Annual Report 2006

curasan

Regenerative Medicine

(€'000)	2006	2005 Restated	2005
Total revenue	8,389	7,707	7,707
Revenue Pharmaceuticals	1,514	1,484	1,484
Revenue Biomaterials	6,875	6,223	6,223
Earnings before interest and taxes	(4,201)	(3,261)	(3,261)
Financial income	(66)	(65)	(65)
Extraordinary items	0	0	0
Net profit/(loss) for the year	(4,300)	(3,296)	(1,944)
Consolidated earnings, in accordance with DVFA/SG	(4,300)	(3,296)	(1,944)
Cash flow, in accordance with DVFA/SG	(3,738)	(2,658)	(2,658)
Earnings per share (IAS)	(0.75)	(0.63)	(0.37)
Equity	4,761	9,087	15,563
Total assets	11,255	14,848	18,724
Number of employees (full-time)	68	65	65
Equity ratio (in %)	42,3	61.2	83.1
Return on sales (in %)	(51.3)	(42.8)	(25.2)
Revenue per employee	123	119	119
EBIT per employee	(62)	(50)	(50)

KEY FIGURES

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Hans Dieter Rössler, CEO

DEAR SHAREHOLDERS, BUSINESS ASSOCIATES AND STAFF,

rising demands of patients in connection with the functionality, comfort and aesthetics of dental prosthetics and the increasing acceptance of implant-specific treatment by dentists have contributed to continuous worldwide growth of the implant market.



In view of the anticipated trends within this sector, we have made a management decision to participate in this market. For many years, we have been successful in bone and tissue regeneration within the dental market. Focusing on our synthetic bone regeneration material Cerasorb®, we have collected expansive knowledge in bone biology as well as dental surgery and implant technology. What we ultimately needed was the completion of the value-creation chain with an innovative implant system.

We have met this goal with the REVOIS® All-in-one system. Concurrent with complementing our implant technology products, last year we readjusted the strategy of curasan AG and focused our marketing and sales activities on the surgical implant market.

REVOIS® has been presented and demonstrated at many dentistry trade events. The workshops for the first instalment of our countrywide implant technology seminars conducted in the autumn were completely booked.

The noted positive resonance from national and international trade circles prompted us to exercise a pre-emptive option to buy all the legal rights to REVOIS® at the end of the year. This includes all rights for production and worldwide marketing of the REVOIS® implant system, including the trademark rights and patent applications. Thus, it has been ensured that the investment in new markets will positively impact the company's development.

During 2006, new development projects went forward according to plan. The formulation of a bone augmentation material in paste form was submitted for a patent and simultaneously listed in the Utility Model Register. In June, a patent application was submitted to the German Patent and Trademark Office for an absorbent biomaterial for bone regeneration which can be produced for individual patients. 2006 also saw the commencement of a development project of other structurally more stable, resorbable materials within the framework of a grantassisted project. Looking at our most innovative development, a resorbable bone adhesive, very promising results in terms of biocompatibility, biomechanics and cytology are now available following animal experiments.

In the fourth quarter of 2006, the consolidated financial statements of the curasan AG for the financial year ended December 31, 2005, were the subject of a spot audit by Deutsche Prüfstelle für Rechnungslegung DPR e.V. According to DPR e.V., the accounts contained two errors relating to the consolidated financial statements; curasan AG initially objected to these findings.

Both cases concern the interpretation of IAS/IFRS financial reporting standards, which are not applicable to the financial statements prepared in accordance with the German Commercial Code (HGB) and have no effect on liquidity. In order to avoid further time-consuming discussions about different possibilities for interpretation as well as unplanned costs, the Management Board, following consultation with the auditing firm Pannell Kerr Forster (PKF), has decided to adjust the consolidated financial statements (IFRS) for the financial year ended December 31, 2005, along with the consolidated financial statements (IFRS) for the financial year ended December 31, 2006, according to the interpretation of the DPR.

To maintain an up-to-date and clear scope of information for our shareholders and business partners as well as the public in general, we have completely revamped our internet presence. The new structure is designed to offer a quick overview and targeted access to various topics, be it to investor relations or specialist medical information. This fulfils not only the requirements of financial markets but also accommodates users who expect a detailed and meaningful description of the product line and product advantages.

Our thanks go to all our employees, clients, suppliers and shareholders. Your trust is the foundation of our work.

Hans Dieter Rössler

AN ENTERPRISE IS NOT A STATUS, BUT A PROCESS.

LUDWIG BÖLKOW (*1912), GERMAN ENGINEER

curasan is not the company anymore that it has been ten years ago. It is not even the company anymore that it has been three years ago. The transition from being a pharmaceuticals distributor to becoming a dental specialist with a full value chain shows a consequent adjustment to market potentials and chances.

CORPORATE STRATEGY

One of the keys to the success of curasan AG has been our identification of relevant gaps in the market and new potential within our field of business, plus our ability to respond rapidly to an ever-changing commercial environment.

This has been facilitated by flexible structures that allow changes to be made to the existing product portfolio, services and infrastructure as a timely response to market demands. curasan AG is firmly committed to making ongoing further developments and meeting the needs of the market to the best of its ability.

RESPONSE TO MARKET POTENTIAL AND NEW OPPORTUNITIES

In the orthopaedic and traumatology field, major multinational companies dominate the market. Since curasan AG does not have the corporate scope to develop a comparable distribution network of its own, the aim is to forge collaborative sales agreements with such conglomerates, so that we can participate in the associated growth opportunities. This is why curasan AG plans to issue more sales licences for new products in the future. For the product with the highest degree of innovation – a resorbable bone adhesive – discussions are planned with market-leading companies in this field, which should come to fruition in the course of 2007. The proceeds of this venture should have a very positive impact on current market capitalisation and stimulate further development of the company.

FOCUSING ON THE DENTAL SECTOR

As far as its own sales activities are concerned, curasan AG will be increasingly focusing on the dental sector. With its comprehensive technical, biological and medical expertise in bone and tissue regeneration, curasan AG has become a leading supplier in the field of regenerative medicine. The main focus of our product range is the synthetic bone regeneration material Cerasorb®, which is proving particularly successful in the dental sector. The market potential for this product is around € 200 million a year and there are good growth opportunities. In fact, it is anticipated that market potential for this product will double over the next few years.

The successes of the past have helped us establish excellent links with opinion leaders in the dental implantology field. It was this particular target market that gave curasan AG the impetus to round out its product portfolio by including an implant system.

GEARED TO THE NEEDS OF THE TARGET GROUP

Consequently, curasan AG has been marketing the REVOIS® All-in-one system since late 2006. It means the target market of dental implantologists is now able to source the complete range of dental replacement treatments from a single supplier. REVOIS® stands out from comparable implant systems in many respects and offers significant product advantages. Among other benefits, it fuses perfectly with the existing bone structure, thereby reducing the time patients spend waiting for the final prosthesis, and it also relies on comparatively few individual parts. Future prospects for the product are indeed promising. The market for artificial tooth replacement offers great potential, with total revenue currently worth about € 1.3 billion a year.

PRODUCT RANGE

curasan AG is very well positioned to exploit a host of different opportunities in the field of regenerative medicine.

Dental Implantology	
REVOIS®	Dental implant system
Surgical Instruments	Oral surgery instruments and suture material Foils and membranes for dental surgery

Biologicals	
stypro®	Haemostasis, wound healing, antibiotic carriers, growth factors, tissue engineering
Curavisc®	Hyaluronic acid, fermentative, synovial fluid

Biomaterials	
Cerasorb®	Different types of fully resorbable bone replacement material (granules, blocks)
Epi-Guide®	Membrane, cover for bone surgery wounds, resorbable
Tefgen	Membrane, cover for bone surgery wounds, non-resorbable
PRP-Kit	System to create platelet-rich plasma

Miscellaneous	
Mitem	Medication for the treatment of bladder carcinoma

Research and development	
Mediator concentrate	System to create platelet lysate
Bone adhesive	Replacement for fixation systems (plates, splints, nails and screws)

MOST OF THE THINGS WE LEARN, WE LEARN FROM THE CUSTOMERS.

CHARLES LAZARUS (*1923), AMERICAN ENTREPRENEUR, FOUNDER OF TOYS'R'US.

curasan translates the suggestions and the needs of the target groups into conclusive products and concepts. Through customer service and concentration the company has advanced and become a specialised supplier of an entire product range in the field of dental implantology.

REVOIS® – AN INNOVATION IN TOUCH WITH PATIENT NEEDS

The market for dental implants has great growth potential. About 14,000,000 teeth are extracted every year in Germany alone. According to recent estimates, dentists only replaced 600,000 of those teeth in 2006 with artificial dental roots. These figures show that the market in Germany remains substantially untapped. Despite the benefits of implant-based prosthetics, only 1.4 per cent of all adults and 2.6 per cent of senior citizens opted for implants.

One of the reasons for this is the lack of adequate information about the benefits of implants. Studies confirm that more than half the patients who have removable dentures have problems with them to varying degrees. Over a third of all denture wearers feel their eating is impaired and 17 per cent of them even stop smiling as a result. For these people, permanent implants can lead to a substantially better quality of life.

For this reason, there is already a discernible trend away from dentures to implants. "The willingness to wear removable dentures is waning," summed up Dr. Günther Dhom, President of the German Society of Implantology at its19th Annual Conference in December 2006.

Innovative implant systems like the REVOIS® All-in-one system, which offers many benefits to both practitioners and patients, is also helping to increase demand for artificial dental roots.

REVOIS® – THE ALL-IN-ONE SYSTEM

The REVOIS® All-in-one system is setting new benchmarks in implantology – both surgically, due to the ease of application and prosthetically, due to the enhanced aesthetic effect. Scientific studies have shown that precise determination of the biological width (a standard factor in dental treatments) and the concept of "platform switching" in implantology treatment play an important role in the success of aesthetic and functional implants. The degree of bone stability achieved at the implant cervix is what supports the soft tissue and thus determines the long-term outcome of the treatment – and this is precisely what the REVOIS® implant design addresses.

Other influential factors are the inherent surgical trauma and frequent changing of secondary parts. The latter is necessary with conventional implant systems but not when using the REVOIS® All-in-one system, which features a universal precision abutment that serves as the basis for the impression, as well as the temporary and permanent replacement teeth.

Findings from studies to date have also confirmed the importance of combined thread structures with an ultra-fine thread at the implant cervix. In conjunction with a rough implant surface, they facilitate optimal seating within the jawbone, all of which are features of the REVOIS® implant system.

The results of the first long-term clinical trials of the REVOIS® implant system have been extremely positive. They confirm that the scientific skills applied to the development of the product have been expertly translated into practical use.

INITIAL MARKET SUCCESS

For the market launch of REVOIS®, curasan AG embarked on a nationwide German road show for dental specialists in the autumn/winter of 2006. In a workshop entitled "Implantation even on minimal bone base" practitioners were informed about the use of implants and the benefits of

REVOIS®. At the 10th Frankfurt Implantology Conference in September 2006, keynote speakers addressed such topics as the requirements of a modern implant system and the impact of implant design on aesthetics. In this way, REVOIS® was introduced to around 500 implantologists in late 2006. Around 50 of these practitioners have already tested REVOIS® and carried out trial operations. For their first insertion of REVOIS® implants, practitioners have a curasan support person at their side. Feedback from implantologists involved in these trials has been uniformly positive. They value the extremely well conceived REVOIS® system and its simple and safe application.

Due to this positive response, it is anticipated that, over the medium term, implantologists already contacted will switch to using REVOIS® instead of their current system. As such a move involves an investment decision, it can only occur after due consideration and after the appropriate measures have been taken. Some practitioners, for instance, may well have to use up any existing stock held by their practice before investing in a new implant system.

REVOIS® has also been launched in other countries, and the first customers have already been secured in France, Belgium, the Netherlands, Egypt, Korea and Taiwan.

CURASAN-SHARES

STOCK MARKETS IN 2006

For the German stock markets, 2006 was the fourth good year in a row. While the first few months of the year were marked by market fluctuations, German indices rose consistently in the second half of the year. The leading German index, the DAX, posted an increase of 21.9 per cent over the previous year. The mid- and small-caps were even more dynamic, with the MDAX climbing by 28 per cent year on year and closing on a record high of 9,404 points. The TecDAX closed the year 2006 with an increase of 25.5 per cent and the SDAX rose by as much as 31 per cent by year end.

curasan shares are included in the CDAX, the Prime All Share Index, the Classical All Share Index, the TechAllShare and the German Entrepreneurial Index (GEX). However, the Prime Pharma & Health Performance Index remains one of the key benchmarks for curasan. It comprises all Prime Standard companies operating within the pharmaceutical and health care industry.

PERFORMANCE OF CURASAN SHARES

The Prime Pharma and Health Performance Index started the past financial year on a base of 1,204.80 points and greatly increased its value over the course of the year. The annual high of 1,707.68 was reached by the index on December 18, 2006. Over the course of the year, the average market value of listed pharmaceutical and healthcare companies rose by 41.6 per cent and thus performed well above average in comparison with other industries.

curasan shares did not manage the turnaround until the end of the year. The shares started from a base of € 3.05 at the beginning of the year on January 2, 2006, and rose to their annual high of € 3.13 by the middle of the first quarter. It was not until the annual low of € 1.52 was reached on November 17, 2006, that the shares returned on their upward path, closing at year-end on € 2.54. Despite having regained some of the ground previously lost, curasan shares posted an overall performance of -16.7 per cent seen across the whole year.

Investors were disconcerted on the one hand by the comparatively small revenue increase compared to previous years of 4 per cent in the first half of the year. Shareholder reluctance was also fuelled by the financial commitments associated with promotional activities for the market launch of the REVOIS® dental implant system.

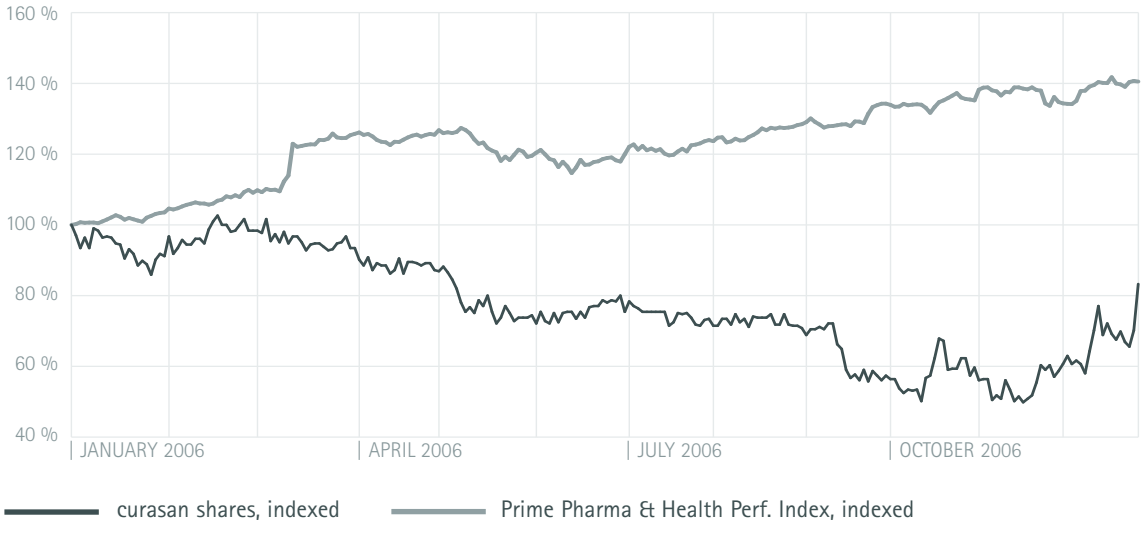
In the 3rd quarter, however, curasan AG began selling REVOIS® and signed its first sales agreements with distribution partners. Analysts from "red herring", Frankfurt, were prompted by this to set a fair value for curasan shares of € 3.45 in their third-quarter report.

The turnaround was finally secured by the announcement that curasan AG had acquired all rights from the licensor for the production and global marketing of the REVOIS® implant system, including trademark rights and patent applications. This also ensures that investments in new markets will have a long-term positive effect on the company's future development.

FUNDAMENTALS

WKN/ISIN/Code	549 453/ DE 000 549 453 8/ CUR
Type of stock	No-par value common stock
Number of shares	5.75 million
Free float	62.80 %
Closing price 02/01/06, Closing price 29/12/06 (Xetra)	€ 3.05 / € 2.54
High/Low closing price (Xetra)	€ 3.13 / € 1.52
Trading volume for Xetra and Frankfurt (02/01/06 – 29/12/06)	€ 6.27 million
Market capitalisation, year-end	€ 14.61 million
Free float factor acc. to Deutsche Börse AG	0.6280
Free float market capitalisation as at 29/12/06	€ 9.17 million

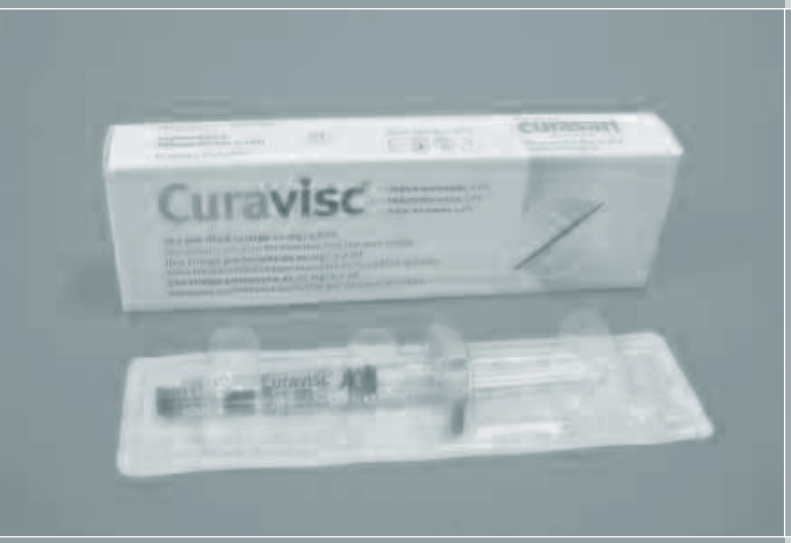
CURASAN SHARE PERFORMANCE



ENDURANCE AND CONSTANCY ARE TWO CHARACTERISTICS THAT ASSURE THE SUCCESS OF EACH ENTERPRISE.

LEO N. TOLSTOI (1828 - 1910)

It takes determination and conviction to detect market potential and niches betimes and occupy them with innovative products. The endurance curasan shows from the development up to the market launch of products will cash out for a long time.



DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE ISSUED BY CURASAN AG PURSUANT TO SECTION 161 AKTG

In 2001, the German Government appointed a Government Commission to develop a German Corporate Governance Code. This Code was finalised at the beginning of 2002. For current and future corporate governance practice of curasan AG, the following Declaration refers to the requirements of the Code contained in the 2 June 2005 version.

The code comprises the following standards:

- ∇ Recommendations, which are indicated in the code by the word "soll" (is/are to, shall or must)
- ∇ Suggestions, which are indicated in the code by the words "sollte" and "kann" (should, can or may)

With regard to the recommendations, Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) specifies that exchange-listed companies must publish a Declaration of Conformity if they depart from any recommendations. Companies may deviate from suggestions without having to provide any explanation.

Both the Management Board and the Supervisory Board of curasan AG are bound by the German Corporate Governance Code and issue an annual Declaration of Conformity accordingly. Neither the Management Board nor the Supervisory Board is aware of any points in which the principles contained in the respective versions have been breached.

Departures from the recommendations of the German Corporate Governance Code attributable to the Articles of Association of the Company are as follows:

Re. point 2.3.1: Invitation to the General Meeting

Only some of the reports and documents relating to the Annual General Meeting as specified by the Act appear on the Company's website.

Re. point 4.2.1: Composition of the Management Board

Pursuant to Section 5 (1) of the Articles of Association of curasan AG, the Management Board shall consist of one or more members. Currently, the Management Board of curasan AG consists of one person.

Re. points 4.2.2 and 4.2.3 and 4.2.4: Itemised Management Board compensation

Compensation of Management Board members was and is reported, and itemised as fixed and variable components. There are no plans to incorporate variable components and long-term incentive components, as the sole member of the Management Board is also the principal shareholder of the Company. Since increasing the value of the Company is in his own natural interest, no additional incentive systems are deemed necessary.

Re. points 5.1.2. and 5.4.1: Age limits for Management Board and Supervisory Board members

The German Corporate Governance Code recommends specified age limits for members of the Supervisory Board. So far, the corporate governance principles defined by curasan AG do not contain any age limits nor do they contain any age limits for members of the Management Board and therefore deviate from the specified recommendations. In future, curasan AG would like to comply more closely with the Corporate Governance Code and is therefore setting an age limit for Supervisory Board and Management Board members of 67. This means that when the Supervisory Board is elected or the Management Board appointed, candidates may not have completed their 67th year. This brings the Company's age limit in line with the general age of entering retirement.

Re. point 5.3: Formation of qualified committees

The Supervisory Board of curasan AG with its three members is comparatively small. For this reason, it does not require any qualified committees or an Audit Committee. The Supervisory Board of curasan AG as a whole addresses all matters of financial reporting and risk management with due diligence.

Re. point 5.4.7: Supervisory Board compensation

Pursuant to Section 12 (1) of the Articles of Association of curasan AG, the deputy chairman of the Supervisory Board receives no separate remuneration. The Articles of Association of curasan AG specify a fixed level of compensation for members of the Supervisory Board. No performance-related compensation is currently offered.

Kleinostheim, December 2006

The Management Board The Supervisory Board

MANAGEMENT REPORT OF THE CURASAN GROUP (GROUP MANAGEMENT REPORT) FOR THE 2006 FINANCIAL YEAR

As in the previous year, for the purposes of transparency, the management report has been compiled separately for the Group and for the parent company.

I. ECONOMIC CONDITIONS AND LEGAL FRAMEWORK

The realignment of curasan AG has produced a stronger focus on sales activities within the dental market. Having said that, research and development will continue to cover the entire market of regenerative medicine, which includes new products destined for the orthopaedics, traumatology, skin graft and tissue engineering markets. Distribution of these products is to be managed by groups operating within multinational structures, the aim being to generate down payment and licence revenue.

For many years now, the market for dental implants has been experiencing particularly dynamic expansion, and analysts predict that it will continue to produce double-digit growth in the future. The global market volume currently stands at around € 1.3 billion per annum. These findings are corroborated by a study conducted by Merrill Lynch and published in "Dental Implant Update". Within this context, the large economies remain the key target markets for this industry. The US alone accounts for 40 per cent of revenue, alongside the core European markets of Germany, France, the UK and Italy. Japan still remains the largest Asian market. However, India, China and other Asian countries have also been recording significant growth. Around three-quarters of the European market is covered by four companies: Nobel Biocare, Straumann, Biomet and Dentslpy. The next four competitors in line account for approx. 15 per cent of the market. On a global scale, the positions held by the key players vary slightly depending on the local market. Having said that, the overall picture is relatively homogeneous. It is in this market for dental implants that curasan AG wishes to participate, unlocking growth opportunities with its new REVOIS® implant system.

All medical research companies have forecast buoyant growth within the area of bone replacement and regeneration materials. According to a research paper recently published by Deutsche Bank, the market for bone regeneration materials is likely to grow by around one hundred per cent between 2004 and 2010. The global market volume

currently stands at approx. € 170 million within the dental sector and € 550 million within the area of orthopaedics/ traumatology. The US alone accounts for 60 per cent of this market, while Europe and the rest of the world each hold a share of 20 per cent. We believe that market penetration of Cerasorb® will increase in the coming years thanks to the synergies between this product and REVOIS®.

The market volumes attributable to artificial synovial fluid used in the treatment of osteoarthrosis and to bone growth factors – markets in which curasan AG is also represented with proprietary products – bear testimony to the incisive strategic direction chosen by curasan: from a company focusing on the sale of pharmaceuticals to a specialist supplier with a comprehensive portfolio and seamless value-creation chain, operating in a highly dynamic growth market.

Executive management at curasan AG falls within the remit of company founder and sole Management Board member Hans Dieter Rössler. The extended management team comprises the finance manager, the marketing and sales manager, the divisional manager for medical products as well as the technical manager in charge of research and development. In addition to directing their respective areas of responsibility, the company's senior officers are accountable for risk management.

II. BUSINESS REVIEW

On March 22, 2006, curasan AG was granted the anticipated approval for its dental implant system REVOIS®. The launch of this product was delayed slightly due to issues concerning the suitability of packaging and its production. As a result, market rollout commenced after the summer months.

In June, curasan AG was certified in accordance with DIN EN ISA 13485:2003 Medical Devices – Quality Management Systems – Requirements for Regulatory Purposes. The new quality management system fulfils not only all the requirements set out in European legislation on medical devices, it also complies with the provisions of the Food and Drug Administration (FDA).

In June, curasan AG also announced the launch of a Guided Positioning Implant System (GPIS), a device which allows dental implantologists to reduce treatment times per patient by around 50 per cent, as well as offering greater precision.

In October, curasan AG submitted to the FDA its REVOIS® registration application for the US market. Approval is expected to be granted in mid-2007, which should be followed up by the first US revenue flow towards the end of 2007.

On December 15, 2006, curasan AG exercised its right of pre-emption for the purchase of all legal rights to REVOIS®. This move was prompted by the outstanding feedback received from medical experts in Germany and abroad. Part of the purchase consideration will be settled with 500,000 newly approved shares issued on the basis of Authorised Capital I. Beyond this, additional purchase price components have been agreed; these are dependent on the future revenues generated by REVOIS®.

The main proportion of the Group's overall business activity is attributable to curasan AG (production, research and development, sales and administration). The foreign subsidiaries Benelux B.V. and curasan Inc. are structured entirely as sales organisations. The subsidiary Pro-tec GmbH is responsible for developing new products and manufacturing the haemostatic product stypro®.

III. FINANCIAL PERFORMANCE

(1) Group

In response to the findings of Deutsche Prüfstelle für Rechnungslegung e. V. (DPR), the consolidated financial statements for the financial year ended December 31, 2006, as well as the consolidated financial statements for the financial year ended December 31, 2005, which were restated in accordance with the DPR's interpretations, no longer include deferred tax assets on tax loss carryforwards. This has had no impact on the operating result; the restatement has only affected the net profit for the year.
In the 2006 financial year, consolidated sales revenue amounted to € 8.4 million.

This represents an increase of 9 per cent on last year's figure.

Quater €m	2006	2005	Diff.
I	2.1	1.7	0.4
II	2.0	2.3	(0.3)
III	2.1	1.9	0.2
IV	2.2	1.8	0.4
Total	8.4	7.7	0.7

Within the Biomaterials segment, the highest revenue increase was achieved by Cerasorb® M. The company's proprietary product Curavisc®, which is used for the treatment of joint arthrosis, also recorded significant growth in revenue. The level of revenue generated with stypro® fell short of expectations in the period under review. This was attributable to delays in the transition from in-house to outsourced packaging operations.

For the first time, the fourth quarter included sales revenues generated with REVOIS®. Within this context, the process of finding the most suitable packaging for this cutting-edge product proved more challenging than originally anticipated, thus resulting in delays to market rollout and deviations from specified targets.

Products €m	2006	2005	Diff.
Biomaterials	6.9	6.2	11 %
Pharmaceuticals	1.5	1.5	0 %
Total	8.4	7.7	9 %

The export ratio of the parent company declined from 34.6 per cent in 2005 to 31.5 per cent in the period under review. This was due to the fact that our former US sales partners Spinal Concepts and Ascension Orthopedics failed to meet the agreed sales volumes. Arbitration proceedings were initiated in both cases, citing non-compliance with contractual agreements. In the case of Spinal Concepts, a judgement in favour of curasan AG produced a settlement payment of €355 thousand. The arbitration proceedings against Ascension Orthopedics were initiated in 2006. We are confident that a judgment in our favour will be passed during 2007.

Overall, revenues were mainly generated in Germany and Europe.

Products €m	2006	2005	Diff.
Europe	7.2	6.9	4 %
Middle East	0.2	0.3	(33 %)
Asia	0.3	0.2	33 %
America	0.7	0.3	133 %
Total	8.4	7.7	9 %

The cost of materials within the Group amounted to €3.3 million, which corresponds to 39 per cent of sales revenue, compared with 36.6 per cent a year ago. The increase is attributable mainly to the sale of low-margin stypro®, of which curasan had older batches in stock.

Staff costs rose slightly year on year following a recruitment drive within the sales department. Within the Group, staff costs amounted to € 4.2 million in the period under review, compared with €4.0 million in 2005.

At Group level, depreciation/amortisation expense and write-downs totalled €0.7 million, as opposed to €0.6 million a year ago. This increase was attributable mainly to an impairment loss recognised in connection with a sales and distribution right that is no longer utilised.

Other operating expenses rose year on year, principally as a result of inputs for the market rollout of REVOIS®, legal fees for proceedings against former sales partners in the US as well as costs for the waste-disposal of obsolete advertising material. Within the Group as a whole, other operating expenses amounted to € 4.9 million in 2006 (previous year: €4.2 million).

The net finance result and tax expense developed in line with corporate targets. Overall, the Group posted a consolidated net loss of € 4.3 million (previous year: € 3.3 million after restatement of prior year consolidated financial statements for 2005 by € 1.3 million in connection with non-capitalisation of deferred taxes).

Consolidated result (€'000)	2006	2005
Consolidated result	(4,300)	(3,296)
Consolidated result DVFA/SG	(4,300)	(3,296)
Number of shares ('000)	5,750	5,229
per share (in €)	(0.75)	(0.63)
Cash Earnings DVFA/SG (€'000)	**2006**	**2005**
Consolidated net loss	(4,300)	(3,296)
Depreciation and amortisation of non-current assets	682	554
Change in long-term provisions	(120)	114
Cash earnings	(3,738)	(2,628)
Number of shares ('000)	5,750	5,229
per share (in €)	(0.65)	(0.50)

(2) Affiliated companies

Pro-tec Medizinische Produkte GmbH failed to post a positive operating result in the period under review. This was due to the transition from in-house to outsourced packaging operations and the associated delays and process migration expenses. Now that appropriate technical measures have been implemented and a new product is ready for market launch, we believe Pro-tec will return to a position in which it can produce a break-even operating result in 2007.

As in 2005, the subsidiary curasan Benelux B.V. recorded a positive operating result of € 36 thousand in 2006. Growth was driven by the solid development of international business with the proprietary product Curavisc®, which is used in the treatment of joint arthrosis and is distributed via curasan Benelux B.V.

In the period under review, curasan Inc., North Carolina/USA, a company established in 2004, performed exceptionally well. External sales more than doubled year on year, while the operating loss was halved to € 289 thousand compared with 2005.

IV. FINANCIAL POSITION

Property, plant and equipment was €0.2 million lower than in the previous financial year, as no significant investments were made in the period under review. Intangible assets include the legal rights acquired in connection to REVOIS®, amounting to €1.7 million (cf. corresponding item in other liabilities). Inventories declined by approx. € 0.6 million year on year, mainly as a result of buoyant demand for Curavisc® and Cerasorb® M as well as the write-down of obsolete advertising material (approx. €0.2 million). Trade accounts receivable rose by €251 thousand to €965 thousand as a result of revenue growth.

In the prior year balance sheet, the purchase price receivable from the disposal of a business unit was derecognised in observance of the DRP findings. As a result, other current and non-current assets as well as short-term bank borrowings and long-term debt rose by €2.6 million in total. In the balance sheet for the year ended December 31, 2006, the outstanding purchase price receivable is stated as € 1.15 million, of which €0.6 million is due within one year.

In total, provisions rose by € 102 thousand year on year to €502 thousand. They include obligations for site restoration associated with the company's plant in Frankfurt, litigation risks as well as personnel-related provisions. At €1.25 million, trade accounts payable were comparable to last year's figure.

The equity ratio within the Group, after reversal of deferred taxes, was 42 per cent (previous year: 61 per cent.)

V. CASH FLOWS

Due to losses incurred in 2006, cash flow from operating activities again developed unfavourably in the period under review. Net cash used in operating activities amounted

to € 2.5 million. However, by releasing cash in working capital (particularly by scaling down inventory levels), cash outflow was reduced by € 0.8 million compared with the previous year. Cash flows from investing activities was of minor significance in the period under review, whereas in the prior year cash inflows in connection with the purchase price instalments due from the sale of the Pharmaceuticals unit had made a positive contribution. In the prior year, cash flows from pre-financing activities were influenced significantly by the sale – at the end of 2005 – to a bank of the remaining purchase price consideration of € 2.6 million from the above-mentioned disposal. As a result of this financing arrangement in 2005, the sale of the business unit produced no inflow of cash in the reporting period. Cash flows from financing activities also reflects the company's use of an existing overdraft facility granted by its principal bank; at the end of the reporting period the majority of this overdraft facility had been utilised.

€m Group	2006	2005
Cash flows from operating activities	(2.5)	(3.3)
Cash flows from investing activities	(0.1)	1.5
Cash flows from financing activities	0.4	4.4
Cash and cash equivalents	1.1	3.4

VI. CURRENT COMMERCIAL SITUATION

The first two months of 2007 produced a particularly encouraging performance for the parent company curasan, resulting in revenue growth of 10 per cent. At € 110 thousand, revenue generated by curasan Inc. in January 2007 was the highest achieved by the enterprise since its inception.

The implant system REVOIS® has attracted a growing number of users and is proving to be extremely popular. Implantologists are particularly impressed by the ease of application associated with this product, which features a manageable number of elements. The high level of primary stability achieved with the implants was also cited as a key benefit. The concept of hosting workshops on a regular basis and attending dental fairs and events has helped to attract a steady stream of new customers in Germany and abroad.

Financial liquidity improved following the capital increase executed in March 2007 and an inflow of funds in the amount of € 1.2 million. We cancelled the factoring agreement entered into with a bank in connection with the sale of the Pharmaceuticals unit and asked our principal bank to grant a loan in the amount of this year's DeltaSelect receivable of € 0.6 million. At present, the monthly cash-burn stands at approx. € 160 thousand. However, this is expected to recede by the end of the year as a result of planned revenue growth.

VII. EMPLOYEES

The year-on-year change in staffing levels is outlined below.

Employees (full-time)	2006	2005
Marketing/Sales	34	31
Operations	19	19
Research/Regulatory Affairs	5	5
Finance/Controlling	5	5
Administration	5	5
Total	68	65

The number of staff employed within the curasan Group increased due to the market launch of the REVOIS® implant system. In addition, expansive business in the US prompted a rise in staffing levels within the area of sales.

The Management Board wishes to thank all employees within the Group for their contribution to curasan's success.

VIII. RESEARCH, DEVELOPMENT AND REGULATORY AFFAIRS

A number of highly successful materials-related assessments were conducted as part of the product launch of REVOIS. These findings were included in international approval documentation. In the third quarter, the company submitted an application for approval to the US-based Food and Drug Administration (FDA) as well as to the relevant authorities in a number of Asian countries.

The first half of 2006 saw the publication of the first large-scale monocentre studies to focus on the successful application of newly developed Cerasorb® M. The first multicentre observational study for Cerasorb® M was completed in the period under review, documenting treatment performed on 148 patients in 23 dental surgeries throughout Germany. Within this context, all surgeries reported very good results for a diverse range of standard dental indications.

On September 23, 2006, curasan staged the tenth "Frankfurter Implantologie Tage" (FIT), having chosen the Deutsche Bibliothek – the central archival library and national bibliographic centre for the Federal Republic of Germany – as its venue. Under the heading "Fit for the Future", a number of highly respected guest speakers from the academic and medical community presented their latest research findings to some 130 participants as part of this anniversary event, the main emphasis being on implantology and augmentation with the bone regeneration material Cerasorb®. Among the highlights were presentations focusing on the requirements of future-oriented implant systems and the first documented case studies centred around the new REVOIS® implant system. In the year under review, a number of university research groups specialising in tissue and cell engineering achieved outstanding results when it came to populating Cerasorb® with stem cells, osteoblasts and growth factors. The findings were presented at international conferences. Cerasorb® proved to be an outstanding base material in tissue and cell engineering. Within this context, a number of research and development products received public grants.

In the period under review, a total amount of € 0.2 million was invested in research and development, of which € 0.1 million was attributable to staff costs. Expenditure on regulatory affairs and the maintenance of official licences amounted to € 0.5 million, of which € 0.2 million was channelled into staff costs. Thus, in total research and development expenditure amounted to € 0.7 million in 2006 (previous year: € 0.8 million).

IX. RISK REPORT, INTERNAL CONTROL MECHANISMS AND EVALUATION OF OPPORTUNITIES AND RISKS ASSOCIATED WITH FUTURE DEVELOPMENT

The Group, which in the financial year under review was subject to legally binding quality assurance regulations mainly with regard to medical products, is committed to maintaining the requisite quality management systems within the respective areas of its business. These systems have been certified by independent specialists. As regards the ongoing activities of the Group, there were no problems or indications of significant risks relating to the organisation of these systems or emanating from the systems in the financial year just ended.

The risk-related early warning system was again updated by those responsible for supervising specific functional areas in the Group. Within this context, risks were determined and evaluated on the basis of certain criteria, using a matrix system. The risk-related early warning system encompasses the entire Group. The Management Board reports to the Supervisory Board, on a regular basis, any information regarding latent risk and provides details of appropriate measures taken to counteract such risks. As regards insurable risks, the Company endeavours to provide a sufficient and appropriate level of insurance protection to satisfy legal regulations and to meet the requirements of an enterprise of this size. An independent expert is regularly consulted for the purpose of evaluating the efficacy and appropriateness of the aforementioned insurance cover.

The reputation of curasan AG and its subsidiaries is of immense importance when it comes to attracting new investors, business associates and employees in a fast-track environment. It is with this in mind that the Supervisory Board and the Management Board complied with the provisions outlined in the German Corporate Governance Code. The Declaration of Conformity as regards the German Corporate Governance Code can be accessed via curasan's corporate website.

The Company is exposed to the following specific risks:
The net outflow of cash and cash equivalents will con-

tinue in the 2007 financial year. At present, monthly cash-burn amounts to approx. € 160 thousand. On January 1, 2007, the Company executed a cash increase by successfully issuing and placing 525,000 shares at a price of € 2.41 per share. The proceeds of the capital increase amounted to € 1.265 million; after deduction of fees, the net inflow is expected to be € 1.2 million. Following the inflow of funds from the increase in capital and provided that actual performance is in line with the financial forecasts prepared by the Management Board and approved by the Supervisory Board, it would appear that liquidity has been safeguarded. We anticipate that cash-burn will recede by the end of the year, benefiting from new product revenue generated with REVOIS® as well as a restructured product line. In addition, the subsidiaries curasan Inc. and Pro-tec GmbH will require less financial support from the parent company as their businesses expand. Furthermore, we expect to see a favourable outcome of arbitration proceedings in the US, producing an additional inflow of funds. Finally, we shall continue to assess the feasibility of external financing options.

Ongoing factoring of a large proportion of customer receivables is expected to protect the Company against any significant bad debts. Risks associated with international business activities are addressed by implementing prudent assessments and organisational measures. Within this context, for instance, we regularly check the accounts receivable of international customers before executing delivery orders that exceed a specific level. Moreover, prior to engaging in business with new accounts, we conduct independent credit investigations. Deliveries to customers from specific countries are only executed once we have received the invoiced amount in advance or once a letter of credit has been furnished.

The Company is exposed to the standard range of risks evident in the pharmaceuticals industry, particularly as regards unforeseen changes to legislation aimed at reducing government expenditure on the treatment of diseases. Other uncertainties with which this industry is confronted relate to the legal frameworks in place for national and international regulatory approval, as well as the decisions taken by regulatory authorities. These circumstances may have an unforeseen effect on the level of revenue originally forecast and the anticipated course of business.

Owing to the specific character and size of our organisation, in some areas we are dependent on certain employees with specialist qualifications. Within this respect, it is the responsibility of the Management Board members and senior managers to ensure that the level of expertise and the experience needed to perform certain tasks is distributed as evenly as possible across the entire workforce.

Development of additional structurally stable and highly resorbable materials commenced within the framework of a grant-supported project; work within this area will continue at pace. As regards our most innovative development, a resorbable bone adhesive, initial findings based on animal experiments are very promising in terms of biocompatibility, biomechanics and cytology.

There is considerable market demand for alternatives to expensive treatment methods with bone morphogenetic proteins (BMPs) or platelet-rich plasma (PRP). In response to this demand, we have developed an entirely new and practicable system for the extraction of autologous growth factors from a patient's own blood. The concentrate extracted with the help of this single-use product is suitable for a broad range of applications within the field of skin and bone regeneration. The process has been completed in full and is to be launched within the dental sector towards the end of 2007.

X. INFORMATION DISCLOSED IN ACCORDANCE WITH SECTION 315 (2) NO. 4 AND SECTION 315 (4) HBG

Section 315 (2) no. 4 HGB

The Supervisory Board determines the remuneration of Management Board members. This remuneration comprises a fixed component, as well as remuneration in kind, which includes among other elements the use of a company car and post-employment benefits. The fixed component of Management Board compensation amounted to € 45,000 in financial year 2006 (previous year: € 244,000).

Supervisory Board remuneration is determined in accordance with the Articles of Association. The members of the Supervisory Board each receive a fixed annual remuneration. The Chairperson receives € 20,000, while the two remaining members of the Supervisory Board are each paid € 10,000. As regards meetings attended by the Supervisory Board, each member receives the same fixed amount – € 1,500 – per day. Total Supervisory Board remuneration amounted to € 66,000 in the 2006 financial year (previous year: € 60,000).

Section 315 (4) HGB

> The Authorised Capital of curasan AG as of the balance sheet date amounted to € 5,750,000 and is divided into 5,750,000 no-par shares payable to bearers.

> Limitations that concern the voting rights or the transfer of shares are not known to the Management Board of curasan AG.

> As of the balance sheet date, Mr Hans Dieter Rössler has a holding of around 37per cent in curasan AG. The Management Board knows of no further direct or indirect capital holdings that exceed 10 per cent of the voting rights.

> Shares with special rights that grant authority to carry out a check have not been issued.

> Voting right checks for employees are not planned.

> Section 5 of the Articles of Association determines: The Management Board comprises one or more members. The Supervisory Board determines the exact number of members on the Management Board. The Supervisory Board also decides about the conclusion, the changing or cancelling of employment contracts with the members of the Management Board.

Section 7 of the Articles of Association determines: The Supervisory Board comprises three members. The members of the Supervisory Board are elected by the Annual General Meeting.

In regard to changes in the Articles of Association, the statutory regulation applies, according to which the Annual General Meeting decides. Section 19 of the Articles of Association determines that changes to the Articles of Association that only concern their version, can be decided by the Supervisory Board.

> Subject to the agreement of the Supervisory Board, the Management Board has a mandate to increase the share capital of the company in one or more stages in the period up to June 22, 2010, by up to a total of 2,000,000, through the issue of new bearer shares against contribution in cash or in kind (Authorised Capital I). In the case of a capital increase for cash, shareholders are to be granted a subscription right, whereby the Management Board however is authorised with the consent of the Supervisory Board to exclude residual amounts in connection with the statutory subscription rights of shareholders. In the case of a capital increase for assets other than cash, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders as a whole.

Subject to the agreement of the Supervisory Board, the Management Board has a further mandate to increase the share capital of the company in one or more stages in the period up to June 22, 2010, by up to a total of € 575,000, through the issue of new bearer shares against contribution in cash (Authorised Capital II). With the consent of the Supervisory Board, the Management Board is authorised to preclude fully the subscription right of shareholders if the issue price of the new shares is not materially lower than the price of shares with equivalent rights already listed on the stock exchange at the time at which the issue price is finally determined. If the Management Board does not avail itself of the authorisation to preclude subscription rights, it may, with the consent of the Supervisory Board, preclude shareholders' subscription rights for the purpose of evening out any residual amounts.

> No substantial agreements exist on the part of curasan AG that would be subject to the condition of a control change resulting from a takeover bid.

> No compensation agreements on the part of the company with the members of the Management Board or employees have been provided for the event of a takeover bid.

XI. OUTLOOK

One of the main objectives for the Group in 2007 is to achieve revenue growth in the double-digit percentage range. Cerasorb® in its various sizes and forms, is to remain the core revenue driver. The launch of REVOIS® is expected to provide a second pillar upon which to build revenue and improve earnings significantly, particularly in view of the attractive profit margins associated with this product. Following the capital increase implemented in March 2007, it would appear that liquidity has been secured, provided that actual performance is in line with the financial forecasts.

FDA approval of REVOIS® in the US is expected to be granted in the coming year, which will open up additional opportunities. The 11th "Frankfurter Implantologie Tage", organised under the heading "Fit for the Future", will take place in March 2007. The main focus of this event, which will be staged in Cologne as part of the International Dental Show IDS, is to provide a broad range of information on the successful application of synthetic bone regeneration materials as well as the new implant system.

in € m	2006 Actual	2007 Target
Sales revenue	8.4	10.8
Net profit/(loss)	(4.3)	(1.9)
Equity	4.7	5.0

XII. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the course of the first quarter of 2007 a number of meetings were arranged with existing and potential investors in Frankfurt, Vienna and Zurich. The Management Board outlined the new direction taken by curasan AG, an approach which was well received by institutional investors. On this basis, curasan was able to implement its capital increase against cash contribution with great success in March 2007, opting for a private placement with fund companies. The proceeds will be used primarily to finance a complementary product line centred around biological materials.

The Management Board intends to put forward to the Annual General Meeting of shareholders a resolution that authorises the Management Board to increase the share capital of the company, in one or more stages, in the period up to June 20, 2012, by up to a total of € 3,000,000 through the issuance of new bearer shares against cash contribution or contribution other than cash, while deciding on the rights attributable to shares and the conditions of issuance with the consent of the Supervisory Board (Authorised Capital).

In addition, the Management Board intends to install a share option plan for the issuance of share options with warrants to purchase curasan shares. These are to be granted to members of the Management Board and selected senior managers as well as other high-achievers at curasan AG and its Group entities.

The election of the Supervisory Board is another item on the agenda of the Annual General Meeting of shareholders to be held on June 21, 2007. Having reached the specified age limit, one of the members of the Supervisory Board will no longer be eligible for nomination. This member will have to be replaced by a new candidate.

In the new financial year, curasan AG has conducted an increase in non-monetary capital of 500,000 shares from the Authorised Capital I to finance the purchase price of REVOIS, and a cash capital increase of 525,000 shares from the Authorised Capital II, according to which liquid funds in the amount of € 1.265 million before transaction costs flowed into the company on March 5, 2007. The capital increases had not yet been entered at the Companies Registration Office by the time of completion of the consolidated financial statement.

CONSOLIDATED FINANCIAL STATEMENTS OF CURASAN AG (IFRS/IAS)

CONSOLIDATED BALANCE SHEET
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006 (IFRS/IAS)

Assets	Note	31 Dec. 06 (€'000)	31 Dec. 05 (€'000)
A. Current assets			
1. Cash and cash equivalents	5.1	1,143	3,405
2. Trade accounts receivable	5.2	965	714
3. Inventories	5.3	2,283	2,850
4. Other current assets	5.4	893	2,019
5. Prepaid expenses		25	48
Total		**5,309**	**9,036**
B. Non-current assets			
1. Goodwill	5.5	0	0
2. Intangible assets	5.5	3,638	2,305
3. Property, plant and equipment	5.5	1,592	1,805
4. Deferred taxes	5.6	165	198
5. Other assets	5.7	550	1,504
Total		**5,946**	**5,812**
		11,255	**14,848**

Liabilities and Equity	Note	31 Dec. 06 (€'000)	31 Dec. 05 (€'000)
A. Current liabilities			
1. Short-term bank borrowings	5.8	1,487	1,906
2. Trade accounts payable	5.9	1,248	1,273
3. Provisions	5.10	502	400
4. Other current liabilities	5.8 / 5.11	1,878	285
Total		**5,115**	**3,864**
B. Non-current liabilities			
1. Long-term debt	5.8	572	1,194
2. Provisions for post-employment benefits	5.12	263	383
3. Other non-current liabilities	5.8 / 5.11	544	320
Total		**1,379**	**1,897**
C. Equity			
1. Share capital		5,750	5,750
2. Capital reserves		20,803	20,803
3. Translation reserve		(21)	5
4. Accumulated losses brought forward		(17,471)	(14,175)
5. Net loss for the period		(4,300)	(3,296)
Total		**4,761**	**9,087**
		11,255	**14,848**

CONSOLIDATED INCOME STATEMENT (IFRS/IAS) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

	Note	31 Dec. 06 (€'000)	31 Dec. 05 (€'000)
Sales revenue	4.1	8,389	7,707
Changes in inventories of finished goods and work in progress	4.1	(186)	(57)
Work performed by the enterprise and capitalised	4.1	0	0
Total output		**8,203**	**7,650**
Cost of materials and services purchased	4.2	(3,308)	(2,823)
Gross profit		**4,895**	**4,827**
Other operating income	4.1	739	677
Staff costs	4.3	(4,214)	(4,032)
Depreciation and amortisation of non-current assets	4.4	(682)	(554)
Other operating expenses	4.5	(4,939)	(4,179)
Loss from operations		**(4,201)**	**(3,261)**
Interest expense	4.6	(66)	(65)
Net finance cost		**(66)**	**(65)**
Income taxes	4.7	(33)	30
Net loss for the period		**(4,300)**	**(3,296)**
Number of shares 2006: average		**5,750**	**5,229**
Earnings/(loss) per share (basic, IFRS/IAS; in €)		**(0.75)**	**(0.63)**

The basic earnings per share are equivalent to the diluted earnings per share, as no options have been issued.

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

(€'000)	Issued capital	Capital reserves	Translation reserve	Acc. losses brought forward	Net loss for the period	Total
Balance at 1 Jan. 2006	5,750	20,803	5	(17,471)	0	9,087
Change	0	0	(26)	0	(4,300)	(4,326)
Balance at 31 Dec. 2006	5,750	20,803	(21)	(17,471)	(4,300)	4,761

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

(€'000)	2006	2005
Net loss for the period	**(4,300)**	**(3,296)**
Depreciation and amortisation of non-current assets	682	554
Changes in deferred taxes	33	(30)
Change in provisions	156	(262)
Change in trade accounts receivable as well as other current assets	806	(498)
Changes in trade accounts payable as well as other current liabilities	92	254
Cash flow from operating activities	**(2,531)**	**(3,278)**
Proceeds from disposal of business unit	0	1,790
Payments for investments in intangible assets and property, plant and equipment	(114)	(333)
Cash flow from investing activities	**(114)**	**1,457**
Proceeds from issuance of share capital	0	1,668
Proceeds from the factoring of the receivable associated with the disposal of a business unit	0	2,495
Proceeds/payments from/for bank borrowings/repayment of bank borrowings	409	248
Cash flow from financing activities	**409**	**4,411**
Net change in cash and cash equivalents	(2,236)	2,590
Non-cash change in cash and cash equivalents	(26)	40
Cash and cash equivalents at the beginning of the period	3,405	775
Cash and cash equivalents at the end of the period	1,143	3,405
Composition of cash and cash equivalents at the end of the period:		
Deposits at banks	**1,143**	**3,405**

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(€'000)	Issued capital	Capital reserves	Translation reserve	Acc. losses brought forward	Net loss for the period	Total
Balance at 1 Jan. 2005	5,000	19,844	(35)	(14,175)	0	10,634
Change	750	959	40	0	(3,296)	(1,547)
Balance at 31 Dec. 2005	5,750	20,803	5	(14,175)	(3,296)	9,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2006

1. GENERAL INFORMATION

Since July 20, 2000, curasan AG, Lindigstraße 4, 63801 Kleinostheim, has been operating as an Aktiengesellschaft (stock corporation) listed in the Geregelter Markt (Regulated Market) within the Prime Standard segment. The registered office of the Company is in Kleinostheim, Federal Republic of Germany. The Company is entered in the commercial register at Aschaffenburg District Court under reference HRB 4436. Under Section 267 (3) of the German Commercial Code (Handelsgesetzbuch – HGB), Curasan Aktiengesellschaft is classified as a large corporation.

The object of the Company is the production and distribution of drugs as well as medical and diagnostic products.

As an exchange-listed parent company governed by Section 3 of the Stock Corporation Act (Aktiengesetz – AktG) and operating within an organised market within the meaning of Section 2 (5) of the Securities Trading Act (Wertpapierhandelsgesetz – WpHG), curasan AG has prepared the consolidated financial statements according to international accounting standards, as required under Article 4 of Regulation (EC) 1606/2002 of the European Parliament and Council dated July 19, 2002, in conjunction with Section 315a HGB.

On the basis of this Regulation, the consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards/International Accounting Standards (IFRS/IAS) promulgated by the International Accounting Standards Board (IASB). For the financial year under review, all IFRS/IAS applicable at the reporting date as well as all interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) – formerly Standards Interpretation Committee (SIC) – have been applied.

These consolidated financial statements prepared in accordance with IFRS are in compliance with the European Union Directive on Consolidated Accounts (Directive 83/349/EEC).

The consolidated financial statements are prepared in EURO. Unless otherwise stated, all figures are rounded to €'000. The financial year corresponds to the calendar year.

The following legal information is of importance:

At the balance sheet date, the share capital of the Company amounted to € 5,750,000, divided into 5,750,000 bearer shares with a nominal value of € 1.00 each. The capital reserves mainly contain the share premium attributable to the initial public offering in the year 2000.

Subject to the agreement of the Supervisory Board, the Management Board has a mandate to increase the share capital in one or more stages in the period up to June 22, 2010, by up to a total of € 2,000,000, through the issuance of new bearer shares against contribution in cash or in kind (Authorised Capital I). In the case of a capital increase for cash, shareholders are to be granted a subscription right. However, with the consent of the Supervisory Board, the Management Board is authorised to exclude residual amounts in connection with the statutory subscription rights of shareholders. In the case of a capital increase for assets other than cash, the Management Board is authorised, with the consent of the Supervisory Board, to exclude the statutory subscription right of shareholders as a whole.

Subject to the agreement of the Supervisory Board, the Management Board has a further mandate to increase the share capital in one or more stages in the period up to June 22, 2010, by up to a total of € 575 thousand, through the issuance of new bearer shares against contribution in cash (Authorised Capital II). With the consent of the Supervisory Board, the Management Board is authorised to preclude fully the subscription right of shareholders if the issue price of the new shares is not materially lower than the price of shares with equivalent rights already listed on the stock exchange at the time at which the issue price is finally determined. If the Management Board does not avail itself of the authorisation to preclude subscription rights, it may, with the consent of the Super-

visory Board, preclude shareholders' subscription rights for the purpose of evening out residual amounts.

For details regarding the use of Authorised Capital, please refer to the section outlining events after the balance sheet date.

The consolidated entities were included in the scope of consolidation on the basis of their financial statements as at December 31, 2006. The consolidated financial statements for the period under review were approved for publication by the Management Board on March 12, 2007.

2. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated group for the financial year ended December 31, 2006, includes the parent company curasan AG as well as the entities listed below.

Name and location	Ownership interest	Date of initial consolidation
curasan Benelux B.V., Veenendaal/Netherlands	100 %	31 Dec. 1998
Pro-tec Medizinische Produkte GmbH, Kleinostheim	100 %	1 Mar. 2001
curasan Inc., Raleigh/USA	100 %	1 Mar. 2004

At the balance sheet date, curasan AG held no equity interests other than those held in entities included in the consolidated financial statements prepared for the financial year under review.

3. ACCOUNTING POLICIES

3.1 Use of estimates

The preparation of consolidated financial statements requires management to make assumptions and estimates that directly affect the amounts reported in the balance sheet and the income statement. The actual figures may not coincide with the estimated amounts. Estimates apply in particular to the measurement of provisions, inventories, collectibility of receivables as well as deferred tax assets.

3.2 Consolidation

The consolidated financial statements comprise the separate financial statements of curasan AG and the separate financial statements of its subsidiaries, which have also been prepared in accordance with IFRS/IAS. The date of initial consolidation is the date on which curasan AG assumed the power to control the enterprise. Capital consolidation was performed on the basis of the purchase method of accounting. Any difference that cannot be allocated directly to individual assets is carried as goodwill under intangible assets and written down.

Intragroup receivables and liabilities as well as intragroup expenses and income have been eliminated as part of standard consolidation procedures.

Transactions to be included in the consolidated financial statements have been carried at cost of purchase or conversion. Unrealised profits resulting from intragroup transactions were eliminated.

3.3 Currency translation

Currency translation is performed according to the concept of the functional currency (IAS 21). The functional currency is the currency in which the foreign entity generates its funds and makes its payments. The financial statements of all entities included in the consolidated group – with the exception of the financial statements of curasan Inc., which have been prepared in US dollars – have been prepared in euros. The assets and liabilities included in the consolidated financial statements are translated at the closing rate, while income and expenses are translated at average exchange rates for the year.

Exchange differences arising on consolidation have been accounted for directly in equity, as a translation reserve.

3.4 Restatement of comparative information of the consolidated financial statements as at Dec. 31, 2005, in accordance with IAS 8

In the 2006 financial year, the consolidated financial statements of curasan AG for the financial year ended December 31, 2005, as well as the Group management report for the 2005 financial year underwent an audit in accordance with Section 342b (2) sentence 3 no. 3 HGB (Random Sample Audit) by Deutsche Prüfstelle für Rechnungslegung e.V. (DPR).

The DPR audit produced the following findings:

1. Deferred tax assets for the carryforward of unused tax losses amounted to € 6.6 million were capitalised contrary to IAS 12.34. Of this amount, € 1.3 million were inappropriately recognised in profit/loss for the 2005 financial year.
2. Contrary to IAS 39.20 (b), a receivable of € 2.6 million sold as part of a factoring transaction was derecognised.

Contrary to the decision initially communicated to the DPR, the Management Board of curasan AG has decided to accept the findings of the DPR and to make adjustments to figures reported in the prior year financial statements in order to avoid additional expenses and time-consuming measures. The correction of errors was carried out by adjusting amounts relating to the prior year consolidated financial statements in accordance with IAS 8.41 et seq. The material prior period errors are corrected retrospectively by restating the comparative amounts.

The following section contains the adjustments in the prior period accounts as well as information about their effect on the financial position and financial performance:

1. The outstanding purchasing price receivable from the disposal of the AINS segment in the 2003 financial year, amounting to € 2.6 million, was sold to a bank at the end of 2005 as part of a factoring agreement. The agreement signed with the bank stipulated that the receivable should revert to curasan if the debtor filed for insolvency. The claim was not subject to any identifiable credit risk; the principal repayments by the debtor, Delta Select GmbH, were made on schedule. As collateral, curasan AG pledged the approval licences attributable to the sale until the purchase consideration had been settled in full. In addition, Plasma Select, the parent company of Delta Select, issued a Letter of Comfort in favour of curasan AG for the purpose of securing the obligations of Delta Select until the agreed purchase price has been remitted in full. Against this background, the receivable was no longer recognised in the consolidated balance sheet as at December 31, 2005. However, the full details were discussed in the notes to the consolidated financial statements.

   The DPR – contrary to the analogous accounting approach taken for the commercially identical circumstances in the financial statements of curasan AG, prepared for accounting purposes in accordance with commercial law – regarded as non-compliant with IFRS the presentation of accounts in the consolidated financial statements.

   As at December 31, 2006, the restatement has resulted in an increase in the balance sheet total by € 2,600 thousand due to the increase in other current assets by € 1,450 thousand (portion of remaining purchase price receivable due in the short term) as well as the increase in other non-current assets by € 1,150 thousand (remaining purchase price receivable due after more than one year). Correspondingly, short-term bank borrowing rose by € 1,450 thousand and long-term debt (payables to banks) by € 1,150 thousand.

   The restatement does not effect profit or loss and thus has no impact on the financial performance for the 2005 financial year.

2. As in prior years, the consolidated financial statements for the financial year ended December 31, 2005, contained capitalised deferred tax assets in connection with tax losses, as the Management Board is of the opinion

that sufficient pre-tax profits will be available to allow the benefit of the deferred tax assets to be utilised. The DPR does not share this view and considers the recognition of deferred tax assets an error. As a restatement has no impact on the operating results of curasan AG, and in order to avoid further time-consuming and cost-intensive audit processes and negotiations, the Management Board has decided to adjust the amounts reported in the prior year consolidated financial statements despite differing views on the interpretation of accounting policies within this area.

As a result of this restatement, as at December 31, 2005, the carrying amount of "deferred taxes" classified as assets has been reduced. Correspondingly, equity is lower, while the accumulated loss brought forward has risen by € 5,124 thousand and the net loss has increased by € 1,352 thousand. The balance sheet total has been reduced by € 6,476 thousand.

In view of the fact that deferred taxes in amount of € 1,352 thousand had been capitalised in the 2005 financial year with corresponding recognition in profit/loss, the retroactive restatement has led to an increase in the net loss from € 1,944 thousand to € 3,296 thousand. The restatement is reflected in a reduction of tax income to € 0. This has no impact on the operating result. As a result of the restatement affecting profit/loss, the loss per share (basic = diluted) is € 0.63 (prior to restatement: loss of € 0.37).

3.5 Revenue recognition

Revenue is recognised when the goods have been delivered or when the service has been rendered, as well as when risk and title have passed. Revenue is measured at the fair value of the consideration received or receivable. Taxes, trade discounts and rebates associated with the sale are deducted accordingly.

3.6 Goodwill, software, development costs and other intangible assets

Any difference between the cost and market value of assets acquired as part of a company acquisition is recognised as goodwill.

Goodwill is carried at cost; up until the 2004 financial year any accumulated amortisation and write-downs were deducted from this amount. In accordance with IFRS 3, effective from the 2005 financial year, goodwill is no longer subject to amortisation. Instead, a goodwill impairment test is carried out once a year in compliance with IAS 36.

All goodwill was written down in prior financial years. There was no goodwill to be capitalised or retroactively capitalised in the 2006 financial year. As a result, no impairment test was required.

Intangible assets are recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably. Intangible assets with finite useful

The adjustments are summarised below:

(€'000)	Assets	Liabilities and equity	Profit/loss
1. Factoring agreement			
Other current assets	1,450		
Other non-current assets	1,150		
Short-term bank borrowings		1,450	
Long-term borrowings		1,150	
2. Deferred tax assets			
Deferred tax	(6,476)		
Accumulated losses brought forward		5,124	
Net loss for the period		1,352	1,352

lives are carried at cost, less amortisation expense and impairment losses. Amortisation is calculated on the basis of the straight-line method. The amortisation period and amortisation method are subject to an annual assessment. Intangible assets with indefinite useful lives are carried at cost. Applying IAS 36, an impairment test is performed annually to determine whether additional impairment losses shall be recognised.

> Patents, registrations, brand names

Development costs associated with internally generated drug approvals have been capitalised. The costs of internally generated intangible assets are calculated in accordance with IAS 38 and comprise direct personnel-related expenditure in addition to overheads directly associated with the generation of the asset in question. Approvals acquired are recognised at cost as intangible assets. The depreciable amount of acquired and internally generated approvals is allocated on a systematic basis over a useful life of 10 years.

> Software

Purchased software is capitalised at cost of acquisition and subsequently amortised over its useful life of 3 years.

3.7 Property, plant and equipment

Property, plant and equipment are recognised on the basis of cost of purchase or cost of conversion less depreciation on a systematic basis (with the exception of land). Costs subsequently arising for repairs and maintenance are accounted for in the period in which they are incurred. Capitalisation only occurs on the basis of specific evidence that the measures have given rise to a quantifiable increase in economic benefit associated with the asset in question. Additions to property, plant and equipment are subject to depreciation on a straight-line basis. The depreciable amounts of property, plant and equipment are based principally on the following useful lives:

> Buildings:	25 years
> Technical plant and machinery:	5 to 10 years
> Operating and office equipment:	3 to 10 years

As there are no material differences between the useful lives stipulated for accounting purposes and those specified for tax purposes, the useful lives stipulated by tax law have been applied accordingly.

The useful lives and depreciation method are subject to an annual assessment as to whether they reflect the actual use of an asset.

Impairment tests for such assets are conducted if corresponding indications show that an impairment test is required. An impairment loss is recognised if the recoverable amount is lower than the net carrying amount of the asset. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows.

On sale or disposal of the assets, the corresponding costs of acquisition and accumulated depreciation are derecognised. Gains and losses arising from the difference of the carrying amount and the sale proceeds are recognised in the income statement as other operating income and other operating expense.

3.8 Leasing

The classification of lease agreements is performed in accordance with IAS 17. Depending on the transfer of risks and rewards incidental to ownership, a lease is recognised in the balance sheet of the lessor (operate lease) or the lessee (finance lease).

Curasan's operating lease agreements are restricted solely to operating and office equipment. Payments arising from these lease agreements are expensed as incurred. There are no finance lease agreements.

3.9 Financial assets

In compliance with IAS 39 (rev. 2005), financial assets are classified according to four categories: (a) financial assets at fair value through profit or loss, (b) held-to-maturity investments, (c) loans and receivables, and (d) available-for-sale financial assets. The financial assets held by the Company are primary assets, principally receivables, liabilities and cash. The Company had no derivative financial instruments as at the balance sheet date.

Initial measurement of such a financial asset is at cost, which corresponds to the fair value of the consideration given. Subsequent measurement is at amortised cost.

3.10 Research and development costs

In accordance with IAS 38, research costs are recognised as expense in the period in which they are incurred. Development costs are capitalised as intangible assets only if it is probable that future economic benefits will flow to the entity. Such an economic benefit arises when an approval/registration has been granted; prior internal development costs are expensed as incurred. Amortisation over the expected useful life commences upon economic use of the intangible assets developed.

3.11 Cash and cash equivalents

Cash and cash equivalents as reported in the cash flow statement comprise deposits at banks and cash in hand, which are measured at their nominal amount. Cash equivalents are short-term, highly liquid investments readily convertible to known amounts of cash. At the balance sheet date, there were no significant free overdraft facilities.

3.12 Trade accounts receivable and other assets

Trade receivables and other assets are carried at amortised cost. Possible risks are accounted for by means of allowances. Receivables denominated in foreign currencies are measured at the lower of the exchange rate at the date of acquisition or the closing rate.

3.13 Inventories

Inventories are measured at the lower of cost of purchase/cost of conversion and net realisable value. The net realisable value is the estimated selling price achievable in the ordinary course of business, less the estimated costs incurred until completion and the estimated costs necessary to make the sale. Materials and production supplies as well as goods are measured at their cost of purchase less an appropriate deduction. Finished goods are measured at their cost of conversion. The costs of conversion of inventories include costs directly related to the units of production and a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods, which includes depreciation of fixed assets associated with conversion. An applicable amount of administration overheads is also included. Borrowing costs are not included in the costs of conversion. The cost of conversion of finished goods is subject to an appropriate deduction. Inventories that are unsaleable or obsolete are written down to the appropriate amount or written down in full.

3.14 Trade accounts payable and other liabilities

Trade payables and other liabilities are carried at the amounts payable. In the case of liabilities denominated in a foreign currency, these are measured at an amount calculated on the basis of the higher closing rate if this is applicable.

3.15 Bank borrowings

Bank borrowings are carried at the amount payable and are presented in the schedule of liabilities.

3.16 Provisions

The retirement benefit obligation was accounted for in accordance with IAS 19 using the projected unit credit method.

Other provisions take into account all liabilities of uncertain timing or amount. They are carried at the amount that is deemed appropriate following a reasonable commercial assessment for probable present obligations (legal or constructive) as a result of past events. Provisions are recognised only if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions for commitments within the subsequent 12 months are classified as current; other provisions are classified as non-current and discounted.

3.17 Deferred taxes

In accordance with IAS 12, deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences; deferred tax assets are the amounts of income taxes recoverable in future periods in respect of deductible temporary differences, the carryforward of unused tax losses and the carryforward of

unused tax credits. Temporary differences are differences between the carrying amount or liability in the IFRS balance sheet and its tax base. Deferred tax assets and deferred tax liabilities are measured at the tax rates and laws enacted by the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

curasan AG, in particular, has considerable corporation tax and trade tax loss carryforwards, for which deferred tax assets were recognised in prior years. Measurement was based on an expected uniform corporation tax rate of 25 per cent. Including the solidarity surcharge and the trade tax on earnings, deferred income taxes were determined at a rate of approx. 38.26 per cent. In addition, the subsidiaries of curasan AG also generated tax losses, resulting in the recognition of deferred tax assets in prior years.

In view of the audit conducted by the DPR in 2006 with regard to the consolidated financial statements of curasan AG for the financial year ended December 31, 2005, the Management Board has decided to recognise deferred tax assets on tax loss carryforwards only if the future use of such tax loss carryforwards is deemed certain on the basis of an earnings track record. Within this context, the deferred tax assets recognised in the prior year consolidated financial statements were restated (restatement in accordance with IAS 8), and no further deferred tax assets on tax loss carryforwards were accounted for in the 2006 financial year.

3.18 Equity

The costs associated with an equity transaction (e.g. an increase in capital), less applicable (deferred) income taxes, are recognised as a deduction from equity. The costs of an equity transaction only comprise the external costs directly attributable to the equity transaction that otherwise would have been avoided.

3.19 Government grants

Government grants are recognised as income only if there is a reasonable assurance that the Company will comply with the conditions attaching to them. In the period under review, the Company received grants in the amount of € 48 thousand.

3.20 Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the accounts. Instead, they are disclosed in the notes to the consolidated financial statements, unless the outflow of resources embodying economic benefits is not probable. Contingent assets are not recognised in the accounts. Instead, they are disclosed in the notes to the consolidated financial statements if it is virtually certain that an inflow of economic benefits will arise.

3.21 Concentration of risk

Financial risk is mainly associated with trade receivables. Within the area of trade receivables, accounts payable by customers located abroad constitute a particularly significant risk factor. The increased risk of default and concomitant interest losses due to the extended terms of payment have been accounted for by the Company. Within the area of exporting activities (invoicing in US dollars) there are risks associated with currency fluctuations. In the case of significant contract-based items, this risk is accounted for by means of escalator clauses. In other cases, goods are only supplied following advance payment.

In three cases, curasan AG is involved in legal proceedings concerning foreign sales partners. The aforementioned sales partners have failed to fulfil their obligations under contractual agreements entered into with curasan AG. The lawyers of curasan AG have informed the Company that they do not anticipate any risks arising from these legal proceedings, as the Company's position is supported unequivocally by the provisions set out in the contractual agreements. In view of this, the Company has not made provisions within this area. However, it should be noted that a slight risk remains.

The outflow currently exceeds the inflow of cash. Despite this, at present the Company is not in material jeopardy of ceasing its operations as a going concern, as the proceeds of a capital increase executed at the beginning of March 2007 produced an inflow of cash in the amount of € 1.2 million, after deduction of transaction costs. Beyond this there are additional options for the inflow of funds in the second half of the current financial year. Furthermore, based on current financial planning, the Company expects to see a gradual reduction in the monthly use of cash.

3.22 Voluntary application of new standards

Beyond the IFRS discussed above, additional International Financial Reporting Standards were published at the reporting date and came into effect. These standards may be applied. However, their application is not obligatory.

IAS 1: Presentation of Financial Statements – additional disclosure requirements concerning the capital of an entity (mandatory for annual periods beginning on or after January 1, 2007)

IFRS 7: Financial Instruments: Disclosures (mandatory for annual periods beginning on or after January 1, 2007)

IFRS 8: Operating Segments (mandatory for annual periods beginning on or after January 1, 2009)

IFRIC 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (mandatory for annual periods beginning on or after March 1, 2006)

IFRIC 8: Scope of IFRS 2 (mandatory for annual periods beginning on or after May 1, 2006)

IFRIC 9: Reassessment of Embedded Derivatives (mandatory for annual periods beginning on or after June 1, 2006)

IFRIC 10: Interim Financial Reporting and Impairment (mandatory for annual periods beginning on or after November 1, 2006)

IFRIC 11: Group and Treasury Share Transactions (mandatory for annual periods beginning on or after March 1, 2007)

IFRIC 12: Service Concession Arrangements (mandatory for annual periods beginning on or after January 1, 2008)

The Company has elected not to apply these standards and interpretations on a voluntary basis. The Management Board does not anticipate any impact on the consolidated financial statements from the application of these standards in future annual periods, with the exception of those listed below.

IAS 1: The amendment to IAS 1 includes new requirements for the disclosure of an entity's objectives, policies and processes for managing capital. In addition, entities are required to furnish quantitative data about what they regard as capital as well as information as to their capital requirement.

IFRS 7: The new IFRS 7 standard contains provisions relating to the disclosure requirements for financial instruments. The standard requires that financial instruments of a similar nature are grouped in appropriate classes. Disclosures shall relate to these classes. In particular, entities are required to provide information about the significance of financial instruments, as well as qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk.

IFRS 8: This standard replaces IAS 14 – Segment Reporting. Instead of a risk and reward approach, IFRS 8 applies a management approach to segment reporting. Thus, the definition of a segment is no longer based on product/service or customer groups, but rather on the internal organisational/reporting structure within the Group. As a result, areas that do not actively engage in business with external customers are included as possible segments. Furthermore, IFRS 8 requires an alignment of segment information with internally reported figures for budgeting and performance monitoring. With this in mind, IFRS 8 does not define segment revenue, expense, assets or liabilities. Instead, the reporting entity is required to provide an explanation of how these items are measured.

3.23 Events after the balance sheet date

Events after the balance sheet date, an item which provides additional information on conditions pertaining to the Company, are accounted for in the financial statements to reflect adjusting events after the balance sheet date. Material events after the balance sheet date that are considered to be non-adjusting events are disclosed in the notes.

4. NOTES TO INCOME STATEMENT

4.1 Sales revenue and operating income

(€'000)	2006	2005
Sales revenue	8,458	7,783
Sales deductions	(69)	(76)
Changes in inventories	(186)	(57)
Other operating income	739	677
Total	**8,942**	**8,327**

Other operating income includes income in the amount of € 355 thousand representing a settlement payment received from a former sales/distribution partner in the USA as a result of a judgement by an arbitration tribunal.

4.2 Cost of materials

(€'000)	2006	2005
Raw materials and consumables used, and purchased goods	3,308	2,823
Total	**3,308**	**2,823**

4.3 Staff costs

(€'000)	2006	2005
Salaries and wages	3,579	3,455
Social security	635	577
Total	**4,214**	**4,032**

4.4 Depreciation and amortisation

(€'000)	2006	2005
Intangible assets	423	277
Property, plant and equipment	259	277
Goodwill	0	0
Total	**682**	**554**

4.5 Other operating expenses

(€'000)	2006	2005
Selling expenses	2,558	2,004
Advertising expenses	824	690
Regulatory expenses	171	405
Administrative expenses	1,386	1,080
Total	**4,939**	**4,179**

4.6 Finance result

(€'000)	2006	2005
Other interest and similar income	31	2
Interest and similar expenses	97	67
Total	**66**	**65**

4.7 Tax income

Tax (expense)/income reported in the income statement comprises the following items:

(€'000)	2006	2005
Current income taxes	0	0
Deferred tax income	0	40
Deferred tax expense	33	10
Total	**(33)**	**30**

Reconciliation from estimated to current tax (expense)/income is as follows:

(€'000)	2005	2004
Result before income taxes	(4,268)	(3,326)
Tax at domestic tax rate (38.26%)	1,633	1,273
Impairment loss for deferred taxes on loss carryforwards	(1,769)	(1,352)
Difference due to foreign tax rates	(26)	(48)
Effect of write-down of receivables from affiliated companies in separate financial statements	77	276
Other effects	52	(119)
Current tax (expense)/income	**(33)**	**30**

5. NOTES TO BALANCE SHEET

5.1 Cash and cash equivalents

Cash and cash equivalents comprise short-term fixed-term deposits as well as current account deposits.

5.2 Trade accounts receivable

(€'000)	2006	2005
Trade receivables attributable to the parent company	609	485
Trade receivables attributable to subsidiaries	356	229
Total	**965**	**714**

Impairment losses amounted to € 84 thousand in the 2006 financial year (previous year: € 133 thousand).

5.3 Inventories

(€'000)	2006	2005
Materials and production supplies	213	361
Work in progress	479	524
Finished goods and merchandise	1,504	1,664
Prepayments	87	301
Total	2,283	**2,850**

Impairment losses amounted to € 194 thousand in the 2006 financial year (previous year: € 0 thousand).

5.4 Other current assets

(€'000)	2006	2005
Purchase consideration receivable from disposal of business unit	600	1,450
Tax assets	0	0
Other items	293	569
Total	**893**	**2,019**

5.5 Intangible assets and property, plant and equipment

A breakdown of intangible assets and property, plant and equipment is provided in the Fixed Assets Schedule. The land and buildings recognised as assets constitute collateral for loans. The collateral amount is equivalent to € 1,125 thousand.

A key addition to intangible assets is the right associated with REVOIS®. For details regarding the purchase price consideration, which corresponds with the cost, please refer to the section dealing with other liabilities.

5.6 Deferred taxes

Following adjustments to the prior year comparative figures, the consolidated financial statements no longer include deferred tax assets on tax loss carryforwards. The deferred taxes recognised are the result of effects arising from the elimination of intragroup profits and losses.

5.7 Other current assets

At December 31, 2006, other current assets included the portion of the purchase price consideration owed by Delta Select GmbH which is due in 2008 (previous year: € 1,150 thousand). As at December 31, 2006, the existing reinsurance policy associated with the retirement benefit obligations constitutes a plan asset and has been reported as an item offset with retirement benefit obligation for the first time.

5.8 Liabilities

Liabilities consist of amounts due to banks, trade accounts payable and other liabilities. As security for the liabilities to banks, land charges have been agreed upon in the amount of € 1,125 thousand. Details regarding the maturity of liabilities are presented in the schedule of liabilities.

(€'000)	31 Dec. 06	Due	Due	Due	31 Dec. 05
		< 1 year	1 to 5 years	> 5 years	
Bank borrowings*	2,059	1,487	572	0	3,100
Trade accounts payable	1,248	1,248	0	0	1,273
Other payables	2,422	1,878	544	0	605
Total	**5,729**	**4,613**	**1,116**	**0**	**4,978**

* Collateral: land charge

5.9 Trade accounts payable

(€'000)	2006	2005
Trade payables attributable to parent company	1,182	1,185
Trade payables attributable to subsidiaries	66	88
Total	**1,248**	**1,273**

5.10 Provisions

The carrying amount and the composition of provisions at the beginning and the end of the reporting period are displayed in the following schedule:

(€'000)	31 Dec. 06	Utilised	Reversed	Allocated	31 Dec. 2005
Staff-related provisions	141	74	0	141	74
Risks of litigation	0	0	30	0	30
Other items	361	163	0	228	296
Total	**502**	**237**	**30**	**369**	**400**

5.11 Other liabilities

(€'000)	2006	2005
Tax liabilities	64	57
Social security	7	73
Purchase consideration of interests in enterprises	312	360
Purchase price for Revois right	1,700	
Other items	339	115
Total	**2,422**	**605**

The purchase consideration of interests in enterprises is attributable to the acquisition of Pro-tec GmbH and is payable within seven years in revenue-related instalments; on the balance sheet this item is carried under non-current liabilities. The final instalment is due in 2008.

The purchase price liability relating to the purchase of the right to the new REVOIS® product comprises a cash obligation as well as an obligation to transfer 500,000 new ordinary bearer shares. The issue price of the shares has been contractually set at € 2.20 per share. The issue price was used as the basis to measure the liability and the corresponding cost. The capital increase has yet to be entered in the Commercial Register. Therefore, the transfer of the shares has not yet been executed. Consequently, depending on the fair value at the transaction date, there may be adjustments with regard to the liability to be fulfilled and the corresponding cost. Furthermore, in the subsequent years, the consideration given in exchange for the right associated with REVOIS® is based on a revenue-dependent component. Within this context, it should be noted that no reliable measurement is possible for the period during which the obligation of a revenue-based consideration is applicable, among other things, because REVOIS® is a new product. Against this background, the acquisition cost of REVOIS® recognised in intangible assets has been determined on the basis of the non-variable cash consideration component as well as the share issue agreed by the parties. The agreements concluded between the seller and the buyer include provision precluding detailed disclosure of the terms and conditions negotiated with regard to the purchase price.

5.12 Retirement benefit obligation

This item relates to an obligation towards the Management Board for a pension payable from the age of 65 onwards and a disability pension as well as a widow's pension in the amount of 60 per cent of the pension entitlement. The obligation has been reinsured by means of life insurance, which within the meaning of IAS 19 constitutes a plan asset in the consolidated financial statements for the financial year ended December 31, 2006. In consideration of the principle of materiality, no adjustments have been made to the separate classification of reinsurance as an asset (€ 174 thousand) and retirement benefit obligations as a provision (€ 383 thousand) in the prior year financial statements.

The corridor method, according to which the accumulated, unamortised amounts that do not exceed a corridor of 10 per cent of the maximum present value of the obligation are not recognised, is not applied to actuarial gains/losses. Actuarial gains/losses are recognised in full in profit or loss.

The following actuarial assumptions were applied to the measurement on the basis of an actuarial report:

Discount rate:	4.5 per cent (previous year: 4.5 per cent)
Expected pension adjustment:	2.0 per cent (previous year: 2.0 per cent)
Expected return of plan assets:	4.5 per cent (previous year: 4.25 per cent)

The following table outlines the changes to the retirement benefit obligation in the financial year under review:

(€'000)	2006	2005
Defined Benefit Obligation at Jan. 1	383	269
Service cost	23	17
Interest cost	17	16
Unrealised gains/(losses)	(39)	(81)
Defined Benefit Obligation at Dec. 31	**462**	**383**

The defined benefit obligation calculated as at December 31, 2007, is € 513 thousand.

The following table presents the changes in plan assets in the financial year under review:

(€'000)	2006	2005
Plan Asset at Jan. 1	174	150
Employer contributions	22	22
Current rate of return	3	2
Plan Asset at Dec. 31	**199**	**174**

The calculated market value of the plan asset as at December 31, 2007, is € 233 thousand.

The expense/income associated with the retirement benefit obligation is as follows:

(€'000)	2006	2005
Service cost	23	17
Interest cost	17	16
Return of plan asset	3	2
Actuarial gains/losses	39	81
Net expense in the period	**76**	**112**

6. OTHER INFORMATION

6.1 Financial instruments

Primary financial instruments in the form of cash, receivables and liabilities are included within the balance sheet. These financial instruments are, by nature, subject to default or interest-related risks. The Company is mainly exposed to an increased level of default-related risk in connection with trade accounts receivable – particularly as part of its export activities. These risks are counteracted by means of factoring, credit investigations and systematic dunning procedures (collection of accounts receivable).

6.2 Expenditure on research and development

Research and development expenditure recognised as expense is outlined below:

(€'000)	2006	2005
Cost of material	43	108
Cost of conversion	72	70
Staff costs	262	273
Services	23	23
Registration fees	259	282
Depreciation and Amortisation	36	30
Total	**695**	**786**

6.3 Contingent liabilities and other financial obligations

Other financial obligations are attributable to rental and maintenance agreements as well as leasing obligations. These obligations are due as follows:

(€'000)	2007	2008 to 2011	after 2011	Total
Rental and maintenance agreements	271	229	0	500
Leasing obligations	202	225	0	427
Other items	68	0	0	68
Total	**541**	**454**	**0**	**995**

6.4 Segment reporting

curasan operates within the areas of "Pharma" and "Bio". As in the prior financial year, both areas represent the product-oriented segments of the Group's operating activities and reflect the structure of opportunities and risks associated with the Group.

The segment designated as "Pharma" relates principally to the product Mitem, a drug which is used for the treatment of superficial bladder carcinoma. It is marketed by a urology unit of Schwarz Pharma AG.

The segment designated as "Bio" relates to biomaterial products, with a particular emphasis on bone replacement, platelet concentration, hyaluronic acid and Stypro® as well as dental implants (REVOIS®).

As a matter of course, segment information is based on the same principles of presentation and accounting policies as those applied to the consolidated financial statements. The segment result is equivalent to the result from ordinary activities.

There is no segment revenue from transactions with other segments.

Information about the geographical segments relates to Germany (domestic) and the Rest of the World (foreign/abroad). None of the regions attributable to the Rest of the World generates revenue in excess of 10% of Group revenue.

a) Segment revenues and results

(€'000)	Pharma	Bio	N.A.	Total
Segment revenue 2006	1,624	7,318	0	8,942
Segment revenue 2005	1,769	6,558	0	8,327
Segment result 2006	(1,150)	(2,483)	(568)	(4,201)
Segment result 2005	(388)	(2,267)	(606)	(3,261)

(€'000)	Domestic	Foreign	N.A.	Total
Segment revenue 2006	6,786	2,156	0	8,942
Segment revenue 2005	6,075	2,252	0	8,327
Segment result 2006	(2,005)	(1,628)	(568)	(4,201)
Segment result 2005	(977)	(1,678)	(606)	(3,261)

The unallocated segment result (N.A.) is attributable to administration costs.

b) Segment assets

Deferred taxes and cash and cash equivalents were not included in the breakdown of segment assets.

(€'000)	Pharma	Bio	Total
Segment assets 2006	923	9,024	9,947
Segment assets 2005	1,252	9,993	11,245

(€'000)	Domestic	Foreign	Total
Segment assets 2006	7,013	2,934	9,947
Segment assets 2005	7,775	3,470	11,245

c) Segment liabilities

Provisions for post-retirement benefits were not included in the breakdown of segment liabilities.

(€'000)	Pharma	Bio	Total
Segment liabilities 2006	857	5,374	6,231
Segment liabilities 2005	1,067	4,311	5,378

(€'000)	Domestic	Foreign	Total
Segment liabilities 2006	4,484	1,747	6,231
Segment liabilities 2005	3,881	1,497	5,378

d) Segment capital expenditure/depreciation

Capital expenditure on property, plant and equipment was not taken into account when allocating segment capital expenditure/depreciation.

(€'000)	Pharma	Bio	Total
Segment capital expenditure 2006	0	1,753	1,753
Segment capital expenditure 2005	0	267	267
Segment depreciation 2006	65	285	350
Segment depreciation 2005	24	208	232

(€'000)	Domestic	Foreign	Total
Segment capital expenditure 2006	1,753	0	1,753
Segment capital expenditure 2005	267	0	267
Segment depreciation 2006	350	0	350
Segment depreciation 2005	232	0	232

6.5 The Management Board

In the year under review, the Management Board comprised: > Hans Dieter Rössler, Bessenbach (Chairman)
Total Management Board compensation amounted to € 245 thousand in the 2006 financial year, of which € 0 was variable (previous year: € 244 thousand, of which € 0 was variable).
In addition, compensation includes an allocation to provisions for post-retirement benefits as well as remuneration in kind. Remuneration in kind, i.e. non-cash compensation, mainly comprises an accident insurance policy and the amounts applicable under tax law in connection with the use of a company car.

6.6 The Supervisory Board

In the year under review, the Supervisory Board comprised:

> Dr. Detlef Wilke, Wennigsen (Chairman);
Managing Partner of Dr. Wilke & Partner Biotech Consulting GmbH, Wennigsen

> Hans-Günter Niederehe, Mainz (Deputy Chairman);
self-employed management consultant

> Dr. Konstantin Rogalla, Hamburg;
Managing Partner of PFLÜGER SCHULZ ROGALLA Unternehmensberatung GmbH, Hamburg

Total Supervisory Board compensation amounted to € 66 thousand in the 2006 financial year (previous year: € 60 thousand). Of this amount, € 27 thousand was attributable to the Chairman of the Supervisory Board, € 17 thousand to the Deputy Chairman of the Supervisory Board and € 22 thousand to the third member of the Supervisory Board.

The Supervisory Board members had the following mandates relating to other supervisory boards or similar bodies:

Dr. Detlef Wilke	Faustus Translational Cancer Research GmbH, Leipzig (Chairman of the Supervisory Board)
	Faustus Translational Drug Development AG, Vienna (Chairman of the Supervisory Board)
	Novosom AG, Halle (Chairman of the Supervisory Board)
Dr. Konstantin Rogalla	INSTRUCT AG, Munich (Supervisory Board)
	Amerigo AG, Hamburg (Management Board)

6.7 Directors' Holdings

As at December 31, 2006, the governing bodies of the Company held the following shares in curasan AG. There were no options or entitlements to options in the financial year under review.

(€'000)	Management Board	31 Dec. 06	Change	31 Dec. 05
	Hans Dieter Rössler	2,127	0	2,127
	Supervisory Board			
	Dr. Detlef Wilke	12	0	12

6.8 Related Party Disclosures

With the exception of the members of the Management Board and Supervisory Board listed above, there are no other related parties subject to disclosure.

With the exception of the compensation to members of the Management Board and Supervisory Board listed above, there were no other reportable benefit-specific relationships. In particular, no grants/loans were issued to members of the governing

bodies. The Group entered into no agreements giving rise to contingent liabilities in favour of Management Board or Supervisory Board members.

There are no severance or pension obligations towards former members of the governing bodies.

6.9 Employees

At the balance sheet date, the number of staff employed within the Group stood at 68 (previous year: 65).

	2006	2005
Management Board	1	1
Staff	66	63
Apprentices	1	1
Total	**68**	**65**

6.10 Statutory auditors

The following expenses were recognised in FY 2006 with regard to professional fees for statutory auditors of the consolidated financial statements: € 59 thousand for the year-end audit, € 39 thousand for other certification and valuation services as well as € 3 thousand for other services.

6.11 Disclosures in accordance with WpHG (Securities Trading Act)

Not applicable in the 2006 financial year

6.12 Events after the balance sheet date

In the new financial year, curasan AG executed a capital increase for assets other than cash, in the amount of 500,000 shares, on the basis of Authorised Capital I in order to finance the purchase consideration associated with REVOIS, in addition to implementing a capital increase against cash contribution, in the amount of 525,000 shares, on the basis of Authorised Capital II. As a result, on March 5, 2007, the Company recorded an inflow of € 1.265 million in cash, before transaction costs. At the date of preparing the consolidated financial statements, the capital increases had not yet been entered in the Commercial Register.

7. ADDITIONAL EXPLANATORY NOTES UNDER SECTION 315A (1) HGB

7.1 Disclosure of individualised Management Board compensation

Under Section 314 (1) no. 6a HGB, the Company is obliged to disclose Management Board compensation in an individualised format. In view of the fact that the Company only has one Management Board member, the information presented under point 6.5 with regard to compensation shall apply accordingly.

7.2 Declaration of Conformity with the German Corporate Governance Code

The Supervisory Board and the Management Board issued a Declaration of Conformity in accordance with Section 161 AktG (German Stock Corporation Act) and have made these details permanently accessible to shareholders via the corporate website.

Kleinostheim, March 9, 2007 Hans Dieter Rössler

FIXED ASSETS SCHEDULE FOR THE FINANCIAL YEAR 2006 (GROSS ANALYSIS)

(€'000)	Purchase / Manufacturing Costs				Depreciation and Amortisation				Net Book Value	
	Carried forw. 1 Jan. 06	Additions / Write-up	Disposals	Balance 31 Dec. 06	Carried forw. 1 Jan. 06	Additions	Disposals	Balance 31 Dec. 06	Balance 31 Dec. 06	Balance 31 Dec. 05
I. Intangible assets										
1. Concessions, industrial property rights and similar rights and values, as well as licences thereto	3,579	1,750	0	5,329	1,488	350	0	1,838	3,491	2,091
2. Software	380	0	0	380	256	56	0	312	68	124
3. Goodwill	1,004	0	0	1,004	1,004	0	0	1,004	0	0
4. Prepayments	90	3	15	78	0	0	0	0	78	90
	5,053	**1,753**	**15**	**6,791**	**2,748**	**406**	**0**	**3,154**	**3,637**	**2,305**
II. Property, plant and equipment										
1. Land, land rights and buildings	1,888	0	0	1,888	584	79	0	663	1,225	1,304
2. Technical equipment and machinery	236	23	0	259	112	23	0	135	124	124
3. Other equipment, operating and office equipment	1,794	37	253	1,578	1,412	174	253	1,333	245	378
	3,918	**60**	**253**	**3,725**	**2,108**	**276**	**253**	**2,131**	**1,594**	**1,805**
	8,971	**1,813**	**268**	**10,516**	**4,856**	**682**	**253**	**5,285**	**5,231**	**4,110**

FIXED ASSETS SCHEDULE FOR THE FINANCIAL YEAR 2005 (GROSS ANALYSIS)

(€'000)	Purchase / Manufacturing Costs				Depreciation and Amortisation				Net Book Value	
	Carried forw. 1 Jan. 05	Additions / Write-up	Disposals	Balance 31 Dec. 05	Carried forw. 1 Jan. 05	Additions	Disposals	Balance 31 Dec. 05	Balance 31 Dec. 05	Balance 31 Dec. 04
I. Intangible assets										
1. Concessions, industrial property rights and similar rights and values, as well as licences thereto	3.312	267	0	3,579	1,256	232	0	1,488	2,091	2,056
2. Software	305	75	0	380	211	45	0	256	124	94
3. Goodwill	1,004	0	0	1,004	1,004	0	0	1,004	0	0
4. Prepayments	159	0	69	90	0	0	0	0	90	159
	4,780	**342**	**69**	**5,053**	**2,471**	**277**	**0**	**2,748**	**2,305**	**2,309**
II. Property, plant and equipment										
1. Land, land rights and buildings	1,888	0	0	1,888	505	79	0	584	1,304	1,382
2. Technical equipment and machinery	218	18	0	236	94	18	0	112	124	124
3. Other equipment, operating and office equipment	1,772	42	20	1,794	1,257	180	20	1,416	378	516
	3,878	**60**	**20**	**3,918**	**1,856**	**277**	**20**	**2,112**	**1,805**	**2,022**
	8,658	**402**	**89**	**8,971**	**4,327**	**554**	**20**	**4,860**	**4,110**	**4,331**

AUDITOR'S REPORT

"We have audited the consolidated financial statements prepared by curasan AG, Kleinostheim, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the financial year from January 1 to December 31, 2006. The legal representatives of the Company are responsible for the preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). Our responsibility is to express an opinion on the consolidated financial statements and 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 and in compliance with German generally accepted auditing standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position, financial performance and cash flows 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. An audit includes assessing, primarily on a test basis, the effectiveness of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the consolidated financial statements and Group management report. The audit also includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, 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.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the financial position, financial performance and cash flows of the Group.

Our audit has not led to any reservations.

The Group management report is consistent with the consolidated financial statements, conveys the state of affairs of the Group and suitably presents the opportunities and risks associated with the future progression of business.

Without qualifying our opinion, we draw attention to the fact that a restatement in accordance with IAS 8 has been made in relation to the prior year financial statements for the financial year ended December 31, 2005. The effects of this restatement on the financial position, financial performance and cash flows are presented under 3.4 of the notes to the consolidated financial statements.

Without qualifying our opinion, we draw attention to the fact that maintaining solvency will depend significantly on the attainment of targets specified in the financial plans prepared by the Management Board and authorised by the Supervisory Board and, should these targets not be met, on the ability to procure funds from external sources. Within this context, please refer to the details presented under Point IX of the Group management report."

Frankfurt am Main, 12 March 2007

PKF PANNELL KERR FORSTER GMBH
Wirtschaftsprüfungsgesellschaft

W. Hofmann
Certified Public Accountant

M. Jüngling
Certified Public Accountant

BERICHT DES AUFSICHTSRATS

Dr. Detlef Wilke, Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

over the course of 2006, the Supervisory Board of curasan AG monitored the activities of the Management Board on a regular basis and with due diligence, as well as acting in an advisory capacity. The Management Board informed the Supervisory Board, thoroughly, regularly and on a timely basis, about all issues of relevance to the Company with regard to corporate planning, the course of business, the risk situation and risk management by providing written and oral reports. Departures of ongoing business performance from forecasts were explained on a case-by-case basis.

The Supervisory Board convened four scheduled meetings during 2006. Beyond the scheduled Supervisory Board meetings, the Chairman of the Management Board regularly communicated with the Chairman of the Management Board for the purpose of obtaining information on the current progression of business and material business-related events. The Supervisory Board directly participated in all decisions of material importance, having been approached in a timely manner.

As part of its regular discussions, the Supervisory Board focused on the Company's forecasts and its current progression of business, its strategic direction as well as its financial state of affairs and future financing structure.

The Supervisory Board also discussed details relating to corporate governance during 2006. In December 2006, the Management Board and Supervisory Board of curasan AG issued a Declaration of Conformity pertaining to the recommendations of the Government Commission of the German Corporate Governance Code, as required under Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG). There were no changes to the composition of the Management Board or Supervisory Board in the reporting period.

The financial statements and the management report of curasan AG, the consolidated financial statements of the curasan Group and the Group management report, all of which were prepared for the financial year ended December 31, 2006, were audited by PKF Pannell Kerr Forster GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt, on the basis of the mandate granted by the Supervisory Board, and received an unqualified audit opinion.

The financial statements and management report of curasan AG, the consolidated financial statements of the curasan Group and the Group management report as well as the audit reports issued by the auditors were submitted and explained to the Supervisory Board and assessed by the latter in accordance with Section 171 (1) AktG. The auditor furnished detailed information about all material conclusions of the audit and answered all questions put forward by the Supervisory Board in a detailed and comprehensive manner. Prior to the execution of audit procedures, the Supervisory Board had agreed with the auditor in accordance with point 7.2.1 of the German Corporate Governance Code that the Chairman of the Supervisory Board should be informed immediately about any aspects which suggested that the auditor may be biased or any evidence that would

BOARD MEMBERS OF THE COMPANY

Management and Supervisory Board
(f.l.t.r.):
Hans Dieter Rössler,
Dr. Detlef Wilke,
Hans-Günter Niederehe,
Dr. Konstantin Rogalla

have disqualified the auditor. Furthermore, pursuant to point 7.2.3 of the German Corporate Governance Code, the Supervisory Board had agreed with the auditor that the latter should immediately furnish pertinent information about all issues and events arising during the execution of the audit and deemed to be of importance to the duties of the Supervisory Board. In addition, the Supervisory Board had agreed with the auditor that the latter should inform the Supervisory Board or include a relevant note in the audit report if, when conducting the audit, he identified facts which may represent a misstatement of the Declaration of Conformity issued by the Management Board and the Supervisory Board pursuant to Section 161 AktG in connection with the German Corporate Governance Code.

The Supervisory Board independently examined the financial statements and management report of curasan AG as well as the consolidated financial statements and the Group management report of the curasan Group, as prepared by the Management Board, in addition to the proposal regarding the appropriation of profit. No objections were raised by the Supervisory Board as part of this examination. Consequently, the financial statements of the Company are thereby adopted in accordance with Section 172 sentence 1 AktG, and the consolidated financial statements are approved in accordance with Section 171 (1) AktG. The Supervisory Board is in agreement with the proposal regarding the appropriation of profit, as put forward by the Management Board.

The Supervisory Board would like to express its thanks to the Management Board and to all employees of the curasan Group for their commitment during the 2006 financial year.

Kleinostheim, March 2007
The Supervisory Board Dr. Detlef Wilke, Chairman

MANAGEMENT BOARD

Hans Dieter Rössler
59 years of age; degree in business administration;
CEO and Managing Director since 1988

SUBERVISORY BOARD

Dr. Detlef Wilke (Chairman) –
Managing Partner at Dr. Wilke & Partner Biotech Consulting GmbH, Wennigsen
Hans-Günter Niederehe (Vice Chairman) –
Self-employed management consultant, Mainz
Dr. Konstantin Rogalla –
Managing Partner at Pflüger, Schulz, Rogalla Unternehmensberatung GmbH, Hamburg

GLOSSARY

Hyaluronic acid	Highly viscous mucopolysaccharide; plays an important role in lubricating joints.
Implantologist	Dentist specialising in implants.
Bone regeneration material	Material with all the properties of bone replacement material but which is also highly porous and is resorbed as the new bone grows.
Bone replacement material	Material that is not toxic (poisonous), immunogenic or allergenic, causing neither inflammation nor infection, and is thus suitable to be inserted either permanently or temporarily at the site of the bone defect.
PRP	Platelet-rich plasma: contains autologous growth factors.
Tissue engineering	Cultivation of hard and/or soft tissue (skin and bones) in the laboratory.

FNANCIAL CALENDAR

27 March 2007	Financial Statements Press Conference
27 March 2007	Analysts' Meeting
11 May 2007	Publication of Interim Report for Q1
21 June 2007	General Meeting of Shareholders
10 August 2007	Publication of Interim Report for Q2
14 November 2007	Publication of Interim Report for Q3

IMPRINT

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For the financial statements of curasan AG (HGB) see the internetsite of the company (www.curasan.de) or get in contact with the company directly.

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