



# Interim Report 3rd Quarter 2008

For the period from 1 January to 30 September 2008

**curasan**

Regenerative Medicine

## SCOPE OF CONSOLIDATION

curasan AG, Kleinostheim, Germany	Parent company
curasan Benelux BV, Veenendaal, the Netherlands	100 % sales
curasan Inc., Raleigh, USA, disposed of on 30 June 08	100 % sales
Pro-tec Medizinische Produkte GmbH, Kleinostheim, Germany	100 % sales

## FUNDAMENTALS

WKN/ISIN/code	549 453/DE 000 549 453 8/CUR
Type of stock	No-par value common stock
Number of shares	6.78 million
Free float	61.99 %
Closing price 2.1.08/ closing price 30.9.08 (Xetra)	Euro 2.05/ Euro 1.99
Highest closing price/ lowest closing price (Xetra)	Euro 2.35/ Euro 1.64
Trading volume for Xetra and Frankfurt (2.7.07–30.9.08)	Euro 2.34 million
Market capitalisation, 30.9.08	Euro 13.48 million
Free float factor acc. Deutsche Börse AG	0.6199
Free float market capitalisation, 30.9.08	Euro 8.36 million

## SUMMARY

(€ million )	1.1. to 30.9.08	1.1. to 30.9.07	Change
Sales revenues	7.48	7.43	0.6 %
Biomaterials	6.49	6.26	3.6 %
Pharmaceuticals	0.99	1.17	(15.4 %)
EBIT	(0.48)	(2.21)	78.2 %
Cash flow	5.61	(0.32)	N/A
Employees (full-time)	21	70	(70.0 %)

DEAR SHAREHOLDERS, BUSINESS ASSOCIATES  
AND STAFF,

This year's third quarterly report presents you with information on curasan AG's development in the period from January to the end of September 2008.

The last three months have been dominated by the sale of the dental division and the restructuring which accompanied this. As part of this reorganisation various areas of responsibility have been adjusted to meet the new requirements and reassigned to staff within the company. At the same time, organisational and technical preparations have been made for the upcoming outsourcing of activities in the areas of accounting and order processing.

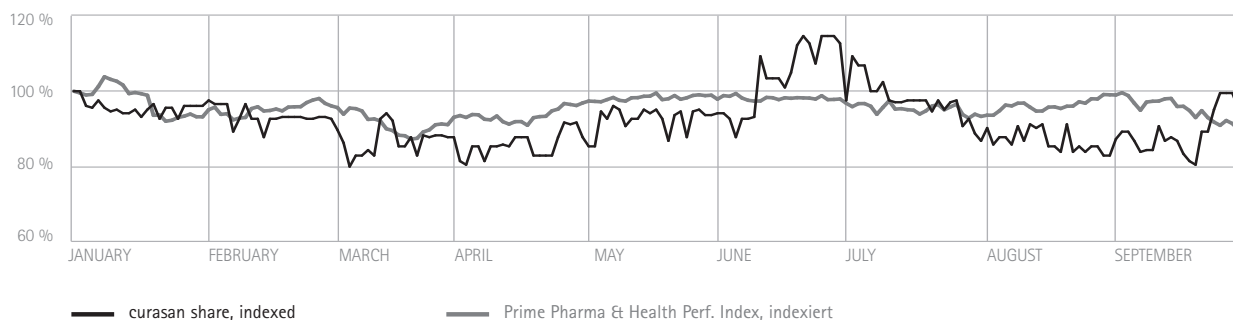
Along with these internal consolidation measures we have also been actively working on our external image. In September, we launched a series of IR events, which succeeded in focusing the attention of the capital market on our company and arousing interest in our shares. Various articles in the financial press have also helped our share price to remain stable at a good level in spite of the general crisis seen in the final weeks of the previous quarter.

We would like to thank you, our business associates, and all our staff for the trust you have placed in us.

curasan AG,  
The Management Board

Kleinostheim, Germany, November 2008

### CURASAN SHARE PERFORMANCE



### OUR SHARES

The curasan share price fluctuated between EUR 1.65 and EUR 2.24 in the third quarter of 2008. Following its lowest point on 18 September the share price gained significantly in value again by the end of the quarter. This trend means that from an annual perspective the share price is outperforming much of the market. The news of a balanced quarterly result in March and the extraordinary profit from the disposal of the dental division in June gave the share price particular dynamism. It has thus performed better since the start of the year than the Prime Pharma & Health Performance Index, which tracks all of the pharmaceutical and healthcare companies listed in the Prime Standard. The index has fallen 7.97 per cent since the start of the year. With a price of EUR 1.99 at the end of the third quarter, curasan shares performed 5.04 percentage points better than their index.

### SALES BY THE PRODUCT DIVISIONS

In the first nine months of 2008, the Group's revenue remained unchanged compared with the same period of the previous year. The 2008 revenue includes the sale of stocks of Cerasorb®, REVOIS® and membranes to Riemser Arzneimittel AG on 1 July 2008. Stocks totalling EUR 1.4 million were sold. As a result, it is only possible to make a limited comparison with the previous year's revenue figures.

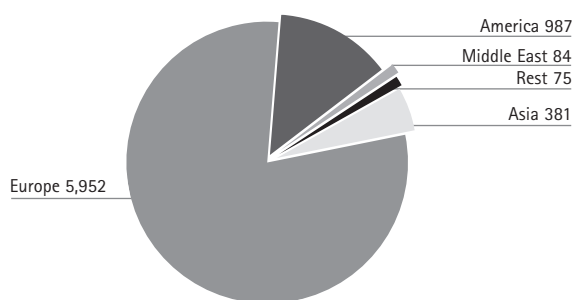
Including the stocks sold, curasan AG's national revenue increased by 5 per cent compared with the previous year.

On an international scale, revenue was 15 per cent below that generated in the previous year due to the disposal of the dental business.

In September, the export share at curasan AG was 34 per cent, thus 1 percentage point higher than in the previous year.

External sales at our US subsidiary were down 12 per cent on the year as a result of the sale. curasan Benelux increased its revenue by 14 per cent on the previous year. The curasan Group continues to generate the majority of its revenue in Germany and Europe.

Group revenue by region (€ thousand)



curasan operates in the sectors of biomaterials and pharmaceuticals. The segment referred to as Pharmaceuticals primarily comprises the product Mitem®. All other products fall under the Biomaterials segment. The same reporting, accounting and valuation principles have been used for the segment information as in the consolidated financial statements. Segment revenue comprises sales revenue, other operating income and changes in inventories of finished goods and work in progress. The figure posted as the segment result is the operating result.

In the period under review, segment reporting once again showed a strong emphasis on the Biomaterials segment. The decrease in segment revenue on the same quarter of the previous year is attributable to the disposal of the dental business. The improved segment result was primarily prompted by the cost reductions resulting from the removal of the dental business's running costs and the increase in other operating income.

The segment assets remained much the same as in the previous year. The segment liabilities fell significantly on the year as a result of a reduction in bank borrowings and trade accounts payable (-49 per cent).

## Quarterly segment reporting

(€ thousand)	Pharma	Bio	N/A	Total	Domestic	Foreign	N/A
Segment revenue							
2008	459	1,420	0	1,879	1,814	65	0
2007	362	1,794	0	2,156	1,397	759	0
Segment result							
2008	297	(872)	(21)	(596)	(362)	(213)	(21)
2007	(48)	(633)	(120)	(801)	(365)	(316)	(120)
Segment capital expenditure							
2008	0	3	0	3	3	0	0
2007	0	3	0	3	3	0	0
Segment depreciation and amortisation							
2008	0	62	0	62	62	0	0
2007	0	155	0	155	155	0	0

## Annual segment reporting

(€ thousand)	Pharma	Bio	N/A	Total	Domestic	Foreign	N/A
Segment revenue							
2008	1,554	7,401	0	8,955	6,552	2,403	0
2007	1,513	5,916	0	7,429	5,229	2,200	0
Segment result							
2008	62	(228)	(314)	(480)	469	(635)	(314)
2007	(419)	(1,458)	(328)	(2,205)	(987)	(890)	(328)
Segment assets							
2008	1,179	7,713	0	8,892	6,329	2,563	0
2007	754	8,170	0	8,924	5,878	3,046	0
Segment liabilities							
2008	425	2,054	0	2,479	1,796	683	0
2007	996	3,905	0	4,901	3,445	1,456	0
Segment capital expenditure							
2008	0	8	0	8	8	0	0
2007	0	12	0	12	12	0	0
Segment depreciation and amortisation							
2008	0	382	0	382	382	0	0
2007	0	485	0	485	485	0	0

## RESEARCH, DEVELOPMENT AND REGULATORY AFFAIRS

Having invested in elements of manufacturing and measurement technology that are essential for the production of new developments, we are currently establishing the necessary processes and procedures. As a result of our use of new materials, it is necessary to develop new manufacturing and cleanliness regulations to ensure that production is GMP-compliant.

Preparations for studies and the registration of our development products are progressing according to plan. Licensing applications are already being made for two projects in the fourth quarter of 2008.

Several studies based on animal experiments are in the preparation stage and these are expected to begin at the start of next year. The scientific co-operation programmes with university clinics and institutes have been further expanded and additional project support measures, partly on an international scale, have been requested.

Our development strategy for the coming years envisages the completion of one to two projects in each year. Partners will be sought for these projects so that distribution can be licensed out to them.

## CONSOLIDATED INCOME STATEMENT (IFRS/IAS)

(€ thousand)	Quarter 1.7. - 30.9.08	Quarter 1.7. - 30.9.07	Acc. 1.1. - 30.9.08	Acc. 1.1. - 30.9.07
Sales revenues	1,565	2,232	7,479	7,434
Other operating income	416	(97)	1,591	8
Changes in inventories of finished goods and work in progress	(102)	21	(115)	(13)
Own work capitalised	0	0	0	0
<b>Total output</b>	<b>1,879</b>	<b>2,156</b>	<b>8,955</b>	<b>7,429</b>
Cost of materials and services purchased	1,309	1,085	3,607	2,936
<b>Gross profit</b>	<b>570</b>	<b>1,071</b>	<b>5,348</b>	<b>4,493</b>
Staff costs	447	1,109	2,364	3,342
Depreciation and amortisation of property, plant and equipment and intangible assets	62	155	382	485
Other operating expenses	657	608	3,082	2,871
<b>Operating result</b>	<b>(596)</b>	<b>(801)</b>	<b>(480)</b>	<b>(2,205)</b>
Interest income and expenditure	(21)	(35)	(116)	(84)
Other financial income and expenditure	0	0	0	0
Income from the disposal of business segments	9	0	9,512	0
<b>Result before taxes</b>	<b>(608)</b>	<b>(836)</b>	<b>8,916</b>	<b>(2,289)</b>
Income taxes	(13)	5	(142)	(36)
<b>Net profit/loss for the period</b>	<b>(621)</b>	<b>(831)</b>	<b>8,774</b>	<b>(2,325)</b>
Earnings/loss per share (IAS)	(0.09)	(0.13)	1.30	(0.36)
Earnings/loss per share (DVFA/SG)	(0.09)	(0.13)	1.30	(0.36)
Average number of shares (IAS)	6,775	6,433	6,775	6,433
Cash earnings per share (DVFA)	(0.05)	(0.10)	1.40	(0.27)

Sales revenues, including the sale of stocks to Riemser Arzneimittel AG, in the first nine months of 2008 came to EUR 7.4 million (previous year: EUR 7.4 million). Other operating income was pleasing at EUR 1,591 thousand, thanks to the retransfer of provisions for REVOIS® and the sale of fixed assets to Riemser Arzneimittel AG. Insurance compensation for damage caused by water at the production plant in Frankfurt and a compensation payment from the arbitration process with Ascension Orthopedics in the USA were other positive factors. In comparison to the previous year, our stocks of self-produced goods decreased by EUR 115 thousand (previous year: EUR 13 thousand reduction in inventories).

Sales input within the Group totalled EUR 3.6 million. This corresponds to 48.2 per cent of revenue (previous year: 39.5 per cent) and is attributable to the changes in inventories in relation to the sale of inventories to Riemser Arzneimittel AG.

Compared with the first nine months of 2007, the headcount fell by 49 members of staff, taking the number of employees to 21 (full-time basis). This is reflected in the staff costs (EUR -978 thousand). The reduction in staff numbers is primarily due to the shutdown of production at Pro-tec Medizinische Produkte GmbH effective 31 December 2007 and the sale of the dental division on 1 July 2008 to Riemser Arzneimittel AG.

Employees (full-time)	30.9.08	31.12.07	30.9.07
Marketing/sales	1	32	35
Operations	10	18	20
Research/regulatory affairs	4	4	5
Finance/controlling	2	3	5
Administration	4	4	5
<b>Total</b>	<b>21</b>	<b>61</b>	<b>70</b>

Depreciation and amortisation expense relating to property, plant and equipment, intangible assets and goodwill was down slightly due to low levels of new capital expenditure and the disposal of intangible assets.

Other operating expenses increased by EUR 0.2 million on the year. The main increase resulted from curasan AG releasing curasan Inc. from a debt when it was sold to Riemser Arzneimittel AG. Costs in connection with the complete acquisition of the rights to REVOIS® also had a major role to play. Without these costs, other operating expenses would have been down approximately EUR 1.1 million on the year. Earnings before interest and taxes (EBIT) came in at EUR -0.5 million (previous year: EUR -2.2 million); without the special costs just mentioned, earnings before interest and taxes as of 30 September 2008 would have been positive, at approximately EUR 0.6 million.

Thanks to the sale of the dental division to Riemser Arzneimittel AG, curasan AG posted income from the disposal of business segments totalling EUR 9.5 million. This figure represents the sale proceeds less the asset disposals of the rights and trademarks transferred to Riemser Arzneimittel AG plus additional write-downs recognised on those accounts. It also takes into account that curasan Inc. was transferred to Riemser Arzneimittel AG free from debt with nominal capital of US\$10 thousand.

After taking interest expenditure and deferred taxes into account, the net profit for the year came in at EUR 8.8 million (previous year: loss of EUR 2.3 million).

## BALANCE SHEET AND CASH FLOW

The increase in cash and cash equivalents to EUR 6.3 million is due to the disposal of the dental division to Riemser Arzneimittel AG (previous year: EUR 0.7 million).

Trade accounts receivable grew slightly to EUR 1 million (previous year: EUR 0.9 million). By contrast, inventories shrank considerably in the first half of the year following the sale of Cerasorb®, REVOIS® and membrane stocks to Riemser Arzneimittel AG. They came in at EUR 0.9 million (previous year: EUR 1.8 million).

At EUR 0.1 million, current assets are down by EUR 0.3 million compared with the same period of the previous year. Non-current assets grew substantially, totalling EUR 4.9 million (previous year: EUR 0.1 million). This increase resulted from the outstanding instalments payable by Riemser Arzneimittel AG in the period up to 2011 as stipulated in the purchase contract.

Due to the sale of the rights to REVOIS® and the Cerasorb® trademark, intangible assets remained well below the previous year's figure at EUR 0.6 million (previous year: EUR 3 million). The intangible assets to be carried in the balance sheet for tax purposes as a result of the sale prompted a decrease in deferred taxes to EUR 29 thousand (previous year: EUR 129 thousand).

Short-term loans were slashed to EUR 0.2 million (previous year: EUR 1.9 million) following the repayment of bank loans.

Trade accounts payable fell to EUR 0.3 million (previous year: EUR 1.5 million) due to repayments to suppliers.

Provisions and other current liabilities remained on a par with the previous year.

The equity ratio improved to 81 per cent as at 30 September 2008 (31 Dec. 07: 34.6 per cent).

Cash and cash equivalents soared during the quarter under review to finish at EUR 6.3 million. This increase resulted from income arising from the sale of a business segment (EUR 9 million in the cash flow from investing activities).

As at 30 September 2008, the breakdown of cash and cash equivalents identified free funds totalling EUR 8 million. This shows that the curasan Group is in a position to finance the research, development and production of medical products for the high-growth market of regenerative medicine, and additionally that it has financial resources at its disposal.

## CONSOLIDATED BALANCE SHEET (IFRS/IAS)

(€ thousand)	30.9.08	31.12.07
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	6,294	684
Marketable securities	0	0
Trade accounts receivable	1,055	859
Inventories	922	1,783
Prepaid expenses and other current assets	49	420
<b>Total current assets</b>	<b>8,320</b>	<b>3,746</b>
Property, plant and equipment	1,344	1,430
Intangible assets	578	3,086
Goodwill	0	0
Deferred taxes	29	129
Other assets	4,944	136
<b>Total assets</b>	<b>15,215</b>	<b>8,527</b>
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Short-term loans	187	1,952
Trade accounts payable	275	1,473
Provisions	1,509	1,133
Other current liabilities (including due to shareholders)	508	810
<b>Total current liabilities</b>	<b>2,479</b>	<b>5,368</b>
Long-term loans	0	0
Pension provisions	401	210
Other non-current liabilities	0	0
<b>Equity</b>		
Subscribed capital	6,775	6,775
Capital reserves	21,481	22,099
Translation reserve	(39)	(62)
Accumulated losses brought forward	(24,656)	(21,771)
Net profit/loss for the period	8,774	(4,092)
<b>Total equity</b>	<b>12,335</b>	<b>2,949</b>
<b>Total equity and liabilities</b>	<b>15,215</b>	<b>8,527</b>

## CASH FLOW STATEMENT

(€ thousand)	1.1. - 30.9.08	1.1. - 30.9.07
Net profit/loss for the period	8,774	(2,325)
Proceeds from the disposal of a business segment	(9,512)	0
Depreciation and amortisation of fixed assets	382	485
Write-downs on current assets	0	0
Non-cash items (deferred taxes)	100	36
Increase in long-term provisions	191	50
Proceeds from the disposal of fixed assets	0	0
Increase/decrease in inventories, trade accounts receivable and other assets	134	760
Increase/decrease in trade accounts payable and other liabilities	(2,866)	355
Cash flow from operating activities	(2,797)	(639)
Payments for investments in fixed assets	(11)	(313)
Proceeds from the sale of a business segment	9,000	(134)
Cash flow from investing activities	8,989	(447)
Change in capital reserves	(582)	1,221
Proceeds from/payments for bonds and loans/ repayment of bonds and loans	0	(457)
Cash flow from financing activities	(582)	764
Net change in cash and cash equivalents	5,610	(322)
Other changes in cash and cash equivalents	0	0
Cash and cash equivalents at the beginning of the period	684	1,143
Cash and cash equivalents at the end of the period	6,294	821
Breakdown of cash and cash equivalents	8,020	431
Deposits at banks	8,202	684
Overdraft facility used	0	(253)

## DIRECTORS' HOLDINGS

i. thsd. Name	Position	Stock		Stock 31.12.07
		30.9.08	Change	
Hans-Dieter Rössler	Chairman of the Management Board	2,232	0	2,232
Dr. Detlef Wilke	Chairman of Supervisory Board	12	0	0

## SHAREHOLDERS' EQUITY

Shareholders' Equity (€ million)	Share Capital	Reserves	Currency translation reserve	Acc. Deficit	Net profit for the year	Total
Balance as at 1.1.08	6.775	22.099	(0.062)	(21.771)	(4.092)	2.949
Accrued profit	0.000	(0.618)	0.023	(2.885)	12.866	9.386
Balance as at 30.9.08	6.775	21.481	(0.039)	(24.656)	8.774	12.335
Balance as at 1.1.07	5.750	20.803	(0.021)	(21.771)	0.000	4.761
Accrued profit	1.025	1.296	(0.058)	0.000	(2.325)	0.062
Balance as at 30.9.07	6.775	22.099	(0.079)	(21.771)	(2.325)	4.699

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## OUTLOOK

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The outsourcing measures which have already been introduced will be gradually implemented through the end of the year. From October, accounting and payroll activities will be outsourced and order processing will follow in December. These changes will occur alongside further job reductions and will lead to cost reductions that will already have an impact on figures in the coming year.

The Chairman of the Management Board will lead various IR events in the coming weeks in order to bring the attention of the capital market to curasan AG as an attractive investment case. Given the current situation, the company stands out clearly from the rest of the market with its good liquidity situation.

For example, corporate presentations and meetings with small- and mid-cap investors in Frankfurt on 27 October and at the German Equity Forum from 10 to 12 November have already been conducted.

The 2008 annual report will be published at the end of April 2009.

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## IMPRINT

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