

Report on the 2nd Quarter of 2005
Period under review January 1, 2004 till June 30, 2005

curasan

Regenerative Medicine

CONSOLIDATED GROUP

curasan AG, D-Kleinostheim	Parent Company
curasan Benelux BV, NL-Barneveld	100 % Sales
curasan Inc., US-Raleigh	100 % Sales
Pro-tec Medizinische Produkte GmbH, D-Kleinostheim	100 % Manufacturing

SHARE DATA

WKN / ISIN / Kürzel	549 453 / DE 000 549 453 8 / CUR
Type of stock	No-par-value common stock
Share volume	5.25 million
Free float	53.74 %
Closing price 1.4.2005 / 30.6.2005 (Xetra)	Euro 2.11 / Euro 2.92
High / Low (closing price Xetra)	Euro 3.75 / Euro 1.80
Trading volume Xetra and Frankfurt (1.5.2004 – 30.6.2005)	Euro 10.48 million
Market capitalisation as at 30.6.2005	Euro 15.33 million
Free float factor acc. to Deutsche Börse AG	0.5374
Free float market capitalisation as at 30.6.2005	Euro 8.24 million

KEY FIGURES

Euro million	1.1.-30.6.05	1.1.-30.6.04	Change
Sales	3.9	4.1	– 5 %
– Biomaterials	3.2	3.3	– 3 %
– Pharmaceuticals	0.7	0.8	– 13 %
EBIT	– 0.9	– 1.4	36 %
Cash Flow	– 0.2	– 3.2	
Employees (absolute)	76	79	– 4 %

DEAR SHAREHOLDERS, BUSINESS ASSOCIATES,
AND COLLEAGUES,

Our second quarterly report for the 2005 financial year outlines the performance of curasan AG for the period from the beginning of January to the end of June 2005.

Although revenue for the first six months of the current financial year was 5 % lower than in the same period a year ago, we succeeded in significantly lifting our operating result by 36 % by continuing our decisive efforts within the area of cost management.

In the second quarter, revenue rose by 35 % year on year, while the operating result was improved by 38 %.

The focus of the financial markets was back on curasan following our successful capital increase via a private placement of 250,000 shares, thus raising market awareness with regard to our investment case.

In June, we had the honour of meeting many of you at our fifth General Meeting of Shareholders in Aschaffenburg. Within this context, we consider it to be a sign of your trust in our performance that all resolutions on the agenda were approved with an overwhelming majority. In parallel to the event, we also had the opportunity to discuss business-specific issues with many of those attending the Shareholders' Meeting.

We would like to express our gratitude to our shareholders, business associates, and employees for the trust placed in us.

curasan AG,
The Management Board

Kleinostheim, July 2005

OUR SHARES

Q2 2005 marked a turning point in our share performance. The company's share price stood at Euro 2.11 at the beginning of the quarter and reached a low of Euro 1.80 on 27 April 2005. Towards the end of May, the price of curasan's shares began to increase steadily and breached the three-euro threshold on 15 June.

From 24 May onwards, curasan's share performance remained above that of the Prime Pharma & Health Performance Index benchmark. This upward trend was prompted by the announcement of a private placement of 250,000 new shares issued within the framework of Authorised Capital. The success of this placement raised investor awareness of curasan's shares and resulted in increased demand.

Curasan's share price reached its apex of Euro 3.75 on 17 June. Two days prior to this, the company had issued a press release regarding a new medical study. According to this study, treatment with Cerasorb® is equivalent to the so-called "gold standard" of a bone graft, "gold standard" referring to the best-possible procedure corroborated by empirical studies.

At the end of the quarter, i.e. 30 June 2005, curasan's share price stood at Euro 2.92. This corresponds to an increase of 38% over the course of the second quarter. Since the beginning of the year, the value of curasan's shares has risen by 30%.

The Prime Pharma & Health Performance Index, which covers all 44 pharmaceutical and health care companies listed in the Prime Standard, also managed to edge upwards over this period of time. Standing at 993.74 points at the beginning of the quarter, it closed the quarter at 1,065.66 points (+7.24% as at 30 June). Since the beginning of the year, the Prime Pharma & Health Performance Index has risen by 10.9%.

CURASAN SHARE PERFORMANCE



SALES OF THE PRODUCT DIVISIONS

The company generated revenue of Euro 2.3 million in the second quarter, a year-on-year increase of 35 % compared with Q2 2004 (Euro1.7 million).

The double-digit increase in revenue was attributable mainly to the positive development of the company's international business – particularly with the new curasan-developed product curavisc for the treatment of joint arthrosis – as well as higher sales volumes within the area of bone regeneration, membranes and from the haemostatic product stypro®.

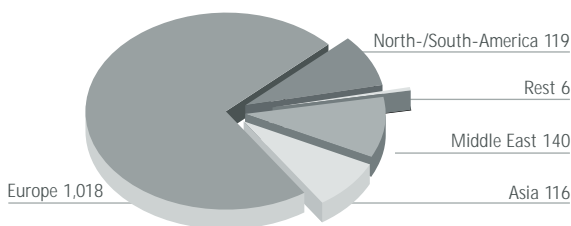
Revenue generated with Cerasorb® was comparable with last year's figures. In Germany, the launch of our new Cerasorb M® in grain and vial sizes tailored specifically to market requirements prompted above-average growth, thus underlining the popularity of this product within the medical profession.

Within the Pharma segment, revenue generated with Mitem®, a drug that is used for the treatment of superficial bladder carcinoma and is marketed by Hoyer-Madaus GmbH & Co. KG, remained below target due to supply-side shortages. Over the course of the coming months, revenue is expected to increase to the level forecast.

Accumulated for the first and second quarter, revenue stands at Euro 3.9 million, i.e. just 5 % lower than in the same period a year ago (Euro 4.1 million).

Revenue growth was fuelled mainly by demand from abroad, particularly in the second quarter. Foreign revenue amounted to Euro 1.4 million as at 30 June 2005, representing 35.4 % of total revenue (34 % in the previous year).

Export Sales



Segment revenues within the area of Biomaterials remained more or less unchanged, while supply-side shortages associated with Mitem mean that the Pharma segment has receded year on year (-15 %). Compared with the same period a year ago, the Biomaterials segment result improved by 50 % due to cost streamlining.

Segment assets declined year on year, mainly within the area of intangible assets and in terms of goodwill, which has been written down in full.

Segment reporting (period)

	Pharma	Bio	N.A.	Total	Germany	Abroad	N.A.
Segment revenues							
2005	623	1,758	0	2,381	1,864	517	0
2004	496	1,324	164	1,984	1,436	384	164
Segment results							
2005	-122	-279	-118	-519	-121	-280	-118
2004	-261	-614	27	-848	-652	-223	27

Segment reporting (year)							
	Pharma	Bio	N.A.	Total	Germany	Abroad	N.A.
Segment revenues							
2005	757	3,762	0	4,519	3,086	1,433	0
2004	889	3,758	164	4,811	3,138	1,509	164
Segment results							
2005	- 253	- 447	- 219	- 919	- 234	- 466	- 219
2004	- 276	- 909	- 179	- 1,364	- 841	- 344	- 179
Segment assets							
2005	1,315	11,038	0	12,353	8,416	3,937	0
2004	2,168	11,254	0	13,422	8,868	4,554	0

RESEARCH, DEVELOPMENT, AND REGULATORY AFFAIRS

The 9th Frankfurter Implantologie Tage (FIT) event, the motto of which was "Fit für die Praxis", was held on 13 April to coincide with the Internationale Dental Schau (IDS) in Cologne. The new concept developed by curasan AG focuses more closely on proactive participation in the conference, e.g. by incorporating key issues in the lectures on the basis of questionnaires sent to participants prior to the event. During FIT we also introduced the new curasan service for specialist literature, as part of which we will be providing regular reports on publications of direct relevance to the field of regenerative medicine.

In the period under review, the highly renowned International Journal of Oral & Maxillofacial Implants reported on the latest findings of a multicentre clinical trial in which patients underwent a maxillary sinus floor elevation procedure using autogenous bone grafts – the so-called "gold standard" – on the one side and Cerasorb® as a bone augmentation material on the other. The study showed that bone formation was equally good on both sides of the jaw. As follow-up surgery is not required when deploying Cerasorb®, this material is considered to be safer and more cost-effective.

CONSOLIDATED INCOME STATEMENT (IAS)

(€'000)	Quarter	Quarter	Acc.	Acc.
	1.4. –	1.4. –	1.1. –	1.1. –
	30.6.05	30.6.04	30.6.05	30.6.04
Revenues	2,265	1,678	3,947	4,115
Other operating income	211	263	377	619
Changes in inv. of finished goods and work in progress	– 95	– 8	195	– 30
Production for own fixed assets capitalized	0	51	0	107
Cost of materials / services purchased	997	595	1,640	1,431
Personnel expenses	1,024	1,131	2,048	2,204
Depreciation and amortization	123	185	242	363
Other operating expenses	756	921	1,508	2,177
Operating income/loss	– 519	– 848	– 919	–1,364
Interest income and expenditure	–22	3	– 30	– 10
Other income/expenses	0	0	0	0
Result before taxes	– 541	– 845	– 949	–1,374
Income tax	230	188	382	382
Net income/loss	– 311	– 657	– 567	– 992
Earning per share (IAS)	–0.06	–0.13	–0.11	– 0.20
Earning per share (DVFA/SG)	–0.06	–0.13	–0.11	– 0.20
Average number of shares (IAS)	5,000	5,000	5,021	5,000
Cash Earnings per share (DVFA)	–0.08	–0.13	–0.14	– 0.20

In the first six months of the financial year, sales revenues totalled Euro 3.9 million.

Cost of sales amounted to Euro1.6 million. This represents 39 % (previous year 34 %) of consolidated total output, i.e. net sales plus inventory changes plus work performed by the enterprise and capitalised.

The year-on-year decline in the company's overall headcount was reflected in lower staff costs. As planned, staffing levels in Operations (-2) and Finance (-1) were scaled back slightly compared with the overall total at the end of 2004.

Full-Time Employees	30.6.2005	31.12.2004	30.6.2004
Marketing / Sales	30	30	33
Operations	21	23	24
Research / Registration	6	6	5
Finance / Controlling	5	6	5
Central Division	6	6	6
Total	68	71	73

Depreciation and amortisation expense in connection with property, plant and equipment, intangible assets, and goodwill also declined due to the full write-down of goodwill.

Other operating expenses declined mainly as a result of stringent cost management throughout the company.

Overall, staff costs, depreciation/amortisation and other operating expenses were Euro 0.9 million lower in the first six months of 2005 than in the same period a year ago.

The loss before interest and taxes improved by Euro 0.4 million year on year to Euro 0.9 million. Having accounted for interest expenses and deferred taxes, the net loss for the period was Euro 0.6 million (previous year: Euro 1.0 million).

BALANCE SHEET AND CASH FLOW

As at 30 June 2005, total assets were almost unchanged compared with the end of the preceding financial year.

As regards liabilities and equity, the capital increase implemented in the period under review meant that share capital was augmented by Euro 250,000 to Euro 5,250,000.

At 84.3%, the equity ratio remained almost unchanged compared with the end and the first half of the 2004 financial year.

Cash and cash equivalents stood at Euro 0.6 million at the end of the period, a decline of Euro 0.2 million compared with the balance reported at the beginning of the period. The purchase consideration payable to curasan in connection with the sale of the Pharma unit is sufficiently high to safeguard the continued financing of business activities in 2005 if the underlying parameters of financial forecasting are achieved.



CONSOLIDATED BALANCE SHEET (IAS)

(€'000)	30.6.2005	31.12.2004
ASSETS		
Current assets		
Cash and cash equivalents	612	775
Securities held as current assets	0	0
Trade accounts receivable	866	672
Inventories	2,658	2,207
Prepaid expenses and other current assets	3,254	3,482
Total current assets	7,390	7,136
Property, plant and equipment	1,910	2,023
Intangible assets	2,205	2,309
Goodwill	0	0
Deferred taxes	5,646	5,250
Other assets	1,460	1,961
Total assets	18,611	18,679
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	519	187
Trade accounts payable	1,114	962
Accrued expenses	376	776
Other current liabilities	201	297
Total current liabilities	2,210	2,222
Long-term debt	64	65
Pension accrual	283	269
Other non current-liabilities	365	365
Shareholders' equity		
Share capital	5,250	5,000
Additional paid in capital	20,056	19,844
Adjustment item currency differences	1	- 35
Profit/loss carried forward	- 9,051	- 6,736
Annual result	- 567	- 2,315
Total shareholders' equity	15,689	15,758
Total liabilities and shareholders' equity	18,611	18,679

STATEMENT OF CASH FLOW (IAS)

(€ 000)	1.1. – 30.6.2005	1.1. – 30.6.2004
Net income / loss	– 567	– 992
Depreciation of fixed assets	242	363
Unscheduled depreciation of current assets	0	0
Payment invalid assets (deferred taxes)	– 382	– 382
Increase in long-term accruals	14	19
Proceeds from fixed asset disposals	0	0
Increase / Decrease in inventories, receivables and other assets	– 520	– 77
Increase / Decrease in accounts payable and other liabilities	– 308	–1,172
Cash Flow from operating activities	–1,521	–2,241
Expenditure in investments in fixed assets	– 25	– 352
Proceeds from sale of business unit	590	0
Cash Flow from investing activities	565	– 352
Proceeds from capital increase	462	0
Investments / proceeds from the negotiation / liquidation of bonds and debts	331	– 612
Cash Flow from financing activities	793	– 612
Change in cash and cash equivalents	– 163	–3,205
Other changes in cash and cash equivalents	0	0
Cash and cash equivalents at the beginning of the period	775	5,636
Cash and cash equivalents at the end of the period	612	2,431

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (IAS)

Shareholders' Equity € m	Share Capital	Reserves	Acc. Deficit	Total
Status as at 1.1.2005	5.0	19.8	– 9.0	15.8
Acc. net loss	0.25	0.20	– 0.60	– 0.15
Status as at 30.6.2005	5.25	20.00	– 9.60	15.65
Status as at 1.1.2004	5.0	19.8	– 6.7	18.1
Acc. net loss	0.0	0.0	– 1.0	– 1.0
Status as at 30.6.2004	5.0	19.8	– 7.7	17.1

DIRECTORS' HOLDINGS

i. thsd.		Change since	
Name	Position	Stock	31.12.04
Hans-Dieter Rössler	Chairman of the Executive Board	2,316	0
Dr. Detlef Wilke	Chairman of Supervisory Board	12	0



OUTLOOK

We anticipate that the positive performance recorded in the first six months will continue in the third quarter, albeit at a slightly slower pace due to the holiday season.

Over the course of the second quarter, we made preparations for the launch of a new resorbable polylactide membrane on 1 July 2005.

As regards cost structures, we are expecting to make additional savings in the future, among other things from staff members leaving the company effective from 30 June 2005.

A number of Investor Relations events have been planned for the second half of the year, as part of which we will have the opportunity to present our company to financial analysts.

The next quarterly report will be published on 14 November 2005.

FINANCIAL CALENDAR

November 14, 2005

Publication of third quarter report

February 2006

Announcement of preliminary annual results 2005

IMPRINT

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