,172	25,919	2,367	4,758	

(10b) Other liabilities contain liabilities to shareholders amounting to T€ 1,199 (2003: T€ 1,414).

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2004

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	44,345
- 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.

PERSONNEL EXPENSES

Of the group's personnel expenses, T€ 44 (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€ 855 (2003: T€ 887).

Among the other operating revenues are revenues that do not belong to the accounting period in the amount of T€ 489 (2003: T€ 4,335)

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

8. OTHER INFORMATION

ORGANS OF THE COMPANY / THE GROUP

The Supervisory Board consisted of the following persons in the first half 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.

The Management Board consisted of the following persons in the first half 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.

CURANUM AG, MUNICH
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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EMPLOYEES

The average payroll during the first half 2004 consisted of 3,927 employees (2003: 3,869) for the group; these are classified according to the following groups:

Employees	30.6.2004	31.12.2003
- white-collar employees	2,763	2,766
- industrial employees	548	549
- apprentices/trainees	105	96
- temporary staff	637	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, August 5, 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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