CURANUM

Good care has a home.

FINANCIAL REPORT 2008

THE GROUP AT A GLANCE

as of December 31, 2008 (IFRS)

mil. €	2008	2007	2006	2005 [1]	2004 [1]
Sales	257.1	230.1	215.7	188.5	183.8
Staff costs	127.8	115.1	106.9	95.5	92.1
EBITDAR	83.9	75.8	72.0	58.5	55.0
Rental costs	54.6	45.1	42.4	33.3	33.5
EBITDA	29.3	30.7	29.5	25.2	21.6
in % of Sales	11.4%	13.3%	13.7%	13.3%	11.7%
Depreciation	9.5	8.5	6.8	5.9	6.1
EBIT	19.7	22.1	22.8	19.2	15.5
in % of Sales	7.7%	9.6%	10.6%	10.1%	8.4%
Financial result	-9.5	-9.4	-7.2	-7.5	-6.8
EBT	10.2	12.7	15.7	11.1	8.7
Net profit	7.0	4.1	9.3	6.6	5.0
EPS (€) [2]	0.22	0.13	0.31	0.22	0.17
Cashflow	19.8	10.5	15.8	17.5	21.4
CPS (€) [2]	0.61	0.34	0.53	0.59	0.72
Cash and cash equivalents	10.0	25.6	9.1	2.2	1.9
Equity capital	66.6	64.6	38.6	31.1	34.8
in % of balance sheet total	27.7%	26.8%	17.6%	18.8%	21.9%
Balance sheet total	240.4	240.7	219.9	164.4	162.8
Employees	5,953	5,263	4,883	4,150	3,912
Facilities	68	67	61	45	45
Care places	7,708	7,651	7,250	5,641	5,641
Assisted living apartments	1,638	1,600	900	686	686

1) restarted in 2006
2) Number of underlying outstanding shares in 2008: 32,611,091 shares
2) Number of underlying outstanding shares in 2007: 31,240,822 shares
2) Number of underlying outstanding shares in 2006/2005 and 2004: 29,700,000 shares

Report of the Supervisory Board

The Supervisory Board provides information in this report about its activities in 2008, and comments on the focal points of its consultations and reviews that form part of its continuous dialogue with the Management Board of CURANUM AG.

ORGANIZATION OF SUPERVISORY BOARD ACTIVITIES

During the course of the 2008 reporting year, the Supervisory Board performed the responsibilities incumbent upon it according to the law, the company's bylaws, and the company's rules of business procedure. It constantly supervised, controlled, and regularly consulted with the Management Board concerning the management of business and of the Group. The Chairman of the Supervisory Board engaged in an intensive and cooperative exchange of information with the Management Board of CURANUM AG. This allowed the Supervisory Board to be informed on an ongoing basis, including between meetings, concerning the Group's business progress, its earnings and financing positions, as well as concerning current investments and personnel planning. The company's general risk position was discussed at all meetings held between the Supervisory and the Management boards. The topic of "occupancy" at CURANUM AG facilities formed a particular point of focus in this respect.

The Supervisory Board was included in all decisions of key significance of the company, and, following extensive review and consultation, granted its approval to transactions where its approval was required. The Supervisory Board commissioned no special Management Board reports, expert surveys, or special audits.

Pursuant to Point 5.3. of the German Corporate Governance Code, CURANUM AG's Supervisory Board formed an audit committee in 2008. The audit committee was formed pursuant to Point 5.3.2 of the German Corporate Governance Code in order to satisfy the greater requirements in terms of the time-intensive examination of the annual parent company and consolidated financial statements, as well as the auditor's corresponding audit reports. This entailed the audit committee holding five meetings in addition to regular Supervisory Board meetings under the direction of the Deputy Chairman of the Supervisory Board. The audit committee, in particular, held in-depth consultations concerning the parent company and consolidated financial statements, the management reports from both the parent company and the Group, as well as the corresponding reports prepared by the external auditor. Furthermore, following the last Shareholders' General Meeting in July 2008, the newly constituted Supervisory Board mandated the audit committee to also submit the quarterly financial statements to a plausibility assessment. This has been performed since the third quarter of 2008.

The scope, process and in-depth focal points of the 2008 audit were also coordinated with the auditor.

The audit committee consists of three members of the Supervisory Board under the chairmanship of Deputy Chairman Bernd Scheweling.

As a result of the size of the Supervisory Board body, no further committees were formed.

SUPERVISORY BOARD ACTIVITIES IN 2008

A total of six regular Supervisory Board meetings were convened during 2008. Supervisory Board members received extensive information, which the Management Board had prepared together with the specialist departments, in good time before all meetings, which were held on a monthly basis. Given the sound nature of the information contained in these reports the requisite resolutions on the day's agenda were passed at the meetings, and the company's risk position was gauged appropriately.

All Supervisory Board members participated at four of its meetings, and one member was unable to attend each of two meetings.

Supervisory Board meeting on March 12, 2008

Two key points relating to the preparation for the Supervisory Board meeting to approve the financial statements were discussed at the first Supervisory Board meeting of the 2008 financial year. Firstly, the report of the Supervisory Board's audit committee, and, secondly, the annual parent company and consolidated financial statements for 2007 presented by the Management Board. In this connection, the Management Board reiterated in detail the reasons for the year-on-year decline in earnings, which was mainly attributable to the decline in occupancy at individual facilities, as well as the longer start-up phase for the facility in Bad Lauterberg.

The shareholder structure and the decline in the share price were then discussed, as well as the status of the ongoing DPR audit of the 2005 and 2006 annual financial statements. The Management Board reported in detail on the current progress of the audit.

Supervisory Board financial statements approval meeting on March 26, 2008

The parent company and consolidated financial statements, as well as the parent company and Group management reports, were discussed, reviewed, and subsequently unanimously approved at the meeting convened on March 26, 2008 to approve the financial statements. The external auditors also participated in this meeting.
Further topics of this Supervisory Board meeting included the Management Board's report on business progress, particularly the trends in the laundry and occupancy situation, personnel matters relating to the Supervisory and Management boards such as consultancy and Management Board contracts, as well as the agenda for the Shareholders' General Meeting on July 24, 2008, and the composition of the Supervisory Board.

Supervisory Board meeting on May 6, 2008

At the meeting on May 6, 2008, the Management Board reported on business progress, the results for the first quarter of 2008, and the progress of the DPR audit of the 2005 and 2006 annual financial statements. The work of the total quality management department, and the draft agenda for the Shareholders' General Meeting, were also presented and discussed.

Supervisory Board meeting on July 24, 2008

The meeting on June 24, 2008 was held following the Shareholders' General Meeting of CURANUM AG, and served mainly to revise the course of the Shareholders' General Meeting, to discuss individual points from the agenda, and to elect both the Chairman and the Deputy Chairman of the Supervisory Board. Dr. Dieter Thomae was elected Chairman, and Mr. Bernd Scheweling was elected Deputy Chairman. The Management Board also discussed CURANUM's current business progress, its current shareholder structure, and majority shareholdings and their effects. The extension of Management Board contracts were subsequently discussed.

Supervisory Board meeting on September 18, 2008

The focus of consultations and discussions at the meeting on September 18, 2008 was the Management Board's report on current business progress, the status of actions to rescind that had been lodged against the last Shareholders' General Meeting, the share buyback program and the further strategic planning for the rest of the 2008 financial year.

The Management Board explained that the success that the company had achieved to date was insufficiently reflected in the share price, and that CURANUM was undervalued compared to its competitors. It also explained that shares were being increasingly accepted in the market as acquisition currency. The Supervisory Board concurred with the Management Board's proposal to perform a share buyback program up to 5 % of the issued share capital.
The formation of committees was once again discussed at the fifth meeting. The creation of a personnel committee was not regarded as requisite since the entire Supervisory Board handles Management Board contracts. With the audit of the relevant quarterly reports in accordance with Rule 7.1.2 of the German Corporate Governance Code, the audit committee, which had been newly created, assumed an additional task.

Finally, the structure of Management Board contracts was conclusively discussed, and assent was granted to the drafts of the addenda concerning the extension and adjustment of all Management Board contracts.

The relevant responsibilities of the individual Management Board members remained unchanged.

Supervisory Board meeting on December 16, 2008

At the last meeting of the financial year, the Management Board reported on the dismissal of the actions to rescind lodged against the resolutions of the Shareholders' General Meeting of 2008. The Management Board also explained the current business progress of the company, and discussed it in depth together with the Supervisory Board. The Management Board also reported on the current status of the share buyback program that had been decided upon, the auditor's preliminary audit of the annual parent company and consolidated financial statements for 2008, as well as the scheduling for the preparation and audit of the 2008 annual parent company and consolidated financial statements. The current status of both audited and unaudited potential acquisition targets was subsequently explained.

AUDIT COMMITTEE ACTIVITIES IN 2008

Five meetings of the audit committee were also held in 2008. All audit committee members participated in four meetings, and at one meeting the committee chairman coordinated the scope of audit and the audit procedure for the 2008 annual financial statements with the auditor.

Audit committee meeting on January 29, 2008

The European Sarbanes-Oxley (EURO-SOX) audit guidelines, which make the introduction of an audit committee mandatory, were discussed at the audit committee's first meeting in 2008. The audit committee was formed by means of a sub sequent vote by way of circular and among all Supervisory Board members, and its chairman and members were determined. This was then coordinated correspondingly with the Management Board.

Audit committee meeting on March 12, 2008

Discussion at this meeting mainly focused on a broad draft of the 2007 annual parent company and consolidated financial statements. Individual items of the annual financial statements were discussed at length and in depth with the Management Board, and compared with the previous year's results. Further topics of discussion included the impairment tests of goodwill, and the consolidation of the Ambrustergasse property in Vienna.

Audit committee meeting on March 18, 2008

At this meeting, the audit committee members discussed the annual financial statements that had been presented as well as the annual financial statement report with the auditor. The points adopted in the auditor's report on the audit of the consolidated financial statements essentially concurred with the audit committee's opinion. A particular topic of conversation was the proper and legal management of the company, as well as the effectiveness of the risk management system. No defects were identified in this respect.

The auditor confirmed the propriety of the 2007 financial statements as part of its audit opinion.

Audit committee meeting on November 10, 2008

The key purpose of the audit committee's meeting with the Management Board was the review of the quarterly financial statements for the third quarter in accordance with Rule 7.1.2 of the German Corporate Governance Code of August 8, 2008. All balance sheet and income statement items for the third quarter of 2008 were discussed at this meeting. The figures from the individual items were then compared with those of previous quarters and the third quarter of 2007. CURANUM AG figures were also compared with those of its competitors.

Audit committee meeting on November 13, 2008

At this meeting, the auditor coordinated the audit procedure, the scope of audit, and the focal point of the audit with the audit committee chairman.

After the focal points of the audit had been determined, various individual topics that are also the subject of a special audit were discussed. The deadlines for the audit procedure were then set, after having also been pre-coordinated with the Management Board.

RISK EARLY WARNING SYSTEM

The Supervisory Board received regular reports concerning CURANUM AG's risk management system, and it monitored the work of the risk team. No risks were identified in 2008 that might jeopardize the company as a going concern. In addition, the risk management system issued no warning messages to the Supervisory Board in 2007. The Management Board's risk report will become a fixed item on the agenda at all Supervisory Board meetings from the 2009 financial year.

CONFLICTS OF INTEREST

No member of the Supervisory Board was involved in a conflict of interest during the financial year under review due to consultancy mandates or board functions exercised at business partners.

EFFICIENCY AUDIT

Point 5.6 of the German Corporate Governance Code recommends that supervisory boards regularly conduct reviews of their efficiency. This means that all listed stock corporations that have not explicitly rejected this point in their declaration of compliance must conduct such a review. This review is documented using a checklist as part of an annual supervisory board record. Among other things, the checklist includes the organization of the Supervisory Board, procedure at meetings, the provision of information to the Supervisory Board, as well as questions of personnel relating to the Supervisory and Management Boards.

At the Supervisory Board meeting on March 26, 2008 to approve the 2008 annual financial statements, the Supervisory Board performed an efficiency audit for the 2008 year using a checklist. No defects were identified as a result of this.

CHANGES WITHIN THE MANAGEMENT AND SUPERVISORY BOARDS

The Munich District Court appointed Dr. Uwe Ganzer, who is sole Management Board member of Varta AG, to be a regular member of the Supervisory Board on March 6, 2008. The Shareholders' General Meeting of July 24, 2008 was required to pass a resolution that replaced and confirmed the court appointment of both Dr. Ganzer and Mr. Scheweling, the founder and Management Board member for many years of CURANUM AG, who was also the subject of a court appointment in 2007. Both Dr. Ganzer and Mr. Scheweling were elected to the Supervisory Board with large majorities.

MANAGEMENT BOARD REMUNERATION

Besides the changes of personnel within the Management Board, the Supervisory Board also concerned itself at several meetings with the remuneration of the Management Board. The Supervisory Board arrived at the conclusion that the remuneration of the Management Board is related to performance to a significant degree. This relationship to performance is defined according to the company's annual net income, using a percentage rate that rises in line with the level of earnings. It was established that 51,3 % of total Management Board remuneration in 2008 was performance-related.

TRANSACTIONS REQUIRING APPROVAL

The catalogue of transactions requiring approval comprises the following main points:

- Purchase and sale of movable fixed assets where individual transactions exceed an amount of € 2.00 million.
- Purchase, sale, development, and encumbrance of real estate, if the individual accounting addition or disposal exceeds an amount of € 10.00 million.
- Purchase and sale of equity interests in companies if the individual accounting addition or disposal exceeds an amount of € 8.00 million.
- Conclusion of affiliation agreements in the meaning of § 292 Section 1 of the German Stock Corporation Act (AktG).
- The assumption of warranties and guarantees where an individual case exceeds € 2.00 million.
- The granting of a loan outside the Group where an individual loan exceeds € 2.00 million, or a cumulative total loan exceeds € 6.00 million. These limits also apply to associated companies.

The Management Board correctly presented all transactions requiring approval to the Supervisory Board in 2008. The Supervisory Board was able at all times to verify that the company was being managed properly.

AUDIT OF THE 2008 PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The Management Board prepared the annual financial statements and management report, as well as the consolidated financial statements and Group Management Report, of CURANUM AG on March 16, 2009.

Wirtschaftstreuhand GmbH, Steuerberatungsgesellschaft, Wirtschaftsprüfungsgesellschaft, Stuttgart, audited the annual financial statements and management report of CURANUM AG as of December 31, 2008, as well as the consolidated financial statements and Group Management Report as of December 31, 2008, and awarded unqualified audit opinions to both. The consolidated financial statements and Group management report were prepared on the basis of International Financial Reporting Standards (IFRS), as applied in the EU, pursuant to § 315a of the German Commercial Code (HGB). The external auditor performed its audit on the basis of German generally accepted auditing principles as promulgated by the Institut der Wirtschaftsprüfer (IDW).

The above-mentioned financial statements, as well as the corresponding auditor's reports, were presented on time to the Supervisory Board together with the Management Board's proposal for the application of profit or dividend proposal.

The audit committee performed an in-depth review of the above-mentioned financial statements as part of its preliminary audit in preparation for the Supervisory Board's financial statements meeting.

The audit committee covered the following key audit topics:

- The independence of the external auditor
- The effectiveness of the internal controlling and risk management system
- The efficiency and compliance of the accounting process
- Key balance sheet and income statement items
- Key accounting and valuation principles
- Significant deviations from previous year's figures

The following items were also discussed in even greater depth:

- The retention of value of goodwill, taking impairment tests performed according to IAS 36 into account
- Measurement of deferred tax
- Accounting treatment of financial instruments, particularly interest rate swaps and cash flow hedges
- Reclassification of a real estate object
- Profit participation rights at the FAZIT Group
- Company lease agreements at CURANUM Westfalen GmbH

The key items covered by the plenary meeting of the Supervisory Board on March 26, 2009 were the audit committee's report and a thorough discussion of the 2008 financial statements that had been presented, including the auditor's report.

It should be noted in this respect that the audit committee had already conducted its own independent preliminary review of the financial statements for the 2008 financial year. All key items in the financial statements were covered individually, and were discussed by the Supervisory Board, the auditor, the audit committee, and the Management Board. This gave rise to a corresponding approval proposal by the audit committee for the Supervisory Board's financial statements meeting. The results of the discussion of the financial statements between the auditor, the Management Board and the audit committee on March 5, 2009 were then discussed in depth at a concluding discussion between the audit committee and the Management Board on March 11, 2009. The broad draft of the auditor's reports was also reviewed. No incorrect items, infringements against the law or the company's bylaws, or risks that might jeopardize the company as a going concern were identified.

Following the preliminary review of the financial statements presented by the Management Board, together with the in-depth discussions, the audit committee recommended that the plenary Supervisory Board should concur with the results of the external audit at its financial statements meeting on March 26, 2009, and that it should approve the annual parent company and consolidated financial statements, since, in its view, it had no objections to the Management Board's proposal concerning the application of unappropriated retained earnings.

Following the conclusive result of the Supervisory Board's own audit of the annual parent company financial statements, the management report, the consolidated financial statements, and the Group Management Report, no objections were raised. The Supervisory Board approved the annual and consolidated financial statements pursuant to the audit committee's recommendation. The annual financial statements have been adopted as a result of their approval by the Supervisory Board. In its assessment of the position of both the company and the Group, the Supervisory Board concurs with the Management Board's assessment contained in the parent company and Group Management Reports.

APPLICATION OF UNAPPROPRIATED RETAINED EARNINGS/DIVIDEND PROPOSAL

With respect to the Management Board's proposal concerning the dividend, the Supervisory Board considered what effect it would have on the company's liquidity, credit standing, and expansion plans. Following its own review of this matter, the Supervisory Board approves the proposal of the Management Board to distribute to shareholders a dividend of € 3,234,181.10 for the 2008 financial year, corresponding to € 0.10 per share, from unappropriated retained earnings of € 23,153,216.79, and to carry € 19,919,035.69 million forward to the new account.

On behalf of my Supervisory Board colleagues, I would like to thank the Management Board and the staff members of all group companies for their dedication and strong commitment that enabled us to achieve this good result in the 2008 business year.

Munich, March 26, 2009

Dr. Dieter Thomae
Chairman of the Supervisory Board

Corporate Governance Report 2008

Corporate Governance stands for responsible corporate management and supervision, and entails efficient and responsible cooperation between a company's management and Supervisory Boards, the safeguarding of shareholder interests, transparency of corporate communications, and the appropriate management of risk.

The Management and Supervisory Board of CURANUM AG have extensively and intensively studied the requirements of the German Corporate Governance Code, taking into account the new requirements contained in the updated version of June 6, 2008. This led the Management and Supervisory Boards to make appropriate adjustments to internal regulations, and to approve a declaration of compliance pursuant to § 161 of the German Stock Corporation Act (AktG) (please refer to page 9). CURANUM AG complies with the Corporate Governance Code with only a few exceptions.

THE MANAGEMENT AND CONTROLLING SYSTEM AT CURANUM AG

As a German stock corporation, CURANUM AG is subject to German stock corporation law, and consequently operates a dual management and supervisory system, consisting of three Management Board members and six Supervisory Board members.

The company's Management Board manages the company on a joint basis, develops its strategic orientation, and responsibility for entrepreneurial management. It is obligated to ensure the long-term enhancement of the value of the company. The Chairperson of the Management Board coordinates the work of the Management Board members.

The Management Board is also responsible for the preparation of the quarterly and annual single-entity financial statements of CURANUM AG, as well as the consolidated financial statements. The former cooperates closely with the Supervisory Board. The Management Board provides regular, prompt, and extensive information to the Supervisory Board concerning all questions relevant to the overall company regarding strategy and implementation of strategy, budgeting, business progress, the company's financing and earnings positions, as well as entrepreneurial risks.

The Supervisory Board controls and supervises the Management Board, and is directly included in all decisions of key significance for the company. The Chairperson of the Supervisory Board coordinates the Supervisory Board's work. The Supervisory Board appoints members of the Management Board, and recalls them from office.

The Supervisory Board discusses business progress and planning, as well as strategy and its implementation, at regular intervals. It deals with quarterly reports, and approves both the annual financial statements of CURANUM AG and of the Group taking into account the external auditor's reports, and the results of the audit committee's review.

Key Management Board decisions, for example, major acquisitions, the utilization of finance loans, and key affiliation agreements, represent transactions that must be approved by the Supervisory Board pursuant to § 111 Section 4 Clause 2 of the German Stock Corporation Act (AktG), and are consequently subject to the Supervisory Board's approval.

The Supervisory Board has established its own rules of procedure.

No members of the Management and Supervisory Boards were involved in conflicts of interest in 2008.

DIRECTORS' DEALINGS

Pursuant to § 15a of the German Securities Trading Act (WpHG), management and Supervisory Board members are statutorily obligated to publish the purchase or sale of CURANUM AG securities if the value of transactions performed by the member, or his or her related persons, reaches or exceeds the sum of € 5,000 within a calendar year.

Announcement of October 13, 2008:

On Monday, October 13, 2008 CURANUM Beteiligungs GmbH, Munich bought 53,780 CURANUM AG shares, ISIN DE 000 524070 9 off-market. The purchase price was € 2.25, the entire transaction volume amounted to € 121,005.00.

Hans-Milo Halhuber is CEO of CURANUM AG and managing partner of CURANUM Beteiligungs GmbH, Munich.

ANNOUNCEMENTS PURSUANT TO § 21 OF THE GERMAN SECURITIES TRADING ACT (WPHG)

Rule 6.2 was observed in 2008 with respect to the threshold levels of major shareholders that trigger announcements pursuant to § 21 of the German Securities Trading Act (WpHG). All announcements were published across Europe pursuant to § 25 and § 26 of the German Securities Trading Act (WpHG). Please refer to the disclosures pursuant to § 315 Section 4 Number 3 of the German Commercial Code (HGB) in the Group Management Report (page 12) and on the internet at www.curanum.de.

MANAGEMENT AND SUPERVISORY BOARD SHAREHOLDINGS

The Management and Supervisory Boards of CURANUM AG currently hold less than 1 % of the company's shares. Detailed information can be found in the financial statements.

RISK MANAGEMENT AND CORPORATE COMPLIANCE

The Management Board observed CURANUM AG's internal guidelines and statutory regulations during the reporting period, and ensured the implementation of appropriate risk management and controlling.

Detailed information about corporate compliance and risk management can be found in the Group Management Report and in the Supervisory Board Report (page 3).

AUDIT COMMITTE

Pursuant to Rule 5.3.2 of the German Corporate Governance Code, the Supervisory Board of CURANUM AG has set up an audit committee that in particular attends to questions relating to accounting, risk management and compliance, the determination of focal points for audits, and the award of the audit mandate to the external auditor. Mr. Bernd Scheweling is the chairman of the audit committee. The Supervisory Board elected Ms. Angelika Pohl and Dr. Dieter Thomae as further members of the audit committee.

CURANUM AG has not formed any further committees pursuant to Point 5.3.

REMUNERATION REPORT

The Supervisory Board determines and regularly reviews the remuneration of Management Board members. This remuneration consisted of both fixed and variable, in other words, performance-related, components during the reporting period. Total Management Board remuneration amounted to T€ 959 in 2008 (previous year: € 1.4 million), of which T€ 466 represented a fixed component, and T€ 492 a variable, performance-related component.

Please refer to the notes in the Group Management Report on page 23 and the notes on page 95 for a presentation of individual remuneration to board members.

Besides compensation for out-of-pocket expenses, each Supervisory Board member received remuneration plus any applicable VAT, pursuant to § 15 of the company bylaws. This remuneration amounted to € 15,000.00 per calendar year. Supervisory Board members who belonged to the Supervisory Board for only a part of the financial year received remuneration pro rata temporis. These amounts were paid after the end of the financial year.

The Chairman of the Supervisory Board received triple, and his Deputy received double this amount. If a committee was formed, and met at least once during the year, the relevant chairperson of the committee received double, and each member of the committee one and a half times the abovementioned amount. If a member of the Supervisory Boards simultaneously held several offices, he or she received remuneration for only the highest paid office.

Above and beyond this, Supervisory Board members also received payments for participation in meetings of the Supervisory Board and of Supervisory Board committees of € 200.00 per day of meeting.

2009 DECLARATION OF COMPLIANCE PURSUANT TO § 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

Declaration of compliance to the German Corporate Governance Code pursuant to § 161 of the German Stock Corporation Act (AktG) made by the Management Board and Supervisory Board of CURANUM AG, Munich

CURANUM AG, Munich, complied with the recommendations of the German Corporate Governance Code government commission relating to the management and supervision of German listed companies in the version of June 14, 2007 since the issuing of its last declaration of compliance in March 2008, with the divergences mentioned therein. CURANUM AG, Munich, will comply in the future with the recommendations of the German Corporate Governance Code government commission relating to the management and supervision of German listed companies in the version of June 6, 2008 with the following exceptions.

Rule 3.8:

The German Corporate Governance Code recommends that an appropriate deductible should be agreed if the company enters into directors & officers (D&O) liability insurance for Management and Supervisory Boards.

The D&O insurance entered into by CURANUM AG for its management and Supervisory Boards includes no deductible due to the particular economic structure of the agreement.

Rule 5.3.3:

The German Corporate Governance Code recommends that the Supervisory Board should form a nomination committee composed entirely of shareholder representatives to propose suitable candidates to the Supervisory Board for its election proposals to the Shareholders' General Meeting.

With the exception of Rule 5.3.2 (Audit Committee), the Supervisory Board of CURANUM AG has formed no further committees pursuant to Rule 5.3, since committees would offer no advantage due to the size of the Supervisory Board. The Supervisory Board will correspondingly reach its decisions concerning election proposals to the Shareholders' General Meeting with all of its members.

Rule 5.4.1:

The German Corporate Governance Code recommends that, in the case of proposals for the election of Supervisory Board members, it should be ensured at all times that the Supervisory Board consists of members have sufficient command of the knowledge, abilities and technical experience required to allow them to properly discharge their responsibilities. A company's international activities, potential conflicts of interest, and a fixed age limit for Supervisory Board members should also be taken into account.

Membership in the Supervisory Board of CURANUM AG depends only on the qualification and experience of the member concerned, but not, however, on age. For this reason, there is no age limit for Supervisory Board members.

Rule 5.4.6:

The German Corporate Governance Code recommends that Supervisory Board members should receive performance-based remuneration along with fixed remuneration. The performance-based remuneration should also contain components relating to the company's long-term success.

Supervisory Board members' remuneration should be reported individually in the corporate governance report, and split according to components.

The Supervisory Board of CURANUM AG receives no performance-based remuneration. The bylaws of CURANUM AG provide for annual fixed remuneration of the Supervisory Board, pursuant to § 15.

A decision was taken not to provide individualized disclosure in the notes to the consolidated financial statements and in the corporate governance report of payments or benefits granted for services personally rendered by the Supervisory Board, particularly consultancy and mediation services. CURANUM AG regards disclosure of Supervisory Board remuneration and of remuneration for individual services in one total as sufficient.

TRANSPARENCY, ACCOUNTING AND AUDITING

CURANUM AG operates in accordance with the recommendations of the German Corporate Governance Code, and treats all shareholders, financial analysts, and similar addressees on an equal basis. All information is provided immediately via appropriate communication media. All verbal communication, whether via telephone conference, individual meetings, or roadshows, communicates the same status of information.

All important information is made permanently available at our website at www.curanum.de under the menu item Investor Relations.

1. Declaration of Compliance:
D http://www.curanum.de/ir_corporategov.asp?lang=de
GB http://www.curanum.de/ir_corporategov.asp?lang=en

2. Directors' Dealings:
D http://www.curanum.de/ir_directorsdealings.asp?lang=de
GB http://www.curanum.de/ir_directorsdealings.asp?lang=en

3. Announcements of rights to vote:
http://www.curanum.de/ir_jaehrliches_dokument.asp?lang=de

The consolidated accounting of CURANUM AG occurred according to International Financial Reporting Standards (IFRS).

RESPONSIBILITY STATEMENT

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.”

The Management Board and the Supervisory Board of CURANUM AG

Munich, March 2009

Group Management Report for the 2008 financial year

1. GROUP BUSINESS PROGRESS IN 2008

With 68 care facilities, comprising 7,708 care places and 1,638 managed apartments, CURANUM Group is Germany's third largest private operator of care homes, and Germany's largest stock market-listed care operator.

In 2008, we worked on the integration of ELISA Seniorenstift GmbH, Munich, which we acquired on January 1, 2008. ELISA Seniorenstift GmbH has six facilities in Aschaffenburg, Frechen, Herne, Hilden, Cologne and Ulm with a total of 435 care places and 755 managed apartments with adjacent outpatient services. The primary focus of activities was on the integration of the IT systems, the cycle consisting of financial bookkeeping, controlling and planning, central purchasing, and the on-site organization of processes and quality management.

We signed the purchase agreement for “Stift Moll' in Bad Dürrheim on November 21, 2008, which allowed us to acquire a direct competitor to our existing Bad Dürrheim facility.

In 2008, we failed to achieve the targets we had set ourselves at the start of the year. Revenue and earnings fell short of the levels that had been budgeted in November 2007 due to intense competition, and costs that rose sharply until well into the autumn.

2. MACROECONOMIC TRENDS

The German economy lost momentum from quarter to quarter as 2008 progressed. It was still assumed at the start of the year that the US financial crisis would soon be seen in a relative light, and would not have a major impact on Europe. Over the coming months, however, huge turbulence in the capital markets prompted all market participants to reconsider such views.

Gross domestic product reported a 0.3 % year-on-year downturn by as early as the third quarter of 2008. Investments fell, and export prospects suffered a significant disappointment as a result of the dramatic decline in orders. Prices in many sectors were also on the rise over the course of 2008, particularly those for energy and fuel, as well as food. This price trend only reversed until the fourth quarter of 2008, along with the collapse of the oil price.

Despite the poor macroeconomic trends, the number of employed persons rose by a total of 569,000 (+1.6 %) in 2008 to a year-average of 40.3 million. By contrast, the number of unemployed fell by 304,000 individuals (-9.8 %) to 3.1 million at the end of the year.

Despite the financial crisis and the constant downgrades to forecasts, private consumption did not slack off, and instead even reported a year-on-year increase of 0.5 %.

These trends had no negative effects on demand for inpatient and outpatient care in 2008.

3. SECTOR TRENDS

The ageing process entails the risk of being dependent on others' help as a result of physical or mental illness. The main clinical characteristics are dementia, circulatory diseases, and pancreatic diabetes. An increasing number of people in Germany are in need of care according to the Federal Office of Statistics. In 1999, they numbered 2.02 million individuals, by 2005, 2.13 million, and according to the most recent care statistics compiled in 2009, the number of those in need of care in Germany already numbered 2.25 million in 2007. Of these, 32 % live in inpatient facilities, and 68 % are cared for either by their families, outpatient care services, or both groups together. There was a 10.2 % total increase in those in need of care between 2001 and 2007. Of this number, those cared for in care facilities reported the most rapid rise (+17.4 %), outpatient care rose 16.0 %, and individuals cared for by relatives reported an increase of only 3.3 %. (Source: Care Statistics 2001 and 2007)

If one examines solely the latest care statistics for the 2005 to 2007 timeframe, what is particularly striking is the sharp rise in the utilization of outpatient services (+6.9 %), while the number of individuals cared for on an inpatient basis grew more slowly than in previous years (+4.8 %).

In overall terms, the last three years have been characterized by more intense competition, which is also reflected in the latest set of care statistics. While the number of care facilities rose 5.8 % between 2005 and 2007, the number of individuals cared for on an inpatient basis grew only 4.8 %, which was reflected in a falling utilization level in German care facilities.

Care Reform – the act enabling the structural further development of care insurance – came into force on July 1, 2008, and aims to improve services and to create new care and advisory structures. The intention is that persons suffering senile dementia, mental illness, and the mentally handicapped will receive specific reliefs and detectable improvements. The first changes to ensure that these plans can also be financed have already been implemented: the care insurance contribution rate was increased by 0.25 % to 1.95 % from July 1, 2008. Childless individuals now pay 2.2 %. According to the Federal Government, these higher payments suffice, from today's perspective, to finance care insurance benefits until around 2015.

FINANCIAL CRISIS PROBLEMATIC ONLY FOR REAL ESTATE MARKET AND WEAK OPERATORS

The real estate and financial crisis that worsened towards the end of the year had a particularly negative impact on the care real estate market since most real estate investors and financing banks withdrew from the market. Financially weak operators were able to refinance only on significantly worse terms, which resulted in a higher insolvency rate, particularly among small and individual operations, as well as in a greater number of sales of small and medium-sized operator companies. The financial crisis had no effect on major and financially strong operators.

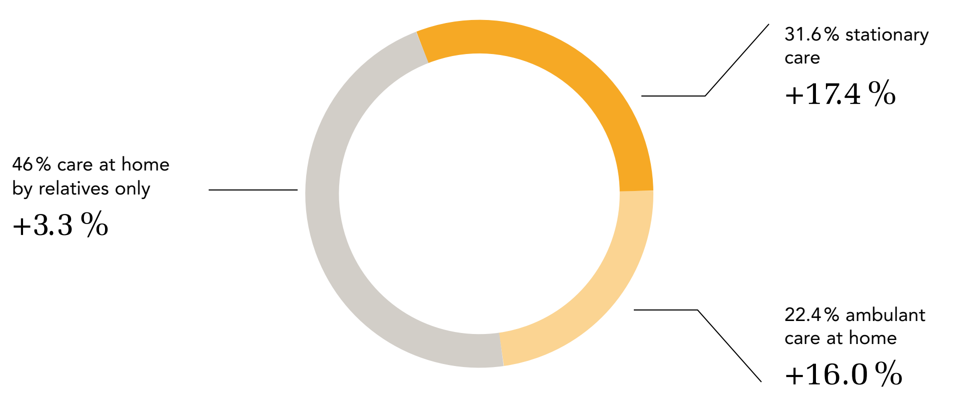
4. FINANCIAL POSITION AND INVESTMENTS

CASH FLOW

Cash flow from operating activities almost doubled in 2008, and rose from € 10.5 million in the previous year to € 19.8 million in the period under review. There was only a slight change in working capital in 2008 of T€ 552 compared with the previous year (minus € 7.7 million). Gross cash flow before changes in net current assets and provisions rose once again, from € 19.3 million in 2007 to € 21.8 million. This reflected both lower tax payments as well as higher depreciation/amortization and interest payments than in the previous year.

Cash flow from investment activities increased mainly as a result of the € 14.8 million payment for the acquisition of the ELISA Group, to a total of € 18.7 million. We spent around € 4.0 million on maintaining and renovating our facilities, of which € 2.4 million were spent on the renovation of our residence in Bad Schwartau, and around € 1.6 million for repairs, replacements, and IT equipment for all facilities, the laundry, and the head office.

CARE REQUIRING PERSONS ACCORDING TO THE TYPE OF CARE 2001 TO 2007*)
in %



*) Source: Care Statistics 2001 and 2007

Cash flow from financing activities was characterized in 2008 by redemptions (€ 4.9 million), finance lease payments (€ 7.6 million), share repurchase (T€ 970), and the € 3.3 million dividend payment. We raised no new liabilities. The cash inflow of € 15.1 million in 2007 was correspondingly offset by a cash outflow of € 16.8 million in 2008.

Overall, cash and cash equivalents fell from € 25.6 million to € 10.0 million at the end of the reporting period.

INVESTMENTS AND RENOVATIONS

We invested a total of around € 20 million in the CURANUM Group in 2008. Besides the acquisition of the ELISA Group for around € 15 million (€ 20.6 million purchase price minus cash), we spent € 5.1 million on investments in our own existing facilities. Of this amount, € 2.4 million were invested in the renovation of the Seniorenresidenz Geertz in Bad Schwartau, € 2.2 million in replacements of furniture and technical equipment for our facilities, € 0.3 million in new laundry and laundry technology, and € 0.2 million for the new release of our SAP system.

5. REVENUE AND EARNINGS

Consolidated revenue rose 11.8 % in 2008 to € 257.1 million (previous year: € 230.1 million). The increase was mainly attributable to the consolidation of the ELISA Group. Revenues in 2008 were derived as follows: 85.3 % from inpatient care, 8.5 % from apartment rentals, 1 % from services related to these apartments, 2.5 % from outpatient care, and 2.7 % from other revenue sources.

Production costs rose faster than revenue in 2008, from € 192.7 million to € 220.3 million, representing a 14.3 % increase. The Group personnel expense increased from € 115.1 million in 2007 to € 127.8 million, reflecting an 11.0 % rise. This is equivalent to a personnel expense ratio of 49.7 %, and a year-on-year decline of 0.3 % (previous year: 50.0 %).

There was a disproportionate rise in rental expense in the year under review, from € 45.1 million to € 54.6 million, representing an increase of 21.1 %. This was mainly due to a sharp rise in the number of managed apartments, as a consequence of which rents represented a higher share of revenue. Earnings before interest, tax, depreciation, amortization and rent (EBITDAR) rose from € 75.8 million in 2007 to € 83.9 million in 2008, which corresponds to an increase of 10.7 %. The EBITDAR margin fell slightly from 32.9 % to 32.6 %, which continues to represent an operating return well above the sector average.

EBITDA earnings after rental expense declined from € 30.7 million to € 29.3 million, feeding through into a fall in the EBITDA margin from 13.3 % in 2007 to 11.4 % in 2008.

Depreciation and amortization was up from € 8.6 million to € 9.5 million in 2008 as a result of the consolidation of the ELISA Group. Consequently, EBIT earnings fell from € 22.2 million in the previous year to € 19.7 million in the reporting period just passed.

Interest expense rose in 2008 from € 9.8 million to € 10.5 million, mainly as a result of the issuing of a borrower's note loan. The net financial result was nevertheless almost unchanged, moving from minus € 9.4 million to minus € 9.5 million, since interest income was up from € 0.3 million in 2007 to € 1.0 million in 2008. Earnings before tax (EBT) fell from € 12.7 million to € 10.2 million in 2008.

Earnings after tax grew 66.7 % from € 4.2 million to € 7.0 million as a result of a considerably lower tax burden in 2008, and as a consequence of the negative tax effect in 2007 due to the tax reform. Earnings per share rose from € 0.13 to € 0.22 in the 2008 financial year.

DIVERGENCE FROM THE 2007 GROUP MANAGEMENT REPORT BUDGET

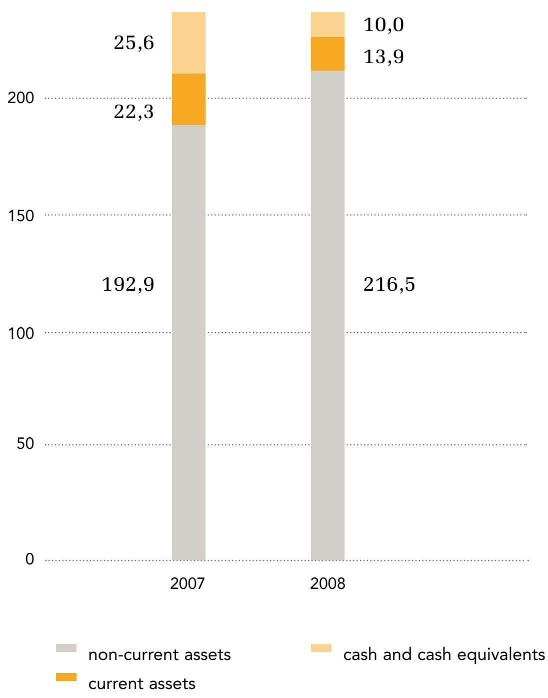
Utilization of our care beds and managed apartments fluctuated to a greater extent than usual in 2008. Although occupancy within the Group remained highly stable at the start of the year, it fell by the end of the first quarter, and reached a low point in May. It recovered relatively quickly, however, and exhibited a sharply rising trend until September, which then reversed at the end of the year. On average, occupancy was nevertheless significantly below the budgeted level, which resulted in significantly lower revenues than budgeted within the Group.

Along with lower revenues, the cost trend was also significantly more negative in 2008 than we had assumed at the end of 2007. In particular, the sharp rise in gas prices at the end of the year, and considerably higher food costs, both had an impact on earnings growth. The newly acquired ELISA Group also performed worse than planned since we were unable to realize cost savings as expected during the budgeted timeframe. The inflation rate also leapt in the second half of the year as a result of higher oil and food prices, which triggered the indexation levels of rental agreements in various ways, resulting in higher rents than originally assumed.

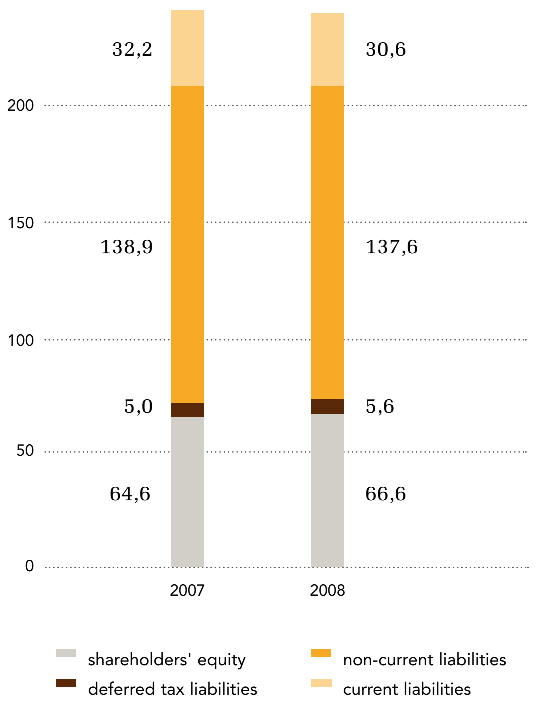
OVERVIEW BALANCE SHEET 2007-2008

€ mil.

ASSETS



SHAREHOLDERS' EQUITY AND LIABILITIES



We were also obliged to absorb higher legal and consultancy costs in 2008, partly as a result of appeals against our Share holders' General Meeting resolutions, which were equally unenvisaged.

6. ASSET AND CAPITAL STRUCTURE

There was hardly any change in total assets during the year under review. They fell from € 240.7 million to € 240.4 million as of December 31, 2008. The acquisition of the ELISA Group and the related payment of the purchase price of € 14.8 million (adjusted for cash) resulted in a diminution of cash and cash equivalents from € 25.6 million to € 10.0 million. This change, as well as the scheduled reduction of lease prepayments and lower income tax receivables, were primarily responsible for the total € 24.0 million fall in current assets from € 47.9 million in 2007 to € 23.9 million in 2008.

Non-current assets rose from a total of € 192.9 million as of December 31, 2007 to € 216.5 million as of December 31, 2008. The first reason for this increase was the reclassification of the property in Greiz from non-current assets Held for Sale to property, plant and equipment, since the Greiz property will prospectively be capitalized as a finance lease asset as part of a sale and lease back transaction. The second reason for the increase in non-current assets was higher goodwill, which rose from € 54.1 million to € 68.2 million as a result of the acquisition of the ELISA Group, as well as higher property, plant and equipment due to the consolidation of land and buildings relating to the ELISA facility in Herne. Due to the capitalization of the customer base of the ELISA Group, intangible assets also rose from € 1.7 million to € 3.2 million at the end of the 2008 financial year.

On the liability side, current liabilities fell from € 32.2 million to € 30.6 million. This reflected, on the one hand, a € 4.2 million reduction in wage and salary liabilities as a result of the rescheduling of the related payment date, while, on the other hand, there was an increase in loans to occupants in the ELISA Group, and higher accruals for rising costs such as for food.

Non-current liabilities were reduced on schedule through repayments of € 4.9 million and regular lease payments, at the same time real estate loans of € 4.4 million for the facility in Herne accrued. Overall, non-current liabilities fell from € 143.9 million to € 143.2 million. Consequently, total liabilities declined from € 176.1 million to € 173.8 million as of December 31, 2008, which represents a reduction of € 2.3 million. Net debt (excluding finance leases) rose from € 62.4 million to € 79.1 million in 2008.

Overall, there are around € 40 million of long-term loans with land charges, € 14 million of acquisition loans that are subject to regular repayments, € 4.5 million of profit participation certificate capital of perpetual duration, and € 30 million of a borrower's note loan that falls due at the end of 2012. No liabilities are due in the current 2009 financial year.

Equity rose from € 64.6 million to € 66.6 million as of December 31, 2008 mainly as a result of higher consolidated earnings of € 2.8 million. This boosted the equity ratio from 26.8 % to 27.7 %.

7. PERSONNEL AND FURTHER TRAINING

STAFF

The year-average number of employees rose from 5,263 in 2007 to 5,953 in 2008. As of December 31, 2008, the CURANUM Group employed 5,946 staff members (previous year: 5,348), of which 763 were temporary workers and 281 were trainees.

FURTHER TRAINING CONCEPT

We offer an extensive program of further training to the entire care staff and management in our facilities as part of the CURANUM Group's quality management. This training concept is revised every year and adjusted to meet the requirements within CURANUM AG, Munich, as well as statutory guidelines and recommendations.

WORKPLACE SAFETY

Workplace safety is an important topic at CURANUM AG, Munich. Our occupational and fire safety department is responsible for this area. It also concerns itself with hygiene within our facilities and performs workplace inspections in the areas of care, administration, kitchens, cleaning, laundry etc. Regular inspections are conducted. Accident prevention regulations as well as detailed operating and safety instructions are issued. Related training sessions are also held. Extensive checklists for, for example, the handling of hazardous materials, eye protection, or safety in the disposal of materials, ensure correct behavior with respect to hazards. Training and instruction of staff members are conducted at regular intervals and supplements extensive documentation.

8. IT STRUCTURE

Within the CURANUM Group, all facilities are connected with each other, with the Group headquarters in Munich, and to the central SAP system. Real-time availability of all SAP data ensures efficient planning, management, and evaluation of resources, and consequently the optimal allocation of production factors, as well as the subsequent assessment of data in the internal and external accounting system. It provides CURANUM AG with a coordinated cycle consisting of planning, controlling, and financial bookkeeping, which allows potential risks to be identified at an early stage, and to be forwarded to the management in summarized form.

Our Group-wide intranet including an integrated CRM module not only provides us with information about the company, but also allows us to coordinate sales activities on the basis of current updates.

9. INTERNAL AND EXTERNAL QUALITY ASSURANCE

In order to allow us to offer our occupants the best possible quality, our TQM (Total Quality Management) staff constantly visit our facilities, regularly monitoring and training quality standards on site. This includes not only the most important component of care, but also the quality of all services such as catering, room hygiene, reliable laundry supplies, and the customer-orientation and friendliness of staff members. TQM staff members conduct frequent internal quality inspections, and supplement these by extensive quality audits performed at longer intervals that go far beyond the inspection intensity of external quality inspections. This also entails the regular training of staff members in facilities as to how to ensure high quality standards on a sustainable basis.

As a matter of course, all of our facilities are also subject to regular external inspections by the care home regulatory authorities, the Medical Service of the Health Funds (MDK), the Ministry of Health, the health authority pharmacies, fire safety authorities, and the professional co-operative.

10. RISK REPORT

THE CURANUM RISK MANAGEMENT SYSTEM

The risk management system of the CURANUM Group has the task of identifying at an early juncture, and of documenting internal and external developments that might jeopardize or negatively impact the company's continued existence. The RiskTeam which consists of a certain number of Management Board members meets three times per year. The RiskTeam meeting monitors identifiable risks in line with the so-called risk inventory list. Above and beyond this, the risk team assesses the extent to which new risks have been identified that might jeopardize the company's existence, and which must be added to the risk inventory list.

POTENTIAL RISKS TO OPERATIONS

The company's overall risk can be classified as relatively low compared with other sectors and service businesses as a result of the special position of the care market in Germany. It is certainly the case that the specific risks inherent in the care market that we have presented above do not occur to this extent in other sectors. Many risks typical of industrial and service companies, however, do not apply at all to CURANUM. Continuous market growth results in a constantly high level of demand, secure cash streams guarantee liquidity, and economic weaker market participants provides protection from serious regulatory interventions.

The company also operates, with only one exception, exclusively in Germany and is, therefore, not subject to foreign exchange risks. We are nevertheless exposed to some risks typical of service operators, as well as specific risks occurring only in the care market.

The following section describes the risks that may have a significant influence on our company's development and its asset, liability, and earnings positions. These are not necessarily the only risks to which we are exposed. As yet unknown risks may also affect the company's operations.

Macroeconomic and sector-related risks

Demand for inpatient care places continues at a very high level, is non-cyclical (unlike many other sectors), and has so far been unexposed to intense competition. Our sector nevertheless felt the effects of economic phases of weakness and high unemployment in recent years, since care at home can be performed even by untrained staff, is provided with financial support by related insurance entities, and can, therefore, substitute inpatient care. This means a high level of unemployment can result in a greater extent of care being performed at home, and fewer admittances in the inpatient area.

Even a reduced inclination to consume can result in reduced outlays on care by relatives in periods of economic difficulty. Price structure plays a greater role as a consequence, and predatory market practices implemented via prices can occur in more competitive regions.

It is possible to only a limited extent to make forecasts concerning macroeconomic changes in private consumption, unemployment, and the entrance of new competitors into the market.

Changes in the German care market such as new forms of care or new types of residential arrangement and alternative outpatient services may also affect demand for inpatient care places. We provide extensive protection for ourselves from these market risks through close observation of the market, the development of our own innovative concepts, and an extensive network to institutions that perform care research, or that may have an influence on the overall environment for care.

As a result of regulated price structuring by way of care rate negotiations, the risk exists that it will prove impossible to pass on higher procurement costs via prices, as in other sectors. The scope for price increases will tend to diminish along with increasingly negative economic trends, and related lower tax income on the part of local authorities and providers of social security benefits.

Our strategy of growth via acquisitions and start-ups entails an inherent risk, since employees, processes, and systems require integration when facilities are acquired. The main risk involved in a start-up is that of occupancy which can be exacerbated by the difficulty of forecasting demand and its related elasticity, due to various factors prevailing at the relevant location.

Operating risks

CURANUM AG, Munich, offers its customers inpatient care and all related services such as catering, cleaning, laundry services, among others. The core business comprises the rendering of high-quality care in inpatient facilities. We are unable to benefit from the value-creation chain surrounding care without this corresponding quality. Despite our quality management, frequent inspections and employee training courses, errors may occur as a result of the personnel-intensive nature of the business, which could result in quality problems. In the instance of serious quality problems, the care home regulatory authorities may prohibit the acceptance of new residents, and, at worst, order the withdrawal of the supply agreement, or even the closure of the facility. As a rule, the CURANUM Group is in a position to identify problems and implement rapid solutions as a result of its early warning systems, both internal and external inspections, as well as an extensive complaint management procedure. Quality shortfalls nevertheless represent a risk that cannot be excluded entirely.

Major new inpatient capacities have been created in Germany in the past few years which have resulted in a competitive situation in some locations. This has led to reduced waiting lists even within the CURANUM Group, and risks to our revenue have become detectable at some locations. Although the occupancy risk is minimized through appropriate measures in the areas of care quality, scope of care, marketing, and communications, the risk of declining occupancy at some locations cannot be excluded.

Personnel risks

There is a serious problem concerning the hiring of facility managers. The markedly non-profit-making, social aspect of the German care market makes it difficult to locate facility managers who combine social, care, and business expertise aspects. We have significantly reduced this risk through our company-internal trainee program and academy for facility managers. Despite this, we are unable to fully exclude the possibility of a bottleneck in this area. Furthermore, well-qualified care personnel are very difficult to acquire in conurbation areas, which harbors a growing risk for the future.

Regulatory and legal risks

Around 60-70 % of revenues in the inpatient care area come directly or indirectly from public funds. Care institutions in Germany are consequently subject to manifold regulations, laws, and ordinances, and they are monitored simultaneously by several authorities. For instance, as has happened in the past, new laws are enacted to maintain quality without an accompanying deployment of funds. Such laws give rise to increased levels of bureaucracy and documentation-related expense without providing the resources required. As a result of the precarious financial situation of care insurance and local authority funds, the risk exists that new regulations are introduced along with the Act concerning the Further Development of Care and the new version of the care home rules at federal state level could entail greater burdens for occupants and/or operators.

CURANUM AG, Munich, is keeping a very close eye on developments, and is attempting to anticipate the consequences of existing draft laws. The State's mandate to safeguard the provision of efficient care for those in need means, however, that from today's perspective no major changes are anticipated that might jeopardize the operators of care institutions. The majority of our competitors which are insufficiently profitable would also be hit earlier and harder than CURANUM AG, Munich. Policy-makers need, therefore, to first ask themselves what would happen to the occupants of these facilities following a wave of insolvencies.

Minimum wages in the care sector

Following the period under review, a minimum wage was approved for several sectors, including the care sector, which has already passed the Upper House of the German Parliament at the time of the preparation of this annual report. The level of the minimum wage which will clearly apply only to ancillary care staff has nevertheless not yet been fixed. A commission consisting of various participants will be assembled for this reason, which is intended to set an appropriate level. This gives rise to the risk that the level of this minimum wage will, in particular, exceed the level for the East German federal states, thereby necessitating wage adjustments.

Risks connected with financial instruments

Since the interest-rate risk of CURANUM AG, Munich, results predominantly from interest-bearing financial liabilities, we have arranged fixed interest rates for a large portion of these liabilities for their duration. For instance, real-estate-collateralized loans have fixed and long-term interest-rate arrangements.

The acquisition loans for the operations acquired in 2006, CURANUM Westfalen GmbH, Munich, and FAZIT Betriebsträgergesellschaft für soziale Einrichtungen mbH, Nuremberg, carry variable rates of interest, and are correspondingly subject to interest-rate risk. For this purpose, we concluded payer swaps with congruent maturities and adjusted to the relevant status of redemption, which entirely swapped the variable interest exposure into fixed interest exposure.

The borrower's note loan issued before the end of the 2007 financial year also carries a variable rate of interest, and is consequently subject to the risk of rising market interest rates. To this end, two thirds of the total volume was hedged using corridors swaps, which, in a way analogous to fixed interest or payer swaps, carry an upper limit in the case of rising interest rates, but which participate in interest rate cuts to a predefined extent. This hedges against the risk of a sharp rise in interest rates, and partially allows participation in falling interest rates within a defined corridor; if the corridor is undershot, the interest rate of the hedged area comes into play as an upper limit.

The borrower's note loan is subject to an extraordinary right of cancellation if a predefined key indicator is not adhered to. This indicator was adhered to on the December 31, 2007 and December 31, 2008 balance sheet dates. The Management Board will continue to monitor adherence to this indicator in the future.

Our current account lines are also subject to interest-rate risk since their terms may be adjusted to current market circumstances. We minimize the risk from unexpected increases in interest expense through distributing the related risks among several banks, and the constant monitoring of current interest rate trends. As of the reporting date, we also made no substantial utilization of the lines that had been granted.

Liquidity risks are very minor as a result of the reliability of payments from public authorities and the efficiency of our system of invoice reminders. The CURANUM treasury and cash management system caters for a minimization of this risk. In addition, investment and current assets are financed with congruent maturities, and no refinancing of current liabilities is required in 2009.

Ongoing proceedings with the Federal Financial Supervisory Authority (BaFin)

Following the qualification of the audit certificate relating to the 2005 consolidated financial statements, the German Financial Reporting Enforcement Panel (DPR) initiated a procedure to identify accounting errors which also includes the 2006 consolidated financial statements. These proceedings have meanwhile been forwarded to the Federal Financial Supervisory Authority (BaFin). The risk exists that an error might be determined with respect to the 2005 and 2006 consolidated financial statements. This could potentially result in a correction of the relevant financial statements, and could have negative effects in the capital market, and consequently on the share price.

Risks from ongoing litigation

Current litigation which had not concluded as of the reporting day might result in charges in the future. The risk relating to potential expense has been estimated for this purpose, and provisions of T€ 660 have been formed correspondingly.

Other risks

Further significant risks, such as occur typically for industrial, production or service companies, are largely excluded at CURANUM AG, Munich. There are no country or foreign exchange risks. Default risks are minimal due to the high share of proceeds from public funds, since, if a resident is unable to pay for services, social security funds make up the difference. There are no concentrations of risk on the procurement or sales sides, especially since, within purchasing, sufficient diversification is ensured in all areas.

Risk management in 2008

The RiskTeam met three times in 2008. All points on the risk inventory list were discussed at its first meeting held on May 28, 2008. Discussion also covered the 50 % decline in the share price, which was attributed to the market situation and the behavior of “active shareholders”. No effects resulted relating to banks' lending practices.

The second meeting of the RiskTeam was held on August 28, 2008. A report was presented on the second quarter, and concerning the audits conducted by the DPR as well as the BaFin's audit order. The risk relating to occupancy was reassessed, and absenteeism was removed from the inventory list.

During the third meeting of the RiskTeam held on October 30, 2008 the effects of the financial and economic crisis were discussed on the labor market, as well as the rising insolvency risk of suppliers. No risks to the company as a going concern were identified.

11. CORPORATE COMPLIANCE

COMPLIANCE MANAGEMENT SYSTEM

At CURANUM AG, Munich, corporate compliance refers to the legally compliant and responsible behavior of each individual employee within the company. As an operator of care facilities, CURANUM AG, Munich, is subject to over 80 various acts, ordinances, guidelines, and standards, which must be adhered to and implemented by each employee on a daily basis. CURANUM AG's compliance management system consists of four levels that form a regulatory cycle. This ensures laws are adhered to, and implements penalties when regulations are breached. Corporate compliance is subdivided into the identification of risks, the internal information system, the external communication system, and the internal controlling system.

CORPORATE COMPLIANCE IN 2008

In 2008, the compliance team reviewed identified risks, and extended the catalogue to reflect new regulatory requirements.

Numerous conferences were held in the administration premises or in the facilities for the purposes of communicating information. Specialist departments trained staff members, and provided them with up-to-date information from the specialist areas. New laws, regulations and procedural instructions requiring constant application were discussed and clarified. The in-house quality management department, which has its own staff centre, was regularly called upon to provide training sessions in the operating areas. New staff members were trained at facility management conferences, thereby preparing them optimally for their new responsibilities.

The external communication system is a two-step complaints management system at CURANUM AG, Munich. The first step entails communicating complaints directly to local management, which is responsible for processing such complaints. The central complaints management team only comes into play with problems that go beyond the stage. This team also conducts regular satisfaction analyses.

Last year for the first time, "internal" complaints, in other words, complaints directly addressed to the local facility, were reported directly to the central complaints management team. This allowed us a better overview of all incoming complaints and proposals for solutions.

Besides this, our TQM performed extensive and regular controls (IQPs/audits) in the care area in 2008, and implemented the comprehensive 2008 training concept of CURANUM AG, Munich. Our managers trained and monitored our staff members with respect to adherence to statutory regulations and norms.

The Management and Supervisory Board was regularly informed concerning legal developments in the area of compliance, the implementation of the compliance system, and important compliance processes within the company.

12. TAKEOVER LAW DISCLOSURES PURSUANT TO § 315 PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE (HGB)

1. The subscribed capital amounted to € 32,660,000 as of December 31, 2008, split into 32,660,000 nil-par ordinary bearer shares. Each share confers one voting right. There are no preference shares in issue.

2. Pursuant to § 21 of the German Securities Trading Act (WpHG), the company was notified of the following stakes in the share capital exceeding 10 % of the voting rights:

a) Norddeutsche Landesbank Girozentrale, Hanover/Germany, informed us pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that it had exceeded or fallen below the following voting right thresholds in CURANUM AG in the past:

1) On October 16, 2007 below 5 %, 3.8273 % (1,250,000 voting rights)
2) On October 17, 2007 above 5 %, 5.7563 % (1,880,000 voting rights)
3) On October 31, 2007 below 5 % and 3 %, 2.2045 % (720,000 voting rights)
4) On November 1, 2007 above 3 % and 5 %, 6.9810 % (2,280,000 voting rights)
5) On December 7, 2007 above 10 % and 15 %, 16.6222 % (5,428,801 one voting rights)
6) On December 17, 2007 below 15 %, 13.5028 % (4,410,000 voting rights)
7) On December 21, 2007 below 10 %, 8.5509 % (2,792,715 voting rights)
8) On January 4, 2008 above 10 % and 15 %, 16.2031 % (5,291,932 voting rights)
9) On January 9, 2008 below 15 %, 13.1412 % (4,291,932 voting rights)

b) Audley Capital Management Limited, Guernsey/United Kingdom, informed as pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its voting rights share in CURANUM AG exceeded the 10 % threshold on July 1, 2008, and amounted to 12.82 %. This corresponds to 4,188,109 votes. Of this amount, 12.82 % (4,188,109 votes) are attributable to Audley European Opportunities Master Fund Limited pursuant to § 22 Paragraph 1 Clause 1 Number 6 of the German Securities Trading Act (WpHG).

c) NAVITAS B.V., Den Dolder, Netherlands, informed as pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its voting rights share in CURANUM AG exceeded the 10 % threshold on October 14, 2008. The level of its voting right share amounted to 13.03 % on that date. This corresponds to 4,256,064 votes.

Stichting Administratiekantoor V.O. Zee, Lage Mierde, Netherlands, informed as pursuant to § 21 (1) of the German Securities Trading Act (WpHG) that its voting rights share in CURANUM AG exceeded the 10 % threshold on October 14, 2008. The level of its voting right share amounted to 13.03 % on that date. This corresponds to 4,256,064 votes.

These voting rights are to be allocated from NAVITAS B.V. to Stichting Administratiekantoor V.O. Zee in their entirety pursuant to § 22 Paragraph 1 Clause 1 Number 1 of the German Securities Trading Act (WpHG).

d) Sapinda Verwaltungs-GmbH, Berlin/Germany, which at that time still operated under the company name of Johanna 84 Vermögenverwaltungs GmbH, informed as pursuant to § 21 Paragraph 1 Clause 1 of the German Securities Trading Act

(WpHG) that its voting right share in CURANUM AG on October 15, 2007 exceeded the thresholds of 3 %, 5 %, and 10 %, and amounted on that date to 12.15 % of the voting rights (3,967,920 voting rights).

All voting rights are held by the direct subsidiary VATAS Holding GmbH, headquartered in Berlin, which, in turn, is controlled by our direct subsidiary Sapinda Beteiligungs-KG, and which are allocated to Sapinda Verwaltungs-GmbH pursuant to § 22 Paragraph 1 Clause 1 Number 1 of the German Securities Trading Act (WpHG).

Sapinda Beteiligungs-KG, Berlin/Germany, informed as pursuant to § 21 Paragraph 1 Clause 1 of the German Securities Trading Act (WpHG) that its voting right share in CURANUM AG on October 15, 2007, exceeded the thresholds of 3 %, 5 %, and 10 %, and amounted on that date to 12.15 % of the voting rights (3,967,920 voting rights).

All voting rights are held by the direct subsidiary VATAS Holding GmbH, headquartered in Berlin, and are allocated to Sapinda Beteiligungs-KG pursuant to § 22 Paragraph 1 Clause 1 Number 1 of the German Securities Trading Act (WpHG).

3. The provisions of § 84 of the German Stock Corporation Act (AktG) and § 7 of the company bylaws of CURANUM AG apply for the appointment and withdrawal of members of the Management Board.

Pursuant to § 7 of the company's bylaws, the Management Board consists of one or several members. The Supervisory Board determines the number of Management Board members, and is entitled to appoint one Management Board member to be the Chairperson of the Management Board. The appoint ment of deputy Management Board members is permitted.

4. Management Board authorizations to issue or repurchase shares:

4.1. Management Board authorizations to issue shares:

The Management Board is authorized, with the approval of the Supervisory Board, to increase the registered capital of the company by June 23, 2010 against cash payments or contributions in kind, either once or on several occasions, through the issue of a total, however, of € 10,040,000.00 or of a maximum 10,040,000 new ordinary shares (Approved Capital). Subscription rights are to be granted to shareholders as a matter of principle when performing the capital increase. However, the Management Board may exclude shareholders' subscription rights with the approval of the Supervisory Board in the case of a capital increase for payment in kind, if the new shares are required as counterpayment by the company for the acquisition of another company, or a shareholding in another company. The Management Board may exclude shareholders' subscription rights with the agreement of the Supervisory Board in the event of a cash capital increase if the capital increase does not exceed 10 % of the company's issued share capital and the issue price for the new shares is not materially less than the stock exchange price. Furthermore, the Management Board may exclude residual amounts from the subscription rights with the approval of the Supervisory Board. The Management Board, with the approval of the Supervisory Board, determines all further details relating to capital increases and their execution. The Supervisory Board is furthermore authorized to make corresponding adaptations to the wording of the company bylaws following each utilization of approved capital.

4.2. Management Board authorizations to repurchase shares:

(a) The Company is authorized to acquire its own shares with a proportional amount of the issued share capital of up to a total of 10 % of the issued share capital in existence at the time of the passing of the resolution. At no time may the acquired shares together with other treasury shares, whose owner is the Company, or which must be treated as such pursuant to §§ 71d and 71e of the German Stock Corporation Act, exceed 10 % of the issued share capital.

(b) The authorization may be exercised either wholly or in partial amounts, once on several occasions, in the mpany, Group companies, or by third parties either on behalf of the Company or Group companies. The authorization is valid until January 23, 2010. The purchase is performed according to the choice of the Management Board either via the stockmarket or via a public purchase offer.

aa) If the shares are acquired via the stockmarket, the purchase price paid for each Company share (excluding incidental purchase costs) may be neither 10 % more nor 10 % less than the closing price on the three stockmarket trading days before the obligation to purchase is entered into.

In this respect, the "closing price" is the closing price calculated in the closing auction with respect to each individual stockmarket trading day, or, if such a closing price is not calculated on the relevant trading day, the last price of the Company's share calculated during current trading. In this respect, reference is made to the price in Xetra trading (or a comparable successor system) of the Frankfurt Securities Exchange, or the closing price formed in floor trading at a German securities exchange, or the last price formed in current trading, which reflected the highest level of turnover in the ten preceding stock exchange days.

bb) If the purchase is made via a public purchase offer, the purchase price offered (excluding ancillary purchase costs) may be neither 15 % more nor 15 % less than the average of the closing prices (as defined in figure aa) on the three stock-market days before the cut-off date.

The “cut-off date” is the date of the publication of the Company's decision to issue a public offer, or, in the event of an amendment to the offer, the day of the final decision of the Management Board concerning the amendment to the offer.

The purchase offer may entail conditions. If more shares are tendered to the Company for repurchase than the Company has offered to repurchase in total, the Company repurchases shares according to the ratio of the shares tendered. Small numbers of shares may be accepted preferentially up to 100 tendered shares per shareholder.

(c) The Management Board is authorized to utilize all Company shares acquired on the basis of this authorization for all legally permissible purposes, particularly also for the following purposes:

aa) The shares may be cancelled with the approval of the Supervisory Board, without the cancellation, or the performance of the cancellation, requiring a further resolution on the part of the Shareholders' General Meeting.

bb) The shares may be transferred against payment-in-kind.

cc) The shares may be transferred satisfy conversion or option rights arising from convertible or option debt securities that have been issued, or are issued, by CURANUM AG or by companies in which CURANUM AG holds majority stakes, either directly or indirectly, or as part of the satisfaction of conversion obligations arising from such convertible bond.

dd) The shares may be sold in another manner than via the stockmarket if the shares are sold for cash at a price that is not significantly less than the stockmarket price of the Company's shares at the time of the disposal. To the extent that the shares sold are offered to shareholders under exclusion of their subscription rights, they may not amount to less than a total of 10 % of the issued share capital, neither at the time when this authorization becomes effective nor at the time when this authorization is utilized.

(d) The authorizations in sections (d) bb) to dd) also apply for company shares acquired on the basis of § 71d Clause 5 of the German Stock Corporation Act.

(e) The authorizations in section (d) may be utilized either once or on several occasions, either wholly or in part, and either individually or jointly.

(f) Shareholder subscription rights to treasury shares may be excluded only to the extent that these are used pursuant to the authorizations in sections (d) bb) to dd). The following should be included in the calculation of the 10 % limit applying for disposals of treasury shares pursuant to the authorization in section (c) dd) under exclusion of subscription rights:

- shares that are issued during the period of this authorization in effective application of § 186 Paragraph 3 Clause 4 of the German Stock Corporation Act from approved capital excluding shareholder subscription rights, and

- shares issued, or to be issued, to service debt instruments with conversion or option rights, to the extent that the debt instruments were issued during the period of this authorization in effective application of § 186 Paragraph 3 Clause 4 of the German Stock Corporation Act under exclusion of shareholder subscription rights.

(g) The Supervisory Board may determine that Management Board measures based on this resolution of the Shareholders' General Meeting may be conducted only with its approval.

On September 19, 2008, this led the Supervisory Board of CURANUM AG, Munich, to approve the Management Board's proposal to repurchase the company's own shares with a proportionate amount of the issued share capital totaling up to 5 %. The repurchases can be performed either wholly or in part, and either once on several occasions. The intention is that the shares will be used as payment in connection with the acquisition of care facilities, companies, or parts of companies that operate such facilities.

CURANUM AG, Munich, repurchased a total of 318,189 of its own shares at an average price of € 3.04. This entailed an amount of T€ 970.

13. DISCLOSURES RELATING TO THE COMPANY'S BOARDS

MANAGEMENT BOARD

There were no changes within the Management Board in the 2008 financial year.

MANAGEMENT BOARD REMUNERATION

The overall remuneration of the Management Board of CURANUM AG, Munich, is split into basic and performance-based components. We have so far not implemented components with long-term incentive effects such as stock options or convertible bonds, although they are planned for the future. The Management Board has no vested rights to future pension payments, pension arrangements for surviving dependants or predefined settlements, and there are no special regulations relating to a change of company control.

In the 2008 financial year, the Management Board received total remuneration of T€ 959 million (previous year: € 1.4 million), of which T€ 467 comprised fixed pay, and T€ 492 was a variable bonus related to the company's earnings. The Management Board members received the following remuneration on an individual basis (in thousands of euros):

SUPERVISORY BOARD

The Munich District Court appointed Dr. Uwe Ganzer, who is sole Management Board member of Varta AG, to be a regular member of the Supervisory Board on March 6, 2008. At the ordinary Shareholders' General Meeting of CURANUM AG, Munich, held on July 24, 2008 in Munich, Dr. Uwe Ganzer and Bernd Scheweling were elected to the Supervisory Board with large majorities.

SUPERVISORY BOARD REMUNERATION

Remuneration for members of the Supervisory Board totaled T€ 161.2 (previous year: T€ 45). As the result of a resolution on the part of the Shareholders' General Meeting, the Supervisory Board remuneration structure was modified fundamentally; the basic remuneration was increased, and additional remuneration was paid for subcommittees existing for the first time in 2008. The posts of chairperson and deputy chairperson are remunerated separately in each case.

MANAGEMENT BOARD	Salary	Bonus	Total 2008	Prev. yr 2007
Hans-Milo Halhuber	211	352	563	624
Sabine Merazzi-Weirich	128	70	198	198
Bernd Rothe	128	70	198	197
Bernd Scheweling (until September 6, 2007)	0	0	0	371
	467	492	959	1.390

14. REPORT ON EVENTS SUBSEQUENT TO THE REPORTING DATE

As of January 2009, CURANUM AG, Munich, acquired the operations of Stift Michael Moll Senioren- und Pflegeresidenz KG in Bad Dürrheim, which had filed for insolvency in 2008. The facility has 57 care places and 8 managed apartments, and exhibits excellent occupancy as a result of its recognized care concept and good reputation. As part of a purchase of operations, CURANUM AG acquired the operations along with all occupants and staff members, as well as the non-real-estate fixed assets, rather than the company itself.

No further events of significance occurred in the 2009 financial year after the end of the reporting period until the date of the preparation of the annual financial statements.

15. FORECAST REPORT

ECONOMY

In many respects, 2009 promises to be a difficult year. It has been difficult to date to gauge the effects on macroeconomic trends of the recession that was precipitated abruptly by the financial crisis. The same applies to the depth and length of the recession. Economic research institutes and banking sector economists are issuing forecasts that differ greatly. At the upper end, they are assuming a rapid recovery in the second half of 2009, and, at the lower end, they are even working on the basis of a deep depression lasting several years. German gross domestic product will fall by around 2.7 % in 2009, and rise by 0.3 % in 2010, according to estimates produced by the Kiel Institute for the World Economy (ifw). The labor market situation will deteriorate considerably as a result of the weak economy, as a consequence of which it can be expected that private consumption will also worsen.

CARE SECTOR AN IMPORTANT MOTOR FOR JOBS IN THE FEDERAL REPUBLIC

Despite the economic downturn in Germany, the care market remains in a positive condition and will even gain in economic significance in the future.

This partly results from demographic trends and socioeconomic forces, and partly from the rising number of those individuals suffering from, for example, dementia. According to a study produced from upstate care insurance data, 1.2 million people in the Federal Republic already suffer dementia. The 2008 Care Reform raised the care requirements for people with significant disabilities affecting their everyday life, such as individuals suffering dementia. This shows that people with a deficit of cognitive, emotional and social abilities will now receive improved support in the future. This is also demonstrated by the results produced by the commission to assess care demand. It proposed a five-step care system, aimed at shifting the definition of “in need of care” away from physiological deficits towards actual care expense.

Demand for care personnel in the market will rise as a consequence of the above-mentioned reasons. According to calculations produced by the Institute of the German Economy (Institut der deutschen Wirtschaft) in Cologne, the number of care employees could triple by the year 2050. This would imply 1.6 million full-time employees in the care sector by 2050.

We anticipate that the competitive environment will remain difficult in 2009 since a very large number of new facilities will be opened this year. However, significantly fewer new openings are expected by 2010 at the latest, since in 2008 both the boom in the care real estate market came to an end, and the financial crisis put an abrupt stop to many banks' financing activities for care properties. In addition, numerous statutory changes at the federal state level are making the new construction financing of care facilities more difficult.

Continuation of the Care Reform will prospectively wait until after the elections to the Lower House of the German Parliament. We do not expect the new stepped care system to be introduced until 2010. The minimum wage for the care sector that has already been approved will presumably not come into force until after the elections. A commission is currently being established that will decide on the level of the minimum wage.

We expect a further acceleration in consolidation and numerous insolvencies among weaker operators as a result of the competitive environment and rising costs in the care market.

2009 REVENUE AND EARNINGS TARGETS

Excluding further acquisitions, we anticipate revenues of € 259.1 million in 2009, earnings before interest, tax, depreciation and amortization (EBITDA) of € 30.2 million, and earnings after tax of € 8.9 million. This forecast reflects on-average stable occupancy which has been adjusted to take into account growing competition and the completion of renovation works at the relevant locations. The budgeted costs were calculated on the basis of estimates derived from figures that take past experience into account, combined with forecasts of the trend in individual cost types produced by independent research institutes, as well as contractually agreed prices.

We will remain true to our strategy of acquiring seven to eight facilities per year, and of opening one to three new facilities per year. Despite the intensity of competition which has now reached high levels, particularly in major conurbation areas, there remains real demand in many medium-sized and small cities and communities for care places, managed apartments and outpatient care services, which we aim to serve selectively.

In order to be able to offer the entire range of care services to our customers we will also strengthen our outpatient services in 2009, and found or acquire new outpatient services that not only render services for our managed apartments, but also offer domestic care for individuals in their accustomed environment. Moreover, we aim to improve medical treatment in our facilities, and to further develop and implement our medical supply center (MVZ) concept.

We already made provisions for the financing of acquisition strategy in 2007, raising enough funds as a result of the capital increase and the issue of the borrower's note loan to continue to acquire interesting operators in 2009. We also have sufficient free credit lines at our disposal, and our banking partners have signaled their preparedness to extend further acquisition financing.

THANKS

We would like to thank our staff members for their work, and for their high degree of commitment, as well as our customers and residents, and their families, and also our shareholders and business partners for the confidence they have invested in us, and for our fruitful cooperation. We look forward to a continuation of our partnership-based cooperation in the next year.

Munich, March 16, 2009
CURANUM AG

The Management Board

Hans-Milo Halhuber

Bernd Rothe

Sabine Merazzi-Weirich

CURANUM AG, MUNICH
FINANCIAL STATEMENTS 2008
(IFRS)

CONSOLIDATED BALANCE SHEET
as of December 31, 2008

ASSETS

in T€	Notes	31.12.2008	31.12.2007
Current Assets			
Cash and cash equivalents	(1)	10,014	25,646
Trade accounts receivable	(2)	6,273	6,411
Inventories	(3)	914	862
Current assets	(4)	5,557	7,021
Tax receivables	(5)	756	2,022
Security investment	(6)	374	380
Assets held for sale	(7)	0	5,516
TOTAL CURRENT ASSETS		23,888	47,858
Non-current assets			
Property, plant and equipment	(8)	127,064	117,586
Other intangible assets	(9)	3,164	1,702
Goodwill	(9)	68,188	54,067
Deferred tax assets	(22)	8,837	9,032
Other financial assets	(4)	9,277	10,474
TOTAL NON-CURRENT ASSETS		216,530	192,861
TOTAL ASSETS		240,418	240,719

SHAREHOLDERS' EQUITY AND LIABILITIES

in T€	Notes	31.12.2008	31.12.2007
Current liabilities			
Finance lease debt	(10)	3,790	4,009
Current finance debt	(11)	4,975	3,834
Trade accounts payable	(12)	4,348	3,194
Provisions	(13)	1,363	2,567
Income tax payable	(14)	136	1,478
Other current liabilities	(14)	15,952	17,083
TOTAL CURRENT LIABILITIES		**30,564**	**32,165**
Non-current liabilities			
Financial lease obligations	(10)	53,044	54,121
Non-current finance debt	(11)	84,148	84,246
Deferred tax liabilities	(22)	5,550	4,990
Provisions	(13)	497	575
TOTAL NON-CURRENT LIABILITIES		**143,239**	**143,932**
Shareholders' equity			
Share capital	(15)	32,660	32,660
Additional paid-in capital	(15)	32,303	32,303
Own shares	(15)	-970	0
Revenue reserve	(15)	-5,288	-6,115
Consolidated profit	(15)	7,032	4,203
Other shareholders' equity	(15)	878	1,571
TOTAL SHAREHOLDERS' EQUITY		**66,615**	**64,622**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**240,418**	**240,719**

CONSOLIDATED INCOME STATEMENT 2008

in the period from January 1 to December 31, 2008

in T€	Notes	1.1.- 31.12. 2008	1.1.- 31.12. 2007
1. REVENUES	(16)	**257,104**	**230,069**
2. Cost of sales	(17)	220,292	192,676
3. GROSS PROFIT/ LOSS		**36,812**	**37,393**
4. Selling and marketing expenses	(18)	1,024	1,022
5. General administration expenses	(19)	18,563	16,819
6. Other operating expenses	(20)	2,164	1,816
7. Other operating income	(20)	4,685	4,418
8. OPERATING INCOME/ LOSS		**19,746**	**22,154**
9. Interest and other expenses	(21)	10,486	9,763
10. Other interest and other income	(21)	979	296
12. EARNINGS BEFORE TAX		**10,239**	**12,687**
13. Tax expense	(22)	2,779	4,727
14. Deferred tax expense	(22)	459	3,817
15. EARNINGS AFTER TAX		**7,001**	**4,143**
Profit or loss attributable to minority interest	(15)	-31	-60
of which shareholder earnings	(15)	7,032	4,203
Net income per share, **basic**, €	(23)	0.22	0.13
Net income per share, **diluted**, €	(23)	0.22	0.13
Number of underlying shares outstanding		32,611,091	31,240.822

CONSOLIDATES CASH FLOW STATEMENT

in the period from January 1 to December 31, 2008

in T€	1.1.- 31.12. 2008	1.1.- 31.12. 2007
I. OPERATING ACTIVITY		
Result before income tax and minority interest	10,239	12,687
Depreciation/amortization	9,549	8,562
Other interest and similar income	-979	-296
Interest and similar expenses	10,486	9,763
Result from disposals of fixed assets	-6	4
Other non-cash expenses and income	-6	-128
Increase/decrease in provisions	-2,492	-1,144
Change in net working capital	552	-7,680
Tax paid	-4,183	-6,382
Tax received	2,073	75
Interest paid (without interest share of finance-lease liabilities)	-5,978	-5,338
Interest received	569	383
Cash flow from operating activities	**19,824**	**10,506**
II. INVESTING ACTIVITIES		
Cash outflow for acquisition (less acquired cash reserves)	-14,751	-1,041
Cash outflows for property, plant and equipment and intangible assets	-3,964	-8,060
Cash inflows from disposal of property, plant and equipment	25	18
Cash flow from investing activities	**-18,690**	**-9,083**
III. FINANCING ACTIVITY		
Cash outflows from repayments of amounts borrowed	-4,926	-13,371
Cash outflows for outstanding finance-lease liabilities	-7,604	-7,943
Cash outflow for convertible bond	0	-12,272
Cash inflow from loan against borrower's note	0	29,775
Cash outflow for buyback of own shares	-970	0
Cash inflows from capital increase	0	22,194
Dividend payments	-3,266	-3,266
Cash flow from financing activity	**-16,766**	**15,117**
Change in cash and cash equivalents	**-15,632**	**16,540**
Cash and cash equivalents at beginning of period	25,646	9,106
Cash and cash equivalents at end of period	**10,014**	**25,646**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

			Retained earnings	
in T€	Share capital	Additional paid-in capital	Accumulated profit/loss	Other retained earnings
31.12.2006 / 1.1.2007	**29,700**	**12,808**	**-14,912**	**0**
IAS 8 – Deferred tax	--	--	2,855	--
01.01.2007 – restated	**29,700**	**12,808**	**-12,057**	**0**
Dividend payment	--	--	--	--
Balance carried forward	--	--	6,080	--
Capital increase after issuing costs and taxes	2,960	19,495	--	--
Financial instruments according to IAS 39	--	--	--	--
Earnings after tax	--	--	--	--
Minority interest	--	--	--	-26
Changes in revaluation reserve	--	--	72	--
Changes in consolidated entity	--	--	-184	--
31.12.2007	**32,660**	**32,303**	**-6,089**	**-26**
Dividend payment	--	--	--	--
Balance carried forward	--	--	937	--
Financial instruments according to IAS 39	--	--	--	-197
Earnings after tax	--	--	--	--
Minority interest	--	--	--	-31
Changes in revaluation reserve	--	--	72	--
Buyback of own shares	--	--	--	--
Other changes not effecting net income	--	--	46	--
31.12.2008	**32,660**	**32,303**	**-5,034**	**-254**

		Other shareholders' equity		
Buyback of own shares	Consolidated profits	Revaluation reserve	Cashflow-Hedge	Shareholders' equity
0	**9,346**	**1,617**	**0**	**38,559**
--	--	--	--	2.855
0	**9,346**	**1,617**	**0**	**41,414**
--	-3,266	--	--	-3,266
--	-6,080	--	--	0
--	--	--	--	22,455
--	--	--	8	8
--	4,143	--	--	4,143
--	60	--	--	34
--	--	-54	--	18
--	--	--	--	-184
0	**4,203**	**1,563**	**8**	**64,622**
--	-3,266	--	--	-3,266
--	-937	--	--	0
--	--	--	-634	-831
--	7,001	--	--	7,001
--	31	--	--	0
--	--	-59	--	13
-970	--	--	--	-970
--	--	--	--	46
-970	**7,032**	**1,504**	**-626**	**66,615**

A. GENERAL REMARKS

1. PRINCIPLES AND METHODS

CURANUM Aktiengesellschaft (referred to below as “CURANUM AG” or the “Company”) has its headquarters in Maximilianstrasse 35c, 80539 Munich, Germany.

The business objective of CURANUM AG and its subsidiaries is the creation and operation of senior citizen and residential care homes. CURANUM AG, Munich, as the ultimate parent company of the CURANUM Group, has prepared this set of consolidated financial statements.

The consolidated financial statements of CURANUM AG as of December 31, 2008 have been prepared according to International Financial Reporting Standards (IFRS), as applicable in the EU. We have taken into account the standards of the International Accounting Standards Board (IASB), London, applicable in the EU as of the reporting date, as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid for the financial year. We have satisfied the requirements of the applied standards and interpretations without exception. The financial statements consequently convey a true and fair view of the assets, financing, and earnings positions of the CURANUM Group.

The consolidated financial statements in this version comply with the requirements of § 315a of the German Commercial Code (HGB). This forms the legal basis for consolidated accounting according to international accounting standards in Germany, together with Regulation Number 1606/2002 of the European Parliament and Council of July 19, 2002 concerning the application of international accounting standards.

The financial statements of the subsidiaries have been prepared using the reporting date of the consolidated financial statements, which corresponds to the reporting date of CURANUM AG.

The consolidated financial statements have been prepared on the going-concern principle. No further events occurred until the conclusion of the preparation of the consolidated financial statements that had a significant impact on the assets, financing, and earnings positions of the Group.

The financial year of the CURANUM Group comprises the period from January 1 to December 31. The consolidated financial statements have been prepared in thousands of euros (T€). Figures in the notes to the financial statements are presented in thousands of euros (T€), unless stated otherwise. The income statement has been prepared according to the cost of sales accounting format.

The consolidated financial statements and Group Management Report prepared as of December 31, 2008 are published in the official register of companies (www.unternehmensregister.de), and in the electronic Federal Gazette.

The Management Board approved the consolidated financial statements and Group Management Report of CURANUM AG for forwarding to the Supervisory Board on March 12, 2009, which will adopt the decision on its approval of the consolidated financial statements at its meeting on March 26, 2009.

2. SCOPE OF CONSOLIDATION

The consolidated financial statements of CURANUM AG include all companies in which CURANUM AG, either directly or indirectly, enjoys the opportunity to determine the financial and business policy, and to draw related benefits (control relationship). A company is included for the first time when possibility of control is achieved. Inclusion ends when the possibility of control no longer exists.

Besides CURANUM AG, the group of consolidated companies includes 28 German (previous year: 29) and two foreign (previous year: two) subsidiaries.

The complete list of shareholdings is attached as an annex.

3. CHANGES TO THE SCOPE OF CONSOLIDATION

As of December 31, 2008, accurato GmbH, Munich, and Altenheimbetriebsgesellschaft Nord GmbH, Munich, no longer belonged to the scope of consolidation as a result of mergers.

GPG Gesellschaft für Pflege und Gesundheit mbH, Munich, was no longer included in this set of consolidated financial statements as a result of its deletion from the commercial register as of December 3, 2008.

ELISA Seniorenstift GmbH, Munich, was included for the first time in the consolidated financial statements of CURANUM AG as of January 1, 2008.

PURCHASE OF SHARES IN ELISA SENIORENSTIFT GMBH, MUNICH

With a purchase agreement of November 21, 2007, CURANUM Holding GmbH, Munich, acquired 100 % of the shares and voting rights of ELISA Seniorenstift GmbH, Munich (ELISA GmbH), and 51 % of the shares and voting rights of ELISA Seniorenstift Aschaffenburg GmbH, Aschaffenburg (ELISA Aschaffenburg GmbH) as of January 1, 2008. ELISA GmbH holds the remaining 49 % of shares in ELISA Aschaffenburg GmbH. ELISA Aschaffenburg was merged with ELISA GmbH with effect as of December 30, 2008.

The purchase price amounted to T€ 20,510, of which T€ 20,000 were attributable to ELISA GmbH and T€ 510 were attributable to ELISA Aschaffenburg GmbH. Ancillary costs of T€ 1,121 associated with the acquisition were incurred in addition to the contractual purchase price. As the result of a supplement to the purchase agreement of October 28, 2008, the purchase price for ELISA GmbH was reduced by T€ 754; the purchase price of ELISA Aschaffenburg was increased by T€ 100. Of the purchase price amount, T€ 1,044 were rendered as a prepayment in 2007.

ELISA GmbH operated four senior citizen and care facilities in North Rhine Westphalia, and one facility in Baden-Württemberg as of January 1, 2008, with a total of 320 care places and 697 managed apartments. ELISA Aschaffenburg GmbH operated one care facility in North Bavaria with 115 care places and 58 managed apartments as of January 1, 2008. The purchase of ELISA GmbH and ELISA Aschaffenburg GmbH allows the CURANUM Group to strengthen its presence in the above-mentioned regions, and expects them to generate a positive contribution to Group earnings.

The following *assets, liabilities and contingent liabilities* were recognized as part of the acquisition of the ELISA Group:

in T€	Fair values	Carrying amounts
Assets		
Intangible assets	2,057	74
Property, plant and equipment	8,916	8,916
Customer receivables	992	992
Cash and cash equivalents	5,182	5,182
Other assets	1,311	1,311
Deferred tax	4	4
Liabilities		
Remaining liabilities and provisions including tax provisions	4,892	4,892
Finance debt	4,788	4,788
IFRS lease liabilities	1,337	1,337
Deferred tax	81	81
	7,364	**5,381**
Deferred tax relating to identified intangible assets	-507	
Goodwill	14,120	
Purchase price	**20,977**	

The following items were reported as current assets: customer receivables from care services and managed apartments of T€ 992, cash and cash equivalents of T€ 5,182, and other assets of T€ 1,311.

Non-current assets comprise property, plant and equipment with a carrying amount of T€ 8,916. This item includes one care property (T€ 7,098), and office and operating equipment (T€ 1,818). The fair value of the care property amounted to T€ 7,595 at the time of its initial consolidation. A zero-interest rate subsidy loan was used in connection with the purchase of the property, the financing of which has an effect on the future trend of investment cost payments. A fair value for the property that essentially corresponds to the recognized carrying amount results when the fair value of the property calculated by taking into account the interest-free nature of the subsidy loan is compared with the effect arising from the trend in investment cost payments. In the case of capitalized finance lease agreements for the equipping of the facilities, the useful lives were selected in such a way that the calculated carrying amount as of the time of first-time consolidation corresponds to the fair value that the company would report for the items of equipment.

Intangible assets of T€ 2,057 were also reported, which contain customer bases valued at a total of T€ 1,697, and which were acquired as part of the corporate merger. The recognition of these customer relationships gives rise to deferred tax assets of T€ 507. Non-current assets also contain deferred tax of T€ 4 resulting from the capitalization of leases as finance leases. The consolidated financial statements include goodwill of T€ 14,120 arising from the merger.

Miscellaneous liabilities mainly contain liabilities to suppliers (T€ 764), as well as liabilities arising from salary and wage accounts (T€ 662), liabilities to the tax authorities and tax provisions (T€ 133), and provisions for outstanding invoices and other obligations to occupants and third parties (T€ 2,981); all items have a residual maturity of up to one year.

Financial liabilities contain bank borrowings and non-interest-bearing subsidy loans. Of the financial liabilities, T€ 363 are current liabilities, and T€ 4,425 are non-current liabilities. The difference between the carrying amount of the zero-interest rate subsidy loan and its fair value is reported in the measurement of the property, as explained above.

Of the liabilities arising from capitalized leases for equipping facilities of T€ 1,337, T€ 61 have a residual maturity of up to one year. Liabilities arising from finance leases were recognized at the level of the present value of future lease in installments pursuant to IAS 17.20 at the time of the first-time inclusion of ELISA GmbH in the consolidated financial statements of CURANUM.

Deferred tax relates to long-term liability items.

With respect to the recognition of contingent liabilities, the following areas have been audited as part of the acquisition.

CURRENT EXTERNAL AUDIT

The company expects no further tax arrears from the current external audit. For this reason, no provisions had been formed for this purpose.

LITIGATION

Risks arising from litigation/ongoing legal cases existed to only a limited extent at the time of purchase. Provisions of an appropriate scope have been created for these risks.

Besides the purchase price of T€ 20,997, the costs of acquiring the shareholding of T€ 19,856 also include ancillary acquisition costs of T€ 1,121 which contain a success fee for consultants as well as notary costs. The purchase price was fully satisfied using cash.

Goodwill arising from the merger is derived from the purchase price allocation taking into account the costs of acquiring the shareholding, and after recognizing the “customer relationships” intangible asset and its related deferred tax liabilities.

The customer relationships reflect the earnings contribution expected from the occupancy of the facilities at the time of acquisition. The basis for this valuation is the number of persons cared for, taking into account their expected duration of stay in facilities and managed apartments. Compared with customer relationships recognized in the case of other acquisitions, customer relationships recognized as part of the merger of

ELISA contained a larger proportion of customers in managed apartments than outpatient care customers. This is why the ELISA customer relationships are being amortized over a longer timeframe than is the case with previous acquisitions.

The company anticipates a positive contribution to future CURANUM Group earnings as a result of the merger. Synergy effects will be realized as a result of the increase in care places and managed apartments within the Group, and the densification of the CURANUM Group network of facilities. These expectations regarding the future contributions to earnings are reflected in the goodwill reported in the balance sheet. Please refer to the remarks concerning impairment tests in item 5 of this chapter for more information concerning the allocation of goodwill to cash generating units.

The ELISA Group generated revenues of T€ 33,117 in 2008, and earnings after tax of T€ 738, which are contained in the consolidated earnings as of December 31, 2008.

4. PRINCIPLES OF CONSOLIDATION

Equity consolidation is performed using the purchase method as per IFRS 3 (Business Combinations). Acquired assets, liabilities and contingent liabilities are measured at fair value at the time of acquisition. The purchase cost of the acquired shares is then offset with the proportional revalued equity of the subsidiary. Any remaining positive differential amount from the offsetting of the purchase costs with the identified assets and liabilities is reported as goodwill among intangible assets.

If the purchase cost of the investment is less than the identified assets and liabilities, and following a renewed appraisal of the fair values, this differential amount is booked immediately through the income statement in the year when the shareholding is acquired.

Expenses and income, as well as receivables, liabilities, and provisions between consolidated companies, are netted. Deferred tax is formed for consolidation measures with income tax effects. Besides this, warranties and guarantees that either CURANUM AG or one of its consolidated subsidiaries acquires to the benefit of other consolidated subsidiaries are eliminated. Minority interests‘ share of earnings are reported separately in the income statement; negative minority interests are offset against revenue reserves in equity.

5. ACCOUNTING PRINCIPLES

The assets and liabilities of CURANUM AG, and those of its fully consolidated subsidiaries, are recognized and measured using uniform accounting principles that apply across the whole of the CURANUM Group. Comparable information for the 2007 financial year is based on the same accounting principles as applied in the 2008 financial year. In 2007, one care property, the sale of which was envisaged in 2008, was classified as an "asset held for sale", and reported according to IFRS 5. As the result of contractual negotiations relating to its sale, it is assumed as of the December 31, 2008 balance sheet date that the property will be sold as part of a sale and finance leaseback agreement; consequently, this asset is recognized as property, plant and equipment as of December 31, 2008 after taking into account depreciation for the 2008 financial year as per IAS 16.

With the exception of certain items, such as derivative financial instruments, the consolidated financial statements have been prepared according to the historical cost principle.

ACCOUNTING PRINCIPLES SENSITIVE TO ESTIMATES AND ASSUMPTIONS

CURANUM prepares its consolidated financial statements in harmony with IFRS. Accounting principles sensitive to estimates and assumptions must be applied in certain instances. These include complex and subjective evaluations and estimates based on circumstances that are by their nature uncertain, and which may be subject to change. Accounting principles sensitive to estimates and assumptions may change over time, which may have a significant impact on the presentation of the company‘s assets, financing and earnings positions. They may also contain assumptions where the company‘s management might have reached other and equally valid assumptions during the same reporting period. The company‘s management points out that future events frequently diverge from forecasts, and that estimates routinely require adjustment.

The main items affected by such discretionary decisions and estimates relate to Group-standard useful lives, and the recoverable amounts relating to tangible and intangible fixed assets, including goodwill, the classification of leases as operating finance leases, the measurement of derivative financial instruments, the extent to which receivables can be realized, the accounting treatment and measurement of deferred tax, as well as the accounting treatment and measurement of provisions. The values that actually occur may diverge from estimates in individual cases. The carrying amounts of assets and liabilities affected by estimates are presented in the breakdown of individual balance sheet items.

Impairments as per IAS 36 – CURANUM tests goodwill for impairment once per year in accordance with Group accounting guidelines. Determining the recoverable amount of a cash generating unit to which goodwill is allocated requires management estimates. The selection of the cash generating units and the allocation of goodwill to these units are subject to discretionary scope that might have a significant impact on a review of goodwill.

The company generally calculates the recoverable amount using valuation methods based on discounted cash flows. These discounted cash flows are based on three-year forecasts, which in turn are based on financial plans approved by the management. The cash flow forecasts take into account past experience, and are based on the management‘s best estimate of future trends. Cash flows beyond the planning period are extrapolated using individual growth rates. The most important assumptions on which the value in use calculation is based contain estimated growth rates, weighted average costs of capital (WACC), and tax rates. These assumptions and the underlying methodology may have a considerable impact on the relevant outcomes, and finally on the level of any potential goodwill impairment. If property, plant and equipment and intangible assets are tested for impairment, the calculation of the recoverable amount of the assets is equally connected with management estimates, which may have a significant effect on the relevant outcomes, and finally on the level of any potential impairment.

Categorization of leases into finance leases and operating leases pursuant to IAS 17 – CURANUM categorizes the leases into which it enters into finance leases and operating leases. The key factor with a finance lease is that all risks and opportunities connected with ownership are transferred. This is not the case with operating leases. Among other things, the present values of future lease payments are compared with the fair value of the property for the purposes of categorization. As far as the calculation of the property fair values and present values is concerned, the company's management has discretionary scope, particularly with respect to interest rates and useful lives, which might result in divergent classification of leases where estimates change. Above and beyond this, assumptions are also made when splitting the recognized present values of future lease payments and fair values between land and buildings.

Measurement of real estate – The valuations of real estate assets in the consolidated balance sheet were largely corroborated by real estate surveys of developed and undeveloped land conducted by independent surveyors. This entails recognizing a price for the value of the administration buildings that could be achieved at the time when the calculation was performed as follows: that it should be in the normal course of business and according to its legal circumstances and actual characteristics, as well as taking into account the further particularity and location of the land without regard for unusual or personal relationships. The market value of care facilities is calculated using the capitalized value of potential earnings, which is derived from the income per bed achievable over the long term while taking into account management costs for the building. This is mainly based on the remuneration rates for the investment cost portion, taking into account subsidies per care bed. Property surveys are generally based on calculable data and facts such as land registry extracts, floor area calculations, and building descriptions, as far as the building valuation is concerned, and fixed data as far as the calculation of the capitalized earnings value is concerned. In addition, recourse must also be made, as rule, to parameters subject to discretionary scope such as

- Assessment of location
- Residual useful life
- Competitive position
- Rental prices per meter squared
- Interest rates

For this reason, market valuations may differ significantly when parameters that are subject to major scope for discretion are varied. The surveyors compiled their valuations to the best of their knowledge and belief after having conducted personal and in-depth viewings of the properties, and having conducted precise reviews of the related circumstances.

Measurement of financial instruments – CURANUM has entered into interest rate derivative transactions to hedge variable interest rate loans. The market values of these derivatives are calculated using the present value method, and reported on the balance sheet dates. In doing so, the management has scope for the use of discretion, particularly when estimating interest rates and future changes in interest rates, as well as the company's credit ratings, which may result in significant fluctuations in market value when the related parameters change. The same applies to reporting the hedging relationship in the case of cash flow hedges. The efficacy of the hedging relationship may be negatively affected by a change in the parameters when determining the fair values of the hedged items and hedging instruments.

Deferred tax – When recognizing and measuring deferred tax, assumptions are made as to whether, in individual cases, temporary differences exist between the tax balance sheet and the IFRS financial statements, which will reverse in the future. When capitalizing deferred tax on loss carryforwards, the management also makes estimates as to whether these loss carryforwards can be used for tax purposes within a given timeframe.

MODIFICATIONS OF ESTIMATES AND ERRORS IN PRIOR YEARS

In the December 31, 2006 consolidated financial statements, CURANUM capitalized the acquisition costs to purchase options relating to two care properties as subsequent purchase costs relating to land and buildings, and applied scheduled amortization in subsequent years. The relevant properties are not capitalized in the company‘s tax balance sheet. The above-mentioned purchase options are entered in the company‘s tax balance sheet as intangible assets.

In the 2006 and 2007 consolidated financial statements, CURANUM formed deferred tax for the differential amount between the carrying amount arising from properties plus subsequent acquisition costs for the purchase options, and the fiscal balance sheet value of the tangible fixed assets. The company corrected this accounting treatment in the December 31, 2008 consolidated financial statements, and now compares the residual carrying amounts of the capitalized properties plus the purchase options with the carrying amount of the intangible “purchase option” asset in the tax balance sheet. This correction gives rise to additional deferred tax assets, and a reduction of the previous deferred tax liabilities.

This correction results in the following effects for the 2007 and 2008 consolidated financial statements:

in T€	1.1.2007	31.12.2007	31.12.2008
Deferred tax	+ 2,855	./. 714	./. 71
Revenue reserve	+ 2,855	./. 714	./. 71

INTANGIBLE ASSETS/GOODWILL

Intangible assets include intangible assets acquired as part of corporate acquisitions, such as customer bases as well as purchased software, licenses, and similar rights. Such assets are recognized if a future inflow of economic benefit is likely, and if the cost of the assets can be determined reliably.

In accordance with IAS 38, intangible assets of finite useful life are capitalized at cost, and amortized on a straight-line and scheduled basis over their economic useful life; additional impairment losses are reported if required. The useful lives for software and licenses is generally five years. Useful lives of customer bases have been calculated on the basis of statistics relating to occupancy and durations of stay, and amount to between two and five years. The useful lives of a brand right or of an occupancy right (the right of the facility to provide occupants with care services that can be invoiced to public sector/local authority cost providers) have been classified as of indefinite useful life in accordance with the contractual agreements. Modifications to useful lives are treated as modifications of estimates. Besides this, residual values and methods of amortization are reviewed at the end of the financial year, and adjusted if required. Intangible assets that have useful lives of unlimited duration are not subject to scheduled amortization but instead are subject to an impairment test at least once a year, or on an even more regular basis if there are indications that their values have been impaired (goodwill, occupancy rights and brand rights).

PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment is measured at cost, and diminished to reflect scheduled depreciation corresponding to economic useful life and, if required, additional impairment losses. Repair and maintenance costs are reported as current expense. Scheduled depreciation, essentially linear, is performed corresponding to the expected progress of consumption of the future economic benefit.

Scheduled depreciation is based mainly on the following useful lives:

Buildings	40-50 years
Fittings	8-20 years
Technical equipment and machinery/operating and office equipment	3-20 years

REVALUATION

Property, plant and equipment is revalued as part of corporate acquisitions analogously to IAS 16, if the acquired company has so far been included in the Group at equity. Fair values of land and buildings are reported on the basis of estimates produced by independent surveyors. The difference between fair values and carrying amounts is transferred to the revaluation reserve on a quota basis corresponding to the share in the previously associated company held to date.

FINANCING COSTS

Financing costs are not recognized as part of purchase and production costs.

LEASES

Determining whether an agreement contains a lease is performed on the basis of the economic content of the agreement at the time of the conclusion of the agreement. It requires an estimate as to whether the satisfaction of the contractual agreement depends on the use of a particular asset, or particular assets, and whether the agreement provides a right to the use of the asset. As a lessee, the CURANUM Group is a contractual partner to a number of leases for property, as well as individual assets or groups of other assets. Leases where all opportunities and risks connected with ownership of the transferred asset mainly are transferred to the CURANUM Group are classified as finance leases, and entered in the balance sheet accordingly.

Assets arising from finance leases are capitalized at the lower of either fair value or the present value of the minimum lease payments. They are depreciated over the shorter of either the duration of the agreement or the economic useful life of the lease asset. Lease payments are split into the financing components, and the repayment component of the residual debt. Depreciation is performed over 20 years for fittings of care facilities capitalized as part of finance leasing, where 90 % of capitalized book values are depreciated in the first 10 years, and the remaining 10 % are depreciated from the 11th to the 20th year.

Leases where essentially all opportunities and risks connected with ownership remain with the lessor are classified as operating leases. The lease payments for operating leases are reported on a straight line basis over the duration of the leasing agreement.

PUBLIC AUTHORITY SUBSIDIES

Public authority subsidies are not reported until there is sufficient security that the company will be able to fulfill the conditions attached to them, and that the company will in fact receive the subsidies. Insofar as the public authority subsidies have been granted on the basis that the company will acquire property, plant and equipment, they reduce the carrying amount of these assets.

IMPAIRMENT TEST PURSUANT TO IAS 36

An impairment test is performed at least once a year for goodwill and other intangible assets of indefinite or indeterminable useful life, and when there are specific signs that impairment has occurred in the case of other intangible assets of limited useful life, as well as for property, plant, and equipment, and capitalized finance leases. An impairment is booked through the income statement if the recoverable amount of the asset is less than its carrying amount. A review is performed at least once a year to establish whether there is an indication that the reason for impairment no longer exists, or the amount of the impairment applied has fallen. In this instance, the recoverable amount is recalculated, and, with the exception of goodwill, the impairment previously applied is reversed correspondingly.

The recoverable amount is always estimated individually for each asset. If this proves impossible, the calculation is performed on the basis of a group of assets representing a cash-generating unit. The recoverable amount is the higher of either fair value minus costs to sell, or value in use. Fair value minus costs to sell corresponds to the amount achievable from the sale of an asset on normal market terms, minus disposal costs. Value in use is calculated on the basis of estimated future cash flows arising from the use, and disposal, of an asset using the discounted cash flow method.

Goodwill acquired as part of acquisitions has to date been tested for impairment on the basis of its historical origination, and on the basis of the legal units. This procedure was adjusted in 2008 to reflect the development of our Group structure, changes in clinic and care home sector practice, and to take into account the fact that the synergy effects and related additional value-creation for which the purchase price share of the goodwill was paid, arises at the level of the group of care centers presented below, rather than at the level of the individual homes or their operator companies. To state it another way, it would be impossible for the individual operator companies to generate the income achieved without the synergies within the relevant group. For this reason, the following are also allocated to the care home groups: the care-provider‘s operating facilities belonging to the individual units, any properties owned by the Group, and those properties classified as finance leases pursuant to IFRS, and which are used by the relevant cash generating units themselves. For reasons of simplification, the original costs for services rendered centrally by the holding companies and the central laundry are not allocated to the cash generating units/care centers. The corresponding expenses from the internal cost invoices, which are based on normal market terms, remain within the cash flow forecasts of the cash generating units.

Goodwill is distributed among the three key corporate areas, and allocated to the cash generating groups of care centers for the impairment test (so-called “cash generating units”). The historical core of CURANUM, FAZIT, and ELISA are identified as the key corporate areas. Exceptions in this respect are FAZIT and ELISA. Parts of these two last major acquisitions are not yet fully integrated into the Group, and are internally managed as independent sub-units. Both the FAZIT Group and the ELISA Group also continue to operate externally under their own brand names.

To date, the annual impairment test has always been performed on the December 31 balance sheet date. The date of the impairment test was brought forward to September 30, 2008 due to general time pressure at the end of the financial year, the introduction of an audit committee by the Supervisory Board, and the early preparation and auditing of the financial statements. A further reason is the growth within the Group, and the related extension of Group structures over the last three financial years, as well as the ongoing rise in requirements in terms of documentation for the impairment test.

As explained above, the allocation of the care centers to the relevant cash generating units is no longer performed using historical origination on the basis of the legal unit of the goodwill. By contrast with previous years, the impairment test in 2008 is no longer conducted on the basis of legal units, but instead as of September 30, 2008 for the three key corporate areas: CURANUM, FAZIT, and ELISA.

The following table provides an overview of the goodwill reviewed, and the assumptions used for the relevant impairment tests:

CGU designation	CURANUM	FAZIT	ELISA
Carrying amount of goodwill	43,750,713	10,317,012	14,773,996*)
Carrying amount of other assets and liabilities	111,039,387	8,021,793	8,149,477
Total carrying amount	154,790,100	18,492,346	22,923,473
Recoverable amount	511,897,390	45,551,307	53,581,527
Impairment loss	--	--	--
Annual revenue growth over planning timeframe	0.8 %-1.2 %	0.0 %	0.9 %-1.4 %
Duration of planning timeframe	3 years	3 years	3 years
Annual growth discount following end of planning timeframe	1.0 %	1.0 %	1.0 %
Discount rate (pre-tax WACC)	7.96 %	7.96 %	7.96 %

*) As a result of the addendum to the purchase agreement of October 28, 2008, the goodwill of ELISA as of December 31, 2008 has reduced by T€ 654 compared with September 30, 2008.

For the purposes of comparison, an additional impairment test was nevertheless conducted as of December 31, 2008 using the above procedure. Furthermore, and also for the purposes of comparison, an impairment test was conducted on each of the December 31, 2006 and December 31, 2007 balance sheet dates, which took into account the restructuring of the CGU groups. These three alternatively performed impairment tests would also not have given rise to impairment loss.

The recoverable amount of these cash-generating units is calculated on the basis of useful value, applying cash flow forecasts, as in the previous year. The CGUs are regarded as continuing units producing ongoing cash flows.

The cash flow forecasts are based on financial plans approved by the company management for a period of three years (2009-2011), as in the previous year. The growth rate is adjusted to the individual locations of the relevant cash generating units, and depends mainly on their utilization, and the rise in care rates. The Group-average growth rate is 0.8 % in the first year of the budget, 1.1 % in the second budget year, and 0.8 % in the third year. By way of divergence from the previous year, cash flows following the three-year period are calculated applying a growth rate of 1.0 % per annum (taken into account as a corresponding reduction of the discount factor in the perpetual return). The basis for this is the average growth rate assumed in the observation period of three years, which was modeled on a highly conservative basis using average growth rates for care rates over the last few years.

The detailed financial plan is based partly on past figures, partly on contractually regulated agreements/prices, and partly also on information currently available at the time of the preparation of the calculations. Local managers were asked to provide estimates of the future occupancy of their own facilities taking into account their local situation, since occupancy represents a key factor influencing the entire planning. Both revenues and the largest cost block, personnel costs, are calculated on the basis of absolute occupancy, and its distribution to individual care levels. Many material expenses are also calculated on the basis of budgeted occupancy. Risks specific to the care sector were also taken into account, and included in the achievable cash flows.

For the IAS 36 impairment test of assets, financial plans are summarized according to the cash generating units already described, and taking into account the equivalence principle. The cash generating unit's earnings after tax are calculated taking into account the relevant tax rate for the individual portions of earnings.

Using the WACC approach, they are discounted to the observation cut-off date using the present-value factor for the relevant time period. The value in use calculated as of the cut-off date is then compared with the carrying amount of the cash generating unit. No impairment is required if the calculated value in use is greater than the carrying amount of the relevant cash generating unit.

The discount rate used for the cash flow forecasts is calculated using the WACC approach, and is equal to a post-tax rate of 5.59 % (previous year: 6.05 %), and an after-tax rate of 7.96 % (previous year: 8.32 %). The beta factor used as part of the WACC approach was not adjusted with respect to gearing level, since the CURANUM Group has a lower gearing level than comparable European peer group companies. Actual indebtedness data were used for debt capital costs for reasons of simplicity since a test based on re-leveraging using market interest rates resulted in the same outcome.

A total of the values in use across all cash generating units was verified using alternative valuation models (EBITDA multiples taking into account the capitalized earnings values of the individual properties). This test corroborated the values in use underlying the impairment tests.

The sensitivity analyses performed showed that, firstly, the post-tax WACC would need to rise significantly above 10 % until an impairment was incurred, and, secondly, that the impairment tests performed would withstand negative growth of significantly above 7 % compared with the budget.

The impairment did not give rise to impairment losses. This would also not have been the case if the demarcation of the cash generation units had not been changed. In addition, no impairment would have arisen if the dates of the impairment test had not been brought forward, the structuring of the cash generating units have corresponded to previous years, and no growth discount had been taken into account for the discounting factor of the perpetual return.

As of December 31, 2008, the key assumptions and estimates in the planning accounting area, as well as the discount factor, were not subject to any signification modifications.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if the related carrying amount is realized predominantly through a sales transaction, and not from continued use. This condition is only regarded as satisfied if the sale is highly likely, and the asset in its current condition is available for immediate sale. In doing so, it must be assumed that this will result in the recognition of a completed sale process within one year following such a classification. Non-current assets classified as held for sale are measured at the lower of either the amount of their original carrying amount, or fair value minus costs to sell. There were no assets held for sale as of the December 31, 2008 balance sheet date. In the previous year, this item contained a property that was intended to be sold as part of a sale and operating lease back during the 2008 financial year. A sale and finance leaseback agreement was negotiated as part of the disposal negotiations in 2008; as a consequence of this, the property was reported among property, plant and equipment as of December 31, 2008, and was subject to scheduled depreciation in 2008.

INVENTORIES

Raw materials and supplies are reported among inventories. Inventories are recognized at cost, and are mainly reported at a fixed value.

FINANCIAL INSTRUMENTS

A financial instrument is an agreement that simultaneously gives rise to a financial asset with one company, and to a financial liability or equity instrument with another company.

Financial instruments are reported at the time of the conclusion of the related agreement. In the case of normal market purchases, the settlement date is used instead of the date of the agreement. A financial instrument is only de-recognized if the contractual right to cash flows expires, or this right is transferred to a third party.

Financial instruments include primary financial assets, financial liabilities and derivatives.

PRIMARY FINANCIAL ASSETS

Financial assets include, in particular, trade receivables, other financial assets, cash and cash equivalents, and securities.

Financial assets are measured at fair value on first-time recognition. Incidental costs directly attributable to purchase are taken into account as part of amortized purchase costs for those assets that are not subsequently measured at fair value through profit or loss. The measurement of financial assets depends on their allocations to categories in the meaning of IAS 39. The assets are allocated to the relevant measurement category as of the date of the addition.

For the purposes of subsequent measurement, a differentiation should be made between the following categories according to IAS 39:

- Financial Assets Held for Trading – FAHfT
- Financial assets Held to Maturity – HtM
- Loans and Receivables – LAR
- Financial assets Available for Sale – AfS

The CURANUM Group makes no use of the option to designate financial assets as at fair value through profit or loss at the time of their addition (fair value option).

Fair value corresponds to the market or stock exchange price, to the extent that the financial instruments being measured are traded in an active market. If there is no active market for a financial instrument, the fair value is calculated using appropriate finance-mathematical methods, such as recognized option pricing models, or the discounting of future cash flows using the risk-adjusted market rate of interest. Amortized cost corresponds to cost minus redemptions, impairments, and the amortization of a difference between cost and the amount repayable at maturity.

Financial assets held for trading purposes (FAHfT) are measured at fair value through profit or loss. Financial assets held to maturity (HtM) are measured at amortized cost using the effective interest rate method.

There were no primary financial instruments in the FAHfT and HtM categories in the CURANUM Group as of the balance sheet date of either the year under review or the previous year.

Financial assets in the LAR category are measured at amortized cost, if required using the effective interest rate method, and taking into account impairments.

Financial assets not attributed to the categories presented above are categorized as “Available for Sale” (AfS) and are measured at fair value. Gains and losses arising on measurement are reported in equity, taking into account deferred tax (fair value reserve). Measurement is performed through profit or loss in the case of a significant or long-lasting reduction of fair value to below purchase costs. Cumulative changes in value reported in equity are rebooked through the income statement at the time of disposal of the financial asset.

IMPAIRMENT OF FINANCIAL ASSETS

The carrying amount of financial assets that are not measured at fair value through profit or loss are tested on each balance sheet date as to whether there are objective and substantial indications that the fair value has fallen below the carrying amount.

The fair value is generally calculated for each individual asset. The CURANUM Group measures financial assets on the basis of various parameters, such as interest rates, the specific creditworthiness of customers, and the risk structure of the financing transaction. Objective indications of impairment may consist of the following:

- Significant financial difficulties on the part of the issuer or counterparty;
- Default, or delay in payment, of interest or redemption payments; or
- Increased probability that the debtor enters insolvency, or another type of reorganization.

A review is performed at least once a year to establish whether there is an indication that the reason for impairment loss no longer exists, or the amount of the impairment loss has fallen. In this case, the present value of the financial assets is recalculated, and the impairment previously applied is reversed correspondingly.

Two inactive associate companies, in each of which CURANUM holds less than 20 %, are measured at a fair value of zero, rather than at equity, for reasons of materiality.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash positions, current account deposits, and bank deposits with maximal residual maturities of three months as of the time of investment. They are measured at cost.

PRIMARY FINANCIAL LIABILITIES

Financial liabilities represent contractual obligations giving rise to a repayment claim in cash or another financial asset. These particularly include trade payables, others securitized liabilities, bank borrowings, finance lease liabilities, and a borrower‘s note loans.

Financial liabilities are measured at fair value on recognition. As a rule, this corresponds to cost. Incidental costs directly attributable to purchase are deducted from cost for those liabilities that are not subsequently measured at fair value through profit or loss. Primary financial liabilities are generally subsequently measured at amortized cost using the effective interest rate method.

Primary financial liabilities relate particularly to financial liabilities measured at amortized cost (FLAC). These include trade payables, financial liabilities (bank borrowings and borrower‘s note loans), and other financial liabilities. Non-current, non-interest-bearing liabilities are recognized at their settlement amount discounted to the balance sheet date, as long as the difference to the nominal value is not included in the valuation of an asset financed with a non-current non-interest-bearing liability. The interest rate used is a pre-tax interest rate that reflects current market expectations with respect to the interest rate effects, as well as risks applying specifically to the circumstances.

DERIVATIVE FINANCIAL INSTRUMENTS

With respect to the CURANUM Group, derivative financial instruments relate to interest rate derivative transactions that are generally used to hedge interest rate risks. Derivative financial instruments are measured at fair value, which corresponds to market value. If no market values are available, fair value is calculated using recognized finance-mathematical models. According to this, the fair value is determined by discounting the expected future cash flows over the contractual period remaining as of the measurement date, on the basis of risk-adjusted zero interest rate curves.

When measuring derivatives, a differentiation should be made as to whether there is an (effective) hedging relationship between derivative and the hedged item. Derivative financial instruments that do not form part of an effective hedging relationship in the meaning of IAS 39 must be categorized as “Held for Trading” (HfT), and recognized at fair value through profit or loss. Positive fair values result in their recognition as “Financial Assets Held for Trading” (FAHfT). Negative fair values are categorized as “Financial Liabilities Held for Trading” – FLHfT.

If the requirements of IAS 39 regarding hedge accounting have been satisfied, the hedges are designated from this time either as at fair value or as cash flow hedges.

Fair value hedging entails the hedging of the fair value of a reported asset or liability, or of an unreported fixed obligation. The changes in the fair values of derivative financial instruments and their related hedged items are booked through the income statement.

A *cash flow hedge* entails the hedging of highly probable future cash flows. Where a cash flow hedge exists, the effective portion of the value change in the hedging instruments is reported in miscellaneous equity – if required, taking into account deferred tax – until the result from the hedged item is reported.

When the hedged item and its related earnings impact comes into effect, the earnings-effective transaction is booked out of cumulative miscellaneous equity and rebooked through the income statement. The ineffective portion of the value change of the hedging instruments is reported immediately through the income statement under the financial result.

The CURANUM Group uses derivative financial instruments mainly to hedge interest rate risks, and, as a matter of principle, concludes such transactions with banks, as contractual partners that enjoy investment-grade ratings. Derivatives used by the company are presented in detail and in item 11 “Financial Liabilities” and in the “Risk Management and Financial Derivatives” Section, as well as in item 25 “Additional Disclosures Relating to Financial Instruments as per IFRS 7”.

DEFERRED TAX

The formation of deferred tax is performed by applying the balance sheet-oriented liability method to all temporary differences arising between the fiscal valuations of an asset or liability, and IFRS valuations, as well as to consolidation measures. Deferred tax relating to loss carryforwards are capitalized as long as it is anticipated with a degree of probability bordering on certainty that they can be used. Adjustments are applied to deferred tax assets the realization of which is no longer expected within the foreseeable future. Unrecognized deferred tax claims are reviewed, and capitalized to the extent that it has become likely that future taxable earnings will make it possible to realize them.

The tax rates used at the time of realization as the basis for the measurement of deferred tax are those applying on the basis of the current legal situation, or which are expected to apply. Deferred tax relating to items reported directly in equity is also reported directly in equity. Deferred tax assets and liabilities are offset against each other if the Group would have an enforceable claim to net actual tax reimbursement claims against each other, and these relate to income tax applying to the same tax object, levied by the same tax authority.

ACTUAL TAX

Actual tax claims and liabilities of the current or prior periods are measured using the amount the tax authority is expected to reimburse, or the amount expected to be paid to the tax authority. If the period until realization is estimated to be in excess of one year, the claims or liabilities are discounted to present value. Discounting is performed relative to the corresponding duration. Calculation of the amount is based on tax rates and tax laws applying as of the reporting date.

OTHER PROVISIONS

Other provisions are formed if a current legal or de facto obligation based on a past event exists with respect to third parties that would lead to a probable future outflow of resources, and the extent of the obligation can be estimated reliably. Non-current provisions are recognized using the amount required to satisfy the oligation, and discounted to the reporting date. The interest rate used is a pre-tax interest rate that reflects current market expectations with respect to the interest rate effect, as well as risks specifically applying to the circumstances.

INCOME AND EXPENSES

Income is always reported if it is likely that the economic benefit will accrue to the Group, and the extent of the income can be determined reliably. Income from the supply of services is reported in the period in which the service is rendered.

Services rendered by CURANUM AG consist mainly of care services in both the inpatient and outpatient areas, as well as of supplementary services connected with managed apartments. Residents as well as sponsors such as health insurance funds/care funds and social services institutions are invoiced on a monthly basis for the services.

Interest income is reported at the time when the interest claim arises. Operationally-related expenses are expensed at the time of delivery, or the utilization of the service, and all other expenses are expensed at the time when they are incurred. Interest and other debt costs are booked as periodic expense.

CONTINGENT LIABILITIES

Contingent liabilities represent potential obligations to third parties arising from past events, and the existence of which must yet be confirmed by the occurrence or non-occurrence of one or several uncertain future events not entirely within the control of the CURANUM Group. Contingent liabilities also arise from a current obligation based on past events, but which cannot be recognized in the balance sheet because the outflow of resources is unlikely, or the extent of the obligation cannot be sufficiently and reliably estimated.

6. NEW ACCOUNTING REQUIREMENTS

A) THERE WERE NO, OR NO SIGNIFICANT, EFFECTS ON THE CONSOLIDATED FINANCIAL STATEMENTS ARISING FROM THE FOLLOWING NEW OR AMENDED STANDARDS AND INTEPRETATIONS APPLIED FOR THE FIRST TIME:

Amendments to IAS 39 „Financial Instruments: Recognition and Measurement“ and IFRS 7 „Financial Instruments: Disclosures“

On October 13, 2008, the IASB decided to implement amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “Financial Instruments: Disclosures”. These amendments to IAS 39 and IFRS 7 allow certain financial instruments to be reclassified from the “Held for Trading” to another category under extraordinary circumstances. The financial crisis in money and capital markets is regarded as one such exceptional circumstance that would allow companies to use this option. To this end, IAS 39.50 was amended, and paragraphs 50B-50F and 103G were added. In addition, IFRS 7.12 was amended, and paragraphs 12A and 44E were added. Pursuant to the amendments to IAS 39 and IFRS 7, companies should be allowed to reclassify certain financial instruments from as early as July 1, 2008. In light of the financial crisis, and the fact that certain financial instruments are no longer traded, or the related markets are no longer active or are malfunctioning, the view of the IASB and the EU is that these amendments must be put into force from as early as October 15, 2008 in order to allow the reclassification of certain financial instruments to come into retrospective effect from as early as quarterly financial statements as of September 30, 2008. CURANUM has made no use of this option.

Update to the amendment of IAS 39

On November 27, 2008, the IASB published an update to the amendments to IAS 39 published on October 13, 2008 relating to the reclassification of financial instruments. In the slightly modified version of the amended IAS 39, the transitional regulations, some of which created a lack of clarity in practice, were formulated more clearly. It was clarified that reclassifications performed on or after November 1, 2008 come into force from the date of the reclassification, and may not be applied retrospectively. If the reclassification regulations were applied before November 1, 2008, they may be applied retrospectively until November 1, 2008 or another later date. However, the reclassification regulations cannot be applied to a date preceding November 1, 2008. Even if these amendments have not yet been adopted into European law, they should nevertheless be taken into account when assessing instances of doubt relating to the timing of the coming into force of the amendments according to the current valid wording, since the IASB has already published the clarification in the October edition of the IASB Update, and the amendment relates fundamentally not to a new regulation but instead to a clarification of the regulations already adopted into EU law.

IFRIC 11 „IFRS 2: Group and Treasury Share Transactions"
This interpretation covers two questions: the first relates to the question as to whether particular transactions should be recognized as settlement using equity instruments or cash settlement according to the requirements of IFRS 2. The second question relates to share-based remuneration transactions in which two or more companies belonging to the same group participate. This interpretation should be applied for the first time for financial years commencing on or subsequent to March 1, 2007. First-time application of this interpretation has no effect on the consolidated financial statements of CURANUM due to the lack of corresponding business transactions.

IFRIC 14 „IAS 19 – Limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
IFRIC 14 provides general guidance as to how and to what extent an excess arising on calculation of pension provisions according to IAS 19 should be recognized as an asset. IFRIC 14 also clarifies how the accounting treatment of pension provisions (or a potential asset arising from pensions) may be influenced by statutory or contractual minimum contribution payments. The publication of the IFRIC 14 interpretation is intended to standardize current accounting practice, and ensure that companies implement consistent accounting treatment of assets arising from pension calculations. This interpretation should be applied for the first time for financial years commencing on or subsequent to January 1, 2008. As a result of a lack of minimum contribution payment obligations with respect to plan assets, this interpretation has no effect on CURANUM's consolidated financial statements.

B) THE FOLLOWING PUBLISHED BUT NOT YET MANDATORY STANDARDS AND INTERPRETATIONS HAVE NOT BEEN APPLIED:

IFRS 8 Operating Segments
The IASB published IFRS 8 in November 2006. This standard replaces IAS 14, and refers particularly to the application of the management approach for the reporting of the commercial progress of operating segments. Operating segments are parts of a company whose operating results are regularly monitored by a central decision-maker, which serve as the basis for making decisions with respect to the allocation of resources and profit-monitoring, and for which separate financial information is available. This entailed expanding individual notes to financial statements. This standard is mandatory for all financial years commencing on or subsequent to January 1, 2009. Early application is permitted.

Amendments to IFRS 2
On January 17, 2008, the IASB published its revised IFRS 2 “Share-based Payment”. The amendments are based on the draft standard IFRS 2 “Testing Conditions and Cancellations”, which was published in February 2006. Amended IFRS 2 more precisely defines the term “vesting conditions”, and regulates the cancellation of share-based payment by persons other than the company. According to amended IFRS 2, vesting conditions only include service conditions, which require the performance of a particular service period, and performance conditions, which entail the satisfaction of particular performance targets. Other contractual terms do not comprise vesting conditions. Due to the numerous queries raised, guidance points relating to the decision as to whether a vesting condition exists or not were included in the implementation guidance for IFRS 2 (among other things, a decision-tree and an overview of terms). Cancellation of share-based payment by a party other than the company, such as an employee, shareholders, or other parties, must be accounted for in exactly the same way as cancellation by the company. The amendment to IFRS 2 must be applied for financial years commencing on or after January 1, 2009. Earlier application is possible. This amendment has no effect on the consolidated financial statements of CURANUM due to a lack of corresponding business transactions.

Amendments to IAS 32
On February 14, 2008, the IASB published the revised version of IAS 2008 “Financial Instruments: Disclosure and Presentation”. This standard is of central importance for the demarcation between equity and debt. With this amendment, the IASB responded to criticism submitted from, among others, German parties, that company-law capital based on shareholder cancellation rights must be classified as a liability. The published amendment allows cancellable instruments to be classified as equity under certain conditions. Compared with the IASB‘s original draft from summer 2006, the terms have undergone significant modifications that are attributable to intensive consultations with the German Accounting Standards Committee (DRSC). As a rule, the new version should allow German unincorporated companies to classify their legal capital as equity in IFRS financial statements. The new version must be applied from January 1, 2009 onwards. Earlier optional application is possible.

Revision of IAS 1 „Presentation of Financial Statements“
IAS 1 was published in a revised version in September 2007. Amendments arose mainly with respect to the separate presentation of changes in equity resulting from transactions with shareholders, and other modifications, as well as amendments to the titles of some components of financial statements. This amended standard is mandatory for all financial years commencing on or subsequent to January 1, 2009.

Amendments of IFRS 3 and IAS 27
On January 10, 2008, the IASB published both the amended IFRS 3 “Business Combinations” as well as the amended IAS 27 “Consolidated and Separate Financial Statements according to IFRS”, and consequently ended the second phase of the Business Combinations Project. The IFRS 3 and IAS 27 standards that have now been approved contain numerous amendments compared to the drafts of the standards published in summer 2005. These amendments were made due to the large number of written comments that have been submitted, and following many discussions. Compared with standards IFRS 3 and IAS 27, which had been applied so far, there were many amendments in the following areas:

– Costs arising from a corporate purchase (only costs connected with the issue of equity of debt instruments may be recognized; all other ancillary purchase costs are expensed);

– Treatment of contingent consideration (subsequent changes in fair value are not booked to goodwill);
– Full goodwill method (application optional);
– Accounting treatment of step acquisitions: goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred, and the net assets acquired.
– Changes in a parent‘s ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions;
– Expansion of the scope of application of IFRS 3.

The amendments to IFRS 3 and IAS 27 are mandatory for financial years commencing on or subsequent to July 1, 2009. Application must be implemented on a prospective basis. Earlier application is possible whereby the amendments to IFRS 3 and IAS 27 must be applied together retrospectively. The amendment to the standards gives rise to consequential amendments of IAS 28 and IAS 31.

Amendment of IAS 23 „Borrowing Costs“
This amendment relates to the mandatory capitalization of borrowing costs that can be directly attributed to the acquisition, construction, or production of a qualified asset. This abolished the option to expense such assets immediately. The amendment is applicable for the first time for financial years commencing on or subsequent to January 1, 2009.

Improvements to IFRSs – A collection of standards that amend various International Financial Reporting Standards (IFRSs)
On May 22, 2008, the International Accounting Standards Board (IASB) published its so-called Improvements to IFRSs, a collection of standards that amend various International Financial Reporting Standards (IFRSs). These amendments are the results of the IASB‘s first Annual Improvement Process project (AIP project). The IASB launched the AIP project in July 2006 in order to implement small, non-urgent, but essential, amendments to existing standards that have not been carried out as part of another major project. The IASB‘s aim in this connection is to reduce expense for all participants by publishing amendments as part of a documented collection, rather than constantly issuing individual amendments. The collection is divided into two parts:

Part 1 contains amendments to individual standards with effects on the recognition, measurement and reporting of individual business transactions. The amendments in Part 2 are categorized as somewhat inessential, since they relate to modifications to terminology or editorial matters. Amendments were applied to a total of 19 standards. Four of these can be found in both Part 1 and Part 2. To the extent not determined otherwise within the standard, the amendments are applicable for financial years commencing on or after January 1, 2009. The amendments to IFRS 5, by contrast, must be applied for the first time for financial years commencing on or after July 1, 2009. Earlier application of the amendments to the standards is possible. It is currently impracticable to provide a conclusive statement about their prospective effects since there are so many individual amendments. On the basis of the current status of our investigations, we are assuming that the following amendments to the standards might have an impact on the consolidated financial statements:

Amendment to IAS 1 – Reporting current financial assets and liabilities
As a result of an amendment to IAS 1 Presentation of Financial Statements (revised 2007), it was clarified that financial assets and liabilities categorized as “Held for Trading” pursuant to IAS 39 Financial Instruments: Recognition and Measurement do not necessarily need to be reported under current assets and liabilities (IAS 1.68 and 1.71). The current wording had given risen to doubts, particularly in the case of freestanding derivatives. The decisive factor for allocation to non-current or current balance sheet items is whether the

company will hold the financial asset or liability for longer or less than 12 months. Consequently, categorization as “Held for Trading” according to IAS 39.9 determined solely the measurement of the relevant financial instruments, and not their reporting treatment.

Amendment to IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
According to the previous IAS 20.37, advantages arising from public sector loans the rate of interest of which was below the market rate of interest were not quantified through interest rate calculations. According to IAS 39.43 Financial Instruments: Recognition and Measurement, by contrast, financial liabilities should nevertheless be measured at fair value on initial recognition, in other words, they should also include interest rate advantages arising from low interest rate loans. For this reason, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance was amended to the extent that Paragraph 37 was deleted, and a new Paragraph 10A was added, according to which low interest rate loans provided by the public sector must be recognized and measured according to IAS 39 regulations. The amount resulting from comparing the monetary amount received with the initial recognition of the loan in the balance sheet must be accounted for as an advantage pursuant to the regulations of IAS 20.

Amendment to IAS 39 – Reclassification of Financial Instruments
The amendments to IAS 39 Financial Instruments: Recognition and Measurement concern exceptions to the principle pursuant to IAS 39.50, which was softened in October 2008, whereby financial instruments of the at fair value through profit or loss category may not be allocated to another category as long as they are held. IAS 39.50A now clarifies that no reclassification occurs if an instrument of this category is designated on initial recognition as a derivative for a cash flow hedge, or the cash flow hedge relationship must be discontinued since the related prerequisites no longer exist.

Amendments to IFRS 5 – Non-Current Assets Held for Sale and Discontinued Operations
The amendment to IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations, relates to situations where a company intends the partial sale of shares in a subsidiary, and the disposal results in a loss of control. For these situations, IFRS 5 now clarifies that, to the extent that the disposal plan satisfies the requirements of IFRS 5, all of the subsidiary‘s assets and liabilities should be classified as “Held for Sale”. The amendment is based on the fact that, following the disposal of the shares, control over the subsidiary can no longer be exercised. The rules contained in IFRS 5 may not be applied, by contrast, if shares are sold without this resulting in a loss of control. The subsidiary‘s assets and liabilities representing the (Held for Sale) shares should continue to be reported and measured entirely according to the relevant IFRSs. According to the current status of our knowledge, the other amendments to the standard have no effect of any kind on CURANUM‘s consolidated financial statements, since either none of the problematic areas addressed are relevant, or CURANUM already implements the accounting practices stipulated by the IASB.

Revised version of IFRS 1 „First-Time Adoption of International Financial Reporting Standards“ and IAS 27 „Consolidated Financial Statements“

On May 22, 2008, the International Accounting Standards Board (IASB) published the revised version of IFRS 1 “First-Time Adoption of International Financial Reporting Standards” and IAS 27 “Consolidated Financial Statements”. This brought to a conclusion a project that was started in March 2006 to simplify the measurement of equity stakes in a single-entity set of financial statements prepared for the first time according to IFRS. The revised version results in simplifications, particularly for the first-time measurement of subsidiaries, joint ventures and associated companies at fair value, or, as a substitute, the carrying amount from the previous accounting basis. A further simplification results from the deletion of the definition of the purchase cost method from IAS 27. This does away with the onerous separation of gains into “before” and “after” the acquisition. The new regulation of IAS 27 requires that dividends should be reported entirely as income. A further amendment relates to the restructuring of an existing group structure. The revised version of IAS 27 envisages that the carrying amount of an existing parent company at the time of the transition may be used as the purchase cost of an existing parent company in a newly founded holding company. The amendments of these standards have no impact on CURANUM‘s consolidated financial statements since the regulations of IFRS 1 have no relevance, and the amendments of IAS 27 also have no effect since CURANUM AG does not prepare single-entity financial statements according to IFRS.

Amendments to IAS 39 „Financial Instruments: Recognition and Measurement“

On July 31, 2008, the IASB published an amendment to IAS 39 “Financial Instruments: Recognition and Measurement” with the title “Eligible Hedged Items”. With the amendment to the standard, the IASB has concentrated on preparing guidelines for the application of hedge accounting principles. The review of IAS 39 entailed, firstly, the specification of risks classifying for hedge accounting, and secondly, the clarification of when a company may designate a portion of cash flows from a financial instrument as a hedged item. No existing regulations were amended as a result of the review. Instead, the existing regulations were only clarified to a greater extent through additional paragraphs in the application guidance. The amendments to IFRS 39 are mandatory for financial years commencing on or subsequent to July 1, 2009. Earlier application is possible. From today‘s perspective, the amendment to this standard has no effect on CURANUM‘s consolidated financial statements since the company already applies accounting practices according to these clarified regulations.

Amendments to IFRS 1 „First-Time Adoption of International Financial Reporting Standards“

On November 27, 2008, the IASB published a revised version of IFRS 1 “First-Time Adoption of International Financial Reporting Standards”. The amendments to IFRS 1 relate solely to the structure of the standard, and are intended to simplify the reading and understanding of the standard, and to better integrate future amendments into the standard. IFRS 1 regulations relating to the first-time application of IFRS have not been amended. IFRS 1 has been subject to numerous amendments and extensions since it was approved in 2003. This has made the standard and its structure highly complex. As early as 2007, an improved structure to IFRS 1 was proposed as part of the Annual Improvements Project, which was then spun off into a separate project, however. The revised version of IFRS 1 must be applied for financial years commencing on or after January 1, 2009. Early application is permitted. The amendment of this standards has no impact on CURANUM‘s consolidated financial statements since the regulations of IFRS 1 have no relevance to them.

IFRIC 16 „Hedges of a Net Investment in a Foreign Operation“
On July 3, 2008, IFRIC published IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”. This interpretation originates from the IFRIC D22 draft interpretation published on July 19, 2007. IFRIC 16 regulates the following accounting questions:

– Which risk is the risk being hedged, and which risks can be hedged? Transaction risk (risk arising from transactions in a subsidiary‘s functional currency) or translation risk (currency risk arising from the translation of the subsidiary‘s financial statements from the functional currency into the reporting currency)?
– Which company within a group may hold the hedging instrument?
– Recognition of translation differences reported in equity at the time of sale of the investment?

IFRIC 16 introduces the following regulations relating to these questions:
– Translation into the reporting currency does not represent a risk that can be hedged using hedge accounting. Only transaction risks can be hedged.
– Any group company may hold the hedging instrument.
– With respect to the recognition and measurement at the time of the disposal of the investment, IAS 39 is used for the hedging transaction, and IAS 21 for the hedged transaction, in other words, the hedged item.

IFRIC 16 must be applied for financial years commencing on or after October 1, 2008. Earlier voluntary application is possible. Application must be implemented on a prospective basis, in other words, IAS 8 is not applicable. CURANUM assumes that this interpretation will have no effect on its consolidated financial statements due to a lack of relevance with respect to its business model.

IFRIC 17 „Distributions of Non-cash Assets to Owners“
On November 27, 2008, the International Financial Reporting Interpretations Committee (IFRIC) published its IFRIC 17 interpretation “Distribution of Non-cash Assets to Owners”. IFRIC 17 originates from the IFRIC D23 draft interpretation published on January 17, 2008, and regulates the accounting treatment of non-cash asset distributions. To date, there have been no IFRS regulations as to how companies should recognize dividends paid to shareholders in non-cash forms. As a consequence, there have been highly different treatments in practice. Non-cash dividends are sometimes reported at their carrying amount, and sometimes at fair value. IFRIC 17 clarifies with respect to the reporting of dividends that:

– a dividend should be reported at the time at which it was authorized, and was no longer at the discretion of the company (depending on the relevant national laws, this can be the time when a resolution concerning the dividend was passed, or the announcement of such a dividend);
– a company must measure the dividend to be paid at the fair value of the asset rendered to shareholders as a dividend;
– the difference between the carrying amount and the fair value of the asset distributed to shareholders as a dividend is reported in the income statement;
– additional disclosures must be published if the asset distributed as a dividend satisfies the definition criteria for classification as “Held for Sale”.

IFRIC 17 must be applied for all non-cash dividends, except for transactions under joint control. IFRIC should be applied prospectively for financial years commencing on or after July 1, 2009. Early application is permitted. CURANUM assumes that this interpretation will have no effect on its consolidated financial statements due to the fact that non-cash dividend distributions are currently not envisaged.

IFRIC 18 „Transfers of Assets from Customers“
On January 29, 2009, the International Financial Reporting Interpretations Committee (IFRIC) published IFRIC 18 "Transfers of Assets from Customers". IFRIC 18 provides additional instructions for the accounting treatment of asset transfers from customers, and is particularly relevant for the energy sector. It clarifies IFRS requirements for agreements where a company receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. This interpretation should be applied prospectively for financial years commencing on or after July 1, 2009. Retrospective application is nevertheless permitted to a limited extent. CURANUM assumes that this interpretation will have no effect on its consolidated financial statements due to a lack of relevance with respect to its business model.

CURANUM is currently investigating the effects of these new accounting standards on future consolidated financial statements; an initial preliminary assessment suggests no, or no significant, effects can be expected. As a rule, the CURANUM Group does not implement new standards and interpretations or amendments of existing standards until the time when application becomes mandatory.

B. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of T€ 10,014 (previous year: T€ 25,646) relate to cash holdings and bank accounts in credit with a term of less than three months. The change in cash and cash equivalents is presented in the consolidated statement of cash flows.

As of December 31, 2008, there were credit lines of € 36.0 million (previous year: € 28.0 million), which are subject to no restrictions with respect to their use. No credit lines were utilized as of December 31, 2008 (previous year: T€ 22).

Operating facilities using the credit lines have assigned receivables as collateral for the overdrafts.

2. TRADE RECEIVABLES

in T€	2008	2007
Trade receivables	6,817	6,944
Charges for doubtful receivables	-544	-533
Trade receivables, net	**6,273**	**6,411**

The term structure of overdue but unimpaired receivables is as follows:

in T€		< 3 months	3-6 months	6-12 months	> 12 months
2008	3,292	2,016	223	340	713
2007	2,487	1,757	81	25	624

Specific valuation adjustments to trade receivables changed as follows:

Valuation allowances, in T€	2008	2007
Opening position	533	611
Release	-502	-147
Addition	604	239
Utilization	-91	-170
Closing position	**544**	**533**

The adjustments to doubtful receivables relate to a significant extent to estimates and assessments of individual receivables based on the creditworthiness of the relevant customer, and the analysis of historic receivables default rates on the basis of individual items.

The fair values of trade receivables approximately correspond to their carrying amounts due to the fact that their terms are up to one year.

There is no significant concentration of risk among the trade receivables as a result of the diversified customer structure. Maximum default risk corresponds to the carrying amounts.

Besides the valuation adjustments, receivables of T€ 382 (previous year: T€ 166) were written off as uncollectible.

3. INVENTORIES

in T€	2008	2007
Raw materials, consumables and supplies	914	862

The holdings comprise mainly food, commercial and medical-care items, and fuel for facilities. With the exception of the fuel, the holdings are measured at a fixed value that was last determined as of December 31, 2006 by physical inventory-taking, with the exception of ELISA GmbH which was consolidated for the first time in 2008. No adjustments were required. The decrease in fuel holdings of T€ 99 was booked through the income statement (previous year: increase of holdings of T€ 113).

4. OTHER NON-CURRENT AND CURRENT ASSETS

in T€	IAS 39*) category	2008	2007
Prepayments and accrued income			
– Prepayments for corporate lease agreements	LAR	7,819	8,472
– Prepayments for leases	LAR	2,264	2,511
– Accrued income	n.a.	1,762	2,465
Derivative financial instruments (interest rate)	FAHfT	0	182
Other receivables	LAR/n.a.	3,185	4,022
Specific adjustments to other		-196	-157
		14,834	**17,495**
of which non-current		9,277	10,474
of which current		5,557	7,021

*) Please refer to the remarks concerning financial instruments in the „Accounting Principles“ chapter for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

The fair values of other assets mainly correspond to their carrying amounts. Adjustments were performed to other receivables to reflect disputed sales-and-use tax receivables.

The prepayments for corporate lease agreements relate to prepayments for leases that in each case commenced on January 1, 2006, and that have been entered into for an initial period of 15 years. Amounts of T€ 7,167 (previous year: T€ 7,820) have a residual term of more than one year, and amounts of T€ 652 (previous year: T€ 652) a residual term of up to one year. Further rental prepayments of T€ 2,109 (previous year: T€ 2,181) have a residual term of more than one year, and of T€ 155 (previous year: T€ 330) up to one year.

Accrued income relates to prepayments for vehicle tax, subscriptions, and advertising, and has a residual maturity of up to one year.

Recognition of derivative financial instruments of T€ 182 related in the previous year to the measurement of an interest rate derivative at fair value. Remarks concerning the measurement of financial instruments arising from interest rate hedging transactions are presented with the notes concerning financial liabilities (11).

Other receivables contain financial assets in the “Loans and Receivables” (LAR) category in the meaning of IAS 39, as well as miscellaneous assets as follows:

in T€	IAS 39*) category	2008	2007
Receivables due from suppliers arising from good reimbursements, and creditor accounts in debit	LAR	966	1,545
Receivables due from staff and deposits	LAR	316	169
Receivable arising from the sale of a facility	LAR	490	1,000
Input tax reimbursement claims	n.a.	605	412
Miscellaneous assets	LAR	808	896
		3,185	4,022

*) Please refer to the remarks concerning financial instruments in the „Accounting Principles“ chapter for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

Other receivables have a residual maturity of up to one year and have incurred impairment losses of T€ 196. In the previous year, other receivables to an amount of T€ 473 had a residual maturity of more than one year, and incurred impairment losses of T€ 157. There were no overdue receivables as of the December 31, 2008 and December 31, 2007 balance sheet dates.

5. INCOME TAX RECEIVABLES

in T€	2008	2007
Current income tax receivables	756	2,022

The income tax receivables mainly contain claims of corporation and trade taxes. The claims contain a subamount of T€ 102 (previous year: T€ 109) arising from capitalized corporation tax credits.

Recognition at present value arises from the amendment to § 37 Section 5 of the German Corporation Tax Act effected by the German Act concerning Fiscal Accompanying Measures for the introduction of the European Company and for the Modification of Further Fiscal Regulations (SEStEG). The present value of the resultant tax claim of T€ 77 was capitalized for the first time in 2006. This claim will be paid out in equal installments over 10 years.

6. SECURITIES

in T€	IAS 39*) category	2008	2007
Money market fund shares	AfS	374	380

*) Please refer to the remarks concerning financial instruments in the „Accounting Principles" chapter for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used..

Available for sale (AfS) securities are measured using the repurchase price per share as of the reporting date. Valuation losses of T€ 5 arising from market valuation as of the reporting date were reported in equity (previous year: gains of T€ 8). Deferred tax was not formed for reasons of materiality.

7. NON-CURRENT ASSETS HELD FOR SALE

The amount of T€ 5,516 in the previous year concerned a property in which a subsidiary operates its facility. The sale of this property was planned for 2008 as part of a sale and operating leaseback transaction. A sale and finance leaseback agreement was negotiated as part of the disposal negotiations in 2008; as a consequence of this, the property was reported among property, plant and equipment as of December 31, 2008, and was subject to scheduled depreciation in 2008.

Deferred tax liabilities of T€ 412 were recognized as of the December 31, 2007 reporting date in connection with assets held for sale.

8. PROPERTY, PLANT AND EQUIPMENT

Change in 2008, in T€	Land, rights similar to land and constructions	Other plant, operating and office equipment	Prepayments rendered	Total
Cost				
January 1, 2008	132,423	53,622	2,913	188,958
Additions	1,898	2,413	746	5,057
Disposals	(23)	(838)	0	(861)
Transfers	1,243	603	(1,869)	(23)
IFRS 5 reclassification	5,779	0	0	5,779
Change resulting from mergers	7,097	1,818	(1,044)	7,871
December 31, 2008	**148,417**	**57,618**	**746**	**206,781**
Cumulative depreciation and impairment losses				
January 1, 2008	38,238	33,133	1	71,372
Depreciation	4,382	4,513	0	8,895
Disposals	(1)	(797)	0	(798)
Transfers	1	(15)	(1)	(15)
IFRS 5 reclassification	263	0	0	263
December 31, 2008	**42,883**	**36,834**	**0**	79,717
Net carrying amount	**105,534**	**20,784**	**746**	**127,064**

Change in 2007, in T€	Land, rights similar to land and constructions	Other plant, operating and office equipment	Prepayments rendered	Total
Cost				
January 1, 2007	125,097	50,009	11,440	186,546
Additions	3,117	4,248	1,331	8,696
Disposals	(54)	(508)	(46)	(608)
IFRS 5 reclassification	(5,779)	--	--	(5,779)
Transfers	10,042	(230)	(9,812)	0
Change resulting from mergers	0	102	0	102
December 31, 2007	**132,423**	**53,621**	**2,913**	**188,957**
Cumulative depreciation and impairment losses				
January 1, 2007	34,649	29,154	0	63,803
Depreciation	3,854	4,276	0	8,130
Disposals	(22)	(330)	0	(352)
IFRS 5 reclassification	(263)	--	--	(263)
Transfers	20	(20)	0	0
Change resulting from mergers	0	53	0	53
December 31, 2007	**38,238**	**33,133**	**0**	**71,371**
Net carrying amount	**94,185**	**20,488**	**2,913**	**117,586**

INVESTMENT GRANTS

The Federal States of Saxony-Anhalt, Thuringia, and Mecklenburg-Vorpommern granted subsidies of T€ 13,902 to the company in the years 1998-2000 in order to construct care properties; the grants were made subject to them being used to create residential homes for senior citizens and nursing homes. The grants were deducted from the carrying amounts of the tangible fixed assets to which the grants apply.

A CURANUM subsidiary was granted an interest-free, repayable loan to finance a care property on the basis of a grant decision by the Landschaftsverband Westfalen-Lippe. The advantage from the interest-free nature of the loan was included in the calculation of the present value of the property, and consequently formed part of the purchase price allocation of the time when the subsidiary was acquired.

9. OTHER INTANGIBLE ASSETS/GOODWILL

Intangible assets include customer bases, occupancy and brand rights, licenses and software. Recognized goodwill arises from corporate acquisitions.

Change in 2008, in T€	Goodwill	Software/licenses/ similar rights	Total
Cost			
January 1, 2008	54,068	3,601	57,669
Additions	0	50	50
Disposals	(0)	(13)	(13)
Transfers	0	24	24
Change resulting from mergers	14,120	2,057	16,177
December 31, 2008	**68,188**	**5,719**	**73,907**
Cumulative amortization and impairment losses			
January 1, 2008	0	1,900	1,900
Amortization	0	654	654
Disposals	(0)	(13)	(13)
Transfers	0	14	14
December 31, 2008	**0**	**2,555**	2,555
Net carrying amount	**68,188**	**3,164**	**71,352**

The column “Software, licenses, and similar rights” includes brand and occupancy rights of unlimited useful life with a net carrying amount of T€ 1,100 (previous year: T€ 1,100). This item also contains customer relationships of T€ 1,334 added as part of mergers (previous year: T€ 107).

Additions to goodwill to an amount of T€ 14,120 arise from the acquisition of ELISA GmbH as of January 1, 2008. Please refer to Section A.3 for further remarks on this merger.

Change in 2007, in T€	Goodwill	Software/licenses/ similar rights	Prepayments rendered	Total
Cost				
January 1, 2007	53,398	3,317	129	56,844
Additions	669	146	0	815
Disposals	0	0	0	0
Transfers	0	129	(129)	0
Change resulting from mergers	0	10	0	10
December 31, 2007	**54,067**	**3,602**	**0**	**57,669**
Cumulative amortization and impairment losses				
January 1, 2007	0	1,464	0	1,464
Amortization	0	432	0	432
Disposals	0	0	0	0
Change resulting from mergers	0	3	0	4
December 31, 2007	**0**	**1,900**	**0**	1,900
Net carrying amount	**54,067**	**1,702**	**0**	**55,769**

10. LEASES AND OTHER FINANCIAL OBLIGATIONS

FINANCING LEASES

Property rented by the company includes land, buildings, and other facilities and equipment. The main obligations that have been entered into during the period of the leasing agreements, besides the lease payments themselves, are the costs of maintenance for the operating locations and facilities, insurance contributions, and property taxes. In general, the durations of leasing agreements for land, buildings, and operating and office equipment range between 3 and 40 years. Rent expenses (depreciation of the asset value of finance leases, and interest payments arising from finance leasing) in connection with finance leases amounted to T€ 7,972 in 2008 (previous year: T€ 9,022). They are reported as expense in the items depreciation and interest payments in the period in which they are incurred. In the cost of sales method, depreciation is reported in the functional areas of production, administration and sales costs, depending on which area the underlying lease agreement is attributed to. The interest expenses are included in the financial result. The terms of the leases contain no restrictions with respect to dividends, additional borrowings, or further leases.

A purchase option until 2016 exists for one property rental agreement that is classified as finance leasing agreement.

The carrying amounts of capitalized property, plant and equipment arising from financing leases are as follows:

in T€	2008	2007
Purchase cost		
Land	884	884
Buildings	57,875	57,875
Fittings and operational equipment	33,023	29,504
	91,782	88,263
Cumulative depreciation	(48,913)	(44,246)
of which land	0	0
of which buildings	(25,123)	(23,164)
of which fittings and operational equipment	(23,790)	(21,082)
Net carrying amounts	**42,869**	**44,017**
of which land	884	884
of which buildings	32,752	34,711
of which fittings and operational equipment	9,233	8,422

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

in T€		2008		2007
Up to 1 year		7,339		7,362
1 to 5 years		28,764		27,211
Longer than 5 years		48,746		51,376
Total of minimum lease obligations		**84,849**		**85,949**
Special lease payments for buildings		(2,161)		(2,161)
Total of net minimum lease obligations		**82,688**		**83,788**
minus interest		(24,475)		(24,119)
Present value of minimum lease obligation		**58,213**		**59,669**
Up to 1 year	7,137		6,972	
1 to 5 years	23,779		22,602	
Longer than 5 years	27,297		30,095	
Special lease payments for buildings (present value)		(1,379)		(1,539)
Reported lease liabilities		**56,834**		**58,130**

The lease liabilities have the following maturities:

in T€	2008	2007
Up to 1 year	3,790	4,009
1 to 5 years	17,539	14,953
Longer than 5 years	35,505	39,168
	56,834	**58,130**

OPERATING LEASES

The company and its subsidiaries have entered into various rent and operating lease agreements for buildings, office equipment, and other facilities and fittings. Most leases contain extension options allowing extensions for periods of five or ten years. Some contain price adaptation clauses, for instance in the form of indexation, and provide for rental payments that are conditional on the basis of fixed percentages of turnover generated by the assets held as part of operating lease agreements. The terms of the leases contain no restrictions with respect to dividends, additional borrowings or further lease agreements. The rent and lease expenses amounted to T€ 55,031 in 2008 (previous year: T€ 45,477).

OTHER FINANCIAL OBLIGATIONS

The other financial obligations of the CURANUM Group consist of obligations arising from rental, leasing, and maintenance agreements.

The maturities of the minimum rent and lease payments arising from non-cancellable rent and leases relating to real estate and maintenance service agreements, among other things, are as follows as of the December 31, 2008 reporting date:

in T€	< 1 year	1 to 5 years	> 5 years
Building rents	61,077	248,232	472,060
Maintenance agreements	1,120	2,701	1,516
Total	**62,197**	**250,933**	**473,576**

The maturities of the minimum rent and lease payments arising from non-cancellable rent and leases relating to real estate and maintenance service agreements, among other things, were as follows as of the December 31, 2007 reporting date:

in T€	< 1 year	1 to 5 years	> 5 years
Building rents	61,590	245,401	525,462
Maintenance agreements	1,593	5,037	1,893
Total	**63,183**	**250,438**	**527,355**

Besides this, the owners hold put options for two properties in which subsidiaries of CURANUM AG operate facilities. If the owners exercised the put options, the purchase price for both items of real estate would amount to €35.8 million. The put options may be exercised from 2008 (€15,9 million), or 2015 respectively (€19,9 million) onwards.

As of December 31, 2008, there were no further potential obligations arising from warranties, guarantees, or the assignment of collateral for third-party liabilities within the CURANUM Group.

11. NON-CURRENT AND CURRENT FINANCE DEBT

in T€	Residual term up to 1 year	Residual term 1 to 5 years	Residual term longer than 5 years
December 31, 2008			
Liability component of Fazit participation right	0	0	4.469
Negative market values from cash flow hedge	0	902	0
Negative market values from interest rate swap	0	76	0
Bank loans	4,975	53,576	25,125
Total	**4,975**	**54,554**	**29,594**
December 31, 2007			
Liability component of Fazit participation right	0	0	4,730
Bank loans	3,812	24,641	54,875
Current account overdrafts	22	0	0
Total	**3,834**	**24,641**	**59,605**

The change in the debt component of the Fazit participation right results from the repurchase and outgoing payment of participation rights by CURANUM. In individual cases, the repayment was performed for reasons of goodwill, and without legal obligation on CURANUM's part.

Five interest rate swaps were concluded to hedge interest rate risks arising from current account overdrafts and the borrower's note loan. The nominal value of these interest rate derivatives transactions amounted to T€ 34,050 (previous year: T€ 7,600).

The market values of the cash flow hedge with a residual maturity of between one and five years are recognized under financial liabilities; we have refrained from reclassifying the short-term component (up to 1 year) for reasons of materiality.

Current number	Term Start	End	Nominal in T€	Interest rate/ reference rate
1	10.2.2006	30.11.2010	6,400	3M-EUR-EURIBOR-Telerate/3.34 %
2	17.3.2008	19.12.2012	10,000	3M-EUR-EURIBOR/max. 4.10 %, min. 3.10 %
3	20.11.2008	19.12.2012	10,000	3M-EUR-EURIBOR/max. 4.05 %, min 1.90 %
4	4.8.2008	29.6.2012	3,825	3M-EUR-EURIBOR/4.99 %
5	6.10.2008	29.6.2012	3,825	3M-EUR-EURIBOR/4.5 %

The interest rate derivatives were measured at fair value as of the reporting date (marked-to-market). The year-on-year change in fair values was as follows:

Current number		2008	2007
1	3M-EUR-Euribor-Telerate/3.34 % (10.2.2006)	-76	+182
2	3M-EUR-EURIBOR/max. 4.10 %, min 3.10 %	-353	0
3	3M-EUR-EURIBOR/max. 4.05 %, min 1.90 %	-208	0
4	3M-EUR-EURIBOR/4.99 %	-191	0
5	3M-EUR-EURIBOR/4.5 %	-150	0
	Total	**-978**	**+182**

The fair value of Swap Number 1 has been recognized as a financial liability with earnings effect (financial expense). The fair values of Swaps Number 2 to 5 have been recognized as financial liabilities with no earnings effect (through equity) taking into account deferred tax.

In the year under review, the fair values were calculated by marking to market using bank valuations; the fair values were also verified by expert reports by discounting the expected future cash flows (discounted cash

flow method).
The following collateral exists for the bank loans:

- Land charges totaling T€ 62,047 (previous year: T€ 55,069) entered in the land registries of Jena, Lettin (Halle), Ribnitz Damgarten (Barth), Ennepetal, Wadersloh, Bad Lauterberg, Herne, Bad Schwartau and Pasing;
- Amount-limited individual guarantee granted to a bank by CURANUM AG to an amount of T€ 8,120;
- Global assignment of trade receivables for several loans used by operating companies
- Pledging of shares in a limited company by a company utilizing a loan;
- Assignment of rental and lease interest receivables

12. TRADE PAYABLES

Trade payables contain open items arising from invoices received for supplies and services that have been utilized. They amounted to T€ 4,348 as of the balance sheet date (previous year: T€ 3,194). They have a residual maturity of less than one year. The reported carrying amounts correspond approximately to their fair values due to their short maturities.

13. NON-CURRENT AND CURRENT PROVISIONS

as of 31.12., in T€	2008	2007
Obligations to utilities and waste management companies	0	616
Bonuses	702	1,123
Miscellaneous	1,158	1,403
Total	**1,860**	**3,142**

Invoices relating to utilities and waste disposal companies reported under provisions in the previous year were reported under other current liabilities in 2008. The previous year‘s figures were not adjusted for reasons of materiality.

Other provisions contained non-current provisions (residual duration greater than one year) of T€ 497 (previous year: T€ 575).

Provisions changed as follows:

in T€	Status 1.1.2008	Utilization	Release	Addition	Status 31.12.2008
Obligations to utilities and waste management companies	616	528	88	0	0
Bonuses	1,123	1,093	30	702	702
Miscellaneous	1,403	375	170	300	1,158
Total	3,142	1,996	288	1,002	1,860

Provisions resulting from the change in the scope of consolidation in 2008 are included in additions to other provisions.

The other provisions are composed as follows:

in T€	2008	2007
Ongoing litigations	660	645
Hidden charges disclosed as part of purchase price allocation	402	490
Miscellaneous	96	268
Total	1,158	1,403

Hidden charges disclosed as part of purchase price allocation result from the purchase of shares in 2006. The related purchase price for the shares may rise by T€ 336 if particular events occur. CURANUM AG anticipates negative earnings contributions with respect to the customer base acquired at the time of the purchase of the company, and has correspondingly recognized a contingent liability of T€ 66 (previous year: T€ 154).

14. NON-CURRENT AND CURRENT LIABILITIES ARISING FROM INCOME TAX AND OTHER LIABILITIES

in T€	IAS 39*) category	2008	2007
Corporation tax liabilities	n.a.	135	851
Trade tax liabilities	n.a.	1	627
Income tax liabilities		**136**	**1,478**
Other current liabilities			
Liabilities to staff	FLAC	2,645	2,471
Salary and wage liabilities	FLAC	152	4,478
Social security liabilities	n.a	84	94
Wage/church and VAT tax liabilities, and previous years' tax arrears (fiscal audit)	n.a	2,140	1,037
Prepayments received	n.a.	3,073	3,209
Liabilities to occupants	FLAC	2,645	1,070
Debtor accounts in credit	FLAC	1,113	1,097
Deferred income	n.a.	89	96
Outstanding invoices	FLAC	1,709	965
Professional co-operative contributions	n.a.	590	590
Miscellaneous	FLAC	1,712	1,976
Total other current liabilities		**15,952**	**17,083**
of which with a residual term up to 1 year		16,088	18,561

* Please refer to the remarks concerning financial instruments in the „Accounting Principles" chapter for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

Liabilities to employees of T€ 2,645 (previous year: T€ 2,471) are composed of vacation days outstanding (T€ 785; previous year: T€ 768), obligations arising from overtime hours, bonuses, short-term age-related short time working obligations and settlements (T€ 1,530; previous year T€ 1,400), and time allowances (T€ 330; previous year: T€ 303).

The obligation arising from age-related short time working agreements with employees is reported in an amount of T€ 274 (previous year: T€ 327), minus employees‘ insolvency-protected value credits of T€ 269 (previous year: T€ 214). When calculating the obligation, the employer‘s supplements to gross salaries as well as pension insurance contributions were provided for, as well as the company‘s employee remuneration arrears in the case of the "Blockmodell". The share of the obligation with a residual maturity of over one year was discounted applying a rate of 5.5%. Earnings for the 2008 period include income from the reduction of the obligation of T€ 53 (previous year: expenses of T€ 136 arising from an increase), which are reported under cost of sales.

The "Miscellaneous" item contains financial liabilities measured at amortized cost (FLAC) in the meaning of IAS 39 as follows:

in T€	IAS 39*) category	2008	2007
Deferred interest and participation right interest	FLAC	568	502
Deferred tax/fiscal charges	n.a.	332	559
Supervisory Board remuneration	n.a.	160	49
Deferred rental payments	FLAC	65	99
Miscellaneous liabilities	n.a.	587	767
Total		**1,712**	**1,976**

* Please refer to the remarks concerning financial instruments in the „Accounting Principles" chapter for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

15. EQUITY

Changes in equity are presented in the consolidated statement of changes in equity.

ISSUED SHARE CAPITAL

The issued share capital of CURANUM AG amounts to €32,660,000.00 (previous year: €32,660,000.00), and is split into 32,660,000 (previous year: 32,660,000) ordinary bearer shares, and is fully paid in.

APPROVED CAPITAL

As the result of a resolution of the Shareholders' General Meeting on June 23, 2005, the Management Board was authorized, with the approval of the Supervisory Board, to increase the issued share capital of the company in exchange for cash or payment-in-kind, once or on several occasions until June 23, 2010, by a total, however, of up to T€ 10,040 through the issue of a maximum of 10,040,000 new ordinary bearer shares. Subscription rights are to be granted to shareholders as a matter of principle when performing the capital increase. Under certain preconditions, the Management Board may, with the approval of the Supervisory Board, exclude shareholders' subscription rights.

CONDITIONAL CAPITAL

Through a resolution of May 20, 1997, the issued share capital was raised by T€ 1,534 on a conditional basis (Conditional Capital I). The conditional capital increase could be carried out only to the extent that those entitled by the terms of the issued convertible profit-sharing certificates utilized their conversion rights by August 1, 2007. Conditional Capital I expired with the expiry of the conversion rights as of August 1, 2007. Besides this, the registered capital was increased by a further T€ 330 as the result of a resolution of the Shareholders‘ General Meeting of November 27, 2000 (Conditional Capital II). The conditional capital increase is designed to allow the issue of equity options for employees of the business. An equity option plan has not been created to date.

The conditional capital was cancelled as a result of a resolution on the part of the Shareholders‘ General Meeting of July 24, 2008.

PURCHASE OF OWN SHARES

Through a resolution of the 2008 Shareholders‘ General Meeting the company was authorized until January 23, 2010, with the approval of the Supervisory Board, to acquire or resell once or on several occasions own shares in the company while observing the principle of equal treatment. This authorization may not be used for the purposes of trading in the company‘s own shares. The arithmetic share of the shares acquired as part of this authorization may not exceed 10% of the subscribed capital.

The following table shows the change in the treasury shares item in equity in 2008:

in T€	Own shares in T€	Own shares Number
Status as of January 1, 2008	0	0
Acquired during the financial year	970	318,189
Status as of December 31, 2008	970	318,189

The equity item treasury shares represents the value of CURANUM AG shares purchased on the market, which are held by a trustee. CURANUM AG held 318,189 of its own shares as of the balance sheet date. This corresponds to share of € 318,189 of the issued share capital, or 0.9%. These treasury shares are reported in equity to an amount of T€ 970.

Legal appeals, which have been rejected as of the balance sheet date, have been raised against the resolutions of the Shareholders‘ General Meeting of July 24, 2008 relating to TOP 10 “Resolution concerning the cancellation of Conditional Capital I”, TOP 11 “Resolution concerning the cancellation of Conditional Capital II” and TOP 12 “Resolution concerning the authorization of the company to acquire and sell its own shares pursuant to § 71 Section 1 Number 8 of the German Stock Corporation Act (AktG)”. The appeal period expired on March 2, 2009. To date, the plaintiffs have registered no appeal at the Higher Regional Court of Munich. It can be assumed that CURANUM AG has won out against the appeal on a non-appealable basis. As a consequence, the amended bylaws can be entered in the Commercial Register in the next few weeks.

ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital exclusively contains transfers arising from premiums, and has not changed compared with December 31, 2007.

REVENUE RESERVE

The revenue reserve essentially contains the cumulative results of previous years, and other revenue reserves of CURANUM AG. The cumulative results contain gains and losses generated by CURANUM AG and its consolidated subsidiaries in previous years, which were neither distributed nor allocated to other revenue reserves.

Repayments connected with a subsidiary's participation right capital are reported in revenue reserves with no impact on income to the level to which the participation right capital was classified as equity at the time of the purchase price allocation.

To the extent that they exist, negative minority interests in Group earnings are offset with revenue reserves.

APPROPRIATION OF EARNINGS

The annual financial statements of CURANUM AG as of December 31, 2008, which are based on German commercial law (HGB), report unappropriated retained earnings of €23,153,216.79. A proposal is submitted to the Shareholders' General Meeting to apply the unappropriated retained earnings as follows:

The Management Board and the Supervisory Board of the company recommend distributing an amount of EUR 0.10 per share, which corresponds to a total amount of T€ 3,266. It is intended that the remaining unappropriated retained earnings should be carried forward to a new account.

The distribution of T€ 3,266 for the 2007 financial year was performed in 2008.

MISCELLANEOUS EQUITY

Miscellaneous equity contains revaluations of property, plant and equipment that are booked through equity (revaluation reserve), and the market valuation booked through equity of derivative financial instruments in the cash flow hedge area totaling T€ -902. Recognition takes into account deferred tax assets of T€ 269. Please refer to our remarks in Section A.5. Financial Instruments and E. 25 IFRS 7 Disclosures.

The revaluation reserve results from the first-time consolidation of VGB GmbH in 2006 (proportional release of hidden reserves relating to companies previously included at-equity, in line with the IAS 16 revaluation rules), which was carried forward to the reporting year.

C. NOTES TO THE CONSOLIDATED INCOME STATEMENT

SEGMENTAL REPORTING

The CURANUM Group renders all services for an identical group of customers. The risk and opportunity profiles of the services are not significantly different, and they are interdependent. The internal reporting structure of the company equally makes no segmental differentiation. In addition, the company is active primarily in the German market. Segmental reporting is not performed because the company cannot be divided into either different business segments or different geographical segments.

16. REVENUE

Revenue is mainly composed of the following:

in T€	2008	2007
Inpatient care including related services (catering/cleaning and laundry)	219,308	212,235
Rental income from managed apartments/outpatient care services	30,830	11,687
Miscellaneous	6,966	6,147
Total	**257,104**	**230,069**

17. COST OF SALES

Cost of sales contains:

in T€	2008	2007
Personnel expenditure for care and services	114,895	103,471
Rents	54,569	45,031
Miscellaneous expense	41,873	36,182
Depreciation/amortization	8,955	7,992
Total	**220,292**	**192,676**

Miscellaneous expense contains the following:

in T€	2008	2007
Food	10,636	9,492
Water/power/electricity	9,599	7,493
Maintenance/repairs and domestic engineering	4,001	2,859
Business requirements	2,453	2,028
Medical care requirements	2,380	2,323
Property and other charges	2,030	2,006
Third-party building cleaning services/laundry	1,464	2,082
Vehicle fleet expenses	1,312	1,005
Insurance	1,040	921
Care expense	951	475
Miscellaneous	6,007	5,498
Total	41,873	36,182

Depreciation/amortization relates to scheduled amortization to intangible assets (mainly software), and depreciation of buildings and of operating and office equipment.

18. SELLING AND MARKETING EXPENSES

Selling and marketing expenses are composed as follows:

in T€	2008	2007
Personnel expenditure	268	172
Miscellaneous expense	755	849
Depreciation/amortization	1	1
Total	1,024	1,022

Miscellaneous expenses include mainly expenses for advertising and public relations activities of T€ 734 (previous year: T€ 796).

19. GENERAL ADMINISTRATION EXPENSES

The administration costs are composed as follows:

in T€	2008	2007
Personnel expenditure	12,709	11,467
Miscellaneous expense	5,260	4,708
Depreciation/amortization	594	569
Rents	0	75
Total	**18,563**	**16,819**

Miscellaneous expense mainly includes legal and consultancy costs (T€ 1,800; previous year T€ 1,857), telephone/fax/mobile telephone charges (T€ 487; previous year: T€ 478), and office materials, postage, ancillary money transfer costs, and other administrative costs (T€ 1,225, previous year: T€ 1,204).

PERSONNEL EXPENSE AND AVERAGE NUMBER OF EMPLOYEES

The personnel expense is allocated to the individual functional areas (17) to (19) as follows:

in T€	2008	2007
Wages and salaries	106,382	96,158
Settlements	281	323
Professional cooperative	992	1,075
Social contributions	20,217	17,554
Total	**127,872**	**115,110**

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

in T€	2008	2007
Salaried employees	4,921	4,374
Temporary personnel	781	675
Total excluding trainees	**5,702**	**5,049**
Trainees	251	214
Total	**5,953**	**5,263**

20. OTHER OPERATING EXPENSES / INCOME

in T€	2008	2007
Income	4,685	4,418
Expenses	(2,164)	(1,816)

Other operating income includes income from reimbursements of T€ 1,009 (previous year: T€ 710), income from the release of valuation adjustments to receivables and provisions/liabilities of T€ 503 and T€ 460 respectively (previous year: T€ 126 and T€ 550), and income unrelated to the period of T€ 1,237 (previous year: T€ 932). Other operating income in the previous year included the book gain of around T€ 900 from the sale of a care centre for the elderly.

In the reporting year, other operating expenses contain expenses from the application of a specific valuation adjustment to receivables of T€ 33 (previous year: T€ 38), and expenses unrelated to the period of T€ 650 (previous year T€ 103).

Besides this, other operating income of T€ 1,065 (previous year: T€ 0) was reported in 2008 arising from the change to assessments from the external tax audit, as well as other operating expenses of T€ 1,077 (previous year: T€ 0).

21. INTEREST EXPENSE/INCOME

in T€	2008	2007
Interest income	**979**	**296**
Interest expense for diverse loans	(5,268)	(3,178)
Interest expense for financing lease agreements	(3,698)	(3,989)
Interest expense for the convertible bond	0	(613)
Other financing expenditure/interest rate derivatives	(1,520)	(1,983)
Interest expense	**(10,486)**	**(9,763)**

The net financial result in 2008 was composed as follows:

in T€	Resulting from financial instrument category (IAS 39)	2008	2007
Interest income from cash and cash equivalents	n.a.	401	264
Interest income from interest rate derivatives	FAHfT	226	4
Other interest income	n.a.	352	28
Interest income		**979**	**296**
Interest expense for diverse loans	FLAC	(5,268)	(3,178)
Interest expense for financing lease agreements	FLAC	(3,698)	(3,989)
Interest expense for the convertible bond	FLAC	0	(613)
Interest expense relating to participation rights	FLAC	(395)	(422)
Interest expense for current finance debt (including current account)	FLAC	(272)	(1,155)
Interest relating to tax	n.a.	0	(151)
Guarantee commissions	n.a.	(86)	(67)
Interest expense from interest rate derivatives	FAHfT	(314)	(0)
Other interest expense	n.a.	(453)	(188)
Interest expense		**(10,486)**	**(9,763)**

22. INCOME TAX

The reported income tax expense is composed as follows:

in T€	2008	2007
Actual tax expenditure	2,779	4,727
Deferred income tax	459	3,817
Total income tax	**3,238**	**8,544**

in T€	2008	2007
Income tax for the current year	2,344	3,895
Income tax for previous years	435	832
Actual tax expenditure, total	**2,779**	**4,727**

The net change in deferred tax in the year under review is presented in the following table:

in T€	2008	2007
Deferred tax assets status January 1	4,042	4,867
Additions from consolidation	195	(48)
Changes without impact on income	(297)	2,994
Changes booked through income statement	(653)	(3,771)
Deferred tax assets status December 31	**3,287**	**4,042**

The amount as of December 31, 2007 has changed due to a retrospective correction of an error in the deferred tax area. Deferred tax assets have risen by T€ 1,063, and deferred tax liabilities have reduced by T€ 1,079; please refer to the remarks relating to “Modifications of estimates and errors in prior years” in Chapter A.5. “Accounting principles”.

The company's deferred tax assets and liabilities arising from temporary differences are composed follows (before netting off):

in T€	Deferred tax assets 2008	Deferred tax liabilities 2008	Deferred tax assets 2007	Deferred tax liabilities 2007	Change booked through income statement 2008	Change booked through equity 2008
Property, plant and equipment						
– Divergence in useful life	101	932	133	872	(11)	(81)
– Finance leasing	--	23	--	36	13	--
Goodwill/customer base/brand right	1,042	964	1,311	725	(508)	--
Market value of derivatives	269	--	--	--	--	269
Provisions	22	--	--	--	22	--
Liabilities						
– Finance leasing	5,931	--	5,962	--	(35)	4
Tax loss carryforwards	579	--	625	--	(46)	--
Other items	431	7	516	5	(88)	--
	8,375	**1,926**	**8,547**	**1,638**	**(653)**	**192**
Consolidation	462	3,624	485	3,352	195	(489)
Consolidated balance sheet	**8,837**	**5,550**	**9,032**	**4,990**	**(459)**	**(297)**

An average income tax rate of 29.825% (previous year: 29.825%) is applicable to the German companies. The applicable tax rates for foreign companies amount to 25% (previous year: 25%).

Earnings-neutral changes of T€ -296 include T€ 583 from the first-time consolidation of the ELISA companies, and an earnings-neutral formation of deferred tax assets relating to the negative market values of the derivatives.

As in the previous year, the loss carryforwards can be carried forward indefinitely. No deferred tax assets were formed with respect to the loss carryforwards of three subsidiaries amounting to T€ 18,026 (previous year: T€ 17,886). The previous year's disclosure of loss carryforwards was supplemented to include disclosures that were not known to the company until the publication of the previous year's annual financial statements.

The differences between the expected tax expense based on the arithmetic rate of taxation and the income tax expense reported in the income statement are presented in the following reconciliation:

in T€	2008	2007
Earnings before tax	**10,239**	**12,687**
Expected tax applying tax rate applicable to the parent company of 29.825% (2007: 38.48%)	3,054	4,882
Other, non tax-deductible expenses/trade tax additions	1,017	50
Effect of divergent trade tax result	-1,163	342
Prior years' tax	435	884
Effects of the 2008 Corporate Tax Reform	0	2,189
Other effects	-105	197
Tax expense (actual and deferred)	**3,238**	**8,544**

23. EARNINGS PER SHARE

	2008*	2007
Earnings for the period attributable to CURANUM AG shareholders in T€	7,032	4,203
Weighted average number of ordinary shares outstanding (in thousands)	32,611	31,241
Earnings per share (undiluted and diluted) €	0.22	0.13

* CURANUM acquired 318,189 own shares in the period between October 13, 2008 and December 4, 2008; taking this period into account, the weighted average number of shares outstanding amounts to 32,611,091.

Undiluted earnings per share has been calculated by dividing the periodic result attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. There was no requirement to take dilution effects into account.

D. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (24)

The cash and cash equivalents item reported in the cash flow statement is identical with the reported balance sheet item, and comprises cash holdings and bank accounts in credit with a term of up to three months. Cash and cash equivalents in the CURANUM Group amount to T€ 10,014 (previous year: T€ 25,646).

The cash flow statement shows how the cash and cash equivalents of the CURANUM Group changed during the course of the reporting year as a result of cash inflows and outflows. This entails separating the cash flows into the areas of operating activities, investment activities, and financing activities. The cash inflows and outflows from operating activities are calculated using the indirect method. This entails adjusting pre-tax earnings to reflect non-cash expenses, which are mainly composed of depreciation/amortization and changes in provisions, as well as non-cash income, and to reflect the change in operating assets and liabilities.

The changes in balance sheet items used in the cash flow statement are adjusted to reflect non-cash effects. For this reason, changes in the related balance sheet items cannot be reconciled directly with the corresponding values in the consolidated balance sheet.

The cash inflows and outflows from investment and financing activities are presented using the direct method.

The net cash outflows for the purchase of subsidiaries presented in the cash inflows and outflows arising from investment activities are presented in the notes relating to the change of the scope of consolidation contained in Section A.3 Scope of Consolidation in the notes to the consolidated financial statements.

The outgoing payments for financing leases contain both the interest and redemption components.

E. OTHER DISCLOSURES AND NOTES

25. ADDITIONAL DISCLOSURES RELATING TO FINANCIAL INSTRUMENTS AS PER IFRS 7

The following section shows the significance of financial instruments for the CURANUM Group, and provides additional information about balance sheet items that contain financial instruments.

Please refer to the remarks concerning financial instruments in item 4 “Accounting principles” for more information about the financial instruments presented, and the IAS 39 categories, particularly with respect to the designations and abbreviations used.

The following table shows the carrying amounts of all categories of financial assets and liabilities:

in T€	2008	2007
Financial assets		
Cash and cash equivalents	10,014	25,646
Financial assets available for sale	374	380
Loans and receivables	18,936	21,258
Derivative financial instruments without hedging relationships	0	182
Total	**29,324**	**47,466**
Finance debt		
Financial liabilities at amortized cost	163,049	163,182
Derivative financial instruments without hedging relationships	76	0
Derivative financial instruments with hedging relationships	902	0
Total	**164,027**	**163,182**

The following table shows financial assets and liabilities measured at fair value:

in T€	2008	2007
Financial assets measured at fair value		
Financial assets available for sale	374	380
Derivative financial instruments		
without hedging relationships	0	182
Financial liabilities measured at fair value		
Derivative financial instruments		
without hedging relationships	902	0
with hedging relationships	76	0

Financial assets available for sale relate to securities that are traded in an active market. For this reason, CURANUM AG uses the market price prevailing on the balance sheet date as the fair value.

The company uses derivative financial instruments mainly to hedge interest rate risks, and generally concludes such transactions with banks, as contractual partners, that enjoy investment-grade ratings. Derivative financial instruments entered into in the year under review satisfied the formal criteria of a hedging relationship in the meaning of IAS 39, and were formally designated as hedges as per IAS 39. Measurement depends on the financial instruments correspondingly used. The fair value of the interest rate swaps is determined by discounting the expected future cash flows over the contractual period remaining as of the measurement date, on the basis of risk-adjusted zero-interest rate curves.

The following table presents the fair values and carrying amounts of financial assets and liabilities measured at cost or amortized cost:

in T€	2008 Fair value	2008 Carrying amount	2007 Fair value	2007 Carrying amount
Financial assets measured at (amortized) cost				
Cash and cash equivalents	10,014	10,014	25,646	25,646
Lease and rental prepayments	10,083	10,083	10,982	10,982
Trade receivables	6,273	6,273	6,411	6,411
Other receivables	2,580	2,580	3,865	3,865
Financial liabilities measured at (amortized) cost				
Trade payables	4,348	4,348	3,194	3,194
Bank borrowings and participation right capital	82,189	88,145	80,036	88,080
Finance lease liabilities	62,098	56,834	64,039	58,130
Other financial liabilities	13,772	13,772	13,778	13,778

The fair values of cash and cash equivalents, trade receivables, other current financial receivables, trade payables, and other current financial liabilities, approximately correspond to their carrying amounts. This is particularly due to the short maturity of these instruments.

CURANUM AG determines the present value of bank borrowings, other financial debt, and other non-current financial liabilities through discounting the expected future cash flows using interest rates for similar types of finance debt with comparable maturities.

When determining the fair value of finance lease liabilities, the nominal value of the minimum lease payments is distributed evenly over the assumed average residual maturity. Maturity is calculated on the basis of weighted average residual maturity. This is used to calculate the interest rate for similar finance debt. It is used to discount future cash flows.

The following table shows the net gains and losses arising from financial instruments:

in T€	2008	2007
Financial assets available for sale	-6	8
Loans and receivables	11	-66
Financial liabilities held for trading	0	245
Financial liabilities held for trading	-139	1,060
Interest expense and income from financial instruments measured at amortized cost	-9,361	-7,780

The net change in unrealized gains or losses arising from financial assets available for sale was reported in an amount of T€ 6 (previous year: T€ 8) in equity in 2008, as part of the fair valuation reserve within miscellaneous equity.

Net gains and losses arising from loans and receivables contain changes in adjustments, gains or losses arising from elimination, and cash inflows and revaluations relating to loans and receivables originally written off.

Net gains and losses arising from financial assets and liabilities held for trading purposes contain changes to fair value, as well as realized disposal gains relating to the derivative financial instruments (including interest income and expenses), for which no hedge accounting is applied.

Interest expenses and income arising from financial instruments measured at amortized cost comprise interest income and expenses from loans that have been drawn down, the profit-sharing certificate of Fazit GmbH, the convertible bond (only previous year), and finance lease liabilities.

Net gains from financial instruments not subject to IFRS 7 and IAS 39 results from the interest result on cash and cash equivalents.

RISK MANAGEMENT AND FINANCIAL DERIVATIVES

CURANUM AG is subject to credit, market and liquidity risks with respect to its assets, liabilities and planned transactions. CURANUM's risk management system pursues the goal of limiting these risks. To this end, the treasury department makes particular use of selected derivative hedging instruments to hedge risks that have an impact on the CURANUM Group's cash flow.

Managing financial market risks is a primary task incumbent on the Management Board of CURANUM AG. This part of the overall risk management system falls into the area of responsibility of the chief financial officer. The Management Board of CURANUM AG carries overall responsibility at the highest level, and delegates this responsibility to the central treasury department for operating and entrepreneurial reasons. The Management Board determines the main features of financial policy each year. The Management Board is informed regularly about the current risk position and its management. CURANUM AG pursues risk management using a system based on sensitivity analyses. These sensitivity analyses enable the treasury, as the central department responsible, to approximately gauge the risk emerging within given assumptions as part of an observation performed on a ceteris paribus basis, and when particular variables are changed within a defined scope. The analysis of interest rate risk regularly entails parallel movements of yield curves by up to 100 basis points (+/- 1.0%).

CREDIT RISKS

CURANUM is exposed to certain default risks as a result of its operating business and its financing activities. Outstanding trade receivables are monitored constantly. Default risks are reflected using specific valuation adjustments. The calculation of these adjustments is explained in the notes under Section B item 2. There are no significant concentrations of risk due to the company's diversified customer structure, as well as the creditworthiness of any providers of social security benefits that are required to make payments. The carrying amount of receivables represents the maximum default risk.

In the case of derivative financial instruments, CURANUM is exposed to credit risk in the instance that contractual partners fail to satisfy their contractual obligations. In order to reduce risk, financing agreements are entered into exclusively with contractual partners with investment grade ratings.

Cash resources are invested exclusively in overnight and term deposits with a maximum duration of up to three months, and exclusively with German banks of investment grade rating.

Maximum default risk reflects the carrying amounts of the financial assets reported in the balance sheet, includ ing derivative financial instruments with positive market values.

MARKET PRICE RISKS

Market price risks generally existed in the form of exchange rate, interest and other price risks.

CURRENCY RISK

The financial assets and liabilities of the CURANUM Group are denominated almost exclusively in euros. Since the CURANUM Group carries out its operating activities exclusively in the Eurozone, there are no currency-specific risks.

INTEREST RATE RISK

CURANUM is subject to interest rate risk mainly as a result of its bank borrowings. In the case of finance debt measured at amortized cost, changes in the market interest rates of finance debt with fixed and normal rates of interest do not have an impact on earnings and equity. An effect on earnings can result only from early repayment or maturity. The differences between the carrying amounts and the fair values are presented in the tabular overview of financial instruments according to IAS 39 categories.

Variable-rate finance debt is subject to payment fluctuation risk due to changes in market interest rates. CURANUM endeavors to limit such risks through the use of interest rate derivatives. CURANUM also counters the risk from unexpected increases in interest expense by distributing related risks among several banks, and constant monitoring of current interest rate trends.

When such transactions are entered into, a check is performed to see whether the preconditions for hedge accounting according to IAS 39 are satisfied. If all of these prerequisites are satisfied, the hedge is formally designated as such. The accounting treatment of interest rate derivatives and cash for hedging relationships used is presented under item 4 “General accounting principles”.

An interest rate swap of originally €10.0 million was concluded to minimize the risk related to the acquisition financing for the Westfalen Group, the terms of which have been set precisely to reflect the term and volume of the financing. In addition, four further interest rate swaps were concluded to hedge the interest rate risk arising from a borrower‘s note loan with WestLB AG, as well as a further loan with HypoVereinsbank. Since the financings are structured variably and become more expensive as interest rates rise, the interest rate swaps hedge against rising interest rates either through a cap or through a fixed interest rate, in other words, rising interest rates costs are hedged against a defined rise in EURIBOR. Two of the swaps are so-called corridor swaps that have an upper limit when interest rates rise, but which participate in falling interest rates to a predefined extent. This hedges against the risk of a sharp rise in interest rates, and partially allows participation in falling interest rates within a defined corridor; if the corridor is undershot, the interest rate of the hedged area comes into play as an upper limit.

Some interest rate derivatives reduce in volume equivalent to the repayment of the corresponding loans.

The interest rate swaps are monitored constantly by the cash management and treasury functions, and changes to the interest rate and relevant spreads are reported directly to the Management Board. CURANUM AG also cultivates intensive exchange with commercial banks so as to be informed about current interest rate developments, relevant influencing factors, and their effects on future interest rates. The bank also reports regularly regarding the development of the interest rate derivatives.

Depending on the corresponding financial instrument, CURANUM AG measures interest rate risks either on the basis of their value, or a cash flow sensitivity analysis, and aggregates these in order to calculate overall risk for the Group. On the investment side, interest rate risks exist with respect to falls in variable market interest rates, and, on the borrowing side, with respect to fixed interest rates when market interest rates fall; in the case of investments with fixed rates, and borrowings with variable rates, the risk results from rising market interest rates.

When calculating the sensitivities of the fair values of fixed interest rate instruments (including derivative financial instruments), the change in fair value, defined as net present value, is simulated by a parallel movement of the yield curve by 100 basis points. In the first step of the calculation, gross cash flows are discounted using the term-congruent interest rates taken from the yield curve, in other words, the net present value of the future interest and redemption payments of the fixed-interest financial instruments calculated. In the second step of the calculation, the gross cash flows are discounted by moving the yield curve in parallel by 100 basis points (-1.0%). As a result of the fixed interest or collar structure of the interest rate derivatives on the part of CURANUM AG, the variable gross cash flows of the relevant bank (and, as far as relevant, those of CURANUM AG) are calculated using a 100 basis point shift in the yield curve (-1.0%), and discounted using the corresponding discount rate. Generally recognized and published yield curves as of the relevant reporting date are used as the basis for the calculation. The interest rate risk of the fair values results primarily from long-term fixed-interest finance debt, as well as from interest-bearing investments.

On the basis of the assumptions presented above, the sensitivity analysis generated an interest rate risk to the fair values of T€ 2,748 as of December 31, 2008 (previous year: T€ 1,455).

In the case of variable interest rate instruments, CURANUM AG measures interest rate risk using a cash flow sensitivity analysis. In this case too, a parallel shift in the yield curve of 100 basis points (+1.0%) is applied to the interest rate paid, and discounted correspondingly from the financial instrument. Such risks result mainly from variable interest rate finance debt.

Based on the assumptions described above, the sensitivity analysis generates a cash flow interest rate risk of T€ 1,413 as of December 31, 2008 (previous year: T€ 1,556).

LIQUIDITY RISK

CURANUM AG‘s liquidity risk relates to its potentially being unable to satisfy its financial obligations, for example, the redemption of finance debt, the payment of trade payables or other liabilities, and finance lease obligations. CURANUM AG limits this risk through effective cash management, as well as access to credit lines at various banks with good credit ratings.

CURANUM AG limits its liquidity risks as a result of secure government grant payments, as well as through the continuous improvement of its treasury and cash management system, and of its invoice reminder system.

The following table presents all contractually fixed, non-discounted cash outflows and payments as of December 31, 2008 for redemptions, repayments, and interest rate payments arising over coming years from financial liabilities/obligations entered in the balance sheet.

as of 31.12.2008, in T€	2009	2010-2013	2014 and after
Non-derivative financial liabilities			
Bank borrowings	8,870	64,460	32,424
Miscellaneous finance debt (profit-sharing certificate)	383	1,148	4,781
Trade payables	4,348	0	0
Other financial obligations*	62,197	250,933	473,577
Finance lease liabilities	7,339	28,764	48,746

* Other financial liabilities include future obligations arising from rental, lease, and maintenance agreements

as of 31.12.2007, in T€	2008	2009-2012	2013 and after
Non-derivative financial liabilities			
Bank borrowings	13,413	71,535	20,029
Miscellaneous finance debt (profit-sharing certificate)	383	383	4,788
Trade payables	3,194	0	0
Other financial liabilities*	76,961	312,028	527,355
Finance lease liabilities	7,362	27,211	51,376

* Other financial liabilities include future obligations arising from rental, lease, and maintenance agreements

The table solely presents the risk of payment outflows. Liabilities arising from finance leasing, trade payables, and other financial liabilities derive from the financing of utilized operating assets, such as property, plant, and equipment, and from the financing of working capital (e.g. inventories and trade receivables). Other financial liabilities presented as part of this overview are generally not financial liabilities pursuant to IFRS 7. CURANUM AG nevertheless takes them into account in the same way as miscellaneous financial liabilities as part of its effective management of overall liquidity risk. The central treasury department is responsible for the monitoring of financial assets and liabilities that are in place, and for effectively managing future risks. The overall view of liquidity and debt is established through calculating the net cash or debt position, and is used for internal financial management, as well as for external communications with financial investors, analysts, and banks.

The following table shows the net cash or debt position as of December 31, 2008, as well as its comparison to the previous year:

in T€	2008	2007
Cash and cash equivalents	10,014	25,646
Current financial assets available for sale Assets	374	380
Total cash position	**10,388**	**26,026**
Current finance debt and current portions of non-current finance debt	8,765	7,843
Non-current finance debt	136,214	138,367
Total finance debt	**144,979**	**146,210**
Net debt	**134,591**	**120,184**

Net cash or debt is the sum of cash and cash equivalents, and current financial assets available for sale, minus current and non-current bank borrowings, as well as finance lease liabilities, as reported in the balance sheet.

26. EVENTS FOLLOWING THE REPORTING DATE

With a notary purchase agreement as of November 21, 2008, CURANUM AG acquired the operations of the Scheffelhof facility in Bad Dürrheim as of January 1, 2009.

An amount of T€ 250 was paid to purchase the facility's operations.

27. CURANUM AG BOARDS, AND SUPERVISORY AND MANAGEMENT BOARD REMUNERATION

The company's Management Board comprises the following members:

Hans-Milo Halhuber, Grünwald
(Management Board Chairman - CEO)

Bernd Rothe, Munich
(Chief Financial Officer - CFO)

Sabine Merazzi-Weirich, Munich
(Chief Operating Officer - COO)

The remuneration of the Management Board totaled T€ 959 in 2008 (previous year: T€ 1,390). Of this amount, T€ 797 was granted to Management Board members of associated companies (previous year: T€ 1,193). In the previous year, Mr. Bernd Scheweling was a member of the Management Board until September 6, 2007.

Management Board	Salary	Bonus	Total
Hans-Milo Halhuber	211	352	563
Sabine Merazzi-Weirich	128	70	198
Bernd Rothe	128	70	198

The company's Supervisory Board comprises the following members:

- Dr. Dieter Thomae, Graduate of Business Studies, Sinzig-Bad Bodendorf (Deputy Chairman from March 26, 2008 until July 24, 2008, Chairman from January 1, 2008 until March 26, 2008, and from July 24, 2008 until today)
- Bernd Scheweling, Business Economist, Munich (Deputy Chairman from January 1, 2008 until March 26, 2008 and from July 24, 2008 until today, and Management Board member from March 26, 2008, until July 24, 2008)
- Dr. Uwe Ganzer, Administrative Grade Civil Servant, sole management board member of Varta AG, Hanover (Chairman from March 26, 2008 until July 24, 2008, member of the Supervisory Board from March 6, 2008 until March 26, 2008, and from July 24, 2008 until today)
- Michael Sasse, Notary, Sasse & Ackermann Legal Practice, Schwelm
- Angelika Pohl, Senior Employee, CURANUM AG Munich
- Sabine Klöckner, Head of Department CURANUM AG, Munich

Dr. Uwe Ganzer has also been a member of the Supervisory Board of expert AG, Langenhagen, since February 7, 2009.

Remuneration for members of the Supervisory Board totaled T€ 161.2 (previous year: T€ 45). As the result of a resolution on the part of the Shareholders‘ General Meeting, the Supervisory Board remuneration structure was modified fundamentally; the basic remuneration was increased, and additional remuneration was paid for subcommittees existing for the first time in 2008. The posts of chairperson and deputy chairperson are remunerated separately in each case.

Management Board remuneration consists of a fixed salary, and a profit-related component. Management Board remuneration is due exclusively on a short-term basis.

28. RELATED PARTIES

According to IAS 24, disclosure must be made of persons or companies that control CURANUM AG, or are controlled by CURANUM AG. The disclosure requirements of IAS 24 extend to include persons that may exercise a significant degree of influence on the company, in other words, persons (including their close family members) who participate in the company‘s financial and business policy, but who do not control the company. In the 2008 financial year, this concerned the members of the Supervisory Board and Management Board of CURANUM AG.

MAXXWARE COMPUTER CONCEPTS GMBH

Maxxware, which is controlled by the a member of the Management Board of CURANUM, qualifies as a related company in the meaning of IAS 24. A CURANUM Group company procured services from the company Maxxware in 2008 amounting to T€ 215 (previous year: T€ 236). There were no receivables or liabilities as of the balance sheet date (previous year: receivable of T€ 1).

CURANUM BETEILIGUNGS GMBH

CURANUM Beteiligungs GmbH (general partner of CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG), which is controlled by a Management Board member of CURANUM, qualifies as a related company in the meaning of IAS 24. CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG rendered a monthly fee of T€ 12 to its general partner for taking over management duties and liability. In 2008, CURANUM booked a total of T€ 143 (previous year: T€ 144) as expenditure. There were no receivables or liabilities relating to this company as of the balance sheet date (previous year: receivable/liabilities of T€ 0).

TRANSACTIONS WITH MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

A purchase option exists between CURANUM AG and a Management Board member through the remaining minority share (6%) in a Group company.

Supervisory Board members rendered notary services to the CURANUM Group in 2008 (T€ 62; in the previous year, notary and legal consultancy services of T€ 502), and services arising from other consultancy agreements (T€ 109; previous year: T€ 102).

There were liabilities outstanding as of the balance sheet date of T€ 1 arising from consultancy services (previous year: T€ 10). There were no open receivable/liabilities as of the balance sheet date in either 2008 or 2007 in connection with notary services that have been utilized.

All of these services were rendered on terms equivalent to those that would have been agreed with third parties.

29. AUDITOR'S FEE

Auditor's fees of T€ 541 relating to the audit of the annual financial statements of CURANUM AG, the consolidated financial statements, and audit-related consultancy services were expensed in 2008 (previous year: T€ 465). Of this amount, T€ 18 were attributable to audit-related consultancy services (previous year: T€ 0).

30. UTILIZATION OF THE RELEASE PROVISION PURSUANT TO § 264 SECTION 3 OF THE GERMAN COMMERCIAL CODE (HGB)

All companies included as part of full consolidation in the consolidated financial statements of CURANUM AG, and which utilize the release from the obligation to prepare, audit and publish annual financial statements and management reports in accordance with the provisions applying for stock corporations, are designated correspondingly in the list of the scope of consolidation attached as an annex.

31. DECLARATION RELATING TO THE CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of the Company issued the declaration required pursuant to § 161 (the so-called "Declaration of Compliance") relating to the German Corporate Governance Code, and made it permanently accessible to shareholders in March 2008.

Munich, March 16, 2009
CURANUM AG

The Management Board

Hans-Milo Halhuber Bernd Rothe Sabine Merazzi-Weirich

SCOPE OF CONSOLIDATION AND UTILIZATION OF THE RELEASE PROVISION

according to § 264 Section 3 HGB

Name	Office	Amount of holding[1] in %
The following national companies were consolidated as of December 31, 2008 (in alphabetical order):		
Altenheimbetriebsgesellschaft Ost GmbH [2]	Munich	100.00
Altenheimbetriebsgesellschaft Süd GmbH [2]	Munich	100.00
Altenheimbetriebsgesellschaft West GmbH [2]	Munich	100.00
Alten-und Pflegeheim Sieglar GmbH [2]	Munich	100.00
Bad Schwartauer AVG Altenheim-Vermietung GmbH & Co. KG	Munich	100.00
CURANUM AG (parent company)	Munich	--
CURANUM Bad Hersfeld GmbH [2]	Munich	100.00
CURANUM Baubetreuung und Immobilienmanagement GmbH	Munich	100.00
CURANUM Bessenbach GmbH [2]	Munich	100.00
CURANUM Betriebs GmbH [2]	Munich	100.00
CURANUM Franziskushaus GmbH [2]	Gelsenkirchen	100.00
CURANUM Holding GmbH [2]	Munich	100.00
Curanum Verwaltungs- und Beteiligungs GmbH & Co. KG [2]	Munich	100.00
CURANUM Westfalen GmbH [2]	Munich	100.00
ELISA Seniorenstift GmbH [2]	Munich	100.00
FAZIT Betriebsträgergesellschaft für soziale Einrichtungen mbH [2]	Nuremberg	100.00
GAP Media Service GmbH [2]	Munich	100.00
Krankenheim Ruhesitz am Wannsee-Seniorenheimstatt GmbH [2]	Berlin	100.00
OPTICURA Service GmbH [2]	Munich	100.00
Residenz Lobberich GmbH	Nettetal-Lobberich	100.00
RIAG Seniorenzentrum "Ennepetal" GmbH & Co. KG	Munich	100.00
RIAG Seniorenzentrum "Erste" GmbH & Co. KG	Munich	100.00
RIAG Seniorenzentrum "Zweite" GmbH & Co. KG	Munich	100.00
ROSEA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Liesborn KG	Düsseldorf	94.00
Seniorenzentrum Hennef GmbH [2]	Munich	100.00
Service Gesellschaft West GmbH [2]	Munich	100.00
VGB Beteiligungs-und Verwaltungs GmbH	Munich	94.00
Wäscherei Ellerich GmbH [2]	Kaisersesch	100.00
The following foreign companies were consolidated as of December 31, 2008:		
CB Seniorenresidenz Armbrustergasse GmbH	Vienna/Austria	94.00
CB Managementservice GmbH	Kitzbühel/Austria	94.00

1) Amount of holding is equal to voting rights unless otherwise noted
2) These companies are exempted from the duty of setting up annual accoounts according § 264 Abs. 3 HGB / § 264b HGB

AUDIT OPINION

We have audited the consolidated financial statements prepared by CURANUM AG, Munich, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, and notes to the financial statements, together with the Group Management Report for the financial year from January 1 to December 31,2008. The preparati-
on
of the consolidated financial statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Section 1 of the German Commercial Code (HGB), are the responsibility of the Company‘s Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group Management Report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftspruefer (Institute of Public Auditors in Germany/IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the assets, liabilities, and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework, and in the Group Management Report, are detected with reasonable assurance.

Knowledge of the business activities and the economic and legal environment of the Group, and expectations as to possible misstatements, are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system, and the evidence supporting the disclosures in the consolidated financial statements and the Group Management Reports, are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used, and significant estimates made by the Company‘s Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has led to no reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Section 1 of the German Commercial Code (HGB), and provide a true and fair view of the assets, liabilities, and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the consolidated financial statements, and, as a whole, provides an appropriate view of the Group’s position, and suitably presents the opportunities and risks relating to future development.

Munich, March 16, 2009
WirtschaftsTreuhand GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Bühler
Certified Public Auditor

Ernst
Certified Public Auditor

APRIL 29/30, 2009	HPS Gesundheitstag 2009, Königstein/Taunus
MAY 15, 2009	First-quarter-report 2009
JUNE 25, 2009	Annual Meeting 2009, Munich
AUGUST 13, 2009	Second-quarter and 6M-report 2009
NOVEMBER 9-11, 2009	Eigenkapitalforum, Frankfurt
NOVEMBER 12, 2009	Third-quarter and 9M-report 2009

FURTHER INFORMATION

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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IMPRESSUM:

Published by: CURANUM AG
Maximilianstraße 35c
80539 München

Concept & Design: Saints, München

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