

Interim Report 2nd Quarter 2008

For the period from 1 January to 30 June 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 January 08/ closing price 30 June 08 (Xetra)	Euro 2.05/ Euro 2.31
Highest closing price/ lowest closing price (Xetra)	Euro 2.35/ Euro 1.64
Trading volume for Xetra and Frankfurt (2 July 07 - 30 June 08)	Euro 2.67 million
Market capitalisation, 30 June 08	Euro 15.65 million
Free float factor acc. Deutsche Börse AG	0.6199
Free float market capitalisation, 30 June 08	Euro 9.7 million

SUMMARY

(€ million)	1.1.-30.6.08	1.1.-30.6.07	Change
Sales revenues	5.91	5.20	13.7 %
Biomaterials	5.18	4.33	19.7 %
Pharmaceuticals	0.73	0.87	(16.1 %)
EBIT	0.12	(1.40)	N/A
Cash flow	7.34	(0.97)	N/A
Employees (full-time)	58	76	(23.7 %)

DEAR SHAREHOLDERS, BUSINESS ASSOCIATES
AND STAFF,

This is the second interim report this year. It covers the period from January to the end of June.

In the first six months, revenue increased by 13.7 per cent year on year. This growth was driven by the Biomaterials segment.

In June, we had the pleasure of welcoming many of you to our eighth Annual General Meeting in Aschaffenburg. All of the resolutions proposed on the agenda were passed by the majority of shareholders. The voting results have been published on our website under Investors Relations/Annual General Meeting. The auditing company and tax consultancy HJS GmbH (based in Bickenbach) has been chosen as the new auditor for curasan AG and the curasan Group commencing with this interim report.

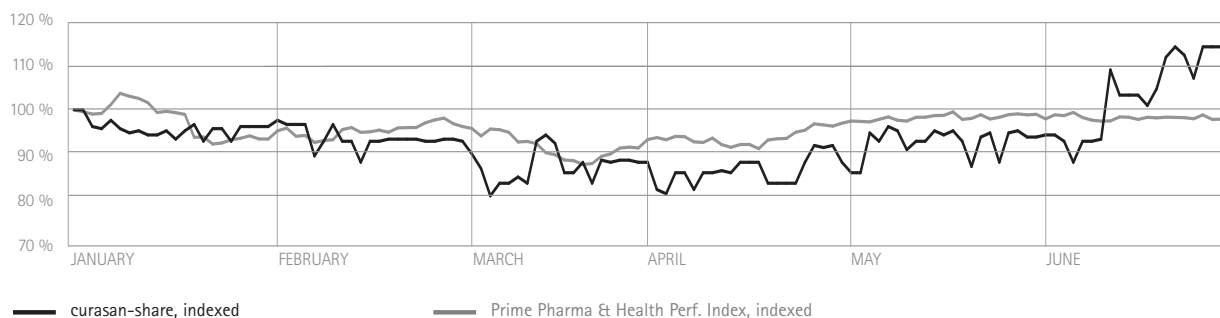
The Annual General Meeting was dominated by the sale of the dental division to Riemser Arzneimittel AG and the resulting realignment of curasan AG. The Management Board explained the thinking behind this strategic decision, which may at first seem surprising for those not connected to the company (see "Outlook"), and met with understanding and approval from the majority of shareholders and proxies present.

We would like to thank you, our business associates, and all our staff – including those who are now transferring to Riemser – for the trust you have placed in us.

curasan AG,
The Management Board

Kleinostheim, Germany, July 2008

CURASAN SHARE PERFORMANCE



OUR SHARES

In the first half of the year, the curasan share outstripped the average performance of the pharmaceutical and healthcare companies listed in the Prime Standard segment. The financial crisis continued to affect the Prime Pharma and Health Performance Index, which finished the quarter close to its starting value of 1,840.22 points at 1,802.15 (-2.07 per cent). While the index moved sideways, the curasan share succeeded in bucking the trend and considerably gaining in value. The price increases are attributable to a run of good news: in Q1, curasan AG further grew its revenue, enabling the company to post a balanced result for the first time. The sale of the dental division means we will be able to record a considerable extraordinary profit at the end of the financial year. The curasan share started the year at EUR 2.05 and climbed to EUR 2.31 in the following six months (+12.68 per cent).

SALES OF THE PRODUCT DIVISIONS

In the first half of 2008, the Group's revenue increased by 13.7 per cent compared with the same period of the previous year. This growth was driven by the Biomaterials segment and includes the sale of stocks of Cerasorb® to Riemser Arzneimittel AG for the sum of EUR 0.7 million.

We succeeded in growing the revenue generated with Cerasorb® – especially Cerasorb® M – in Germany via sales to GPs. Revenue from sales of REVOIS® continued to develop pleasingly. Overall, curasan AG's national revenue was up 7 per cent on the year.

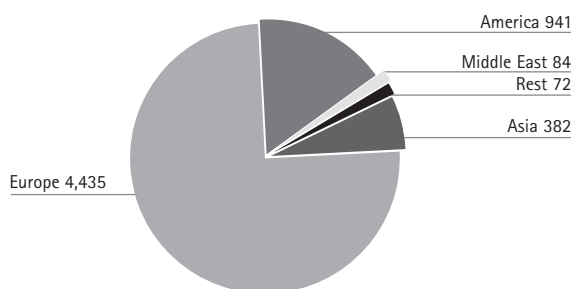
On an international scale, revenue from sales of Cerasorb® exceeded that generated in the previous year. Sales of membranes – especially Epi-Guide® – grew considerably. International sales of REVOIS® also developed positively, although licences have not yet

been issued in a number of Asian countries. A year-on-year increase of 22 per cent was recorded for curasan AG's international activities.

In June, the export share at curasan AG was 38 per cent, 8 per cent higher than in the previous year.

External sales were up on the year both at our US subsidiary (+36 per cent) and at curasan Benelux (+51 per cent). The curasan Group continues to generate the majority of its revenue in Germany and Europe.

Group sales per Region (€'000)



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 increase in segment revenue on the year is attributable to other operating income, which largely arose from the retransfer of provisions for the implant system REVOIS®. This was sold to Riemser Arzneimittel

Quarterly segment reporting

(€'000)	Pharma	Bio	N/A	Total	Domestic	Foreign	N/A
Segment revenue							
2008	465	3,322	0	3,787	2,738	1,049	0
2007	606	2,059	0	2,665	1,842	823	0
Segment result							
2008	(137)	365	(222)	6	494	(266)	(222)
2007	(219)	(692)	(121)	(1,032)	(520)	(391)	(121)
Segment capital expenditure							
2008	0	1	0	1	1	0	0
2007	0	5	0	5	5	0	0
Segment depreciation and amortisation							
2008	0	155	0	155	155	0	0
2007	0	166	0	166	166	0	0

Annual segment reporting

(€'000)	Pharma	Bio	N/A	Total	Domestic	Foreign	N/A
Segment revenue							
2008	1,095	5,981	0	7,076	4,738	2,338	0
2007	1,151	4,122	0	5,273	3,832	1,441	0
Segment result							
2008	(235)	644	(293)	116	831	(422)	(293)
2007	(371)	(825)	(208)	(1,404)	(622)	(574)	(208)
Segment assets							
2008	1,158	8,704	0	9,862	6,450	3,412	0
2007	972	8,902	0	9,874	6,732	3,142	0
Segment liabilities							
2008	699	3,830	0	4,529	3,028	1,501	0
2007	865	3,451	0	4,316	3,098	1,218	0
Segment capital expenditure							
2008	0	6	0	6	6	0	0
2007	0	4	0	4	4	0	0
Segment depreciation and amortisation							
2008	0	320	0	320	320	0	0
2007	0	330	0	330	330	0	0

AG. The improved segment result was prompted by the positive effects of this transaction on other operating income.

The segment assets and segment liabilities remained much the same as in the previous year.

RESEARCH, DEVELOPMENT AND REGULATORY AFFAIRS

Preparations for studies and the registration of our development products are going according to plan. The preliminary results for our bone bonding agent project remain good.

As expected, the disposal of the dental sales division freed up new resources for research, development and production. We initiated the process of procuring three large pieces of machinery for production and monitoring purposes. The production and regulatory documents are currently being drawn up for three new products. It will be necessary to produce some new document templates to manage the product range in line with GMP.

Following the realignment of curasan AG, we will primarily focus on orthopaedics in future, and especially the stronger positioning of Cerasorb® and Curavisc®. Preliminary talks are currently being held regarding several clinical studies to identify additional indications in this field.

CONSOLIDATED INCOME STATEMENT (IAS / IFRS)

(€'000)	Quarter 1.4. – 30.6.08	Quarter 1.4. – 30.6.07	Acc. 1.1. – 30.6.08	Acc. 1.1. – 30.6.07
Sales revenues	2,958	2,583	5,914	5,202
Other operating income	1,139	89	1,175	105
Changes in inventories of finished goods and work in progress	(310)	(7)	(13)	(34)
Own work capitalised	0	0	0	0
Total output	3,787	2,665	7,076	5,273
Cost of materials and services purchased	1,080	1,126	2,298	1,851
Gross profit	2,707	1,539	4,778	3,422
Staff costs	949	1,206	1,917	2,233
Depreciation and amortisation of property, plant and equipment and intangible assets	155	166	320	330
Other operating expenses	1,597	1,199	2,425	2,263
Operating result	6	(1,032)	116	(1,404)
Interest income and expenditure	(60)	(28)	(95)	(49)
Other financial income and expenditure	0	0	0	0
Income from the disposal of business segments	9,503	0	9,503	0
Result before taxes	9,449	(1,060)	9,524	(1,453)
Income taxes	(127)	(6)	(129)	(41)
Net profit/loss for the period	9,322	(1,066)	9,395	(1,494)
Earnings/loss per share (IAS)	1.38	(0.17)	1.39	(0.24)
Earnings/loss per share (DVFA/SG)	1.38	(0.17)	1.39	(0.24)
Average number of shares (IAS)	6,775	6,263	6,775	6,263
Cash earnings per share (DVFA)	1.44	(0.14)	1.48	(0.17)

Sales revenues in the first six months of 2008 came to EUR 5.9 million (previous year: EUR 5.2 million). Other operating income was pleasing at EUR 1,175 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 was another positive factor. In comparison to the previous year, our stocks of self-produced goods decreased by EUR 13 thousand (previous year: EUR 34 thousand reduction in inventories).

Sales input within the Group came in at EUR 2.3 million. This corresponds to 38.8 per cent of revenue (previous year: 35.6 per cent).

Compared with the first half of 2007, the headcount fell by 18 members of staff, taking the number of employees to 58 (full-time basis). This is reflected in the personnel expenses (EUR -316 thousand). The reduction in staff numbers is primarily due to the shutdown of production at Pro-tec Medizinische Produkte GmbH effective 31 December 2007.

Full-Time Employees	30.6.08	31.12.07	31.6.07
Marketing/sales	35	32	37
Operations	12	18	24
Research/regulatory affairs	4	4	5
Finance/controllers	3	3	5
Administration	4	4	5
Total	58	61	76

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.

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 0.1 million (previous year: EUR -1.4 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 writedowns 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 9.4 million (previous year: loss of (EUR -1.5 million).

BALANCE SHEET AND CASH FLOW

Cash and cash equivalents increased as compared with the first half of 2007, rising to EUR 8 million (previous year: EUR 0.7 million). This was due to the disposal of the dental division to Riemser Arzneimittel AG.

Trade accounts receivable grew to EUR 1.7 million as curasan posted receivables arising from the sale of inventories in connection with the disposal of the dental division to Riemser Arzneimittel AG. These account for roughly half of the total receivables (previous year: EUR 0.9 million). By contrast, inventories shrank considerably in the first half of the year following the sale of Cerasorb® stocks to Riemser Arzneimittel AG. They came in at EUR 1.4 million (previous year: EUR 1.8 million).

At EUR 0.7 million, current assets rose by EUR 0.3 million compared with the same period of the previous year. Non-current assets also grew substantially, coming in at EUR 3.9 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 Cerasorb® trademarks, 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 0.9 million (previous year: EUR 1.9 million) following the repayment of bank loans.

Trade accounts payable rose to EUR 1.8 million (previous year: EUR 1.5 million) due to the complete purchase of the rights to REVOIS®.

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

The equity ratio improved to 72.6 per cent as at 30 June 2008 (31 Dec. 07: 34.6 per cent).

Cash and cash equivalents soared by EUR 7.3 million during the quarter under review to finish at EUR 8 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 June 2008, the breakdown of cash and cash equivalents identified free funds totalling EUR 7.7 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.

CONSOLIDATED BALANCE SHEET (IAS / IFRS)

(€'000)	30.6.08	31.12.07
Assets		
Current assets		
Cash and cash equivalents	8,020	684
Marketable securities	0	0
Trade accounts receivable	1,692	859
Inventories	1,368	1,783
Prepaid expenses and other current assets	749	420
Total current assets	11,829	3,746
Property, plant and equipment	1,521	1,430
Intangible assets	606	3,086
Goodwill	0	0
Deferred taxes	29	129
Other assets	3,926	136
Total assets	17,911	8,527
Equity and liabilities		
Current liabilities		
Short-term loans	872	1,952
Trade accounts payable	1,819	1,473
Provisions	1,061	1,133
Other current liabilities (including due to shareholders)	777	810
Total current liabilities	4,529	5,368
Long-term loans	0	0
Pension provisions	386	210
Other non-current liabilities	0	0
Equity		
Subscribed capital	6,775	6,775
Capital reserves	21,481	22,099
Translation reserve	(44)	(62)
Accumulated losses brought forward	(24,611)	(21,771)
Net profit/loss for the period	9,395	(4,092)
Total equity	12,996	2,949
Total equity and liabilities	17,911	8,527

CASH FLOW STATEMENT

(€'000)	1.1. – 30.6.08	1.1. – 30.6.07
Net profit/loss for the period	9,395	(1,494)
Proceeds from the disposal of a business segment	(9,503)	0
Depreciation and amortisation of fixed assets	320	330
Write-downs on current assets	0	0
Non-cash items (deferred taxes)	100	41
Increase in long-term provisions	176	30
Proceeds from the disposal of fixed assets	0	0
Increase/decrease in inventories, trade accounts receivable and other assets	(747)	(205)
Increase/decrease in trade accounts payable and other liabilities	259	73
Cash flow from operating activities	0	(1,225)
Payments for investments in fixed assets	(11)	(202)
Proceeds from the sale of a business segment	9,045	0
Cash flow from investing activities	9,034	(202)
Change in capital reserves	(618)	1,221
Proceeds from/payments for bonds and loans/repayment of bonds and loans	(1,080)	(767)
Cash flow from financing activities	(1,698)	454
Net change in cash and cash equivalents	7,336	(973)
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	8,020	170
Breakdown of cash and cash equivalents	7,669	431
Deposits at banks	8,020	684
Overdraft facility used	(351)	(253)

DIRECTORS' HOLDINGS

(in thousand)		Stock 30.06.08	Change	Stock 31.12.07
Name	Position			
Hans-Dieter Rössler	Chairman of the Management Board	2,232	0	2,232
Dr. Detlef Wilke	Chairman of the Supervisory Board	12	0	0

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' Equity (€ million)	Share Capital	Reserves	Currency translation reserve	Acc. Deficit	Net profit for the year	Total
Balance as at 1 Jan. 08	6.775	22.099	(0.062)	(21.771)	(4.092)	2.949
Accrued profit	0.000	(0.618)	0.018	(2.840)	13.487	10.047
Balance as at 30 June 08	6.775	21.481	(0.044)	(24.611)	9.395	12.996
Balance as at 1 Jan. 07	5.750	20.803	(0.021)	(21.771)	0.000	4.761
Accrued profit	1.025	1.296	0.000	0.000	(1.494)	0.827
Balance as at 30 June 07	6.775	22.099	(0.021)	(21.771)	(1.494)	5.588

RISK REPORT

The Group is subject to quality assurance regulations for medical products and maintains the necessary quality management systems within the respective areas of its business. These systems are certified by independent bodies. The surveillance audit conducted by the relevant authority on 25 May 2008 at our production site in Frankfurt and on 26 May 2008 at our offices in Kleinostheim gave rise to no complaints.

The liquidity situation is positive following the sale of the dental division to Riemser Arzneimittel AG on 1 July. To date, some EUR 9 million has been paid to curasan AG in line with the terms of the contract. The funds remaining after accounts payable to suppliers and banks have been deducted are earmarked for interest-bearing investments.

The Group's profit forecast for the 2008 financial year projects a balanced or marginally positive operating result. The disposal of the dental division will prompt an extraordinary profit in 2008.

The curasan Group will experience organic growth with its remaining portfolio. Towards the end of 2008, we will enter into negotiations with a substantial number of companies to award the distribution licence for a product to obtain autologous growth factors. We hope that our newly developed bone replacement material will be licensed in late 2008/early 2009. It is designed for cases where rapid bone formation is not desirable. As regards our most innovative development – the resorbable bone bonding agent – the study with large animals has supplied impressive first-year results. We will therefore be able to start work on our licensing application at the beginning of next year.

GENERAL INFORMATION

This interim report complies with the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) published by the International Accounting Standards Board (IASB).

The Management Board of curasan AG confirms that – to the best of its knowledge – the interim report and interim management report portray a true and fair view of the situation of curasan AG and that the management reports accurately describe the material risks and opportunities.

The interim report and interim management report have not been audited as per Section 317 of the German Commercial Code (HGB) nor have they been subject to a review.

OUTLOOK

Following the sale of the dental division, curasan AG has retained the drug Mitem® and the hyaluronic acid Curavisc® along with the entire development portfolio of innovative medical products and the patents for Cerasorb®. The company continues to manufacture its main product, Cerasorb®.

The next two quarters will be dominated by major restructuring at the company combined with steps to further consolidate its activities. This is essential for the company's future development.

Based on excellent liquidity, curasan AG will concentrate on research and development along with manufacturing medical products for the high-growth market of regenerative medicine. The products will be marketed by a number of international distribution licence holders who are each well positioned in their market segments and cover the various indications and target groups.

The cost structure will be reduced to less than a third of the figures to date. We therefore anticipate a balanced to marginally positive operating result in the transitional phase up to the end of 2008.

We will continue work on our company's new alignment and intensively communicate it within the capital market from autumn onwards to allow shareholders to participate in this positive development.

The next quarterly report will be published on 12 November 2008.

IMPRINT

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