Annual Report 2013

CURANUM

Gute Pflege hat ein Zuhause.

THE GROUP AT A GLANCE

as of December 31, 2013

In € mill.	2013	2012	2011	2010	2009
Revenue	**293.0**	**288.8**	**264.4**	**255.3**	**251.5**
Personnel expense (excluding extraordinary items)	149.1	146.8	134.6	126.7	124.3
Other expenses (excluding extraordinary items)	54.4	53.8	49.0	48.6	45.2
Rental expense (excluding extraordinary items)	55.5	55.9	53.8	53.7	54.0
Operating EBITDA	**34.0**	**32.2**	**27.0**	**26.3**	**28.0**
as % of revenue	11.6	11.1	10.2	10.3	11.1
Extraordinary items	6.7	0.0	1.8	6.6	0.0
EBITDA after extraordinary items	**27.3**	**32.2**	**25.2**	**19.7**	**28.0**
as % of revenue	9.3	11.1	9.6	7.7	11.1
Depreciation / amortization	14.2	14.4	11.1	10.2	9.7
EBIT before impairment charges	**13.1**	**17.8**	**14.1**	**9.5**	**18.3**
Impairment charges	7.4	0.0	22.2	16.7	0.0
EBIT	**5.7**	**17.8**	**-8.1**	**-7.2**	**18.3**
as % of revenue	2.0	6.2	-3.1	-2.8	7.2
Net financial result	-11.6	-12.6	-11.1	-9.7	-8.9
Earnings before tax	-5.9	5.2	-19.2	-16.9	9.4
Income tax and other	0.1	1.0	-6.3	-1.1	3.0
Earnings after tax	**-6.0**	**4.2**	**-12.9**	**-15.8**	**6.4**
Earnings per share (EPS) in €	-0.14	0.11	-0.35	-0.54	0.18
Cash flow from operating activities	18.6	24.0	20.5	25.7	19.8
Cash flow per share in €	0.44	0.61	0.56	0.80	0.62
Net debt	50.5	46.4	50.4	61.3	76.7
Equity	50.1	55.9	46.8	49.1	66.1
Equity ratio	19.4	21.3	16.9	20.8	28.0
Total assets	258.1	262.5	277.6	236.1	236.4
Employees (including trainees and staff on maternity/paternity leave)	7,102	7,124	7,078	6,348	6,179

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OUR PHILOSOPHY

Why Curanum?

The question "Why Curanum?" finds its answer in the vision, mission and values which determine our corporate activity, and by which we wish to be measured.

Our vision

As the German arm of the European Korian Group, we aim to be a trendsetter in services for dignified living for senior citizens.

Our mission

Our mission reflects our three objectives – namely, our residents' well-being, the appreciation of our staff, and the financial stability of our company.

Our residents' well-being

Our activities focus on our residents' well-being and sense of comfort. This includes various types of residences and services aligned to senior citizens' needs, including attentive care.

Appreciation of our staff

An appreciation of our staff forms the basis for our residents' well-being. This is advanced by treating our values with honesty, promoting and supporting our employees, and a professional environment that is engaged with individuals' needs to an above-average degree.

Financial stability

Financial stability forms the cornerstone of our corporate activity, creating the basis for our reliability when interacting with our business partners, for the implementation of our growth objectives, and for our innovative concepts for the well-being and contentment of senior citizens.

Our values

Our values reflect our objective of adopting a positive approach to responsibility, attentive care, individual initiative, and innovation.

We wish to see our values implemented not only in the way that we treat our residents, but also in our treatment of our employees and business partners. This is why we make the claim: "Good care has a home."

Look no further – Curanum!

LETTER TO SHAREHOLDERS

Dear shareholders,

2013 was characterized by important processes of change. The first of these related to our shareholder structure. In the first quarter, following a voluntary public takeover offer, the French care home operator Korian S.A. acquired 78% of the shares in our company through Korian Deutschland AG. We actively accompanied this process, and welcomed it publicly, because we saw significant benefits for us through an international exchange of experience as part of a group in alignment with a strategic investor. It also allowed us to secure sustainable corporate financing.

Secondly, we intensively prepared a non-cash capital contribution into our company of the German care home operator PHÖNIX that belongs to the Korian Group. Following in-depth due diligence relating to the PHÖNIX Group and contractual negotiations with the Korian Management Board, we agreed on a value ratio for the CURANUM and PHÖNIX shares, which we gauged as very attractive from the perspective of a value-oriented CURANUM shareholder. This view was confirmed by independent valuation surveys. Extraordinary expenses were connected with these measures. At our Shareholders' General Meeting in August, we presented our concept of a non-cash capital contribution of PHÖNIX into Curanum AG. The majority of you approved this move. A few minority shareholders brought a lawsuit against this resolution before the Munich Regional Court. Judicial proceedings that we launched at the Munich Higher Regional Court to accelerate the registration of the non-cash capital contribution then failed to deliver the success that we had hoped for. We regret that a small number of shareholders prevailed with their ideas against the great majority of you. In consideration of the risks of legal proceedings lasting for years and the related additional costs, we consequently reached an agreement with Korian S.A. on February 11, 2014 that the non-cash capital contribution agreement should expire on February 28, 2014 with retroactive financial effect. As a consequence, the basis for the resolution of the Shareholders' General Meeting for the capital increase fails to apply, and consequently we are not consolidating the PHÖNIX Group as of December 31, 2013, by way of contrast to the third-quarter financial statements. At the same time, we entered into service agreements with our sister company PHÖNIX, in order to realize the planned synergy effects to the greatest possible extent to the benefit of all of our shareholders.

The third conceptual challenge lay in continuing the idea of making commercial provision for legacy burdens, entailing spinning off inadequate facilities, and of further gradually modernizing our facilities, especially in relation to the new regulatory requirements taking effect from 2018. This process was also connected with extraordinary charges. We also continued our initiatives of negotiating rental reductions with our facilities' landlords. At the end of the year, we concluded a sale agreement concerning our previous Group headquarters located in Pasing, Munich. Our Group headquarters is now located in Munich's city center in the Zirkus-Krone-Straße, where we can not only accommodate all central staff within one complex, but also the Curanum Academy's premises. Finally – as announced – we halved the number of our subsidiaries through merging some Group companies, which principally reduces our future administrative expenses.

The fourth challenge related to the sustainable orientation of our basis financing. As reported in our third-quarter report, the PHÖNIX non-cash capital contribution would have allowed us to double our equity ratio, thereby dispensing with questions relating to financial covenants. We could have also set Curanum on a growth path. As it became clear that it was no longer possible to pursue this sensible approach, we were obliged to secure our long-term financing in another way. Our syndicate banks enjoyed a special right of cancellation as we had broken our covenants in the first and again in the third quarters of the year. This unsatisfactory situation prompted us in early 2014 to repay the syndicated loan that still remained in 2013 with a Group loan provided by Korian S.A. We were able to secure stable Group financing as a consequence. This situation confirmed our assessment of the benefit of tying a stable anchor shareholder to the company.

Fifthly, we mandated an internationally-renowned consulting firm to support us with our Group reorientation. We are confident that the strategic concepts that have been developed will feed through to additional earnings impulses in inpatient care, as well as in serviced apartments and outpatient care.

Finally, we improved our operating business. We further boosted occupancy, and some care rates, allowing us to report slight revenue growth despite the sale of the facility in Dornum. This resulted in growth in operating EBITDA (earnings before interest, tax, depreciation and amortization) of nearly 6% to almost € 34 million. Including total extraordinary items of € 14.1 million, the Group incurred an after-tax loss of € -6 million.

We look to the coming financial year with confidence. We are convinced that we will further improve our revenue and operating results (EBITDA) in 2014.

Munich, March 25, 2014

Walther Wever (CEO)	Patricia Emmel (CFO)

THE CURANUM SHARE

Performance of the stock market and Curanum share in 2013

The positive trend in the DAX index of leading German shares continued in 2013. It started the year at 7,689 points, before rising 24% to reach 9,552 points by the end of 2013.

The CURANUM share performed similarly. It opened the year at a price of € 2.49 and following the takeover by Korian S.A. in March 2013 appreciated further, before rising continuously by almost 9% to reach € 2.72 by the end of June 2013. The share price then settled at a price of € 3.00 by the end of September. Following a brief setback in December 2013, the share price recovered by the year-end, closing the year at a price of € 2.85.

Our market capitalization consequently stood at some € 121 million at the end of 2013. This represents an appreciation of around 14% compared with the previous year's figure.

A total of around 10.7 million shares worth € 27.9 million were traded in total in the financial year elapsed. Trading volumes consequently increased by 5.1 million compared with the previous year.

Peer group

In light of the small number of German listed senior home operators in Germany, the CURANUM share's European peer group includes the domestic operators Marseille Kliniken AG, Rhön-Klinikum AG and Maternus Kliniken AG, as well as the two French competitors Group Orpea S.A. and Korian S.A.

The CURANUM share price significantly outperformed its German competitors. Only in a European comparison does the weakness of a business model focused solely on Germany become apparent.

Key stock market data for the share as of December 31, 2013

ISIN	IAS 0005240709
WKN	524070
Class	Ordinary no par value bearer shares
Share capital	€42,507,000
Number of shares	42,507,000 shares
Number of treasury shares from share repurchase program	405,102 shares
Listings and indices	Regulated Market Frankfurt, Munich, Prime Standard, Regulated Unofficial Market Hamburg, Düsseldorf, Berlin, Stuttgart
Designated Sponsor	VEM Aktienbank AG
Financial year	January 1 to December 31
Ticker symbol	BHS, Reuters: BOHG.DE, Bloomberg: BHS GR
Market capitalization (in €)	121,144,950
Year high / low	€ 3.08 / € 2.48
Opening / closing price	€ 2.49 / € 2.85

REPORT OF THE SUPERVISORY BOARD 2013

For Curanum AG, the 2013 financial year was especially characterized by the public takeover offer by the Korian Group, the preparation and implementation of the resolution relating to the non-cash capital increase to be approved by the Shareholders' General Meeting in August 2013, and the related preparation of the integration of PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH. As in previous years, we discussed in detail with the Management Board the strategy and further implementation of the measures in the agenda submitted by the Management Board. We were updated extensively about the business policy and basic issues surrounding company management and planning, financial development and performance, the improvement of risk management, as well as transactions and events which were significant to the company. We advised the Management Board and supervised its management activities. A particular focus was on assessing the voluntary public takeover offer by Korian Deutschland AG and the subsequently planned non-cash capital increase through contribution of PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH into Curanum AG. Votes on resolutions were taken using the notational voting process where such decisions had to be taken between the scheduled meetings.

Supervisory Board meetings

A total of fourteen Supervisory Board meetings were held in the year under review, seven of which were face-to-face meetings. At the first and second meetings on January 29, 2013 and January 30, 2013, we concerned ourselves intensively with the mandatory opinion of the Management and Supervisory boards, including the fairness opinion on the takeover offer by Korian Deutschland AG that had been obtained for this purpose. This opinion also formed the subject of the third meeting on February 3, 2013, at which the joint statement by the Management and Supervisory boards was discussed again, and approved. At the fourth meeting on February 17, 2013, the revised takeover offer by Korian Deutschland AG was discussed, and the topic of this meeting was the supplementary opinion of the Management and Supervisory boards. The central topics of the fifth meeting on February 26, 2013 were the 2012 annual financial statements that had been submitted, and the results of the audit, as well as Management Board personnel matters. At the sixth meeting of the Supervisory Board on March 13, 2013, the Supervisory Board concerned itself with preparations for the court appointment of two new Supervisory Board members as representatives of the new major shareholder Korian S.A.. Other topics at this meeting included the intended integration of PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH and related due diligence. The seventh meeting on April 23, 2013 focused mainly on current business trends, the Management Board's risk report, personnel matters, and questions relating to Management Board compensation. The planned non-cash capital increase was also discussed, as well as follow-on financing relating to the waiver process that had been initiated. The eighth meeting on July 4, 2013 mainly concerned preparations for the Shareholders' General Meeting. The ninth Meeting on July 6, 2013 covered the planned non-cash capital increase and the related exclusion of shareholders' subscription rights in preparation for the Shareholders' General Meeting on August 21, 2013. At its tenth meeting on August 21, 2013, the Management Board reported on current business trends, and concepts relating to the integration of Phönix. Topics at the eleventh meeting on August 21, 2013 directly following the Shareholders' General Meeting included Management Board personnel matters. These topics also formed the subject of discussion at the twelfth meeting held on September 2, 2013. Lawsuits attacking the resolution of the Shareholders' General Meeting relating to the non-cash capital increase were also discussed. In the thirteenth meeting on November 28, 2013, the Management Board reported on current business trends and risk management. The current status of release proceedings at the Munich Higher Regional Court relating to the non-cash capital increase of the PHÖNIX Group formed a further topic at this meeting. At the fourteenth meeting on December 13, 2013, the budget for the 2014 financial year that the Management Board submitted was approved on the basis of a resolution recommendation by the audit committee.

The Supervisory Board continuously monitored the management of the company by the Management Board. The Supervisory Board Chairman was in continuous contact with the Management Board between meeting dates, especially with the CEO, consulting concerning matters related to strategy, planning, the risk position, risk management, and compliance at the company, and being informed about the progression of business. In the 2013 financial year, the Supervisory Board's efficiency was again audited using a checklist. Supervisory Board members are required to immediately notify of any conflicts of interest as they occur. In order to avoid conflicts of interest, Mr. Chautard and Mr. Coléou exercised no influence over our discussions on the question relating to the appropriateness of the valuation ratio between CURANUM and PHÖNIX. In addition, the signatory, as Supervisory Board Chairman, and being personally involved, did not participate in the voting and the passing of a resolution concerning a consultancy agreement entered into between himself and the company. We were not notified of any other conflicts of interests by Supervisory Board members during the period under review; all Supervisory Board resolutions were passed unanimously.

Supervisory Board committees

The Audit Committee held a total of seven meetings. Discussion at the Audit Committee meetings on February 21, 2013 and February 23, 2013 focused on the annual financial statements. The quarterly reports were discussed at further meetings held on April 15, July 16 and October 28, 2013. The meetings on July 3 and December 10, 2013 covered preparatory topics related to the 2013 annual financial statements, as well as their related auditing. The Strategy Committee met seven times. The company's strategic further development in a changing market formed the focus of discussions on May 22, June 12, July 3, July 25, September 19, October 22 and November 29. The Personnel and Nomination Committee held a total of 20 meetings. The agenda included the termination of the employment contracts of the Chief Financial Officer, Mrs. Barth, who had stood down and the selection of an appropriate successor. Further Management Board topics included the winding down of the phantom share programs, and the realignment of the so-called long-term incentives was discussed in detail.

Single-entity and consolidated financial statements for 2013

The financial accounting, the single-entity annual financial statements with the management report for 2013, the consolidated financial statements and Group management report, and the related parties report including the dependent company report, have been audited by the external auditor Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, elected by the Shareholders' General Meeting. The audits of the single-entity and consolidated financial statements for the year resulted in unqualified audit opinions in both cases. The audit of the dependent company report concluded with the audit opinion relating to the confirmation that the actual disclosures of the report are correct, and in the case of the legal transactions listed in the report, the company's payment was not inappropriately high, or dis-benefits were settled. The Audit Committee discussed at length the documents relating to the annual financial statements and consolidated financial statements, as well as the dependent company report, taking into consideration the auditor's report and discussions with the auditor concerned and the Management Board. The Chairman of the Audit Committee reported on these deliberations in today's Supervisory Board meeting. On recommendation of the Audit Committee we have approved the findings of the audits after examining the auditor's reports and following detailed discussions with the auditor and the Management Board, and established that no objections exist following the conclusive results of our reviews, especially also no objections against the Management Board's statement at the conclusion of the dependent company report. As a consequence, the annual financial statements and the consolidated financial statements prepared by the Management Board have been approved today. The annual financial statements are thereby adopted. Following its own review, the Supervisory Board concurs with the Management Board proposal to carry forward the profit to a new account.

Personnel changes

With a letter dated March 12, 2013, Dr. Dieter Thomae and Dr. Michael B. Treichl stepped down from their offices as Supervisory Board members. We would like to thank them for their many years commitment within the Supervisory Board: Dr. Thomae, who for many years held the office of Supervisory Board Chairman, and Dr. Treichl, who made important contributions to exemplary corporate governance, and who was an expert discussion partner as part of the realignment of the shareholder base. Pursuant to the Company's application, and with Supervisory Board assent, the Munich District Court on March 19, 2013 appointed Mr. Christian Chautard and Mr. Yann Coléou to be Supervisory Board members. Mr. Christian Chautard was subsequently appointed Deputy Supervisory Board Chairman.

Mrs. Judith Barth stepped down from the Management Board and her role as Chief Financial Officer at her own wish as of March 31, 2013. We would like to thank them for their commitment over the past years. Mrs. Patricia Emmel was appointed to be the new Chief Financial Officer as of May 1, 2013.

At the Shareholders' General Meeting on August 21, 2013, Prof. Norbert Klusen, Mr. Christian Chautard and Mr. Yann Coléou were confirmed as Supervisory Board members. Also on behalf of my Supervisory Board colleagues, I would like to thank the Management Board and the staff members of the CURANUM Group for their dedication and genuine commitment.

Munich, March 25, 2014
On behalf of the Supervisory Board

Dr. Uwe Ganzer

CORPORATE GOVERNANCE REPORT 2013

Curanum AG's activities are governed by the principles of responsible corporate management and supervision, driven by a sense of proper collaboration between the Management Board and Supervisory Board, while preserving the shareholders' interests and appropriately managing risks, which maintain and promote confidence among business partners, staff and the public at large.

We regard corporate governance as an ongoing process that involves coming to terms with the recommendations and requirements of the German Corporate Governance Code. Curanum AG complies with the Corporate Governance Code in its current version dated May 13, 2013 (published on June 10, 2013 in the German Federal Gazette), with only a few exceptions.

Since 2005 the company has been preparing its consolidated financial statements in accordance with the principles of the International Financial Reporting Standards (IFRS) and its single-entity financial statements according to the provisions of the German Commercial Code (HGB). The consolidated financial statements which have been audited by the independent auditor and adopted by the Supervisory Board is published within 90 days. The Shareholders' General Meeting elected Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, as auditor for the year under review.

As a matter of principle, Curanum AG treats all shareholders, financial analysts, and similar target groups on an equal basis. All information is provided immediately, in full and consistently, through appropriate communications media. All discussions, whether in telephone conferences, one-on-one meetings or roadshows, convey the same information content. Curanum AG's business position and results are reported in the annual report, at the annual press conference, in the half-yearly financial report and in the two quarterly reports. Individuals who are interested in our company will find extensive information on our website at www.curanum.de. The company also uses its website to publish information requiring ad hoc (current) disclosure, directors' dealings, corporate management statements, press releases, as well as information about the CURANUM share, key figures and the financial calendar. Curanum AG has set up the mandatory insider register and the persons concerned have been notified about their statutory duties, and sanctions.

Supervisory Board

The Supervisory Board consists of six members as representatives of the shareholders, namely the chairman and his deputy, as well as four further ordinary members. The term of office of the Supervisory Board members expires at the close of the Shareholders' General Meeting that passes a resolution concerning the discharge of the Supervisory Board for the 2014 financial year.

The Supervisory Board formed an Audit Committee and a Personnel and Nomination Committee – each consisting of two members – and a Strategy Committee consisting of three Supervisory Board Members. The Audit Committee looks at issues relating to accounting, risk management and compliance, defines key areas for the audit, and engages the external auditor. Apart from supporting Management Board members, the Human Resources Committee also constitutes the Nominations Committee for proposing suitable Supervisory Board election candidates to the Shareholders' General Meeting. The Strategy Committee is involved with the company's further strategic development.

At the end of the financial year, the Supervisory Board held 0.0% (previous year: 12.1%) of the company's shares in total. Dr. Ganzer (10,854 shares), Dr. Hoyos (6,969 shares) and Dr. Thomae (3,514 shares) sold all of their ordinary shares as part of the takeover of the majority of the shares of Curanum AG by Korian Deutschland AG, a wholly-owned subsidiary of KORIAN S.A., which has its headquarters in Paris, France. Dr. Michael Treichl, to whom in the previous year 5,127,287 shares were attributable through Audley European Opportunities Master Funds Ltd., stepped down from the Supervisory Board of Curanum AG as of March 12, 2013, as did Dr. Thomae. Since March 19, 2013, Mr. Christian Chautard, Chairman of the Administrative Board of Korian S.A., and Mr. Yann Coléou, CEO of Korian S.A., have been members of the company's Supervisory Board. With effect as of September 9, 2013, the Chairman of the company's Supervisory Board was appointed to be a Management Board member of Korian Deutschland AG as well as of Korian Management AG, which holds the majority of the shares in the company. In the year under review, no conflicts of interest occurred between Supervisory Board members related to Korian S.A. and Korian Deutschland AG and the independent members of the Supervisory Board.

In order to avoid conflicts of interest, Mr. Chautard and Mr. Coléou exercised no influence over our discussions on the question relating to the appropriateness of the valuation ratio between CURANUM and PHÖNIX. In addition, the signatory, as Supervisory Board Chairman, and being personally involved, did not participate in the voting and the passing of a resolution concerning a consultancy agreement entered into between himself and the company. Besides this, no members of the Supervisory Board were involved in conflicts of interest in 2013.

Management Board

Curanum AG's Management Board consists of two members. In the financial year under review, the Management Board ensured compliance with statutory provisions and the company's internal guidelines. This also includes the further expansion of Group risk management and controlling. D&O insurance has been taken out for the Management Board with a deductible of 10%. CEO Mr. Walther Wever sold his ordinary shares (3,228 shares) as part of the takeover of the majority of the shares of Curanum AG by Korian Deutschland AG. None of the Management Board members were involved in conflicts of interest.

Management Board compensation is composed of a fixed and a variable component. The variable compensation is firstly measured by the attainment of short-term corporate targets, on the basis of EBITDA earnings , and, secondly, in terms of long-term corporate targets over a three-year period.

Securities transactions and voting rights notifications requiring mandatory announcement

Please refer to our publications on the Internet at www.curanum.de for information about directors' dealings notified pursuant to Section 15 of the German Securities Trading Act (WpHG) and threshold notifications pursuant to Section 21 of the German Securities Trading Act (WpHG), as well as publications connected with the takeover of Korian Deutschland AG.

Declaration of compliance by the Management and Supervisory boards

The Supervisory and Management boards declare that, since the last declaration was issued, the recommendations of the Government Commission German Corporate Governance Code in the version of May 15, 2012, have been complied with, and since the publication of the version of the Code dated May 13, 2013 in the German Federal Gazette of June 10, 2013, the new version valid from that date has been complied with, and continues to be complied with, with the following exceptions:

Re. section 3.8.:

The German Corporate Governance Code envisages that an appropriate deductible should be agreed for the Supervisory Board if the company takes out directors & officers (D&O) insurance.

No deductibles agreement exists for the Supervisory Board since Curanum AG believes that this is not required to encourage the Supervisory Board members to properly discharge their duties.

Re. section 5.1.2.:

The German Corporate Governance Code recommends that an age limit be determined for management board members.

The Management Board service agreements run for three years. During this period, none of the Management Board members will reach the age of sixty. To this extent, the company has refrained from setting a corresponding specific target.

Re. section 5.4.1.:

According to the German Corporate Governance Code, supervisory boards should set specific targets for their composition, for example, by determining an age limit for supervisory board members, or by specifying an appropriate participation by women.

The Supervisory Board currently has no female members. Within two election periods, however, at least two Supervisory Board members should be female. Due to conditions within the sector, the company has refrained from determining a fixed age limit for its Supervisory Board members.

Munich, March 5, 2014

Management and Supervisory boards of Curanum AG

GROUP MANAGEMENT REPORT

for the 2013 financial year of Curanum AG, Munich

1. Basis of the Group

Curanum AG is Germany's largest listed care home operator. Its operating activities comprise the operation of care homes with around 7,500 beds, serviced apartments with around 2,100 apartments, and 19 outpatient services.

The CURANUM Group operates a network of 75 facilities across Germany. The regional focus is on North Rhine-Westphalia and Bavaria. The company pursues the objective of offering its customers high-quality services that are oriented to their individual requirements. Internal quality assessments are held routinely for this purpose. The Care Home Regulator and the Medical Service of Healthcare Funds officially inspect all facilities annually in parallel.

Besides the parent company, the CURANUM Group includes a total of 17 (previous year: 35) German subsidiaries that are owned by Curanum AG. The changes to the scope of consolidation arise from augmentations, spin-offs and mergers that were realized during the year under review. In the reporting year, a majority interest in the CURANUM Group was acquired by Korian Deutschland AG.

Corporate steering is conducted on the basis of the key performance indicators of sales revenue and operating EBITDA.

2. Economic report

Macroeconomic trends

The German economy reported slight growth in the 2013 reporting year, with price-adjusted gross domestic product (GDP) increasing by 0.4%. This GDP growth was mainly driven by private consumer spending, which was up by 0.9% in 2013.

The number of individuals in work reached a new record level of 41.8 million in the year under review.

Sector trends

The economic growth of the care sector is characterized by a rising number of senior citizens in need of care. Around 2.5 million such individuals currently live in Germany, around a third of whom receive inpatient care in care homes. The supply side of inpatient facilities remains characterized by the opening of new care homes primarily by private providers, as has also proved the case over recent years. This is intensifying the competitive situation, particularly for smaller operators. The consequence is a continuing consolidation trend in the sector.

Demand for care staff will continue to grow in line with the increase in the number of individuals requiring care. This will further intensify existing strains in terms of a lack of specialist personnel. Together with the German government, the care sector has launched various measures to offset this lack of care staff, such as the "Senior Care Training and Qualification Campaign".

Business progress

At the start of 2013, Korian Deutschland AG published two voluntary public takeover offers that received a positive response from the Management and Supervisory boards of Curanum AG. It subsequently acquired around 78% of the shares in Curanum AG. Korian S.A. and Curanum AG then entered into an agreement relating to the non-cash capital contribution of the German PHÖNIX care home group owned by Korian. A majority of the Shareholders' General Meeting approved this non-cash capital contribution agreement. Some shareholders attacked this resolution through the courts. Judicial acceleration proceedings launched by Curanum AG in order to realize an earlier registration of the transaction failed to deliver the wished-for success. To this extent, the agreement that ran until the end of February was not extended, so that it ended with economically retroactive effect. To this extent, the PHÖNIX Group is no longer consolidated as of December 31, 2013.

Revenue registered slight year-on-year growth, as forecast. By contrast, the forecast targets fail to be achieved as a result of considerable extraordinary charges of € 14.1 million, impacting both EBIT and after-tax earnings.

Results of operations

Consolidated revenue grew by 1.5% year-on-year to reach € 293.0 million. Despite the sale of the Dornum facility, this is attributable to a further rise in occupation, and higher care rates agreed with the healthcare funds.

The following picture emerges when looking at the two important cost types of personnel expenses and rents: While personnel expenses increased along with revenue by 1.6% to € 149.1 million (previous year: € 146.8 million), rent expenses were down by 1.0% to € 55.5 million (previous year: € 55.9 million). This is due to the fact that the negative effect arising from agreed price adjustment clauses was more than offset by some successful reductions of excessive landlord rents.

Given this, the consolidated income statement showed the following changes: the cost of sales, in other words, costs directly related to the operation of our facilities, were up by € 1.6 million to € 250.4 million (previous year: € 248.8 million). After adjusting for extraordinary effects, the cost of sales nevertheless fell by 0.2%, or by € 0.6 million.

Selling expenses increased by € 0.8 million to € 1.9 million due to the € 0.5 million write-off of the FAZIT trademark right that is no longer utilized, and also for advertising films for our facilities.

General and administrative expenses rose by € 7.8 million to € 30.9 million (previous year: € 23.1 million). Of this increase, € 4.1 million is due to extraordinary items. These relate to legal and consultancy costs connected with the merger of Curanum subsidiaries, advisory costs connected with the strategic reorientation of our business, the Korian takeover, and, in particular, the planned non-cash capital contribution of PHÖNIX. Personnel expenses also increased, by € 2.5 million. This is mainly due to the establishment of further central functions in the real estate management area and in the quality management area (TQM).

Consequently, the Group generated operating EBITDA (earnings before interest, tax, depreciation and amortization) of € 34 million, reflecting growth of 5.6%, although these earnings are affected by € 6.7 million of extraordinary charges, especially connected with advisory costs for the planned acquisition of the PHÖNIX Group. To this extent, EBITDA after extraordinary items fell by 15.2% to € 27.3 million.

Amortization and depreciation amounted to € 14.1 million in the year under review, slightly below the previous year's level. Other operating expenses were up by € 6.0 million to reach € 9.6 million. This increase is predominantly attributable to impairment charges applied to real estate (€ 6.9 million). By contrast, other operating income rose by € 0.2 million to € 5.5 million.

EBIT (earnings before interest and tax) including € 14.1 million of total extraordinary items consequently amounted to € 5.7 million (previous year: € 17.8 million).

The net financial result improved to € -11.6 million (previous year: € -12.6 million), mainly due to a reduction in finance debt following repayment.

As a consequence, the Group incurred a loss before tax (EBT) of € -5.9 million (previous year: € 5.2 million) and after tax of € -6.0 million (previous year: € 4.2 million). This corresponds to earnings per share of € -0.14.

Net assets

Total assets fell from € 262.5 million to € 258.1 million, and consequently by 1.7%.

On the assets side of the balance sheet, cash and cash equivalents fell by € 8.6 million to € 7.6 million. Property, plant and equipment was down by 3.5% to € 144.3 million, reflecting the impact of depreciation. Assets held for sale of € 0.7 million were also reported in the year under review. By contrast, other assets were up by € 8.5 million, especially due to collateral rendered in connection with loans received (€ 5.0 million) and rent prepayments (€ 2.1 million).

On the equity and liabilities side of the balance sheet, financial liabilities of fell by € 8.3 million to € 54.3 million. The € 17.0 million syndicated loan that was reported under this item was subject to a special cancellation right on the part of the financing banks, so that it was reported among current financial liabilities in the year under review. Liabilities to shareholders arising from the drawing down of loans also exist in an amount of € 3.8 million. As a consequence, our net debt (excluding lease liabilities and including liquid assets) increased by 8.7% to around € 50.5 million.

Current provisions increased by € 2.6 million to € 3.3 million, especially for legal and consulting costs, while non-current provisions were up by only € 0.5 million to € 4.0 million.

Equity fell from € 55.9 million to € 50.1 million due to the loss that was incurred in the fiscal year elapsed. The equity ratio amounted to 19.4% as a consequence (previous year: 21.3%).

Financial position

The net change in cash of the CURANUM Group of around € 8.6 million is composed of € 18.6 million of cash inflow from operating activities (previous year: € 24.0 million), a € -9.1 million cash outflow from investing activities (previous year: € -11.6 million), and a € -18.1 million cash outflow from financing activities (previous year: € -17.4 million).

The cash inflow from operating activities of € 18.6 million was below the previous year's level, especially due to the reported extraordinary items and a deposit as a security for a property financing. From an operational perspective, cash flow from operating activities would have shown a marked improvement without the of reported non-cash extraordinary items.

Despite the increased investment level, the cash outflow from investing activities of € -9.1 million was below the previous year's level, as no corporate acquisitions were realized during the reporting year. The cash outflow in the financial year under review relates mainly to investments in buildings, IT equipment and operating requirements.

The € -18.1 million cash outflow from financing activities comprises mainly € 13.9 million of outgoing payments and € 10.2 million of finance debt repayments. Of this amount, € 0.5 million is attributable to the repayment of shareholder loans. The drawing down of finance debt amounted to € 6.0 million: € 4.2 million for a Group loan and a further € 1.8 million for the acquisition of the real estate related to our laundry.

Summary of the results of operations, net assets and financial position

Earnings were strongly impacted by extraordinary items. While operating EBITDA grew further, it was burdened by a total of € 14.1 million of extraordinary items. Of this amount, € 6.7 million was attributable to consultancy costs, especially connected with the planned PHÖNIX non-cash capital contribution, and € 7.4 million of impairment charges.

The financial position and net assets worsened due to the reported extraordinary items. Net debt was up by 8.8% to € 50.5 million, while the equity ratio fell to 19.4%.

3. Organization and administration

Supervisory Board

The Supervisory Board consults with and supervises the Management Board in its management of the company. It consists of six members. Dr. Dieter Thomae and Dr. Michael Treichl stepped down from the Supervisory Board as of March 12, 2013. Mr. Christian Chautard and Mr. Yann Coléou were appointed to be new Supervisory Board members by way of a court appointment as of March 19, 2013. Total gross remuneration paid to Supervisory Board members amounted to T€ 217. Remuneration for the individual Supervisory Board members is reported in the notes to the consolidated financial statements.

Management Board

The Management Board of Curanum AG manages the company at its own responsibility. Curanum AG is jointly represented by two Management Board members, or by one Management Board member plus an authorized company officer. The Management Board consists of two members.

Mrs. Judith Barth stepped down from the Management Board at her own wish as of March 31, 2013. Mrs. Patricia Emmel was appointed as the new Chief Financial Officer on May 1, 2013.

In the 2013 financial year, the Management Board of Curanum AG received total remuneration of € 1.1 million (previous year: € 1.3 million). With the majority takeover by Korian, the previous long-term variable Management Board compensation through phantom shares was replaced by a concept based on sustainable corporate growth. Individual compensation paid to the Management Board members and details about compensation components are set out in the notes to the consolidated financial statements.

The Management and Supervisory boards work closely together. The Management Board informs the Supervisory Board regularly, comprehensively and promptly concerning all relevant matters relating to planning, corporate development and risk management. Certain

Management Board transactions require Supervisory Board approval.

Employees

The average number of Group staff fell from 7,124 in 2012 to 7,102 individuals in 2013, including trainees and employees on maternity or paternity leave. Of this number, an average of 437 trainees, students and interns were employed across the Group. This training campaign allowed us to boost the number of our trainees by 10.9% year-on-year.

Ancillary care and specialist staff are trained at all facilities in cooperation with established care colleges. Through the Curanum Academy foundation, which also trains staff who do not belong to the Group, we offer extensive further training programs.

For our managers, we conducted staff discussions with target agreements, which we aim to gradually introduce at further employee levels from next year. Individual training and development programs at the Academy will be selected on this basis.

4. Opportunities and risks attached to business development

Numerous opportunities and risks that could affect the performance of the business are associated with our operations.

In order to record all risks without delay, we have a risk management system in the form of a risk matrix, which documents the individual risks and the likelihood of such risks occurring. The Curanum AG risk management system consists of a loop made up of four elements: Firstly, it involves the respective areas responsible identifying risks; secondly, the internal information system acts as an information hub throughout the Group by providing training for all staff at head office and in the facilities; thirdly, the external communications system in the form of extensive complaints management; fourthly, the control system, which is responsible for checking that all functions are working in line with statutory requirements.

The Management Board reviews this risk inventory list every quarter. Risks are split into sector, operating, personnel, financial, property and other risks. To assess which risks represent going concern risks for the CURANUM Group, risks are rated “high”, “medium” or “low” regarding der probability of occurrence and their potential impact on our business goals. The aim of the risk management system is to identify opportunities and, in particular, risks at an early stage in order to address them with corresponding actions in good time. The risk management system sets out related responsibilities, and defines risk monitoring and the form of reporting to the Management and Supervisory boards.

Sector-related opportunities and risks

Our commercial and financial success and profitability is significantly affected by the average occupancy that we achieve in our facilities. We identify opportunities in the successful implementation of our marketing strategies, risks in a falling occupancy quota, especially as a result of more intense competitive conditions, as well as changes in consumer behavior and demographic trends. Our business is based on negotiated care rates, which brings with it the risk that if sponsors potentially fail to provide refunding, rising procurement costs cannot be fully reimbursed. Moreover, in the case of regulated payments in the outpatient care area, in which around two thirds of our income is derived from public sector funds, cuts can be implemented due to financial weakness on the part of sponsors.

Changes to overall framework conditions at the German national federal level and individual federal Länder level, and changing preferences among more elderly citizens with respect to new residential forms, can affect demand for inpatient care places. Our aim is to react in good time to market risks through our own market monitoring, innovative entrepreneurial concepts, and networking with institutions that conduct care research, such as associations.

The constant changes to statutory conditions offer opportunities to invoice additional care services. Risks may also be connected with them due to the cutting of care benefit payments, however.

Operational opportunities and risks

Our occupancy campaign continues to offer opportunities for sustainable earnings improvement. Risks arise from the qualified personnel who we deploy, the respective market environments of our facilities, and the conditions and caliber of their related premises in the light of regulatory changes.

The large number of regulatory controls, laws and other ordinances to which our facilities are subject may lead to additional regulation as part of statutory inspections. The same applies particularly for the care quality appraisals conducted by the Medical Service of Health Funds (MDK). In this connection, our facilities are exposed to grading and assessment risks, as well as cost risks due to expenditure on documentation, which continues to be required, and which is becoming ever more extensive. With the help of our internal Total Quality Management (TQM) team we strive to pre-empt and minimize potential risks from the Medical Service of Health Funds (MDK) assessment. We also constantly update our quality manuals.

Despite our quality management, frequent inspections, and employee training courses, errors cannot be ruled out as a result of the personnel-intensive nature of our business, which may result in quality problems. Where serious quality problems do occur, the care home regulatory authorities may prohibit the acceptance of new residents, and even order a facility's closure. Early-warning systems built into the internal inspection system tend to ensure that problems that do occur are identified in time. From today's perspective, no significant risk exists due to the measures that have been taken.

Personnel-related opportunities and risks

Our business stands and falls with well-qualified and highly-motivated staff. Due to the strained labor market situation for specialist care staff, a general hiring risk exists, which particularly impacts the managerial level for care facilities. We are actively involved in recruiting new staff in order to minimize specialist staff shortages in the care areas of our facilities. We also focus on our own training, and are pushing ahead in the recruitment of our own trainees. Finally, with our CURANUM Academy foundation, we have made an important contribution to the training and development of our staff, in order to retain these professionals within the company on a long-term basis. With the measures that have already been launched, the CURANUM Group ensures that personnel hiring risks have no significant effects on business operations in the future.

Financial opportunities and risks

A € 17.0 million syndicated loan that was taken out in 2012 served as basis financing as of the balance sheet date (previous year: two loans for a total of € 23.8 million). The syndicated loan financing carries a variable interest rate. The company has entered into swaps which carry congruent maturities, and which are adjusted to reflect the respective repayment status, in order to hedge the related interest-rate risk. As part of these loan agreements, Curanum AG had obligated itself to provide evidence that it complies with various financial covenants at the end of each quarter. The banks enjoy the right to special cancellation of the loan agreements if this fixed ratio is exceeded. In the first quarter 2013, Curanum AG failed to comply with these financial covenants.

As a consequence, since the first quarter 2013, the financing banking group enjoyed a special right of cancellation due to agreed change of control clauses. The company had launched a waiver process that was not yet completed as of the reporting date. In January 2014, the syndicated loan was canceled by CURANUM on an extraordinary basis, as reported in the section "Report on events subsequent to the reporting date". In order to finance repayment, Curanum AG entered into a € 17.0 million loan agreement with Korian S.A.

Some real estate financing loans and two leases contain change of control clauses. The change of control by Korian S.A. allows the contractual partners to exercise a special cancellation right. The contractual partners have refrained from exercising this right to date. The risk of utilization is regarded as low.

The interest-rate risk of CURANUM essentially relates to interest-bearing financial debt. For this reason, we have largely agreed fixed interest rates for their duration. As a consequence, loans collateralized by real estate have fixed and long-term interest-rate arrangements.

The long-term financing of the CURANUM Group is ensured through its forming part of the Korian Group. This solid capital backing ensures that the requisite financial preconditions exist in order to continue to exploit future growth potentials.

Real estate-related opportunities and risks

As far as the properties in which we operate our facilities are concerned, opportunities and risks exist in connection with the construction-related equipment of the facilities, as well as applicable statutory and official regulations and requirements. We are required to provide evidence of compliance with such regulations. Our real estate concept is that we operate our care facilities for the greater part in rented or leased properties. Depending on the structure of rental and lease agreements, a financial and commercial risk generally exists relating to their durations and the refinancing of these long-term contractual obligations.

Opportunities and risks arise especially due to regulatory changes for construction-related conditions for care homes, which would result in considerable reconstruction expense. In particular, we identify opportunities to achieve higher investment rates through corresponding reconstruction measures, or, where buildings are protected due to construction circumstances, high utilization rates can be achieved due to attractive offer prices. Risks exist relating to agreements where reconstruction expenses and lease obligations cannot be passed on to the contractual partners. Risks are connected with the cancellation and renegotiation of long-term rental agreements with excessive returns for landlords, although this also brings the opportunity to further reduce rent expenses.

Through the introduction of our real estate management function (which also comprises checking whether requirements have been satisfied, for example), we are ensuring that risks existing in this area are appropriately monitored, and addressed through corresponding measures where required.

Other opportunities and risks

Current litigation, which had not concluded as of the balance sheet date, might result in charges in the future. The risk relating to potential expense has been estimated for this purpose, and provisions for the early closure of a rental agreement relating to one property of € 2.2 million (previous year: € 0.0 million), as well as € 0.9 million (previous year: € 0.5 million) for litigation costs, have been formed accordingly.

Opportunities and risks also exist in connection with our central purchasing. Our aim is to minimize such risks through organizational regulations, especially the requirement to conduct legal, contractual checks.

Environmental risks also exist – albeit to a limited extent – for example, where drugs or other hazardous materials are not disposed of properly. Total Quality Management also monitors such risks.

Summary presentation of the risk position

The banks enjoyed a special right of cancellation in the year under review due to the change of control and non-compliance with agreed financial covenants. The CURANUM Group would have incurred a going concern risk if the banks had utilized their right. The repayment of the syndicated loan in January 2014 means that no going concern risk exists any longer.

Besides this, no risks existed in 2013 which, either individually or on a cumulative basis, would have signified an acute going concern risk for the Group. From today's perspective, too, there are no risks identifiable for the future that would generally jeopardize the company as a going concern, or would sustainably negatively affect its net assets, financial position and results of operations.

A quantification of the aforementioned opportunities and risks is not presented as, firstly, it might create a competitive disadvantage on the market, and, secondly, only a vague quantification could be calculated, which would offer little in meaningful added value for the reader.

Internal controlling and risk management system related to the Group financial reporting process

Due to its defined organizational, controlling and supervisory structures, the internal controlling and risk management system related to the Group financial reporting process enables the full reporting, preparation and analysis of company-related matters, as well as their proper inclusion in the consolidated financial statements. In particular, personal discretionary decisions, faulty controlling, criminal acts or other circumstances cannot be excluded by the very nature of the matter.

Elements of the internal controlling system

Curanum AG operates an internal control and risk management system with respect to its accounting and financial reporting process. It comprises all principles, procedures and measures to secure the effectiveness, economic efficiency and compliance of the accounting system and to ensure that all legal regulations are complied with. Amendments to laws and accounting standards are continuously analyzed for their effects on the consolidated financial statements.

The internal controlling and risk management system consists of the internal steering and supervisory system. The Management Board has mainly tasked the controlling as well as financial and accounting areas with these responsibilities. At Curanum AG, the finance and accounting departments manage the Group accounting and financial reporting process. In addition, all staff with budget responsibilities are required to ensure compliance with corporate target by utilizing planning, steering and controlling instruments.

The internal supervision system comprises the Supervisory Board auditing activities, and regular investigations by external third parties to look into particular matters.

A supervision system has been implemented in order to ensure that risks are identified at an early stage across the Group.

Financial bookkeeping transactions are reported in the single-entity financial statements of the CURANUM Group and its subsidiaries. The consolidated financial statements are prepared centrally on the basis of the data of the single-entity financial statements and subsidiaries included in the consolidation scope. The financial and accounting departments perform the consolidation activities, certain coordination work and the monitoring of deadlines and process regulations. Our ERP system's current authorization system is being improved at present. Currently existing weaknesses are being addressed by additional manual controls.

Controlling activities to ensure proper accounting are conducted using key indicators as part of plausibility checks and the analysis of corporate developments. Administrative, accounting and approval functions are separated ("two sets of eyes" principle), largely allowing fraudulent activities to be excluded. The financial statements presented by the subsidiaries are also analyzed at Group level, with corrections being made where required.

Risk management for financial risks

Curanum AG is subject to credit, market and liquidity risks with respect to its assets, liabilities and planned transactions. Risk management for financial risks at Curanum AG pursues the goal of limiting such risks. To this end, the treasury department makes particular use of selected derivative hedging instruments to hedge risks.

Managing financial risks is a primary task incumbent on the Management Board of Curanum AG. The Management Board determines the main features of financial policy. The Management Board is regularly informed about current risks and their management. Outstanding trade receivables are monitored constantly. Default risks are reflected using specific valuation adjustments. No significant concentrations of risk exist due to the company's diversified customer structure, as well as the creditworthiness of any providers of social security benefits. The carrying amount of receivables represents the maximum default risk.

In order to reduce risk, derivative financial instruments are utilized exclusively with contractual partners that enjoy investment-grade credit 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.
Since the CURANUM Group carries out its operating activities exclusively in the Eurozone, there are no currency-specific risks.

In the case of liabilities carrying variable rates of interest, the CURANUM Group is exposed to the risk of interest-rate changes. The CURANUM Group endeavors to limit such risks through the deployment of interest-rate derivatives in the form of interest-rate swaps, where variable interest rates are swapped against fixed interest rates. The treasury function constantly measures these interest-rate swap transactions. It reports directly to the Management Board about changes to interest-rate and relevant spreads. Curanum AG also cultivates intensive exchange with commercial banks so as to be informed about current interest rate developments and relevant influencing factors.

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.

The CURANUM Group'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 such risk through effective cash management and invoice reminders system.

The central treasury function monitors existing financial assets and liabilities. The overall view of liquidity and debt is established through calculating the net debt position, and is used for internal financial management, as well as for external communications with financial investors, analysts, and banks.

5. Compliance

Corporate governance report

The activities of the management in controlling bodies of the CURANUM Group are characterized by responsible and good corporate governance. The Management Board reports – at the same time also for the Supervisory Board – pursuant to Section 3.10 of the German Corporate Governance Code as well as pursuant to Section 289a (1) of the German Commercial Code (HGB) on corporate governance.

The wording of the declaration of compliance is reproduced in this annual report, and is also permanently available at the company's website at http://www.curanum.de.

Concluding declaration by the Management Board concerning the dependent company report

We declare that, in the case of the legal transactions in the 2013 financial year listed in the report on relationships with associated companies, and according to the circumstances that were known to us at the time when the legal transactions were performed, in each case an appropriate consideration was received, and that the company was not disadvantaged. Legal transactions with third parties, and other measures at the instigation, or in the interest, of associated companies, were neither entered into nor omitted.

6. Takeover law disclosures

The Subscribed Capital of Curanum AG amounts to 42,507,000 (previous year: 42,507,000), and is split into 42,507,000 (previous year: 42,507,000) ordinary bearer shares, and is fully paid in. The ordinary shares carry a nominal amount of €1.

According to the notifications presented to us, only the shares held by Korian Deutschland AG exceed 10% of the voting rights. Please refer to our remarks on shareholders' equity in the notes to the consolidated financial statements concerning the composition of the Subscribed Capital and information about the purchase of treasury shares.

The appointment and withdrawal of members of the Management Board and the amendment to the company Articles of Incorporation are based on the statutory provisions of the German Stock Corporation Act (AktG). None of the provisions of the Articles of Incorporation are in derogation of the above.

The following Management Board authorizations exist to issue or repurchase shares: Pursuant to Section 4 of the Articles of Incorporation, the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the company's issued share capital until June 21, 2016, through the issue, either once or several times, of new ordinary bearer shares against cash contributions or contributions in kind by a total of up to € 8,000,000 (Approved Capital 2011). The authorization may be utilized in partial amounts. This authorization was utilized in 2012 through the issuing of € 3,315,000 of new shares. This capital increase was entered in the commercial register on November 16, 2012. Approved Capital 2011 consequently amounts to € 4,685,000 following this partial utilization. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the further nature of share rights and the terms of the share issue. Subscription rights are to be granted to shareholders as a matter of principle when performing the capital increase. The shares must be accepted by a bank or another company operating according to Section 53 (1) Clause 1 or Section 53b (1) Clause 1 or (7) of the German Banking Act with the obligation to offer them for subscription to shareholders.

With the assent of the Supervisory Board, however, the Management Board is authorized to exclude shareholders' subscription rights in the case of capital increases in exchange for non-cash capital contributions in order to grant shares for the purpose of acquiring companies, parts of companies, or equity stakes in companies. Furthermore, the Management Board is authorized, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the case of capital increases against cash capital contributions, to the extent that the shares issued against cash capital contributions during the period of this authorization under exclusion of shareholders' subscription rights do not in total exceed 20% of the issued share capital, neither at the time when this authorization becomes effective nor at the time when it is utilized. Further details can be found in Section 4 of the Articles of Incorporation which are published on our website.

At the Shareholders' General Meeting on July 1, 2010, the Management Board was authorized to acquire and sell treasury shares under exclusion of shareholders' subscription rights. This authorization expires on June 30, 2015, and is limited to 10% of the issued share capital. The authorization may be exercised either wholly or in partial amounts, once or several times, in the pursuit of one or several purposes on the part of the company, its Group companies, or by third parties either on behalf of the company or Group companies. At the discretion of the Management Board, the purchase may be made either via the stock exchange or by means of a public offer. The Management Board is authorized to utilize all company shares acquired on the basis of this authorization for all legally permissible purposes.

In the company Articles of Incorporation, Section 20 (1) Clause 2 states that for resolutions at the Shareholders' General Meeting where law does not require a majority of the share capital to be represented when the resolution is voted upon, a simple majority of the capital represented at the voting is sufficient. This diverges from the Section 179 (2) Clause 1 of the German Stock Corporation Act (AktG), which requires a majority of three quarters of the share capital represented when amendments to Articles of Incorporation are approved.

On January 21, 2013, Korian Deutschland AG announced that it would issue a voluntary public takeover offer for the shares of Curanum AG. This offer was amended slightly again on February 13, 2013. The Management and Supervisory boards of Curanum AG appraised both takeover offers positively, given their perspective effects on the CURANUM Group, its future operating activities and strategic orientation, its employees and employment conditions, as well as its locations. The € 2.50 offer price per share was deemed appropriate when taking into account an external expert survey. The shareholders were recommended to accept this offer. Most of the shareholders accepted the offer, so that the interest of Korian Deutschland AG in CURANUM shares amounts to 78.45%.

A contribution agreement for the German PHÖNIX care home chain was subsequently concluded between Korian S.A. and Curanum AG. This agreement makes provision whereby all shares in Korian and in PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH, Füssen, (hereinafter referred to as "PHÖNIX") are to be contributed to CURANUM by way of a non-cash capital increase as a non-cash capital contribution against the issuing of new Curanum shares. As a consequence, the Management and Supervisory boards of Curanum AG propose to the Shareholders' General Meeting on August 21, 2013, to increase the subscribed capital of Curanum AG by way of an ordinary non-cash capital increase under exclusion of the subscription rights of CURANUM shareholders by € 56,676.000, from € 42,507,000 to € 99,183,000, against issuing 56,676,000 new ordinary bearer shares, and exclusively admit Korian to subscribe for the new shares. As consideration, all shares in PHÖNIX held by Korian were to be contributed to CURANUM.

Some shareholders brought rescissory actions against this resolution. The judicial acceleration proceedings that the Management Board brought before the Munich Higher Regional Court in order to effect early registration of the non-cash capital increase failed to bring about the desired success at the end of December.

7. Report on events subsequent to the reporting date

Retroactive cancellation of the non-cash capital contribution agreement

On February 11, 2014 it was agreed that the non-cash capital contribution agreement should expire with retroactive commercial effect on February 28, 2014. As a consequence, the basis is discontinued for the capital increase resolution of the Shareholders' General Meeting and the consolidation of the PHÖNIX Group as of December 31, 2013. The rescissory action concerning the non-cash capital contribution was settled consentaneously in March 2014.

Conclusion of a service agreement

On February 18, 2014 PHÖNIX and CURANUM entered into a service agreement in order to be able to realize to the greatest possible extent the synergy effects planned for Curanum AG and PHÖNIX. This contract regulates all services CURANUM has to render for PHÖNIX from January 1, 2014.

Conclusion of a Group loan as basis financing

On January 20, 2014, Curanum cancelled its existing loan with its house banks, and repaid the € 17.0 million loan amount. This was redeemed in an equal amount by a Group loan, with the early repayment penalty being assumed by Korian S.A.. This Group loan carries a normal market interest rate that lies 0.5% above the previous basis financing, but it does not include any collateral, and, in particular, no covenants. Given this lack of covenants, this concept means that there is no longer any going concern risk entailed in the financing.

With the exception of the aforementioned matters, no other events of special significance occurred up to the date on which the consolidated financial statements were prepared.

8. Forecast report

Outlook

Economic leading indicators suggest that gross domestic product will report slight growth (source: www.destatis.de). With a look to assisted living and serviced apartments and inpatient care, we also forecast a further increase in demand in the care market as a whole as a result of demographic change and medical advances.

Given the financially strained situation of care insurance providers and according to the agreement between the Grand Coalition partners, we are assuming that policy will continue to focus on the outpatient care before inpatient care concept, although outpatient care is significantly more expensive when higher care rates apply. Given this background, we also anticipate that a new care concept will be introduced during the current legislative period, as well as further financial improvements for senior care.

Outlook for the company

We are assuming that our operating reorientation will feed through to continued high utilization of our serviced apartments and in our facilities' inpatient areas. We also plan to further adapt care rates to our cost trends.

We again aim to make a high level investment in renovating our facilities in 2014. To offset this, no further acquisitions will be made and no further new constructions will be started in the foreseeable future. Our focus for the time being is going to be on further reducing our financial debt.

For the 2014 financial year, revenue and operating EBITDA slightly ahead of the previous year's level are anticipated.

9. Thanks

The Management Board would like to thank all staff members for their quality-oriented and indefatigable commitment which, especially in the care area, is connected with a high level of physical and mental challenges. We would also like to thank staff working in our central areas for their commitment and involvement, and for their readiness to embrace change.

In concluding, we would also like to thank our residents and their families for the confidence they have invested in us. As before, we are endeavoring to repay this trust by once again delivering first-class services in 2014.

Munich, March 25, 2014

Curanum AG
The Management Board

Walther Wever
(CEO)

Patricia Emmel
(CFO)

Consolidated balance sheet

as of 31/12/2013

Assets

in T€	Notes	31/12/2013	31/12/2012
Current assets			
Cash and cash equivalents	(1)	7,600	16,207
Trade receivables	(2)	8,396	8,392
Inventories	(3)	1,211	1,207
Other financial assets	(4)	1,754	1,401
Other assets	(4)	3,230	1,652
Income tax receivables	(5)	305	112
Assets held for sale	(6)	721	0
Total current assets		23,217	28,971
Non-current assets			
Property, plant and equipment	(7)	144,284	149,450
Other intangible assets	(8)	3,130	4,681
Goodwill	(8)	57,644	57,644
Deferred tax	(23)	19,322	17,862
Other financial assets	(4)	7,560	380
Other assets	(4)	2,930	3,512
Total non-current assets		234,870	233,529
Total assets		**258,087**	**262,500**

Equity and liabilities

in T€	Notes	31/12/2013	31/12/2012
Current liabilities			
Lease liabilities	(9)	6,792	6,538
Financial liabilities	(10)	20,465	10,659
Trade payables	(11)	5,940	6,782
Provisions	(12)	3,328	768
Liabilities to shareholders	(13)	1,000	0
Income tax liabilities	(14)	2,929	1,421
Other financial liabilities	(15)	15,674	14,378
Other liabilities	(15)	5,243	4,952
Total current liabilities		61,371	45,498
Non-current liabilities			
Lease liabilities	(9)	100,896	100,740
Financial liabilities	(10)	33,840	51,955
Deferred tax	(23)	5,114	4,898
Liabilities to shareholders	(13)	2,750	0
Provisions	(12)	4,041	3,509
Total non-current liabilities		146,641	161,102
Equity			
Share capital	(16)	42,507	42,507
Additional paid-in capital	(16)	39,003	39,003
Treasury shares	(16)	-1,241	-1,241
Revenue reserve and profit/loss carried forward	(16)	-23,854	-27,763
Consolidated net profit/loss	(16)	-5,977	4,163
Other comprehensive income	(16)	-363	-822
Non-controlling interests		0	53
Total equity		50,075	55,900
Total equity and liabilities		**258,087**	**262,500**

Consolidated income statement

for the period from January 1, 2013 until December 31, 2013

in T€	Notes	2013	2012
1. Revenue	(17)	293,036	288,772
2. Cost of sales*	(18)	250,380	248,782
3. Gross profit		42,656	39,990
4. Selling and marketing expenses	(19)	1,926	1,165
5. General administration expenses	(20)	30,871	23,061
6. Other operating expenses	(21)	9,588	3,634
7. Other operating income*	(21)	5,452	5,617
8. Operating profit		5,723	17,747
9. Interest and similar expenses	(22)	11,943	12,961
10. Other interest and similar income	(22)	370	426
11. Earnings before income taxes		-5,850	5,212
12. Income tax and other	(23)	127	1,035
13. Earnings after income taxes		**-5,977**	**4,177**
of which earnings attributable to non-controlling interests	(16)	0	14
of which earnings attributable to Curanum AG shareholders	(16)	-5,977	4,163
Basic and deluted earnings per share on basis of earnings attributable to bearers of Curanum AG ordinary shares	**(24)**	**-0.14**	**0.11**

Number of outstanding shares taken as basis (basic and diluted)		42,101,898	39,203,537

* In the 2013 financial year, income from merchandise reimbursement was reclassified from other operating income to miscellaneous operating expenses of the cost of sales. The previous year's figures were adjusted accordingly.

Consolidated statement of comprehensive income

Comprehensive income statement

in T€	2013	2012
Earnings after income taxes	-5,977	4,177
Items that are to be potentially recycled to the income statement	**481**	**400**
Gains/losses from change in fair value of financial instruments deployed for hedging purposes	690	576
Deferred tax relating to earnings-neutral components of comprehensive income for the period	-209	-176
Items not recycled to the income statement	**-227**	**-391**
Actuarial gains/losses on pension provisions	-205	-374
Losses from other changes carried directly to equity	-22	-17
Total value changes reported in the comprehensive income	254	9
Comprehensive income	**-5,723**	**4,186**
of which attributable to non-controlling interests	0	14
of which attributable to Curanum AG shareholders	-5,723	4,172

Consolidated statement of changes in equity

for the period from January 1, 2013 until December 31, 2013

			Revenue reserve		
All amounts in T€	Share capital	Capital reserves	Accumulated profit/loss	Other Revenue reserves	Actuarial gains/losses
31/12/2011	39,192	37,460	-28,224	822	94
Earnings after income taxes	0	0	4,163	0	0
Other comprehensive income after income taxes	0	0	0	0	-374
Total of after-tax earnings and value changes reported in equity	0	0	4,163	0	-374
Cash capital increase after issue costs and tax	3,315	1,543	0	0	0
Miscellaneous changes	0	0	0	-81	0
31/12/2012	42,507	39,003	-24,061	741	-280
Earnings after income taxes	0	0	-5,977	0	0
Other comprehensive income after income taxes	0	0	0	0	-205
Total of after-tax earnings and value changes reported in equity	0	0	-5,977	0	-205
Purchase of non-controlling interests	0	0	0	27	0
Miscellaneous changes	0	0	0	-76	0
31/12/2013	**42,507**	**39,003**	**-30,038**	**692**	**-485**

	Other comprehensive income		Equity attributable to CURANUM shareholders	Non-controlling interests	Equity
Repurchase of treasury shares	Revaluation reserve	Cash flow hedge	Total	Total	Total
-1,241	486	-1,691	46,898	39	46,937
0	0	0	4,163	14	4,177
0	-17	400	9	0	9
0	-17	400	4,172	14	4,186
0	0	0	4,858	0	4,858
0	0	0	-81	0	-81
-1,241	469	-1,291	55,847	53	55,900
0	0	0	-5,977	0	-5,977
0	-22	481	254	0	254
0	-22	481	-5,723	0	-5,723
0	0	0	27	-53	-26
0	0	0	-76	0	-76
-1,241	**447**	**-810**	**50,075**	**0**	**50,075**

Consolidated cash flow statement

for the 2013 financial year of Curanum AG, Munich

in T€	31/12/2013	31/12/2012
I. Operating activities		
Profit/loss before taxes and minority interests	-5,850	5,212
Depreciation/amortization and impairments of non-current assets	21,536	14,451
Interest and similar income	-370	-426
Interest and similar expenses	11,943	12,961
Loss from the disposal of assets	675	64
Other non-cash expenses/income	-910	0
Increase in provisions	3,042	1,988
Change in working capital	-7,921	-6,114
Income taxes paid	-1,243	-1,336
Income taxes received	1,408	1,709
Interest paid	-3,865	-4,852
Interest received	161	344
Cash flow from operating activities	18,606	24,001
II. Investing activities		
Cash outflows for corporate acquisitions	0	-4,856
Cash outflows for investments in property, plant and equipment, and intangible assets	-9,136	-6,701
Cash outflow from investing activities	-9,136	-11,557
III. Financing activities		
Cash outflows for redemption of financial liabilities	-10,220	-32,984
Cash inflows from drawing down of financial liabilities	6,000	24,000
Cash outflows for finance leasing (interest and redemption components)	-13,857	-13,418
Cash inflow from capital increase	0	4,973
Cash outflow from financing activities	-18,077	-17,429
Net change in cash and cash equivalents	**-8,607**	**-4,985**
Cash and cash equivalents at the start of the period	16,207	21,192
Cash and cash equivalents at the end of the period	**7,600**	**16,207**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the 2013 financial year of Curanum AG, Munich

A. General remarks

1. Principles and methods

Curanum Aktiengesellschaft (referred to below as Curanum AG or the company) has its headquarters at Zirkus-Krone-Strasse 10, 80335 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, 2013, have been prepared according to International Financial Reporting Standards (IFRS), as applicable in the European Union (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 convey a true and fair view of the assets, liabilities, and earnings positions of the CURANUM Group.

The consolidated financial statements in this version comply with the requirements of Section 315a of the German Commercial Code (HGB). This forms the legal basis for consolidated accounting according to international accounting standards in Germany, together with (EC) Directive No. 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 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 tables and notes may contain rounding differences compared with the precisely mathematically calculated figures. The consolidated financial statements have been prepared on the going-concern principle.

The consolidated income statement has been prepared according to the cost of sales accounting format.

The consolidated financial statements and Group management report are published in the official register of companies (www.unternehmensregister.de), and in the electronic Federal Gazette.

The Management Board approved Curanum AG's consolidated financial statements and Group management report for forwarding to the Supervisory Board on March 25, 2014, which will decide concerning the approval of the consolidated financial statements at its meeting on March 25, 2014.

2. Scope of consolidation

The consolidated financial statements of Curanum AG include all companies where 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.

Along with Curanum AG, the scope of fully-consolidated companies includes 17 (previous year: 35) German subsidiaries. In this context, please also refer to the overview "Consolidation scope and utilization of the release provision".

Changes to the consolidation scope in the year under review

Accruals, spin-offs and mergers

Intra-Group accruals, spin-offs and mergers were carried out within the CURANUM Group in the year under review; for more information, please refer to the overview titled "Consolidation scope and utilization of the release provision", footnotes 3 to 5 and 7. Pursuant to IFRS 3.2c, intra-Group transactions, which comprise the merger of companies under joint control, do not fall into the application scope of IFRS 3 Business Combinations. At Group level, these transactions were accounted for on the basis of the entity theory, as a consequence of which the carrying amounts were carried forward. The respective separate financial statements' transaction bookings consequently had no effect on the annual financial statements.

In addition, in the first quarter of 2013, Curanum AG acquired all minority interests (non-controlling interests) existing as of December 31, 2012. The difference between the purchase cost and the shares' carrying amount was offset directly with the revenue reserves (please also refer to the consolidated statement of changes in equity).

Contribution of PHÖNIX shares

Pursuant to the contribution agreement dated July 6, 2013, and with Supervisory Board approval, the Management Board of Curanum AG first approved the contribution of the shares of the PHÖNIX Group into Curanum AG by Korian S.A. Paris (referred to below as "Korian"). This contribution of shares occurred as part of an ordinary non-cash capital increase under exclusion of subscription rights for CURANUM shareholders, with the capital increase amounting to T€ 56,676, and the share capital increasing from T€ 42,507 to T€ 99,183, through issuing 56,676,000 new ordinary bearer shares, and permitting exclusively Korian to subscribe for the new CURANUM shares. As consideration, Korian contributed all shares in Phönix into Curanum AG as part of the non-cash contribution. The companies of the PHÖNIX Group were included in CURANUM's consolidated financial statements for the third quarter 2013, as we presumed a positive decision in the accelerated judicial prosceedings. At the same time a service agreement was entered into with PHÖNIX.

The contribution of the shares was subject to the suspensive condition that the Shareholders' General Meeting of Curanum AG pass the corresponding resolution concerning the capital increase. On August 21, 2013, a majority vote approved a non-cash capital contribution of the PHÖNIX Group into CURANUM by way of a capital increase under exclusion of subscription rights. The value of the non-cash capital contribution was subsequently agreed on between the management boards of Korian S.A. and Curanum AG. This valuation amounted to T€ 140,000, below the valuation of the valuer appointed by the Management Board. This figure was also subsequently confirmed by a court-appointed valuation surveyor.

Pursuant to Sections 246 (4) and 249 (1) of the German Stock Corporation Act (AktG), an announcement was submitted for publication on September 17, 2013, that shareholders had brought rescissory action (Section 246 of the German Stock Corporation Act [AktG]) and revocatory action (Section 249 of the German Stock Corporation Act [AktG]) against the resolution passed at the Ordinary Shareholders' General Meeting on August 21, 2013.

These actions are directed against the passing of the resolution relating to agenda item 7 concerning the approval of the increase of share capital by T€ 56,676 against non-cash capital contributions (contribution of all shares in PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH by Korian S.A.) and the issuing of new shares under exclusion of shareholders' subscription rights as well as amendment of Section 4 (1) of the Articles of Incorporation. The proceedings are pending before the Munich I Regional Court, Chamber for Commercial Affairs. Judicial proceedings that we launched at the Munich Higher Regional Court to accelerate the registration of the non-cash capital contribution then failed to deliver the success that we had hoped for. In consideration of the risks of legal proceedings lasting for years and the related additional costs, we consequently reached agreement with Korian S.A. on February 11, 2014 that the non-cash capital contribution agreement should expire with retroactive financial effect on February 28, 2014.

These companies were accounted for on a provisional basis in the unaudited quarterly figures. As the performance of the purchase price allocation and the requisite precise auditing of a large number of individual transactions is very time-consuming, the best possible available information was utilized when the financial statements were prepared. According to the unaudited quarterly financial statements as of September 30, 2013, the following fair values for the identifiable assets and liabilities of the PHÖNIX Group were included in the CURANUM consolidated financial statements as part of first-time consolidation as of September 1, 2013:

Fair value on the acquisition date in T€	unaudited carrying amounts	unaudited fair value
Non-current assets		
Intangible assets	27,329	3,946
Real estate	26,627	34,009
Miscellaneous assets	18,768	18,768
Deferred tax assets	792	1,456
Current assets		
Inventories	805	805
Trade receivables	4,707	4,707
Miscellaneous assets	3,247	3,247
Cash and cash equivalents	3,867	3,867
Liabilities		
Lease liabilities and bank borrowings	-25,180	-27,880
Trade payables	-1,994	-1,994
Miscellaneous liabilities	-19,245	-19,245
Deferred tax liabilities	-1,187	-1,921
Non-controlling interests	111	111
Net assets	**38,647**	**19,876**

This resulted in T€ 19,876 of net assets, with provisional goodwill of T€ 120,124 being reported as a consequence. The unaudited quarterly financial statements contained further comments to the extent that the PHÖNIX Group companies contributed T€ 14,090 revenue on September 1, 2013, and T€ 455 to consolidated after-tax earnings.

All assets and liabilities of PHÖNIX were eliminated from the consolidated financial statements as of 31 December 2013. This initial consolidation and subsequent unwinding of the consolidation resulted in no earnings effects in the consolidated financial statements of CURANUM.

3. 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 on the acquisition date. If shares in companies are acquired, the consideration paid for the acquired shares is offset with the subsidiary's proportional revalued equity. Any remaining positive difference from the offsetting of the consideration paid with the identified assets and liabilities is reported as goodwill among intangible assets. Where assets and liabilities are acquired (asset deal), the differential amount between the consideration paid and the identified net assets is reported as goodwill.

If the consideration paid for the business combination is less than the identified net assets as measured according to IFRS 3, the re-measured fair values are immediately recognized in the income statement in the year of the merger.

Assets and liabilities, equity, income and expenses, and cash flows from business transactions between consolidated companies are offset. 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.

4. Summary of significant accounting principles

The following section explains the underlying accounting principles applied in the preparation of the consolidated financial statements.

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 2012 financial year is based on the same accounting principles as applied in the 2013 financial year. 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 matters sensitive to estimates and assumptions

Discretionary decisions and estimates are required to a certain extent in the preparation of the consolidated financial statements. These have an impact on the recognition, measurement, and reporting of assets, liabilities, income and expenses, as well as contingent claims and liabilities. All information currently availability is taken into account in this respect. Assumptions and estimates are based on premises that reflect the respective currently available status of knowledge. In particular, expected future business trends are based on circumstances existing at the time when the consolidated financial statements are prepared, and the anticipated future trend for the sector-related environment. The circumstances and assumptions concerning future development can change, however, due to market movements and market conditions outside of the scope over which the Group exerts influence. Such changes are not reflected in the assumptions until they have occurred. Until the time when the Management Board approved the financial statements for forwarding to the Supervisory Board, there was no information relating to any significant adjustment that might be required to the carrying amounts of assets and liabilities as reported in the consolidated balance sheet. The management's estimates and appraisals were based on assumptions that are presented below.

The main items affected by such discretionary decisions and estimates relate to Group-standard useful lives, and the recoverable amounts for tangible and intangible fixed assets, including goodwill, the classification of leases as operating or finance leases, the measurement of derivative financial instruments, the extent to which receivables can be realized, the accounting treatment and measurement of deferred tax, the accounting treatment and measurement of provisions, as well as the classification of non-current assets as held for sale. 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 pursuant to IAS 36 – impairment occurs if the carrying amount of an asset or other cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the higher of either fair value less costs to sell, or value in use. Fair value less costs to sell is calculated on the basis of available data from binding sales transactions between independent business partners relating to similar assets, or observable market prices less directly attributable costs to sell the asset.

Curanum AG tests goodwill and its trademark right 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 goodwill impairment testing. Please refer in this connection to the remarks in section A 4 "Impairment test pursuant to IAS 36".

The company generally calculates the recoverable amount using valuation methods based on discounted cash flows. These discounted cash flows are based on six-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 a growth rate. The most important assumptions on which the value in use calculation is based contain estimated growth rates, weighted average costs of capital (WACC), future business trends 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.

Please refer to the section A 4 "Impairment test pursuant to IAS 36" concerning assumptions made, and potential effects of modifications to budget assumptions, for the goodwill impairment test, as well as impairment tests for non-current assets.

Categorization of leases into finance leases and operating leases pursuant to IAS 17 – CURANUM categorizes the leases into which it enters as either finance leases or operating leases. The key factor with a finance lease is that all risks and opportunities connected with ownership are transferred to the lessee. 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 assets for the purposes of categorization. As far as the calculation of the property fair values and present values is concerned, the company's management enjoys 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 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. Recourse must also generally be made to parameters that are subject to discretion, such as an assessment of location, residual useful life, competitive situation, rental cost per square meter, investment requirements and 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 – If the fair values of recognized financial assets and financial liabilities cannot be measured using quoted prices on active markets, they are calculated applying measurement methods such as the discounted cash flow method.

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 are 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 changes in market value when the related parameters change. The same applies to reporting the hedging relationship 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.

Please refer to section E 27 "Additional disclosures about financial instruments pursuant to IFRS 7" regarding assumptions that have been made for financial instruments, and the potential effects of changes to planning assumptions.

Taxes – Uncertainties exist relating to the interpretation of complex tax law regulations, amendments to tax law, and the level and time of origination of future taxable earnings. As a consequence, it is possible that deviations occur between actual earnings and the assumptions made, or concerning future changes to such assumptions that require adjustments to the tax income or tax expense in the future. Based on reasonable estimates, CURANUM forms provisions for the potential effects of external tax audits. The level of such provisions is based on various factors, such as experience from previous external tax audits and various interpretations of tax law regulations.

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 carry forwards, the management also makes estimates as to whether these loss carry forwards can be utilized for tax purposes within a given timeframe.

Deferred taxes are recognized for unutilized loss carry forwards to the extent that it is probable that taxable income will be available for this purpose allowing the loss carry forwards to actually be utilized. Calculating the level of deferred tax assets that can be capitalized requires that the management exercises discretion in estimating the expected timing and level of future taxable income, as well as concerning future tax planning strategy.

Pension provisions – The present value of the pension obligation and the expense arising from the defined benefit plan are calculated using actuarial models. Actuarial measurement is based on various assumptions which can differ from actual future outcomes. These include determining the discounting rates, the mortality rate and future pension increases. Due to the complexity of the related valuation and its long-term nature, defined benefit obligations react highly sensitively to changes in such assumptions. All assumptions are reviewed on each qualifying date.

Provisions – Depending on the respective underlying transaction, the measurement of provisions can sometimes be complex and significantly dependent on estimates. The assumptions made by management about the event risk and potential level of utilization are based on empirical values, estimates and discounting factors, among other factors. As a consequence, the actual outflow of benefits can diverge from the recognized provisions. The provisions include contingent loss provisions for potential purchase obligations that exceed the fair values of the properties.

Available-for-sale assets – Assets are classified as available-for-sale if it is highly probable that they will be sold within one year. This assessment is based on various assumptions that can differ from actual future outcomes. To the extent that it is evident that changes will occur to plans for the sale of an asset, the related assumptions are reviewed. CURANUM has commissioned an independent valuation surveyor to determine the fair values of available-for-sale assets.

Property, plant and equipment available-for-sale are recognized at the lower of their carrying amount and fair value less costs to sell. Depreciation is discontinued.

Amendment to significant accounting principles

In the 2013 financial year, income from merchandise reimbursement was reclassified from other operating income to miscellaneous operating expenses of the cost of sales. The previous year's figures were adjusted accordingly. Please see also Section C 18 "Cost of sales" and C 21 "Other operating income / expenses".

Property, plant and equipment

Property, plant, and equipment is measured at cost, and diminished to reflect depreciation corresponding to economic useful life and, if required, additional impairment losses. Repair and maintenance costs are reported as current expense. The costs of acquisition and production are depreciated straight-line in line with the expected progression of consumption of the future economic benefit, except for prepayments rendered and plant under construction. Depreciation is performed over 20 years for fittings of care facilities capitalized as part of finance leasing, where 90% of capitalized carrying amounts are depreciated in the first ten years, and the remaining 10% are depreciated from the 11th to the 20th years. An impairment test is conducted for property, plant and equipment, and capitalized finance leases, if specific indications of impairment exist. In this instance, the recoverable amounts of the real estate or capitalized finance leases are compared with their carrying amounts.

Depreciation is based mainly on the following useful lives:

Buildings	14-50 years
Fittings	8-20 years
Other plant, operating and office equipment	3-20 years

Borrowing costs

Borrowing costs are not recognized as part of purchase and production costs due to the lack of qualifying assets.

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 are essentially transferred to the CURANUM Group are classified as finance leases, and recognized accordingly.

Assets arising from finance leases are capitalized at the lower of either the fair value of the lease asset at the start of the lease, 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. The payment obligations arising from leases are recognized as liabilities. Lease payments are split into the financing components, and the repayment component of the residual debt.
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 such assets.

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. Intangible assets are recognized if it is likely that they will generate a future inflow of financial benefits. These assets' cost corresponds to their fair value on the acquisition date.

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 life 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 one and four years. The useful life of beneficial contracts is based on the contractually agreed duration.

To date, the useful life of a trademark right has been classified as of indeterminable duration in line 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 with useful lives of indeterminable duration are not subjected to scheduled amortization but are instead subjected to an impairment test at least once per year, or on an even more regular basis if there are indications that their values have become impaired (goodwill, occupancy rights and brand rights).

Impairment test pursuant to IAS 36

An impairment test is performed at least once per year as of September 30 for goodwill, and for other intangible assets of indefinite or indeterminable useful life, and otherwise, as in the case of other intangible assets of limited useful life, property, plant, and equipment, and capitalized finance leases, when specific signs emerge that impairment has occurred. 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 per 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 instance, the recoverable amount is recalculated, and, with the exception of goodwill, the impairment previously applied is reversed correspondingly.

The recoverable amount is always calculated 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 less costs to sell, or value in use. Fair value less costs to sell corresponds to the recoverable amount arising from the sale of an asset or cash-generating unit established between professional contracting parties on normal market terms, less disposal costs. Value in use is the present value of future cash flows that can be prospectively derived from an asset or cash-generating unit.

Distribution at CGU level is performed for the goodwill impairment test. Since the 2013 fiscal year, this is based on the individual region (previous year: per care facility) as a cash-generating unit, as this forms the basis for corporate management. Goodwill is aggregated into regions for better overview.

For the IAS 36 impairment test of assets, both assets and financial plans are aggregated according to the cash-generating units, taking the equivalence principle into account. If possible, costs for centrally rendered services, and assets that are attributed to them, are directly allocated to the cash generating units.

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

The cash flow forecasts are based on six-year planning for each individual facility. The growth rates for the individual care facilities are based on realistic utilization rates per facility while taking into account the respective competitive environment and assumed negotiation results for care rates. The growth discount was set at one percentage point on the basis of this detailed planning. The basis for this is the average growth rate assumed in the observation period of three years, which was modeled using average growth rates for care rates over the last five years. Revenues were calculated on the basis of occupancy and forecast care levels. Personnel costs and other significant cost types were budgeted on a volume-dependent basis where appropriate. Sensitivity analyses were performed as part of the budget, and values in use were calculated for each facility applying the discounted cash flow method. Budgeted post-tax cash flows taken from financial plans approved by the management are used for this purpose.

The weighted average cost of capital (WACC) used for the discounting is based on a risk-free rate of 2.61% p.a. (previous year: 2.31%) and a risk premium of 7.00% (previous year: 7.00%). Curanum AG's beta factor as of September 30, 2013, and the Group's capital structure and financing costs, were also applied. The debt interest rate as of September 30, 2013 was calculated at 5.59% p.a. (previous year: 6.43% per annum).

This generated a weighted average cost of capital (WACC) of 5.37% after tax as of September 30, 2013 (previous year: 5.71%), and 7.28% before taxes (previous year: 7.7%).

The value in use calculated as of the reporting date is 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. Impairment charges totaling T€ 0 were applied to goodwill in the 2013 financial year (previous year: T€ 255).

Given specific indications of potential impairment, the company conducts impairment tests for both non-current assets owned by the company and non-current assets arising from finance leases.

Indications of potential impairments to real estate were identified on the basis of the results of current budget/actual divergence analysis, and impairment tests were performed as of the balance sheet date. The recoverable amount is based on the higher value of either fair value less costs of sale or value of benefit.

The calculated market values were derived from the future achievable revenue per bed, or apartment, while taking into account property management costs. The management costs were calculated specifically for the respective property, and, depending on property, amounted to between 1.0% and 1.5% for administration costs, 4% for rental default, and between € 8.0 and € 12.5 per square meter for maintenance costs, as a consequence of which the property-specific management costs lay between 10.3% and 18.5%. The management costs included in the external valuation surveys amounted to between 10.3% and 17.0% depending on care facility, and to 25.0% in one instance. One factor influencing the value in use calculation is the forecast utilization for the respective facilities which the management applies for the residual useful life. A further significant impacting factor is the remuneration rates for the investment portion in the care area. These are derived from an economic analysis calculation between production costs that are relevant for subsidies and calculations, and the sum of refinancing funds of total expenses for maintenance expenditure and capital service costs, respectively monthly rent excluding heating in the apartment area. Along with remuneration rates for investment costs and rent excluding heating, monthly gross rents also take into account room and direct pay premiums, as well as income from third party rentals.

The ground value is deducted when calculating building values. The ground value is based on the relevant community land reference values and the land size of the respective properties, as well as the applicable discount rate. The interest rate applied for calculating market value is based on the interest rate for land use. The interest rate for land is the interest rate used to calculate the average market value of real estate. The level of this interest rate is determined according to the type and location of the property, the residual useful life, and the conditions prevailing on the real estate market as of the valuation date. A discount rate (interest rate for land use) of between 5.4% and 7.5% per annum (previous year: 5.4% to 7.5% per annum) was used to calculate market value. The discount rates (interest rates for land use) used in the external experts survey report lay between 5.4% and 7.0% per annum (previous year: between 5.4% and 7.0% per annum).

Inventories

Raw materials and supplies are reported among inventories. Inventories are recognized at cost, and are largely reported at fixed values due to their subordinate significance for the net assets, financial position and results of operations.

Within the CURANUM Group, there is essentially no need for charges for inventory risks arising from duration of warehousing and reduced usability, since raw materials and supplies comprise consumables for daily requirements.

Assets held for sale

Non-current assets qualify as held for sale if the related carrying amount is realized predominantly through a sales transaction, and not from continued use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount, and their fair value less costs to sale. The classification criteria for held for sale are being to be satisfied only if the sale is probable, and the asset can be sold immediately in its current condition. It must also be unlikely that the sale can be reversed. The Management Board must have passed a resolution concerning the disposal, and it must be expected that the sale will occur within one year from the time of classification.

Depreciation is not applied to property, plant and equipment classified as held for sale, and it is reported separately in the balance sheet as a current asset.

Financial instruments

A financial instrument is an agreement that simultaneously gives rise to a financial asset at one company, and to a financial liability or equity instrument at 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 generally derecognized if the contractual right to cash flows expires, or if 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, and cash and cash equivalents.

Financial assets are measured at fair value on initial recognition. Incidental costs directly attributable to purchase are taken into account as part of amortized cost 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 IAS 39 categories. 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 on 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 applying the risk-adjusted market rate of interest. Amortized cost corresponds to cost less redemptions, impairments, and the amortization of any difference between cost and the amount repayable at maturity.

Financial assets held for trading (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. No primary financial instruments in the AfS categories existed in the CURANUM Group as of the balance sheet date. No primary financial instruments in the HtM categories existed 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 impairments into account.

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 other comprehensive income, taking deferred tax into account (revaluation reserve). Measurement is carried to the consolidated income statement in the case of a significant or long-lasting reduction of fair value to below cost. Cumulative changes in value reported in other comprehensive are rebooked through the consolidated income statement at the time of the disposal of the financial asset.

Impairment of financial assets

The carrying amounts 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.

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 because of the following reasons:

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

A review is performed at least once per 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 fair value of the financial assets is recalculated, and the impairment previously applied is reversed correspondingly if required. An appreciation in value is only reported to the extent that it does not exceed the amount of amortized costs that would have arisen if the impairment had not occurred.

Cash and cash equivalents

Cash and cash equivalents include cash positions, current account deposits, and bank deposits with residual maturities of up to three months. They are measured at cost. Deposits of up to three months are counted as cash and cash equivalents if they are exposed to insignificant value fluctuation risk, or cancellation is possible at any time on the basis of contractual agreements. Only freely available cash is taken into account in this context.

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, other securitized liabilities, bank borrowings, finance lease liabilities and syndicated loans.

Financial liabilities are measured at fair value on recognition. 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 syndicated 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 effect, as well as risks applying specifically to the circumstances.

Derivative financial instruments

At 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 is predominantly derived from stock market or market values. If no stock market or 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 residual contractual term 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 underlying transactions, are booked through the income statement.

A cash flow hedge entails the hedging of highly probable future cash flows. Where a cash flow hedges exists, the effective portion of the value change in the hedging instruments is reported in the cash flow hedge reserve in miscellaneous equity – if required, taking into account deferred tax – until the profit or loss 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 consolidated 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 deploys 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 in Section B 9 "Non-current and current financial liabilities" and in Section E 27 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

Hierarchy of fair values

The Group applies three hierarchy levels. The following describes their application to the financial assets and liabilities of CURANUM:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets or liabilities,
- Level 2: Methods where all input parameters significantly affecting reported fair value are either directly or indirectly observable,
- Level 3: Methods that apply input parameters which significantly affect reported fair value, and which are not based on observable market data.

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 to consolidation measures. Deferred tax relating to loss carry forwards are capitalized as long as it is anticipated with a degree of probability bordering on certainty that they can be utilized. Adjustments are applied to deferred tax assets whose realization 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.

Deferred tax assets and deferred tax liabilities are categorized as non-current assets and non-liabilities.

Actual tax

Actual tax claims and liabilities of the current and 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. Calculation of the amount is based on tax rates and tax laws applying as of the reporting date.

Pension provisions

Pension provisions exist which were granted in the past as part of labor-management contracts arising from an employer-financed pension plan.

Pension obligations and other post-retirement benefits, and related expenses and income, are calculated in accordance with actuarial measurements pursuant to the new IAS 19 "Employee Benefits" that the IASB published in June 2011.

These measurements are based on key assumptions, including discounting rates, biometric probabilities, and assumptions concerning the trend in healthcare insurance payments. Expected salary and pension trends, and turnover rates, are not included in the calculation since the pension plan commitment was limited until the year 2005. The discounting factors applied reflect interest rates achieved on the balance sheet date for first-class, fixed-income bonds with congruent maturities.

Due to fluctuations in market and economic conditions, the underlying assumptions can diverge from actual developments, which can significantly affect pension provisions and other post-retirement benefits.

The pension provisions are measured applying the projected unit credit method. This includes not only pensions notified as of the balance sheet date and acquired entitlements to future pensions, but also expected increases in compensation and pensions. The "Richttafeln 2005G" mortality tables published by Prof. Klaus Heubeck are utilized to determine mortality rates. Actuarial gains and losses and other re-measurements of the net liability are calculated on the balance sheet date, and reported through other comprehensive income ("Value changes reported directly in equity").

The net interest expense, in other words, the interest portion of the addition to the provision contained in the pension expenses less the expected income from the plan assets calculated applying the discounting rates, is reported among interest expenses. Contributions rendered as part of defined contribution plans are expensed.

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. They are measured taking into account all identifiable risks relating to the prospective satisfaction amounts, and are not offset with potential reimbursements. Provisions are subject to a review on each accounting reporting date and adjusted to the present best estimate. Provisions that will not fall due until after the expiry of one year are recognized at their satisfaction amount discounted to the balance sheet date. When discounting, the increase in the provision reflecting the passage of time is reported as an interest expense in subsequent years. 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.

Depending on expected utilization, the amounts are reported as either non-current or current provisions.

Liabilities

Non-current liabilities are carried at amortized cost. Differences between cost and repayment amount are reflected using the effective interest rate method. Current liabilities are recognized at their repayment or fulfillment amount.

Treasury shares

Treasury shares are reported at cost and deducted from equity. The purchase, sale, issuing or withdrawal of treasury shares is carried directly to equity. If treasury shares are issued, any differences between their carrying amount and considerations paid are recognized in the share premium account.

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, irrespective of the payment date. Income from the supply of services is reported in the period in which the service is rendered.

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

Expenses related to operations are expensed at the time of delivery or utilization of the service, and all other expenses are expensed at the time when they are incurred.

Interest income is reported at the time when the interest claim arises. Interest and other debt costs are booked pursuant to periodic expense, to the extent that there is no qualifying asset.

Contingent liabilities and assets`

Contingent liabilities represent potential obligations to third parties arising from past events, and whose existence 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 estimated sufficiently reliably.

Contingent liabilities cannot be recognized, but are instead subject to the reporting requirement pursuant IAS 37.89 to the extent that the future inflow of resources is likely.

5. New and amended accounting methods

New and amended standards and interpretations applied for the first time

The previous year's accounting methods continued to apply for the preparation of the consolidated financial statements as of December 31, 2013. The following standards and interpretations that were applied for the first time as of January 1, 2013, form an exception to this principle.

These exceptions generally had no effects on the Group's net assets, financial position and results of operations. They resulted in additional disclosures, however.

Standard	Title	Published by the IASB	Comes into force*	EU endorsement as of 31/12/2013	Effects on Curanum AG
New and amended standards and interpretations					
IAS 1	Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income	6.2011	1/7/2012	5/6/2012	immaterial**
IAS 12	IAS 12 Amendment to IAS 12 – Deferred Tax: Recovery of Underlying Assets	12.2010	1/1/2013	11/12/2012	immaterial
IAS 19	Amendments to IAS 19: Employee Benefits	6.2011	1/1/2013	5/6/2012	immaterial
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	11.2011	1/1/2013	11/12/2012	none
IFRS 1	Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters	12.2010	1/1/2013	11/12/2012	none
IFRS 1	Amendments to IFRS 1 – First-Time Adoption of International Financial Reporting Standards – Government loans	3.2012	1/1/2013	4/3/2013	none
IFRS 7	Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities	12.2011	1/1/2013	13/12/2012	immaterial
IFRS 13	Fair Value Measurement	5.2011	1/1/2013	11/12/2012	Immaterial***
various	Improvements to International Financial Reporting Standards (2009 – 2011) Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34	5.2012	1/1/2013	27/3/2013	immaterial

* For companies with the same fiscal year as the calendar year

** The amendment relates only to presentation, and does not affect the Group's net assets, financial position and results of operations.

*** Due to the minor significance of fair value measurement in the consolidated financial statements, the amendment has no significant effect on the Group's net assets, financial position and results of operations.

Not yet applicable accounting regulations

The IASB and IFRIC have issued the following standards, amendments and reviews of standards and interpretations whose application is not yet mandatory.

Among other factors, the pre-requisite for the application of these new and revised standards and interpretations is that they are adopted by the European Union as part of the IFRS adoption procedure.

Standard	Title	Published by the IASB	Comes into force*	EU endorsement	Effects on Curanum AG
New and amended standards and interpretations					
IAS 19	Defined Benefit Plans: Employee Contributions	11.2013	1/7/2014	Planned for Q3 2014	immaterial
IAS 27	New version of IAS 27 – Separate Financial Statements	5.2011	1/1/2014	11/12.2012	immaterial
IAS 28	New version of IAS 28 – Shares in Associates and Joint Ventures	5.2011	1/1/2014	11/12/2012	none
IAS 32	Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1.2011	1/1/2014	13/12/2012	immaterial
IAS 36	Amendments to IAS 36 – Impairment of Assets – Recoverable amount disclosures for non-financial assets	5.2013	1/1/2014	19/12/2013	immaterial
IAS 39	Amendments to IAS 39 – Novation of derivatives and continua-tion of hedge accounting	6.2013	1/1/2014	19/12/2013	immaterial
IFRIC 21	Levies	5.2013	1/1/2014	Planned for Q2 2014	immaterial
IFRS 9	Financial Instruments: Revision and replacement of all existing standards (classification and measurement)	11.2009	still open	still open	immaterial
IFRS 9 / IFRS 7	Amendments to IFRS 9 and IFRS 7, mandatory application date and disclosures on transition	12.2011	1/1/2015	still open	immaterial
IFRS 9 / IFRS 7 / IAS 39	Amendments to IFRS 9, IFRS 7 and IAS 39, Hedge Accounting	11.2013	1/1/2015	still open	immaterial
IFRS 10	Consolidated Financial Statements	5.2011	1/1/2014	11/12/2012	immaterial
IFRS 11	Joint Arrangements	5.2011	1/1/2014	11/12/2012	immaterial
IFRS 12	Disclosure of Interests in Other Entities	5.2011	1/1/2014	11/12/2012	immaterial
various	Amendments of IFRS 10, IFRS 12 and IAS 27, Investment Entities	10.2012	1/1/2014	20/11/2013	immaterial
various	Amendment to IFRS 10 – Consolidated Financial Statements, IFRS 11 – Joint Arrangements and IFRS 12 – Disclosure of Interests in Other Entities – Transition regulations	6.2012	1/1/2014	4/4/2013	immaterial
various	Improvements to International Financial Reporting Standards (2010 – 2012) Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	12.2013	1/7/2014	Planned for Q3 2014	immaterial
various	Improvements to International Financial Reporting Standards (2011 – 2013) Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40	12.2013	1/7/2014	Planned for Q3 2014	immaterial

* For companies with the same fiscal year as the calendar year

The company plans to apply the respective standards for the first time when such application becomes mandatory.

B. Notes to the consolidated balance sheet

(1) Cash and cash equivalents

Cash and cash equivalents of T€ 7,600 (previous year: T€ 16,207) relate to cash holdings and bank accounts in credit with a term of up to three months. The change in cash and cash equivalents is presented in the consolidated statement of cash flows.

Credit lines and guarantee credit facilities were reported in an amount of T€ 21,236 as of December 31, 2013 (previous year: T€ 11,178), including T€ 12,750 from Korian which were utilized through guarantee credit in an amount of T€ 8,486 (previous year: T€ 8,812).

The Group provided T€ 12,485 of short-term deposits as collateral (previous year: T€ 5,119). This increase is especially attributable to deposits rendered as collateral for a property financing facility, and other cash rental deposits. These deposits are reported under the miscellaneous assets item. Please refer to section B4 "Non-current and current assets" Besides this, there are no cash and cash equivalents that are held by companies, and over which the Group has no control. Maximum default risk corresponds to the carrying amounts.

(2) Trade receivables

in T€	2013	2012
Trade receivables	9,102	9,027
Charges for doubtful receivables	-706	-635
Trade receivables, net	**8,396**	**8,392**

The term structure of overdue receivables is as follows:

in T€	Total	not overdue	overdue < 3 months	overdue 3-6 months	overdue 6-12 months	overdue > 12 months
2013	8,396	4,904	2,452	529	133	378
2012	8,392	4,635	2,757	270	307	423

The receivables that are not overdue relate to a large number of customers and care funds. This counters systematic default risk and risk concentration.

Valuation allowances to trade receivables changed as follows:

in T€	2013	2012
Opening position	635	549
Release	-447	-311
Addition	777	602
Utilization	-259	-205
Closing position	**706**	**635**

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 additions to the valuation adjustments of T€ 777 (previous year: T€ 602), receivables of T€ 265 (previous year: T€ 270) were written off as uncollectible.

(3) Inventories

in T€	2013	2012
Raw materials, consumables and supplies	**1,211**	**1,207**

The holdings comprise mainly food, commercial and medical-care items, and fuel for facilities. With the exception of fuel, the holdings are recognized at a fixed value. Inventories of T€ 20,985 (previous year: T€ 21,478) are expensed in the year under review. No inventories were assigned as collateral for liabilities during the period under review.

(4) Other non-current and current assets

in T€	IAS 39 category	2013	2012
Other financial assets			
Cash at banks deposited as collateral	LaR	5,003	0
Rental deposits	LaR	2,144	0
Receivables due from suppliers arising from merchandise reimbursements and creditor accounts in debit	LaR	910	1,137
Receivables due from related companies	LaR	580	0
GWA Group loan	LaR	412	380
Fixed-income securities	AfS	140	137
Receivables due from staff and deposits	LaR	124	127
		9,313	1,781
Other assets			
Lease prepayments	n.a.	2,784	3,182
Rent prepayments	n.a.	2,107	978
Prepayments and accrued income	n.a.	399	356
VAT reimbursement claims	n.a.	0	92
Miscellaneous assets	n.a.	871	556
		6,161	5,164
		15,474	**6,945**
of which current		4,984	3,053
of which non-current		10,490	3,892

The fair values of other assets mainly correspond to their carrying amounts.

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€ 2,387 (previous year: T€ 2,784) have a residual term of longer than one year, and amounts of T€ 398 (previous year: T€ 398) a residual term of up to one year. Further rental prepayments of T€ 436 (previous year: T€ 499) have a residual term of more than one year, and of T€ 1.671 (previous year: T€ 479) of up to one year. The cash at banks deposited as collateral in an amount of T€ 5,003 (previous year: T€ 0) has a residual maturity of more than one year.

The assets-side deferred and accrued items relate to prepayments for vehicle tax, insurance, as well as rent, leasing and maintenance for technical plants, and have a residual term of up to one year.

There were no overdue receivables as of the December 31, 2013 and December 31, 2012 balance sheet dates.

(5) Income tax receivables

in T€	2013	2012
Current income tax receivables	**305**	**112**

Income tax receivables primarily comprise corporation and trade tax receivables, as well as receivables arising from land acquisition taxes.

(6) Assets held for sale

The consolidated balance sheet reports T€ 721 of assets held for sale as of December 31, 2013. These assets relate, firstly, to the former administrative building Gatterburg valued T€ 400 (previous year: T€ 0), which was sold on December 20, 2013 in a bidding process. The financial transfer did not occur until the 2014 financial year. The T€ 989 of bank borrowings drawn down for this purpose were repaid early accordingly, and are reported among current financial liabilities as of December 31, 2013. On the other hand, the company owns a further empty facility to reported at T€ 321 (previous year: T€ 1,373), which is to be sold in 2014. This amount corresponds with the fair value as of December 31, 2013 less the costs for sale. Cash at banks in an amount of T€ 5,003 has been deposited for the related bank borrowings as of December 31, 2013. Please also refer to Section B4 "Non-current and current other assets". The financial liabilities are reported among other current liabilities.

(7) Property, plant and equipment

Changes in 2013 in T€	Land, rights similar to land and con-structions	Other plant, oper-ating and office equipment	Prepayments rendered and construction in process	Total
Cost				
01/01/2013	221,083	68,379	381	289,843
Additions	11,069	3,438	1,167	15,674
Disposals	-12,149	-9,230	-143	-21,522
Disposals due to assets held for sale	-13,310	0	0	-13,310
Transfers	285	6	-291	0
31/12/2013	**206,978**	**62,593**	**1,114**	**270,685**
Cumulative depreciation and impairment charges				
1/1/2013	88,739	51,654	0	140,393
Depreciation / amortization	7,658	4,975	0	12,633
Impairment charges	6,828	0	116	6,944
Disposals	-12,003	-8,860	0	-20,864
Disposals due to assets held for sale	-12,589	0	-116	-12,705
31/12/2013	**78,633**	**47,768**	**0**	**126,401**
Carrying amount	**128,345**	**14,825**	**1,114**	**144,284**

Changes in 2012 in T€	Land, rights similar to land and constructions	Other plant, operating and office equipment	Prepayments rendered and construction in process	Total
Cost				
1/1/2012	217,537	65,247	1,399	284,183
Additions	2,265	3,627	333	6,225
Disposals	-2	-563	0	-565
Transfers	1,283	68	-1,351	0
31/12/2012	**221,083**	**68,379**	**381**	**289,843**
Cumulative depreciation and impairment charges				
1/1/2012	80,737	47,282	0	128,019
Depreciation / amortization	7,303	4,872	0	12,175
Impairment charges	701	0	0	701
Disposals	-2	-500	0	-502
31/12/2012	**88,739**	**51,654**	**0**	**140,393**
Carrying amount	**132,344**	**16,725**	**381**	**149,450**

The increase in disposals in the case of land is predominantly due to the reclassification of Gatterburg and a further facility to the "available-for-sale" item.

The impairment test conducted pursuant to the assumptions mentioned in Section A 4 "Impairment test pursuant to IAS 36" fed through to the following results:

Real estate owned by the company resulted in an impairment loss of T€ 3,444 (previous year: T€ 701). An impairment charge of T€ 2,178 (previous year: T€ 0) was applied to real estate capitalized as part of leases. Further fittings were impaired by T€ 1,322 (previous year: T€ 0). Impairments reported in the financial year under review are recognized in the consolidated income statement under the Other operating expenses item. The impairments result on the one hand from operating losses, on the other hand from the sale of the former administrative building Gatterburg in a bidding process.

As part of the impairment testing of non-current assets, sensitivity analyses were also performed for the values in use that were calculated. The sensitivity analysis showed that a 10% increase in the discount rate could result in additional impairment losses of T€ 4,007 (previous year: T€ 37) for real estate held on a long-term basis by the company. An additional impairment expense of T€ 1,146 (previous year: T€ 0) would arise for non-current assets capitalized as part of finance leases.

The fair value less costs to sell for the available-for-sale assets was calculated and recognized on the basis of market values surveys.

Operating and office equipment includes assets arising from hire purchase agreements of T€ 660 (previous year: T€ 1,318), which were assigned as collateral for the respective obligations arising from these agreements. Please refer to our remarks under section B 10 "Non-current and current financial liabilities" regarding collateral for land and writes equivalent to land.

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.

An interest-free, repayable loan was granted to finance a care property on the basis of a grant decision by the Landschaftsverband Westfalen-Lippe. The benefit 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 for the corresponding corporate acquisition.

(8) Other intangible assets / goodwill

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

Amortization of intangible assets is reported under the respective functional areas of cost of sales and general administrative costs.

Changes in 2013

in T€	Goodwill	Software/licenses/ similar rights	Total
Cost			
1/1/2013	73,276	10,699	83,975
Additions (purchased individually)	0	417	417
Disposals	-255	-463	-718
31/12/2013	**73,021**	**10,653**	**83,674**
Cumulative amortization and impairment charges			
01/01/2013	15,632	6,018	21,650
Amortization	0	1,480	1,480
Impairment charges	0	480	480
Disposals	-255	-455	-710
31/12/2013	**15,377**	**7,523**	**22,900**
Carrying amount	**57,644**	**3,130**	**60,774**

Impairment charges totaling T€ 0 were applied to goodwill in the 2013 financial year (previous year: T€ 255).

The following section presents goodwill as of September 30, 2013, and September 30, 2012, after impairment charges for the individual regions as well as their recoverable amounts:

In the North West Region, goodwill totaled T€ 10,793 (previous year: T€ 10,793) and the recoverable amount totaled T€ 110,802 (previous year: T€ 0). No impairment charge was required in the year under review. An impairment charge of T€ 255 was reported for one facility in 2012.

For the North-East Region goodwill totaled T€ 16,910 (previous year: T€ 16,910) and the recoverable amount totaled T€ 105,950 (previous year: T€ 0). No impairment charge was required in the year under review.

In the West Region, goodwill totaled T€ 14,486 (previous year: T€ 14,486) and the recoverable amount totaled T€ 111,482 (previous year: T€ 0). No impairment charge was required in the year under review, as in the previous year.

In the South Region, goodwill totaled T€ 15,455 (previous year: T€ 15,455) and the recoverable amount totaled T€ 128,876 (previous year: T€ 0). No impairment charge was required in the year under review, as in the previous year.

Sensitivity analyses performed on the basis of a 10% higher discounting rate as of September 30, 2013 would have resulted in T€ 0 of goodwill impairment charges at CGUs (previous year: T€ 336) if the remaining valuation parameters were to remain unchanged. The carrying amounts of the CGUs potentially affected by impairment totaled T€ 87,544 after this adjustment as of September 30, 2013. A variation of the growth rate by 0.5% woudn't result in further impairments either. No meaningful previous year figures are available due to the fact that the CGUs were redefined in the year under review.

As of December 31, 2013, the key assumptions and estimates in the planning accounting area, as well as the discount factor, were subject to no significant modifications. There were also no particular events between the impairment testing and December 31, 2013, which would indicate potential additional requirements for impairment charges.

As in the previous year, as of December 31, 2013 there were no assets with restricted ownership right, and no assets that have been assigned as collateral.

The impairment charges regard advantageous contracts due to operating losses amounted to T€ 480 in the year under review.

Changes in 2012 in T€	Goodwill	Software/licenses/ similar rights	Total
Cost			
1/1/2012	73,276	10,223	83,499
Additions (purchased individually)	0	476	476
31/12/2012	**73,276**	**10,699**	**83,975**
Cumulative amortization and impairment charges			
1/1/2012	15,377	4,698	20,075
Amortization	0	1,320	1,320
Impairment charges	-255	0	-255
31/12/2012	**15,632**	**6,018**	**21,650**
Carrying amount	**57,644**	**4,681**	**62,325**

(9) Leases and other financial obligations

Finance leases

Property rented by the company includes land, buildings, and other facilities and equipment. The lease agreements may contain extension or purchase options, as well as price adjustment clauses. In general, the durations of leasing agreements for land, buildings, and operating and office equipment range between three and 50 years. Impairment charges/depreciation of asset items in connection with finance leasing, and interest payments arising from finance leasing) in connection with finance leases amounted to T€ 15,370 (previous year: T€ 14,762). They are reported as expense under 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.

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

in T€	2013	2012
Acquisition costs	**160,486**	**155,407**
of which buildings*	132,046	126,196
of which fittings and operational equipment	28,440	29,211
Cumulative depreciation/amortization and impairment charges	**-74,186**	**-67,920**
of which buildings	-49,247	-43,250
of which fittings and operational equipment	-24,939	-24,670
Carrying amounts	**86,300**	**87,487**
of which buildings	82,799	82,946
of which fittings and operational equipment	3,501	4,541

* Includes additions of T€ 7,057 as of December 31, 2013.

The future minimum lease payments (MLPs) and present values of the minimum lease payments for the aforementioned finance leases amount to:

in T€	2013 MLPs	2013 present value	2012 MLPs	2012 present value
Up to 1 year	13,830	7,347	13,408	7,024
1 to 5 years	52,099	28,654	51,597	28,483
Longer than 5 years	121,934	74,535	122,349	74,620
Total minimum lease obligations	**187,863**	**110,536**	**187,354**	**110,127**
Special lease payments for buildings (purchase option)	-3,068	-2,848	-3,068	-2,849
Total net minimum lease obligations	**184,795**	**107,688**	**184,286**	**107,278**
less interest	-77,106	0	-77,008	0
Present value of minimum lease obligation	**107,689**	**107,688**	**107,278**	**107,278**

The lease liabilities have the following maturities:

in T€	2013	2012
Up to 1 year	6,792	6,538
1 to 5 years	26,216	26,121
Longer than 5 years	74,680	74,619
Total	**107,688**	**107,278**

Operating leases

Various operating lease agreement for buildings, office equipment, and other facilities and fittings were entered into. Most leases contain extension options allowing extensions for periods of five or ten years. Some contain price adaptation clauses 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 lease expenses amounted to T€ 55,776 in the 2013 financial year (previous year: T€ 56,391).

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 lease payments arising from leases relating to real estate and maintenance service agreements, are as follows as of the December 31, 2013, reporting date:

in T€	< 1 year	1-5 years	> 5 years
Building rents	57,219	214,672	290,200
Maintenance agreements	2,482	4,095	528
Total	**59,701**	**218,767**	**290,728**

The maturities of the minimum lease payments arising from leases relating to real estate and maintenance service agreements, are as follows as of December 31, 2012, reporting date:

in T€	< 1 year	1-5 years	> 5 years
Building rents	60,859	241,925	353,790
Maintenance agreements	2,228	2,150	269
Total	**63,087**	**244,075**	**354,059**

Besides this, purchase obligations exist for real estate assets. Please also refer to Section B 12 "Non-current and current provisions".

As of the December 31, 2013, balance sheet date, the company does not anticipate that guarantees, warranties or the provision of collateral for third-party liabilities will be utilized.

(10) Non-current and current financial liabilities

in T€	Residual term < 1 year	Residual term 1-5 years	Residual term > 5 years
31/12/2013			
Liability component of FAZIT participation right	0	0	3,772
Negative fair value from cash flow hedge	0	1,496	0
Bank loans	20,465	21,091	7,481
Total	**20,465**	**22,587**	**11,253**

in T€	Residual term < 1 year	Residual term 1-5 years	Residual term > 5 years
31.12.2012			
Liability component of FAZIT participation right	0	0	3,898
Negative fair value from cash flow hedge	0	2,362	0
Bank loans	10,659	34,268	11,427
Total	**10,659**	**36,630**	**15,325**

As a consequence of the majority takeover of our company by Korian Deutschland AG, the banking group that provides us with financing enjoys a special right of termination due to agreed change of control clauses. To this extent we have launched a waiver process that is not yet fully concluded. As a consequence, loans of T€ 17,000 are reported as current financial liabilities as of December 31, 2013, pursuant to IAS 1.74. The syndicated loan was cancelled by CURANUM on January 20, 2014, and replaced by a Group loan. For more information, please refer to Section E 34 "Events after the balance sheet date".

An interest-rate swap was entered into to hedge the variable interest-rate risk arising from the syndicated loan that was entered into in 2012. The nominal value of these interest rate derivative transactions amounted to T€ 20,750 as of December 31, 2013 (previous year: T€ 23,750), and is derived from the following table:

		Term		
No.	Interest rate/reference rate	Start	End	Nominal T€
1	3M-EUR-EURIBOR / 4.7 %	19.12.2012	16.11.2015	20,750

The year-on-year change in fair values was as follows:

No.		2013 in T€	2012 in T€
1	3M-EUR-EURIBOR / 4.7 %	-1,496	-2,362

The fair values of the swaps are reported directly in equity (other comprehensive income), including deferred tax in the case of financial liabilities.

The fair values were calculated on the basis of bank valuations. The fair values were also verified and confirmed by expert reports by discounting the expected future cash flows on the basis of yield curves (discounted cash flow method).

The fair values arising from cash flow hedges are recognized under financial liabilities with a residual term of three years (previous year: between one and three years).

The reported interest-rate swap relates to a net derivative position pursuant to IAS 39.101a.

Curanum AG has obligated itself contractually to several banks as part of a syndicated loans (previous year: two syndicated loans) to evidence that it abides by a predetermined financial indicator, the net debt to EBITDA ratio, at the end of each quarter. The banks enjoy the right to special cancellation of the loan agreements if this fixed ratio is exceeded. Please refer in this connection to the remarks in Section E 27 "Additional disclosures relating to financial instruments pursuant to IFRS 7".

Normal banking collateral is in place for the bank borrowings, especially land charges (land registry entries) in an amount of T€ 49,384 (previous year: T€ 56,009) with a carrying amount as of the balance sheet date of T€ 25,803 (previous year: T€ 31,400).

(11) Trade payables

Trade payables contain open items arising from invoices received for supplies and services that have been utilized. As of the reporting date, these amounted to T€ 5,940 (previous year: T€ 6,782). 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.

(12) Non-current and current provisions

Provisions changed as follows:

in T€	Status 1/1/2013	Utilization	Release	Addition	Status 31/12/2013
Pension provisions	290	0	373	215	132
Phantom shares	307	259	80	32	0
Other	3,680	101	60	3,719	7,238
Total	**4,277**	**360**	**513**	**3,966**	**7,369**

in T€	Status 1/1/2012	Utilization	Release	Addition	Status 31/12/2012
Pension provisions	0	0	0	290	290
Phantom shares	61	0	0	246	307
Other	1,993	385	121	2,193	3,680
Total	**2,054**	**385**	**121**	**2,729**	**4,277**

Other provisions contained non-current provisions (residual duration greater than one year) of T€ 4,041 (previous year: T€ 3,509).

Pension provisions
Commitments exist arising from an employer-funded company pension scheme as part of plant agreements. These plant agreements qualify as defined benefit plans according to IAS 19.7. At the same time, the insurance was entered into to cover the respective pension payments arising from the pension commitments, and their payments were pledged to the pension beneficiaries. Such reinsurance entailing pledging to the pension beneficiaries of the claims are recognized as plan assets since they comprise qualified insurance policies pursuant to IAS 19.7. The assets are managed according to a fixed policy entailing high quality and diversified asset classes. The past service cost is expensed immediately whereby the payment is immediately unforfeitable and reported among general administrative cost, and the interest portion is reported in the net financial result.

The negative net balance calculated pursuant to IAS 19.54 of the present value of the defined benefit obligation on the balance sheet date and the fair value on the balance sheet date of plan assets, adjusted for past service cost not yet carried through profit or loss, and actuarial gains and losses, If the value of the plan assets exceeds the corresponding pension obligation, the surplus is reported under "other current assets".

The obligation's present value was calculated as of December 31, 2013 (previous year: December 31, 2012) on the basis of an actuarial appraisal applying the projected unit credit method, which entailed a 3.10% (previous year: 3.40%) interest rate.

Please refer to the consolidated statement of comprehensive income regarding the accumulated actuarial gains and losses.

The weighted average term of the pension obligations is 10.6 years.

CURANUM reported the following expenses and income relating to these defined benefit pension plans in the net income for the financial year under review:

in T€ Expense (+), income (-)	2013	2012
Current service cost	0	0
Interest expense / income	57	82
Expected / actual income from plan assets	-51	-54
Pension plan expenses	**6**	**28**

The present value of the defined benefit pension obligation is calculated applying the projected unit credit method in accordance with IAS 19.64, and changed as follows:

in T€	2013	2012
Present value of the defined benefit obligation as of January 1	1,873	1,426
Current service cost	264	0
Interest expense	57	82
Pension payments	107	54
Other changes	184	0
Actuarial gains / losses	141	419
Present value of the defined benefit obligation as of December 31	**2,044**	**1,873**

Changes to the fair value of the plan assets are as follows:

in T€	2013	2012
Fair value of plan assets as of January 1	1,583	1,538
Expected income from plan assets	51	54
Withdrawals from plan assets	106	0
Actuarial gains / losses	64	45
Employer contributions	448	54
Fair value of the plan assets as of December 31	**1,912**	**1,583**

No additions to plan assets are planned for the 2014 financial year. No minimum funding requirements exist.

The amount of the defined benefit pension obligation reported under the Pension provisions item in the consolidated balance sheet is derived as follows:

in T€	2013	2012
Present value of the defined benefit obligation	2,044	1,873
Fair value of plan assets	1,912	1,583
Liabilities / assets reported in the balance sheet	**-132**	**-290**

The amounts for the current and previous reporting periods are as follows:

in T€	2013	2012
Present value of the defined benefit obligation	2,044	1,873
Fair value of plan assets	1,912	1,583
Experience-related adjustments	0	7

The recognized net liability changed as follows in the financial years as of December 31, 2013 and 2012

in T€	2013	2012
Net liability as of January 1	290	-112
Service cost	264	0
Plan adjustments	0	0
Plan curtailments / plan settlements	0	0
Interest expense (income)	6	28
Changes from mergers	184	0
Withdrawals from plan assets	0	0
Actuarial gains / losses	205	374
Arising from demographic parameter changes	0	0
Arising from financial parameter changes	0	0
Actual income from plan assets (excluding expected interest income)	0	0
Pension payments paid (excluding plan settlements)	1	54
Employer contributions	448	54
Net liability as of December 31	**132**	**290**

Sensitivity observations of the significant act wearing assumptions as of December 31, 2013 resulted in the following results for the pension obligations:

Change in defined benefit obligation	T€
Discounting rate +0.5%	2,153
Discounting rate -0.5%	1,943

All sensitivity calculations were not performed as scenarios for all assumptions jointly, but instead for each calculation assumption on an isolated basis.

Phantom shares
With the majority takeover the company by Korian Deutschland AG, the previous phantom shares concept was wound down in 2013. As Mrs. Judith Barth stepped down from the Management Board early, a payment to her was not considered. The phantom share programs for Mr. Walther Wever were converted into an employer pension scheme in the form of an employer direct commitment. All entitlements arising from the previous phantom share programs have expired as a consequence.

Other provisions
The other provisions are composed as follows:

in T€	2013	2012
Contingent loss provision arising from purchase commitments	3,726	3,035
Provisions for early closure of a rental agreement	2,200	0
Current proceedings / cost of lawyers	857	539
Other	455	106
Total	**7,238**	**3,680**

If purchase obligations exist for real estate assets, corresponding contingent loss provisions have been formed. The contingent loss provision that was formed in the previous year in connection with a purchase obligation for a property in an amount of T€ 3,035 was increased by T€ 691 to T€ 3,726 as of December 31, 2013 due to new information (including interest effect in an amount of T€ 240).

(13) Liabilities to shareholders

Loans totaling T€ 3,750 exist with Korian S.A. as of December 31, 2013. This loan comprises variable interest. The existing interest-rate risk is carried as an effective hedging transaction as a result of the interest-rate swap which already exists, and which places no burden on earnings. A total with a residual term of less than one year amounts to T€ 1,000.

Korian S.A. also grants loans of T€ 5,750 and T€ 7,000 as of the December 31, 2013 reporting date. These were nevertheless not drawn down as of December 31, 2013. Please also refer to Section E 29 "Related parties disclosures".

(14) Income tax liabilities

in T€	2013	2012
Corporation tax liabilities	1,645	1,219
Trade tax liabilities	1,284	202
Income tax liabilities < 1 year	**2,929**	**1,421**

* Please refer in this connection to our remarks in Section A 4 "Summary of significant accounting principles"

The corporation tax liabilities of T€ 297 (previous year: T€ 527) arise mainly from the relinquishing of the non-profit status of the facilities that were newly acquired in 2011.

(15) Non-current and current liabilities arising from other liabilities

in T€	IAS 39 category *	2013	2012
Other financial liabilities			
Outstanding invoices	FLAC	6,779	4,577
Liabilities to staff	FLAC	3,516	3,522
Debtor accounts in credit	FLAC	1,463	1,535
Liability as part of GWA corporate acquisition	FLAC	1,100	2,000
Liabilities to occupants	FLAC	953	993
Professional co-operative contributions	FLAC	792	792
Deferred interest and participation right interest	FLAC	510	366
Liabilities relating to costs of preparing annual financial statements	FLAC	345	380
Supervisory Board remuneration	FLAC	216	194
Miscellaneous liabilities	FLAC	0	19
		15,674	14,378
Other liabilities			
Prepayments received	n.a.	3,335	3,145
Wage/church tax and VAT liabilities	n.a.	1,243	1,223
Deferred income	n.a.	492	397
Miscellaneous liabilities	n.a.	173	187
		5,243	4,952
Total other liabilities < 1 year		**20,917**	**19,330**

* For more information, please refer to Section A 4 "Summary of significant accounting principles"

Liabilities to employees are composed of outstanding claims for vacation days of T€ 1,138 (previous year: T€ 921), T€ 1,818 relating to overtime, vacation compensation, bonuses, and contributions for the severely disabled, (previous year: T€ 2,045), and time allowances of T€ 523 (previous year: T€ 519).

For more information about liabilities as part of the GWA corporate acquisition, please refer to Section C 21 "Other operating income / expenses".

A land charge of T€ 313 (previous year: T€ 440) was issued as collateral for loans to residents to finance serviced apartments, which were acquired as part of the acquisition of the company in 2007. These are reported among liabilities to occupants.

(16) Equity

The change in equity is presented in the consolidated statement of changes in equity.

Share capital

The subscribed share capital of Curanum AG amounts to € 42,507,000 (previous year: €42,507,000), and is split into 42,507,000 ordinary bearer shares. It is fully paid in. The ordinary shares carry a nominal amount of € 1.

Approved Capital (2011)

As the result of a resolution of the Shareholders' General Meeting on July 13, 2011, 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 non-cash capital contributions, once or on several occasions until June 21, 2016, by a total, however, of up to T€ 8,000 through the issue of a maximum of 8,000,000 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.

Due to the capital increase in the 2012 financial year, Approved Capital 2011 amounted to T€ 4,685 as of the December 31, 2013 balance sheet date.

Additional paid-in capital

Additional paid-in capital contains premiums arising from share issues.

2012 capital increase

On September 27, 2012, the Management Board of Curanum AG passed a resolution, with Supervisory Board assent, to increase the company's share capital under utilisation of the Approved Capital (2011) that was approved by the Shareholders' General Meeting through granting subscription rights to all shareholders. The new shares were offered to shareholders in an 11.7:1 ratio at a subscription price of € 1.50 per share. The subscription period ran from October 4, 2012 until October 18, 2012.

The capital increase the share capital of Curanum AG in the 2012 financial year from T€39,192 to T€42,507. The gross issue proceeds from the capital increase, which accrued to Curanum AG before deducting issue costs, amounted to T€4,973. The capital increase raised the subscribed share capital by T€ 3,315 (nominal amount of the shares), and the additional paid-in capital by T€ 1,543 (less T€ 115 of transaction cost) in the 2012 financial year. This cash inflow served to strengthen the operating business, and enabled the company to ensure follow-on financing for the borrower's note loans.

The entry in the commercial register occurred on November 16, 2012. Approved Capital 2011 consequently amounts to T€ 4,685 following this partial utilization.

Purchase of treasury shares

Through a resolution of the 2010 Shareholders' General Meeting the company was authorized until June 30, 2015, with the approval of the Supervisory Board, to acquire or resell once or on several occasions treasury shares in the company. 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 2013.

	Treasury shares in T€	Number of treasury shares
Status as of 1.1.2013 / 31.12.2013	1,241	405,102

The equity item treasury shares represents the acquisition value of Curanum AG shares purchased on the market, which are held by a trustee. Curanum AG held 405,102 of its own shares as of the balance sheet date. This corresponds to share of € 405,102 of the issued share capital, or 0.95% (previous year: 0.95%). These treasury shares are reported in equity to an amount of T€ 1,241. No treasury shares were purchased in either the 2012 or 2013 financial years.

Revenue reserve and profit/loss carried forward

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 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. Actuarial gains/losses of T€ -205 (previous year: T€ -374) from the measurement of pension commitments are reported in the revenue reserve.

Appropriation of earnings

The annual financial statements of Curanum AG as of December 31, 2013, which are based on German commercial law (HGB), report unappropriated retained earnings of T€ 5,873.

The Management and Supervisory boards recommend to the Shareholders' General Meeting that the unappropriated retained earnings of T€ 5,873 be carried forward to a new account.

No dividends were paid in the 2013 financial year.

Other comprehensive income

Other comprehensive income 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€ -363 (previous year: T€ -822). Recognition takes into account deferred tax assets of T€ 209 in the financial year under review previous year: T€ 176). Please refer to the consolidated statement of changes in equity.

The revaluation reserve, which is reported in other comprehensive income, arises from the revaluation of a real estate in 2006, and is released in line with the depreciation applied to the real estate asset.

C. Notes to the consolidated income statement

(17) Revenue

Revenue is mainly composed of the following:

in T€	2013	2012
Inpatient care including related services (catering/ cleaning and laundry)	243,227	240,158
Rental income from serviced apartments/outpatient care services	44,735	43,341
Other	5,074	5,273
Total	**293,036**	**288,772**

Other sales revenue mainly includes revenues from our cafe, restaurant and kiosk area.

(18) Cost of sales

Cost of sales contains:

in T€	2013	2012
Personnel expenditure	131,035	131,209
Rents	55,446	55,934
Miscellaneous expense	51,524	48,748
Depreciation / amortization	12,375	12,891
Total	**250,380**	**248,782**

Miscellaneous expense contains the following:

in T€	2013	2012
Water / energy / electricity	11,939	11,579
Food	11,839	11,996
Maintenance/repairs and building services	5,092	5,019
Property and other charges	2,819	2,759
Business requirements	2,658	2,957
Temporary help staff / freelancers	2,511	2,420
Medical care supplies	2,372	2,491
Provision for the premature cancellation of a rental contract	2,200	0
Vehicle fleet expenses	1,707	1,531
Waste disposal	1,253	1,261
Third-party cleaning services for buildings/ laundry	1,244	1,256
Care expense	1,050	943
Transferred training costs	975	705
Insurance	966	979
Equipment expenses	824	1,186
Specific valuation allowances for receivables	777	602
Expenses related to other accounting periods	321	527
Write-downs applied to receivables	265	270
Miscellaneous	712	267
Total	**51,524**	**48,748**

The expenses for provisions include a one-off discount payment of T€ 2,200 connected with the early winding down of a rental agreement. For more information please also refer to Section B 12 "Non-current and current provisions".

In the 2013 financial year, income from merchandise reimbursement was reclassified from other operating income to miscellaneous operating expenses of the cost of sales. The previous year's figures were adjusted accordingly. The income from merchandise refunds amounted to T€ 1,270 in the 2012 financial year, and to T€ 1,247 in 2013.

(19) Selling and marketing expenses

Selling and marketing expenses are composed as follows:

in T€	2013	2012
Personnel expenditure	237	213
Miscellaneous expense	1,181	942
Depreciation / amortization	508	10
Total	**1,926**	**1,165**

Miscellaneous expenses include mainly expenses for advertising and public relations activities of T€ 1,132 (previous year: T€ 896).

Of the depreciation and amortization, T€ 500 relates to the planned amortization applied to the the FAZIT trademark right.

(20) General administration expenses

The administration costs are composed as follows:

in T€	2013	2012
Personnel expenditure	17,869	15,393
Rents	116	0
Miscellaneous expense	11,656	7,074
Depreciation / amortization	1,230	594
Total	**30,871**	**23,061**

The rise in the personnel expenses mainly due to the establishment of further central functions in the real estate management area and in the quality management area (TQM).

The miscellaneous expense includes mainly legal and consultancy costs of T€ 5,329 (previous year: T€ 2,072). Miscellaneous expense also includes costs for office materials, postage, ancillary costs, money transfer costs, IT and office organization, and other administrative costs of T€ 2,260 (previous year: T€ 1,502), and telecommunications charges of T€ 644 (previous year: T€ 662). Of this amount, T€ 4,128 is attributable to extraordinary items as part of the mergers as well as the takeover by Korian Deutschland AG, and the non-cash capital contribution of the PHÖNIX Group (previous year: T€ 0).

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

Personnel expense and average number of employees

The personnel expense is allocated to the individual sections 18 to 20 as follows:

in T€	2013	2012
Wages and salaries (including settlements)	123,979	121,831
Professional cooperative	1,237	1,169
Social contributions	23,925	23,815
Total	**149,141**	**146,815**

In the case of defined contribution pension plans, the company pays contributions to state and private pension funds on the basis of statutory and contractual provisions. The company is exposed to no further payment obligations once the amounts have been paid. Expenses of it T€ 10,379 (previous year: T€ 10,636) were reported for defined contribution pension plans in the 2013 financial year. Social security contributions to the level of the employer share of T€ 13 (previous year: T€ 25) were paid out for the Management Board members.

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

	2013	2012
Salaried employees	5,595	5,641
Temporary personnel	862	884
Total excluding trainees	6,457	6,525
Trainees	437	394
On maternity/paternity leave	208	205
Total	**7,102**	**7,123**

(21) Other operating expenses / income

Other operating income mainly includes income from reimbursements of T€ 1,984 (previous year: T€ 1,878), income relating to other accounting periods of T€ 649 (previous year: T€ 1,800), income from the release of valuation adjustments receivables of T€ 447 (previous year: T€ 314), and income from the release of liabilities of T€ 290 (previous year: T€ 530). In addition, service income from related companies was reported for the first time in the year under review in an amount of T€ 488.

Due to a concluded settlement whereby Curanum AG obligated itself to pay T€ 1,100 to the plaintiff, the corresponding liability arising from the purchase price agreed in the corporate purchase agreement arising in turn from the acquisition of the GWA Group amounting to a total of T€ 2,000 was released in an amount of T€ 900 profit or loss (please also refer to Section B 15 "Non-current and current other liabilities").

In the 2013 financial year, income from merchandise reimbursement was reclassified from other operating income to miscellaneous operating expenses of the cost of sales. The previous year's figures were adjusted accordingly. The income from merchandise refunds amounted to T€ 1,270 in the 2012 financial year, and to T€ 1,247 in 2013.

Other operating expenses include impairment losses due to asset impairment in an amount of T€ 7,424 (previous year: T€ 956). Of this amount, T€ 6,944 (previous year: T€ 701) is attributable to property, plant and equipment, and T€ 480 (previous year: T€ 255) is attributable to intangible assets. This item also contains expenses unrelated to the accounting period in an amount of T€ 712 (previous year: T€ 378), and expenses of T€ 451 (previous year: T€ 1,706) arising from the addition to the contingent loss provision. Other operating expenses also include T€ 386 of extraordinary items (previous year: T€ 0).

(22) Interest income / interest expenses

The net financial result was composed as follows:

in T€	Arising from financial instruments in category (IAS 39 *)	2013	2012
Interest income from cash and cash equivalents	LaR	162	353
Interest income from swap adjustment	FAHfT	176	43
Interest income from compounding applied to financial assets	LaR	32	30
Total interest income		**370**	**426**
Interest expense for various loans	FLAC	2,642	2,995
Interest expense for finance lease agreements	IAS 17	7,142	7,259
Interest expense relating to participation rights	FLAC	345	329
Interest expense for current financial liabilities (including guarantee credit commissions)	FLAC / n.a.	260	281
Interest expense from interest rate derivatives	FAHfT	1,035	918
Interest expense from swap adjustment	FAHfT	0	545
Interest expense from compounding applied to provisions	n.a.	508	189
Other interest expense	n.a.	11	445
Total		**11,943**	**12,961**

* For more information about the financial instruments presented and the categories in the meaning of IAS 39, especially the applied designations and abbreviations, please refer to the remarks about financial instruments in Section A 4 "Summary of significant accounting principles".

(23) Income tax

The breakdown of the reported income tax expense is as fol-lows:

in T€	2013	2012
Actual tax expenditure	2,308	756
Deferred tax income (previ-ous year: tax expenditure)	1,448	279
Total	**860**	**1,035**

in T€	2013	2012
Income tax for the current year	655	1,446
Income tax for previous years	1,653	-690
Total	**2,308**	**756**

Due to the profit and loss transfer agreement with CURANUM Holding GmbH, the total earnings of the subordinate entities accrued to Curanum AG in terms of Corporation income tax, thereby allowing the trade tax loss carry forwards to be utilised to the future. Curanum AG reports a trade tax loss of T€11,647 as of December 31, 2013.

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

in T€	2013	2012
Status January 1 Deferred tax assets	12,964	13,358
Consolidation change	-99	-6
Changes carried directly to equity	-204	-115
Changes carried through income statement	1,547	-273
Status December 31 De-ferred tax assets	**14,208**	**12,964**

An average income tax rate of 30.28% (previous year: 30.245%) is applied since all subsidiaries are located in Germany.

The consolidation disclosures relate primarily to effects arising from the subsequent consolidation of the GWA Group and of the CURANUM Betriebs GmbH West (formerly: VGB Be-teiligungs-und Verwaltungs GmbH) sub-group.

The change of T€ 5 (previous year: T€ 5) that was reported without impact on the income statement primarily reflects the release of deferred tax liabilities arising from the subsequent consolidation (hidden reserve) of the VGB subgroup.

As in the previous year, the loss carry forwards can be carried forward indefinitely. Deferred tax assets of T€ 2,448 were formed for the loss carry forwards of two subsidiaries and of the parent company totaling T€ 15,672 (previous year: T€ 14,520). For the first time, a corporation tax loss carry for-wards was recognized for Curanum Betrieb GmbH West in an amount of T€ 2,195 in the year under review.

No deferred tax assets were recognized for the trade tax loss carry forwards of Curanum Betriebs GmbH West in an amount totaling T€ 10,005, as they cannot be applied to be offset with taxable earnings.

in T€	Deferred tax assets 2013	Deferred tax liabilities 2013	Deferred tax assets 2012	Deferred tax liabilities 2012	Change through P&L 2013	Change carried directly to equity 2013
Property, plant and equipment						
Divergent useful lives and impairment charges	3,681	877	3,578	1,042	268	0
Finance leasing	8,095	0	7,603	89	581	0
Goodwill / customer base / brand right	210	1,339	464	1,532	-61	0
Market value of derivatives	453	0	715	0	-53	-209
Provisions	1,178	0	918	0	260	0
Tax loss carry forwards	2,448	0	2,272	0	176	0
Other items	3,207	854	2,262	284	376	0
Total	**19,272**	**3,069**	**17,812**	**2,947**	**1,547**	**-209**
Consolidation	50	2,044	50	1,951	-99	5
Total	**19,322**	**5,114**	**17,862**	**4,898**	**1,448**	**-204**

in T€	Deferred tax assets 2012	Deferred tax liabilities 2012	Deferred tax assets 2011*	Deferred tax liabilities 2011*	Change through P&L 2012	Change carried directly to equity 2012
Property, plant and equipment						
Divergent useful life and Impairment charges	3,578	1,042	3,027	875	384	0
Finance leasing	7,603	89	7,121	56	448	0
Goodwill / customer base / brand right	464	1,532	734	1,310	-492	0
Market value of derivatives	715	0	732	0	159	-176
Provisions	918	0	343	0	575	0
Tax loss carry forwards	2,272	0	3,361	0	-1,089	0
Other items	2,262	284	2,259	23	-258	0
Total	**17,812**	**2,947**	**17,577**	**2,264**	**-273**	**-176**
Consolidation	50	1,951	248	2,203	-6	61
Total	**17,862**	**4,898**	**17,825**	**4,467**	**-279**	**-115**

* The previous year's figures have been adjusted pursuant to IFRS 3.45.

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

in T€	2013	2012
Profit/loss before tax	-5,116	5,212
Expected tax expense / income applying tax rate applicable to the parent company of 30.28 % (2012: 30.2 %)	-1,549	1,574
Other, non tax-deductible expenses/trade tax additions	1,869	-211
Trade tax adjustment effects	450	-1,089
Prior years' tax	2,311	641
First-time consolidation of GWA	0	-4
Other effects	-2,221	124
Tax expense (actual and deferred)	**-860**	**1,035**

The other effects item primarily contains effects arising from the fiscal unit for corporation tax purposes, and goodwill amortization.

(24) Earnings per share

	2013	2012
Net income attributable to Curanum AG shareholders (in T€)	-5,977	4,163
Weighted average number of ordinary shares outstanding (in thousands) - basic -	42,102	39,204
Earnings per share (basic and diluted) in €	**-0.14**	**0.11**

The basic earnings per share and earnings per share have been calculated by dividing the periodic result attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of shares for the 2012 financial year includes the weighted average effect due to the capital increase in the 2012 financial year.

There were no dilution effects in the 2013 and 2012 reporting years that needed to be taken into consideration.

(25) Segment reporting

The CURANUM Group renders all services for an identical group of customers, and operates exclusively on the German market. These services' opportunity and risk profiles are not significantly different, and are interdependent. For this reason, the business segments that have been identified are summarized in line with the provisions of IFRS 8. Since no separate reporting segments exist in the meaning of IFRS 8, no presentation by business divisions has been made.

D. Notes to the consolidated cash flow statement

(26) Information about the consolidated cash flow statement

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 deposits. Cash and cash equivalents amount to T€ 7,600 in the CURANUM Group (previous year: T€ 16,207). Please refer to section B 1 "Cash and cash equivalents" in these notes to the financial statements.

The item for depreciation/amortization and impairment losses for non-current assets include impairment losses of T€ 7,424 (previous year: T€ 956). Please refer in this connection to our remarks in section A 4 "Summary of significant accounting principles", Section B "Notes to the consolidated balance sheet" and Section C "Notes to the consolidated income statement".

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, investing 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 (mainly composed of depreciation/amortization and changes in provisions), as well as changes 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. Non-cash effects include, among other items, additions arising from finance leases. Further notes relating to finance leases can be found in Section B 9 "Leases and other financial liabilities".

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

Outgoing interest payments totaled T€ 11,007 (previous year: T€ 12,111). Of this amount, T€ 3,865 is reported in the operating area (previous year: T€ 4,852). The interest portion from finance leasing is reported in the financing area. The cash flow hedge is reported in the item cash outflows for redemption of financial liabilities in the cash flow statement; please refer to the statement of consolidated changes in equity for the related figures.

The outgoing payments for finance leases contain both the interest and redemption components. The interest portion amounted in the year under review to T€ 7,919 (previous year: T€ 7,259).

E. Other disclosures and notes

(27) Additional disclosures relating to financial instruments pursuant to 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 Section A 4 "Summary of significant 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 (FV: Fair Value; AC: Amortized Cost):

in T€		2013	2012
Financial assets			
Cash and cash equivalents	AC	7,600	16,207
Financial assets available for sale	FV	140	137
Loans and receivables	AC	14,845	10,036
Total		**22,585**	**26,380**
Financial liabilities			
Financial liabilities at amortized cost	AC	185,862	188,690
Derivative financial instruments with hedging relationships	FV	1,496	2,362
Total		**187,358**	**191,052**

As in the previous year, financial assets available for sale as of December 31, 2013, relate to securities that are traded in an active market. For this reason, the CURANUM Group uses the market price prevailing on the balance sheet date as the fair value (Level 1).

The company deploys 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. The derivative financial instruments (interest-rate swaps) satisfied the formal criteria of a hedging relationship in the meaning of IAS 39, and were formally designated as hedges pursuant to IAS 39. The fair values were calculated using bank valuations; the fair values were also verified by expert third-party reports by discounting the expected future cash flows on the basis of yield curves (discounted cash flow method) (Level 2).

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

in T€	Fair value 2013	Carrying amount 2013	Fair value 2012	Carrying amount 2012
Financial assets measured at (amortized) cost				
Cash and cash equivalents	7,600	7,600	16,207	16,207
Trade receivables	8,396	8,396	8,392	8,392
Other receivables and assets	6,449	6,449	1,644	1,644
Financial assets measured at amortized cost				
Trade payables	5,940	5,940	6,782	6,782
Bank borrowings and participation right capital	53,610	52,809	60,780	60,252
Liabilities to shareholders	3,780	3,750	0	0
Finance lease liabilities	113,680	107,689	114,663	107,278
Other financial liabilities	15,674	15,674	14,378	14,378

Pursuant to IFRS 7.29, stating fair value for current financial assets and liabilities is not required if the carrying amount represents an appropriate approximation. The fair values of cash and cash equivalents, trade receivables, other current financial receivables and assets, trade payables, and other current financial liabilities, mainly correspond to their carrying amounts. This is particularly due to the short maturity of these instruments. The fair values have been presented in the overviews for the sake of completeness, although they have not been calculated separately.

Curanum AG determines the fair value of bank borrowings, other financial debt, and other non-current financial liabilities through discounting the interest income from assets measured at amortized cost by discounting expected future cash flows using interest rates for similar types of financial 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 financial debt. It is used to discount future cash flows.

The following table shows an allocation of assets and liabilities measured at fair value at the three hierarchical levels for the fair values as of December 31, 2013, with the exception of those assets and liabilities whose carrying amounts essentially corresponds to their fair value due to the current (short-term) nature of these items.

in T€	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets available for sale	140			140
Financial liabilities reported at amortized acquisition costs				
Bank borrowings and participation right capital		53,610		53,610
Liabilities to shareholders		3,780		3,780
Finance lease liabilities		113.680		113,680
Derivative financial instruments				
Derivative financial instruments with hedge relationship		1,496		1,496

The following describes the hierarchy levels of their assets and their application to the financial assets and liabilities of CURANUM:

Level 1: Quoted prices for identical assets or liabilities on active markets;

Level 2: Other measurement factors than quoted market prices that are directly observable for assets liabilities (in other words, as prices) or indirectly (in other words, derived from prices);

Level 3: Measurement factors for assets and liabilities that are not based on observable market data.

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

in T€	2013	2012
Interest income on assets measured at amortized cost	194	383
Financial assets available for sale	0	0
Impairment charges and losses arising from loans and receivables	-595	-561
Interest from derivative financial instruments (with and without hedge relationships)	-859	-1,420
Interest expense from financial instruments measured at amortized cost	-10,348	-10,748

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 or losses from derivative financial instruments include fair value changes and realized sales gains from derivative financial instruments (including interest income and interest expenses). This item comprises both the effects from derivative financial instruments with hedge relationships, and from derivative financial instruments without hedge relationships.

Interest expenses and income arising from financial instruments measured at amortized cost comprise mainly interest income and expenses from loans that have been drawn down, the profit-sharing certificate of FAZIT GmbH (formerly: FAZIT Betriebsträgergesellschaft für soziale Einrichtungen mbH), finance lease liabilities, and cash and cash equivalents. This item continues to include current interest payments arising from derivative hedging transactions.

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. The Management Board of Curanum AG carries overall responsibility, and delegates this responsibility to the central treasury department for operating reasons. The Management Board determines the main features of financial policy each year. The Management Board is regularly informed 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 department 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 and default risks

Curanum AG is exposed to certain default risks as a result of its operating business and its financing activities. Outstanding trade receivables are monitored constantly. Specific valuation adjustment take default risks into account (please see section B 2 "Trade receivables"). No significant concentrations of risk exist due to the company's diversified customer structure, as well as the creditworthiness of any providers of social security benefits. The carrying amount of receivables represents the maximum default risk.

In the case of derivative financial instruments, Curanum AG 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 consolidated balance sheet, including 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 Group's financial assets and liabilities are nominated exclusively in euros as of the balance sheet date. Since the CURANUM Group carries out its operating activities exclusively in the Eurozone, there are no currency-specific risks.

Interest-rate risk

Curanum AG is subject to interest rate risk mainly as a result of its variable-rate 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 AG endeavors to limit such risks through the use of interest rate derivatives. Curanum AG 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 hedging 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 Section A 4 General accounting principles.

As of the balance sheet date, Curanum AG had entered into an interest-rate swap (previous year: one interest-rate swap) to hedge the interest-rate risk arising from a syndicated loan with DZ Bank AG and a further loan with Kreissparkasse Köln. Since the financing facilities carry variable interest rates, and become more expensive as interest rates rise, the interest-rate swap hedges against rising interest rates by swapping the variable interest rate for a fixed interest rate. The interest-rate swap reduces in volume equivalent to the repayment of the corresponding loans. Kreissparkasse Köln utilized its special cancellation right as of June 30, 2013.

The new majority shareholder of Curanum AG made a variable interest rate loan available to the company in 2013 in order to repay the loan from Kreissparkasse Köln. The existing interest-rate swap has thereupon been designated a hedging instrument for the group loan and leads to an effective hedging relation.

The interest rate swap is monitored constantly by the treasury function, 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.

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 decrease; 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€ 1,035 as of December 31, 2013 (previous year: T€ 1,090). Due to the measurement of the respective financial instruments at amortized cost, this would only have had an effect on profit and loss if the financial instruments were disposed of early.

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€ -60 as of December 31, 2013, (previous year: T€ -138). Due to the hedging of interest-rate risk using swaps, a corresponding counter position is in place, as a consequence of which a net cash flow risk of T€ 0 exists as of December 31, 2013 and as of December 31, 2012.

Liquidity risk

Curanum AG is exposed to a general liquidity risk of being unable to counter financial risks in good time. Curanum AG limits such risk through effective cash management.

The following table presents all contractually fixed, non-discounted cash outflows and payments as of December 31, 2013, for redemptions, repayments, and interest rate payments arising over coming years from financial liabilities/obligations entered in the balance sheet.

31/12/2013 in T€	2014	2015-2018	2019 and after
Non-derivative financial liabilities			
Bank borrowings	21,219	25,899	8,647
Miscellaneous financial debt (profit-sharing certificate)	307	1,229	n/a **)
Liabilities to shareholders	1,166	2,857	0
Trade payables	5,940	0	0
Other financial obligations*)	75,760	223,823	295,339
Finance lease liabilities	13,830	52,099	121,934
Derivative financial liabilities			
Liabilities from swap transactions	819	649	0

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

** Future cash flows from 2018 term not stated due to the indefinite of the profit-sharing certificate.

31/12/2012 in T€	2013	2014-2017	2018 and after
Non-derivative financial liabilities			
Bank borrowings	7,825	44,381	14,470
Miscellaneous financial debt (profit-sharing certificate)	309	1,235	n/a **)
Liabilities to shareholders	0	0	0
Trade payables	6,782	0	0
Other financial obligations *)	77,465	244,075	354,059
Finance lease liabilities	13,408	51,597	122,349
Derivative financial liabilities			
Liabilities from swap transactions	948	1,511	0

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

** Future cash flows from 2018 term not stated due to the indefinite of the profit-sharing certificate.

The tables present only the expected date of the repayments of the liabilities. 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). In terms of effective management, the company does not distinguish between financial and non-financial assets. 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 debt position, and is used for internal financial management, as well as for external communications with financial investors, analysts, and banks.

A syndicated loan (previous year: two syndicated loans) in an amount of T€ 17,000 (previous year: T€ 24,000), which was entered into in 2012, serves as basis financing for Curanum AG. The syndicated loan financing carries a variable interest rate. The company has entered into interest-rate swaps which carry congruent maturities, and which are adjusted to reflect the respective repayment status, in order to hedge the related interest-rate risk. As part of these loan agreements, Curanum AG had obligated itself to provide evidence that it complies with various financial covenants at the end of each quarter.

Non-compliance with the covenants prompted the company to cancel the syndicated loan on January 20, 2014, and to enter into a loan agreement with Korian S.A., the new majority shareholder, concerning the T€ 17,000 amount that was outstanding as of the balance sheet date (please also refer to Section E 34 "Events after the balance sheet date"). This Group loan carries a normal market interest rate that lies 0.5% above the previous basis financing, but it does not include any collateral, and, in particular, no covenants.

The following table presents the net debt position:

in T€	31/12/2013	31/12/2012
Cash and cash equivalents	**7,600**	**16,207**
Current financial liabilities	20,465	10,659
Current liabilities to shareholders	1,000	0
Non-current financial liabilities	33,840	51,955
Non-current liabilities to share-holders	2,750	0
Total financial liabilities	**58,055**	**62,614**
Net debt	**50,455**	**46,407**

The net debt position reflects total cash and cash equivalents less current and non-current financial liabilities, as well as liabilities to shareholders. Finance lease liabilities of T€ 107,688 (previous year: T€ 107,278) are not taken into account in this context.

Offsetting

The following tables provide an overview of realize and potential offsetting transactions for financial assets within the CURANUM Group as of the balance sheet date: For financial assets, there were no realized or potential offsetting transactions for the 2013 financial year, nor for the previous year.

31/12/2013				Related amounts not offset in the balance sheet		
Financial assets in T€	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets reported in the balance sheet	Financial instruments	Cash collateral received	Net amount
Cash and cash equivalents	1,193	-1,171	22	0	0	22
Total	**1,193**	**-1,171**	**22**	**0**	**0**	**22**

31/12/2012 Financial assets in T€	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities offset in the balance sheet	Net amounts of financial assets reported in the balance sheet	Related amounts not offset in the balance sheet Financial instruments	 Cash collateral received	Net amount
Cash and cash equivalents	1,445	-1,441	4	0	0	4
Total	**1,445**	**-1,441**	**4**	**0**	**0**	**4**

The offsetting transactions within cash and cash equivalents relate to occupant loans. These derive from the facilities of the former GWA Group. Liabilities to occupants were offset with the corresponding cash positions as of the balance sheet date.

(28) Contingent claims and liabilities

No contingent claims or liabilities were recognized.

For further information, please refer to the notes to the financial statements in Sections B 1 "Cash and cash equivalents" and B 10 "Non-current and current financial liabilities"

(29) Related parties disclosures

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 and their close relatives who may exercise a significant degree of influence on the company by participating in the company's financial and business policy, but without controlling the company. In the 2013 financial year, this concerned the members of the Supervisory Board and Management Board of Curanum AG.

Compared with the previous year, one change occurred in the 2013 financial year. Korian Deutschland AG, Mannheim, Germany, announced in the Federal Gazette on March 26, 2013 that, following the expiry of the takeover offer's further acceptance period pursuant to Section 16 (2) Clause 1 of the German Securities Takeover Act (WpÜG), it owns a direct majority participating interest of 78.45% in Curanum AG. Korian S.A. Paris, France, directly holds a 100% interest in Korian Deutschland AG, Germany. As a consequence, Korian S.A. holds an indirect interest of 78.45% in Curanum AG through Korian Deutschland AG. On March 14, 2013, Korian S.A. informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that the voting rights share of Korian S.A. had exceeded the 75% threshold and amounted to 78.3994% as of this date. Korian S.A. is listed on NYSE Euronext Paris in the Compartiment B (ISIN: FR0010386334). From March 2013, Korian S.A., as the parent company of the larger scope of consolidation, includes Curanum AG in its consolidated financial statements by way of full consolidation.

Korian S.A.

Loan agreements were concluded with Korian S.A. in the year under review. Please see Section B 13 "Liabilities to shareholders". Korian S.A. has issued letters of subordination as part of these loan agreements.

Korian Deutschland AG / Korian Management AG

Korian Deutschland AG is a wholly-owned subsidiary of Korian S.A., Paris. Dr. Uwe Ganzer has been a member of the Management Board of Korian Deutschland AG as well as of Korian Management AG since September 9, 2013. This company is a "related company" in the meaning of IAS 24.

CURANUM Verwaltungs GmbH

The CEO of Curanum AG is the shareholder of CURANUM Verwaltungs GmbH as the general partner of CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG. Curanum Verwaltungs GmbH is also a "related company" in the meaning of IAS 24. CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG rendered compensation totaling T€ 1 (previous year: T€ 1) to this general partner as liability compensation and reimbursement of expenses. As of the balance sheet date, there were receivables in an amount of T€ 0 (previous year: T€ 11), and liabilities in an amount of T€ 1 relating to this company (previous year: T€ 2).

PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH

PHÖNIX Seniorenzentren Beteiligungsgesellschaft mbH is wholly-owned by Korian S.A. As a consequence, this company, its subsidiaries and participating interests comprise related companies pursuant to IAS 24. In the year under review, the costs of mutually rendered services and consultancy expenses were passed on in an amount of T€ 488, mainly for purchasing, IT, marketing and legal advice. PHÖNIX invoiced the CURANUM Group in the reporting year for T€ 20 of expenses for employee secondment.

Related parties disclosures

All business transactions of the aforementioned companies occur on normal market terms. The receivables and liabilities open as of the balance sheet date are not collateralized. No impairment charges or valuation adjustments were applied in the financial year under review (nor in the previous year). Interest expenses and interest income are reported in the period in which they occur, and are deferred/accrued accordingly.

Supervisory Board members

Dr. Ganzer rendered due diligence-related services for the PHÖNIX Group for T€ 59 (previous year: T€ 3).

Prof. Oberender also received advisory board fees of T€ 2 (previous year: T€ 3) and Prof. Klusen received advisory board fees of T€ 2 (previous year: T€ 2) for the Scientific Advisory Board of CURANUM Akademie Stiftung gemeinnützige GmbH.

(30) Auditor's fee

Auditor's fees of T€ 249 relating to the audit of the separate and consolidated annual financial statements of Curanum AG, and audit-related consultancy services, were expensed in 2013. Of this amount, T€ 30 comprises audit-related advisory services. In addition, T€ 89 was attributable to the previous auditor for the previous financial year.

(31) Utilization of the release provision pursuant to Section 264 (3) / Section 264 (b) 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.

(32) Curanum AG boards and compensation report

The following section presents details about Curanum AG's boards. The information also covers the compensation report, which explains the underlying principles, level and structure of compensation for the Management and Supervisory boards.

The compensation report is based on the requirements of Section 314 (1) Number 6 of the German Commercial Code (HGB), the DRS 17 German accounting standard that was approved on December 13, 2010, Reporting on board members' compensation, and the recommendations of the German Corporate Governance Code. This also takes into account the requirements as set out in IAS 24 "Related Party Transactions" of the International Financial Reporting Standards relating to information about the compensation of key managers Key Management Personnel Compensation.

The Supervisory Board approves the compensation scheme for Management Board members as proposed by the Supervisory Board Chairperson, including its significant contractual elements, and reviews it regularly.

The new system focuses on orienting Management Board compensation to a corporate management approach that is sustainable and long-term. This requires an appropriate composition of fixed and variable compensation components.

Multi-year measurement bases were established for the variable compensation, and parts of the variable compensation were granted on a delayed basis. A long-term interest in the company is intended to combine Management Board members' interests with the company's interests.

The fixed components consist of basic salary and other payments, which are reviewed regularly, and paid monthly. Other payments comprise taxable expense reimbursement payments, and the monetary benefit of non-monetary benefits such as company cars for business and private use, and pension contributions. The Management Board employment contracts include settlement caps.

Management Board

The company's Management Board comprises the following members:

Walther Wever, Hanover
(Management Board Chairman, CEO)

Judith Barth, Munich (until March 31, 2013)
(CFO)

Patricia Emmel, Munich (since May 1, 2013)
(CFO)

The remuneration of the Management Board totaled T€ 1,065 in the year under review (previous year: T€ 1,332).

2013 Management Board	Salary in T€	Benefits in kind in T€	Bonus in T€	Incentive commitment in T€	Direct commitments in T€	Total in T€
Walther Wever	320	16	0	110	259	705
Judith Barth	40	3	61	50	0	154
Patricia Emmel	133	6	0	67	0	206

2012 Management Board	Salary in T€	Benefits in kind in T€	Bonus in T€	Incentive commitment in T€	Direct commitments in T€	Total in T€
Walther Wever	320	16	100	100	435	971
Judith Barth	162	12	50	50	87	361

Management Board service agreement was entered into with Mrs. Emmel on May 1, 2013. At the end of November, the Management Board service agreement for Mr. Wever was extended by two years from December 1, 2013 until November 30, 2015. Both agreements include variable compensation components. Variable compensation (1) is measured in relation to EBITDA earnings as a short-term corporate target. Variable compensation (2) is measured in terms of the success in attaining sustainable and long-term corporate targets.

Variable compensation (1) for the short-term corporate target amounts to T€ 100 for a regular Management Board member, and to T€ 140 for the Management Board Chairperson. The measurement basis is the EBITDA reported in the consolidated financial statements for each business year. Management Board members receive a partial bonus for each year-on-year half percentage point improvement in earnings, with caps of T€ 140 for the CEO and T€ 100 for regular Management Board members. Appropriate adjustments are applied if operating EBITDA is significantly affected by extraordinary items. Variable compensation is adjusted pro rata where a contract lasts for less than one year. Adjusted EBITDA of € 34.0 million (after adjusting for € 6.7 million of extraordinary items) was calculated for the year under review, which exceeded the previous year's figure by € 1.8 million. As a consequence, both Management Board members achieved 100% target attainment.

Variable compensation (2) for the sustainable and long-term corporate targets over three-year periods in each case amounts to T€ 40 for a regular Management Board member, and to T€ 140 for the Management Board Chairperson. In this context, the specifics relating to the composition and calculation, especially the target-setting, calculation and target-attainment, duration, reduction, due date, as well as early stepping-down from the Management Board, are determined separately. The variable bonus (2) is not calculated, and does not fall due, until three years have expired.

If a Management Board member steps down early without a significant justification, any payments including ancillary payments to be agreed must not exceed the value of two years' compensation, nor the value of compensation for the residual term of the employment contract. Such calculations should also be based on the total compensation for the financial year elapsed, and potentially also on the prospective total compensation for the current financial year. If a Management Board member leaves the service of Curanum AG as a result of decease, the heirs to the Management Board member are entitled to the fixed salary for the three months following the month of decease (six months in the case of the Chair), albeit to a maximum until the end of the duration of the employment contract. In the previous year, one-off incentive commitments were agreed for both Management Board members for the realization of the follow-on financing.

As Mrs. Judith Barth stepped down from the Management Board early as of March 31, 2013, her phantom share program was wound down. As the result of this departure, the entitlement to payment from compensation claims arising from the phantom share programs has expired.

In the year under review, the phantom share programs for Mr. Walther Wever were converted into an employer pension scheme in the form of an employer direct commitment.

Supervisory Board

The company's Supervisory Board comprised the following members in the 2013 financial year:

Dr. Uwe Ganzer, lawyer, Bochum, (Chairman of the Supervisory Board, Chairman of the Personnel and Nomination Committee, member of the Audit Committee, as well as member of the Strategy Committee since April 23, 2013). Dr. Uwe Ganzer has been a member of the Management Board of Korian Deutschland AG as well as of Korian Management AG since September 9, 2013.

Dr. Dieter Thomae, business studies graduate, Member of the Bundestag (retired), health service partner, Sinzig Bad-Bodendorf, (Deputy Chairman of the Supervisory Board, member of the Personnel Committee, and member of the Strategy Committee) (until March 12, 2013).

Dr. Michael B. Treichl, managing shareholder of Audley Capital Advisors LLP in London, United Kingdom (member of the Strategy Committee) (until March 12, 2013)

Christian Chautard, non-executive director of the Board of Directors of Korian S.A., Paris, has been a member of the Supervisory Board since March 19, 2013. Mr. Chautard has been Deputy Supervisory Board Chairman, a member of the Personnel Committee, the Audit Committee and the Strategy Committee since April 23, 2013.

Yann Coléou, CEO of Korian S.A., Paris, has been a member of the Supervisory Board since March 19, 2013. He has been the Chairman of the Strategy Committee since April 23, 2013.

Dr. Martin Hoyos, auditor, Vienna/Austria (Audit Committee Chairman)

Prof. Dr. Dr. h.c. Peter Oberender, Bayreuth, Director of the Research Center for Social Law and the Health Sector at Bayreuth University (Strategy Committee Chairman until April 23, 2013; member of the Strategy Committee)

Prof. Norbert Klusen, Hamburg, business consultant.

Dr. Uwe Ganzer is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
- expert AG, Langenhagen (Supervisory Board member)

Dr. Treichl is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
- TAS-NCH Holding S.p.r.l., Milan, Italy,
- Egmont Investments S.A., Geneva, Switzerland (member of the Board of Directors)

Prof. Peter Oberender is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
- Supervisory Board Chairman of EconoMedic AG, Bayreuth
- Imaging Service AG, Niederpöcking (Supervisory Board Chairman)
- TruDent Zahnärztliche Behandlungskonzepte AG, Eckernförde (Supervisory Board Chairman)
- Advisory Board member of the University Clinic of Jena

Mr. Christian Chautard is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
- Korian S.A., Paris (non-executive director of the Board of Directors)
- Korian Deutschland AG, Mannheim (Supervisory Board Chairman)
- Segesta S.p.A., Milan (Supervisory Board member)
- Korian Management AG, Mannheim (Management Board member)
- March France S.A. (member of the Board of Directors)
- Spigraph S.A. (member of the Board of Directors)
- Renovia (member of the Board of Directors)

Mr. Yann Colèou is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
- Korian Management AG, Mannheim (Management Board member)
- Korian Management AG, Mannheim (Supervisory Board Chairman)
- Segesta S.p.A., Milan (Supervisory Board member)

Dr. Hoyos is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
- Korian S.A., Paris (Board of Directors member since March 18, 2014)
- AMG NV (Advanced Metallurgical Group), Amsterdam, Netherlands (Supervisory Board member)
- Koenig & Bauer Aktiengesellschaft, Würzburg (Supervisory Board member)
- CAG Holding GmbH, Marktl, Austria (Supervisory Board member)
- Prinzhorn Holding GmbH, Wiener Neudorf, Austria (Supervisory Board member)

Prof. Norbert Klusen is a member of the following supervisory boards required by law, and the following German or foreign controlling bodies of commercial companies comparable to supervisory boards required by law:
- Fischer-Appelt AG, Hamburg (Supervisory Board member)

Fixed remuneration for members of the Supervisory Board including fees for meetings totaled T€ 217 gross (previous year: T€ 194).

Supervisory Board	in T€
Dr. Uwe Ganzer	62
Christian Chautard (since March 19, 2013)	34
Yann Colèou (since March 19, 2013)	25
Dr. Martin Hoyos	38
Prof. Dr. Norbert Klusen	21
Prof. Dr. Dr. Peter Oberender	20
Dr. Dieter Thomae (until March 12, 2013)	10
Dr. Michael B. Treichl (until March 12, 2013)	7

The regulations for Supervisory Board compensation are set out in the Articles of Incorporation of Curanum AG. Along with compensation of expenses, all Supervisory Board members receive compensation plus VAT incurred. The table above presents the entire gross amount. This compensation amounts to T€ 15 per calendar year. Supervisory Board members who belong to the Supervisory Board for only part of a given financial year receive pro rata compensation. These amounts are payable once the financial year has elapsed. The chairperson receives three times this amount, and the deputy chairperson twice this amount. In addition, committee chairpersons received twice the T€ 15 compensation, and each committee member receives one and a half times the T€ 15 compensation. When Supervisory Board members hold several offices simultaneously, they receive compensation only for the highest remunerated office. Supervisory Board members also receive € 200 per day as a meeting fee for Supervisory Board meetings and Supervisory Board committee meetings.

(33) Declaration relating to the Corporate Governance Code

The Management and Supervisory boards of the parent company have issued the declaration required pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code on March 5, 2014 for the 2013 financial year, and it has been made permanently available for shareholders on the company's website (www.curanum.de) within the Investor Relations area.

(34) Events following the balance sheet date

Retroactive cancellation of the non-cash capital contribution agreement

On February 11, 2014 it was agreed that the non-cash capital contribution agreement should expire with retroactive commercial effect on February 28, 2014. As a consequence, the basis is discontinued for the capital increase resolution of the Shareholders' General Meeting and the consolidation of the PHÖNIX Group as of December 31, 2013. The legal proceedings concerning the non-cash capital contribution was ended by consentaneous declarations of settlement by all parties in March 2014. For more information, please refer to Section A 2 "Scope of consolidation".

Conclusion of a service agreement

On February 18, 2014, PHÖNIX and CURANUM entered into a service agreement in order to be able to realize to the greatest possible extent the synergy effects planned for Curanum AG and PHÖNIX. This contract regulates all services CURANUM has to render for PHÖNIX from Janurary 1, 2014.

Conclusion of a Group loan as basis financing

On January 20, 2014, Curanum canceled our existing loan with our house banks, and repaid the T€ 17,000 loan amount. We redeemed this in an equal amount by a Group loan, with the early repayment penalty being assumed by Korian S.A. This Group loan carries a normal market interest rate that lies 0.5% above the previous basis financing, but it does not include any collateral, and, in particular, no covenants. Given this lack of covenants, this concept means that there is no longer any going concern risk entailed in the financing.

With the exception of the aforementioned matters, no other events of special significance occurred up to the date on which the consolidated financial statements were prepared.

Munich, March 25, 2014

Curanum AG

The Management Board

Walther Wever (CEO)	Patricia Emmel (CFO)

SCOPE OF CONSOLIDATION AND UTILIZATION OF THE RELEASE PROVISION

pursuant to Section 264 (3) / Section 264 (b) of the German Commercial Code (HGB)

	Name	Headquarters	Interest held in % [1]
	The following German companies were fully consolidated as of December 31, 2013 (in alphabetical order):		
1	Altenheim Betriebsgesellschaft West GmbH [8]	Munich	100.0
2	Bad Schwartauer AVG Altenheim-Vermietung GmbH & Co. KG [2]	Munich	100.0
3	Curanum AG (parent company) [3]	Munich	--
4	CURANUM Akademie Stiftung gemeinnützige GmbH	Munich	100.0
5	CURANUM Betriebs GmbH [7] [8]	Munich	100.0
6	CURANUM Betriebs GmbH Mitte (formerly: Residenzen Niederrhein GmbH) [4] [8]	Munich	100.0
7	CURANUM Betriebs GmbH West (formerly: VGB Beteiligungs- und Verwaltungs- GmbH) [5] [8]	Munich	100.0
8	CURANUM Dienstleistung GmbH [8]	Munich	100.0
9	CURANUM Franziskushaus GmbH [8]	Gelsenkirchen	100.0
10	CURANUM Holding GmbH [8]	Munich	100.0
11	CURANUM Liesborn GmbH & Co. KG [2]	Munich	100.0
12	CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG	Munich	100.0
13	doc Orange GmbH [6] [8]	Munich	100.0
14	GAP Media Service GmbH [8]	Munich	100.0
15	RIAG Seniorenzentrum "Ennepetal" GmbH & Co. KG [2]	Munich	100.0
16	RIAG Seniorenzentrum "Erste" GmbH & Co. KG	Munich	100.0
17	RIAG Seniorenzentrum "Zweite“ GmbH & Co. KG	Munich	100.0
18	Service Gesellschaft West GmbH	Munich	100.0

1) Unless otherwise stated, the interest corresponds to the voting right share

2) Curanum AG acquired all of the minority shares in the first quarter of 2013. The difference between the purchase cost and the shares' carrying amount was offset directly with the revenue reserves (please also refer to the consolidated statement of changes in equity).

3) The spin-off of the shares held by Curanum Holding GmbH in OPTICURA Service GmbH, Wäscherei Ellerich GmbH and Lucullus GmbH to CURANUM Baubetreuung und Immobilienmanagement GmbH occurred with retrospective effect as of January 1, 2013 (commercial register entry: January 31, 2013). Also on February 4, 2013, the spin-off of the shares in CURANUM Baubetreuung und Immobilienmanagement GmbH of CURANUM Verwaltungs- und Beteiligungs GmbH & Co. KG to CURANUM Erste Service GmbH & Co. KG, which was newly founded in the 2013 financial year, was entered in the commercial register (commercial register entry January 18, 2013). On February 12, 2013, with the entry in the commercial register, the companies Lucullus GmbH and Wäscherei Ellerich GmbH were merged with CURANUM Baubetreuung und Immobilien-management GmbH with retroactive effect as of January 1, 2013. Subsequently with effect as of January 1, 2013, the two companies OPTICURA Service GmbH and CURANUM Baubetreuung und Immobilienmanagement GmbH were merged with CURANUM Erste Service GmbH & Co. KG (mergers entered in the commercial register on February 18, 2013). On February 18, 2013, with the entry in the commercial register, the accrual of CURANUM Erste Service GmbH & Co. KG to Curanum AG became effective with retroactive effect as of January 1, 2013.

4) This company changed its corporate name; this change was entered in the commercial register on February 14, 2013 With retroactive effect as of January 1, 2013, the companies Alten- und Pflegeheim Sieglar GmbH (commercial register entry March 4, 2013), Krankenheim Ruhesitz am Wann-see-Seniorenheimstatt GmbH (commercial register entry January 28, 2013) and Seniorenzentrum Hennef GmbH (commercial register entry February 18, 2013) were merged with CURANUM Betriebs GmbH Mitte (formerly: Residenzen Niederrhein GmbH).

5) This company changed its corporate name; this change was entered in the commercial register on February 14, 2013 On February 18, 2013, with the entries in the commercial register, the mergers of ELISA Seniorenstift GmbH and FAZIT Betriebsträgergesellschaft für soziale Einrichtungen mbH with CURANUM Betriebs GmbH West (formerly: VGB Beteiligungs- und Verwaltungs-GmbH) became effective with retroactive effect as of January 1, 2013.

6) This company was founded on March 28, 2012, and was entered in the commercial register on April 18, 2012.

7) With retroactive effect as of January 1, 2013, the companies Altenheim Betriebsgesellschaft Ost GmbH, Altenheim Betriebsgesellschaft Süd GmbH, CURANUM Bad Hersfeld GmbH, CURANUM Bessenbach GmbH, CURANUM Westfalen GmbH, Wohnstift Bremen GmbH (formerly: Bremer Wohn-stift gemeinnützige GmbH), Wohnstift Lingen GmbH (formerly: Wohnstift Lingen gemeinnützige GmbH), Wohnstift Salzgitter-Bad GmbH (formerly: Wohnstift Salzgitter-Bad gemeinnützige GmbH) and Wohnstift Timmendorf GmbH (formerly: Timmendorfer Wohnstift gemeinnützige GmbH) were merged with CURANUM Betriebs GmbH (commercial register entry May 6, 2013).

8) These companies utilize the release from the obligation to prepare, audit and publish annual financial statements and a management report applica-ble to incorporated firms.

STATEMENT OF RESPONSIBILITY

"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 of Curanum AG

Munich, March 25, 2014

AUDIT OPINION

We have audited the consolidated financial statements prepared by Curanum AG, Munich, comprising the balance sheet, statement of comprehensive income, 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, 2013. The preparation 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 Section 315a (1) of the German Commercial Code (HGB), are the responsibility of the company's Management Board. 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 Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements as promulgated by the Institut der Wirtschaftsprüfer (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 net assets, financing position 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 led to no objections.

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 Section 315a (1) of the German Commercial Code (HGB), and provide a true and fair view of the net assets, financial position 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 25, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Barth	Tropschug
Public auditor	Public auditor

FINANCIAL CALENDAR

28/03/2014	Results press conference in Munich
14/05/2014	Q1/2014 report
11/06/2014	Ordinary Annual Shareholders' General Meeting in Bad Nenndorf
24/07/2014	Half-yearly financial report 2014t
05/11/2014	Q3/2014 report

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CURANUM

Gute Pflege hat ein Zuhause.

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