Annual Report 2004

curasan

Regenerative Medicine

*(€'000)	2004	2003	Continued**	Difference %
Total revenue*	7,792	14,926	5,420	+ 43.8 %
Revenue Pharmaceuticals*	6,253	9,506		
Revenue Biomaterials*	1,539	5,420		
Earnings before interest and taxes*	(3,609)	(2,721)	4,322	+ 16,5 %
Financial income*	(20)	(143)		
Extraordinary items	0	7,083		-
Net profit/(loss) for the year*	(2,315)	(3,122)		-
Consolidated earnings, in accordance with DVFA/SG*	(2,315)	3,122		-
Cash flow, in accordance with DVFA/SG*	(2,874)	5,561		-
Earnings per share (IAS)	(0.46)	0.62		-
Equity*	15,758	18,108		
Total assets*	18,679	22,928		
Number of employees (full-time)	71	75		
Equity ratio (in %)	84.4	79.0		
Return on sales (in %)	(29.7)	20.9		
Revenue per employee*	110	199		
EBIT per employee*	(51)	(36)		

** Pro forma data of the continued business (1.1.-31.12.04)

KEY FIGURES

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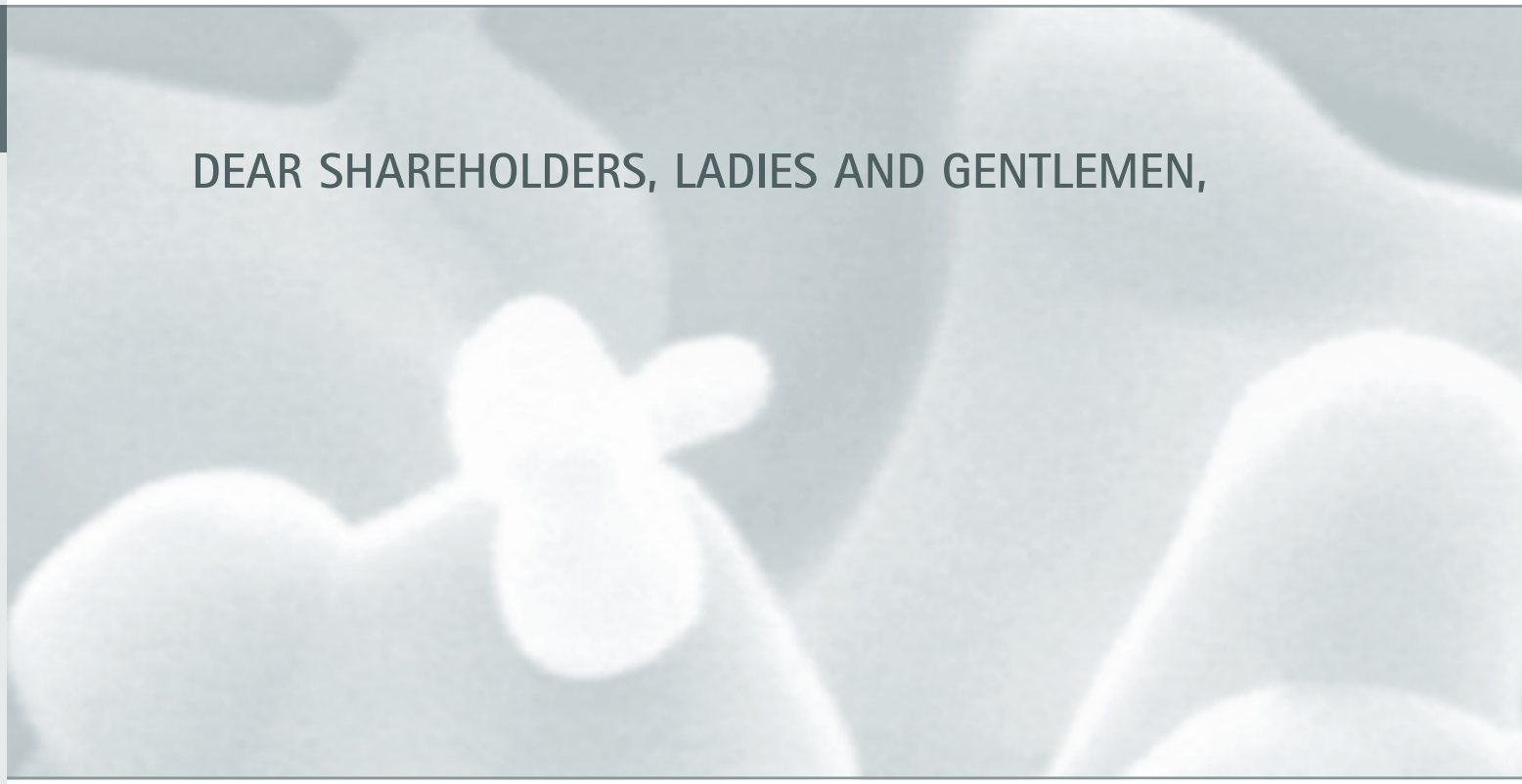


DEAR SHAREHOLDERS, LADIES AND GENTLEMEN,

For curasan, 2004 was a financial year dedicated to renewal. As discussed at length on previous occasions, one of the key transactions undertaken in the 2003 financial year had been the sale of our Pharmaceuticals unit. From then on, the main focus of our corporate activities was on developing and marketing the high-potential Biomaterials segment. The substantial level of revenue growth achieved with Biomaterials is a clear testament to the incisiveness of our game plan. And yet, we must also concede that sales fell short of our original expectations as a result of several adverse effects.

These factors included a number of organisational restructuring measures prompted by the disposal of our Pharmaceuticals unit. New internal processes and structures had to be developed and implemented, areas of responsibility had to be redefined and software support had to be adjusted to meet changing requirements. The issue of corporate transition was addressed swiftly, allowing us to implement the requisite changes in a relatively short time frame and with great success. However, at times, this also meant that managers were forced to channel most of their energy into the supervision of internal processes.

Operations were also adversely affected by the process of restructuring our sales partnership in the United States, an undertaking that required considerable management input well into the 2004 financial year. In Ascension Orthopedics, we found a new, performance-driven distribution partner. However, it took several months for this new partnership to produce tangible results. The latest sales figures recorded in the US are much more encouraging, and we are confident that this market will achieve substantial revenue growth in the future. The thorough groundwork laid for US market entry is beginning to bear fruit.

Admittedly, the stock market took offence at our underachievement and punished our shares accordingly. After one and a half years of growth, curasan's share price plummeted in the second half of 2004. Although it has now recovered slightly, we still have a lot of catching up to do before we can return to the highs recorded a year ago. The Management Board, the Supervisory Board and the entire team will do everything within their powers to raise the value of the Company by producing enough forward momentum within the operating environment.

Some of the highlights of the financial year just ended included the launch of a new sales enterprise within the immensely important North American market as well as the licence granted for US distribution of Cerasorb® DENTAL and Cerasorb M® ORTHO. As a result of our accomplishments in the US, we were able to secure a vital lead over our competitors. Indeed, we believe we have established a powerful launch pad for accelerated business within the world's most prominent markets.

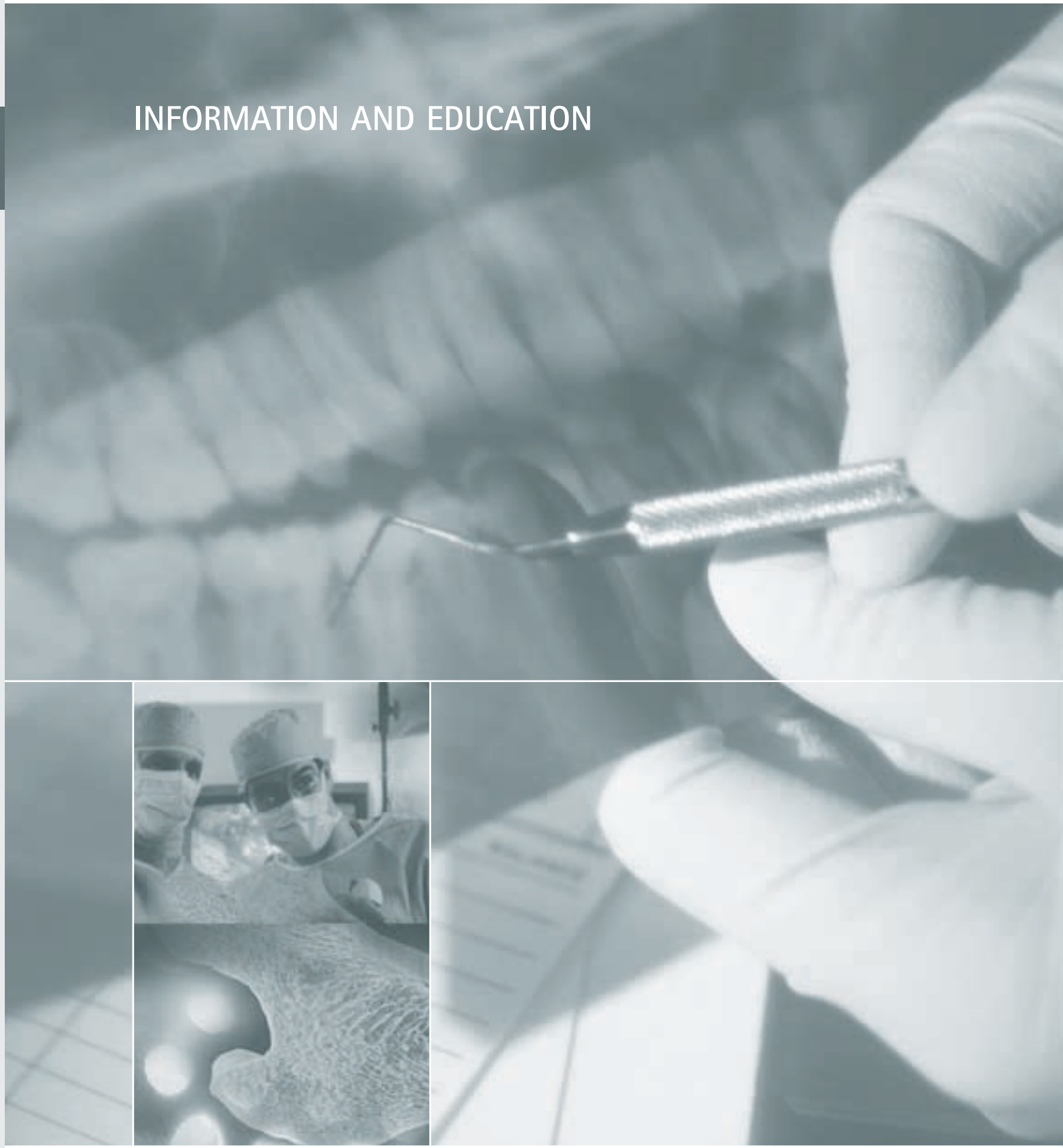
We also established an impressive track record when it came to introducing new products. In January, we were granted approval for the distribution of Curavisc within the European orthopaedics market. And in February, we successfully negotiated a sales agreement with Hoyer-Madaus for the cancer drug Mitem®, which has been performing extremely well.

In the period under review, we generated revenue of € 7.8 million. This corresponds to 44.4 % growth within the remaining area of business. In recognition of the substantial growth rates achieved by our Company over a period of several years, the international auditing and consulting firm Deloitte & Touche once again ranked curasan as one of the fastest growing enterprises in Germany. Despite our accomplishments, the operating loss incurred in the 2004 financial year amounted to € 3.6 million, while our net loss for the period stood at € 2.3 million. Owing to the sale of our Pharmaceuticals unit in 2003, year-on-year comparability of these figures is very limited. Therefore, we have included additional data in our income statement to provide the necessary basis for comparison with regard to the remaining business unit.

I would like to take this opportunity to express my sincere gratitude to all members of staff for their outstanding contribution over the course of the year. Finally, I would like to thank our customers, business partners and shareholders for the trust they have placed in curasan and its products.

Hans Dieter Rössler

INFORMATION AND EDUCATION



The health care market has been particularly dynamic in recent years. The fast-paced development of this sector has been driven not only by a number of legislative changes and the introduction of new incentive systems but also by heightened public interest in topics related to health care. Indeed, »health« has become a key point on the current agenda. Contrary to many forecasts, the health, fitness and wellness movement is still producing plenty of forward momentum.

Furthermore, the public is much better informed about health matters than in the past. In general, patients tend to be more educated when it comes to discussing specific health issues with their doctors. They also tend to be more critical. In many cases, health practitioners are asked directly by their patients whether a specific drug or treatment may prove beneficial. For doctors, the growing trend towards patient empowerment means having to get up to speed with new products and methods in a much shorter period of time.

New pharmaceutical and medical products and methods have to overcome substantial hurdles before they can establish themselves within the marketplace. Alongside far-reaching scientific studies and complex registration procedures, companies usually also have to invest in education and product promotion at grass-roots level. Even when new solutions have been scientifically proven to be more effective, it is often very difficult to change common practice and beliefs over a short period of time.

Over the past few years, curasan has been taking a pro-active approach when it comes to raising awareness of cursan's superior product features, both within the public domain and among specialists. Empirical studies, scientific research and practice-oriented knowledge transfer in the form of seminars, congresses and conferences are essential if one is to achieve a high level of impact within the area of bone and tissue regeneration, tissue engineering and the treatment of bone defects. Over the course of 2004, curasan organised a number of tailor-made events within this area, some of which were hosted in association with external research institutes.

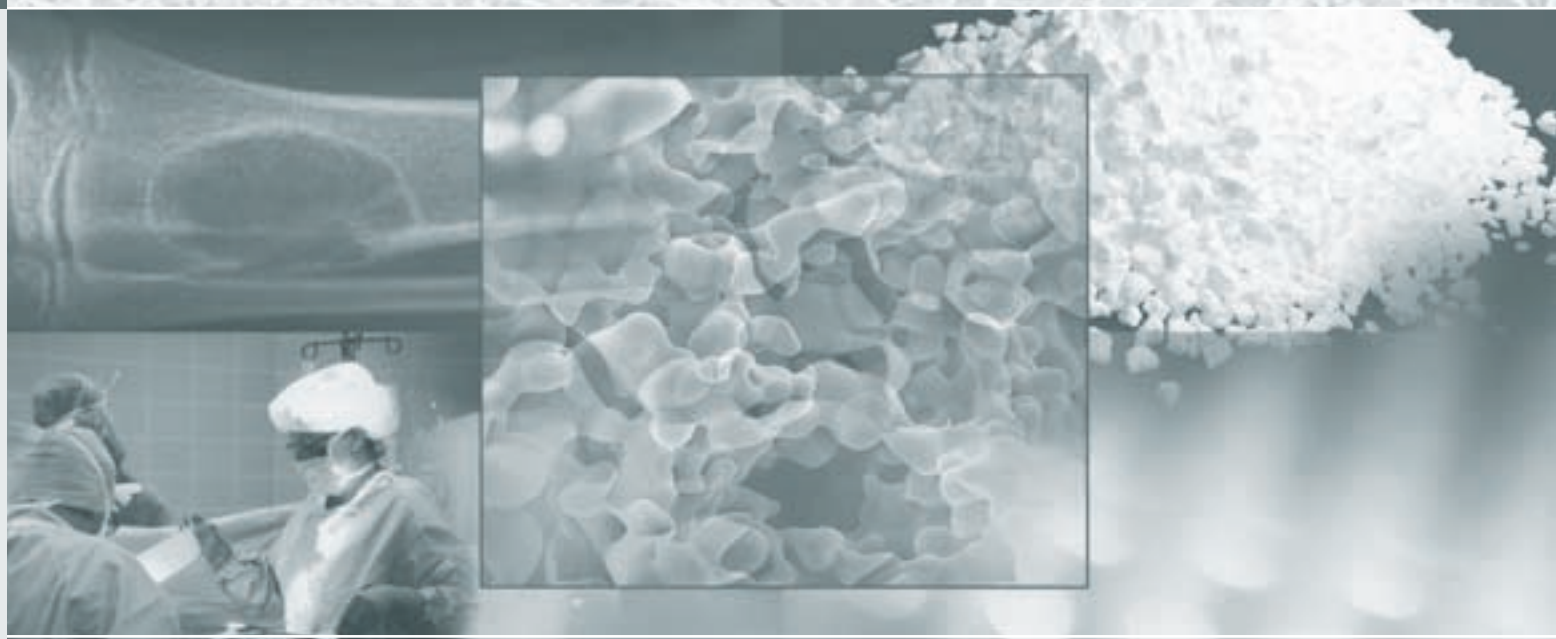
»Frankfurter Implantologie Tage« (FIT), a curasan conference focusing on implantology, has established itself as an important and extremely popular annual event. Over a period of two days, well-known experts within the field present the latest trends in bone regeneration. The events usually also produce a tangible stimulus to demand for Cerasorb®. The next FIT will take place on April 13 as part of the Internationale Dental Schau (IDS) in Cologne.

Over the course of 2004, approx. 50 workshops – for over 500 participants – were organised by the Company. The workshops are designed to provide newcomers as well as experienced practitioners with detailed information on augmentative surgery and useful advice on day-to-day procedures.

Moreover, the curasan website offers comprehensive information relating to the fields and methods of application for Cerasorb®. Specialists can also access summaries of clinical trials, including specific case studies regarding the use of Cerasorb®. In 2004, nineteen articles on state-of-the-art bone regeneration and the deployment of Cerasorb® were published in specialist journals.

curasan has also established a close rapport with scientific research institutes. The latest cooperation agreement concluded in 2004 involves a project organised in association with the Technical University of Chemnitz and Beckmann-Institut für Technologieentwicklung e.V. The project is aimed at developing perfect-fit implants in a single step based on CT data of the specific bone defect. The biomaterial product deployed within this area is Cerasorb®.

DAS CERASORB® – PRODUCT RANGE



Boasting in-depth technical, biological and medical knowledge within the field of bone and tissue regeneration, curasan has emerged as one of the leading specialists in regenerative medicine. The core product within curasan's state-of-the-art portfolio is Cerasorb®, a synthetic bone regeneration material. Over the years, a number of other first-class products have been developed by the Company on the basis of this core solution. Indeed, Cerasorb® itself is available in various forms and for a wide range of medical indications. The product is supplied both in Germany and abroad.

Cerasorb® is manufactured from calcium and phosphate, using a complex ceramic production process. Its specific properties are particularly conducive to the biofunctional regeneration of bone defects. One of the unique features of Cerasorb®: it induces the complete regeneration of bone and is completely resorbed as the bone is formed. In other words, the original condition of the bone is achieved on the basis of an entirely natural process and without any need for further medical intervention.

Cerasorb® is certified for use in the entire skeletal system. Owing to the fact that it is fully synthetic, Cerasorb® is not associated with any material-induced risk of infection. Cerasorb® contains absolutely no components of human or animal origin. The material is resorbed within a few months and replaced by vital bone – depending, among other things, on the location and the size of the defect. The product is used principally within the fields of dentistry, maxillofacial surgery, orthopaedics, traumatology and sports medicine.

Cerasorb® was first launched in a granular form, a well-established solution with an proven track record. The adaptable granules are placed in the bone. Owing to their size and form, they are even capable of filling extremely small voids or gaps. As a result of its interconnective open multiporosity, Cerasorb® facilitates the regeneration of vessels, thus allowing the body to produce new bone.

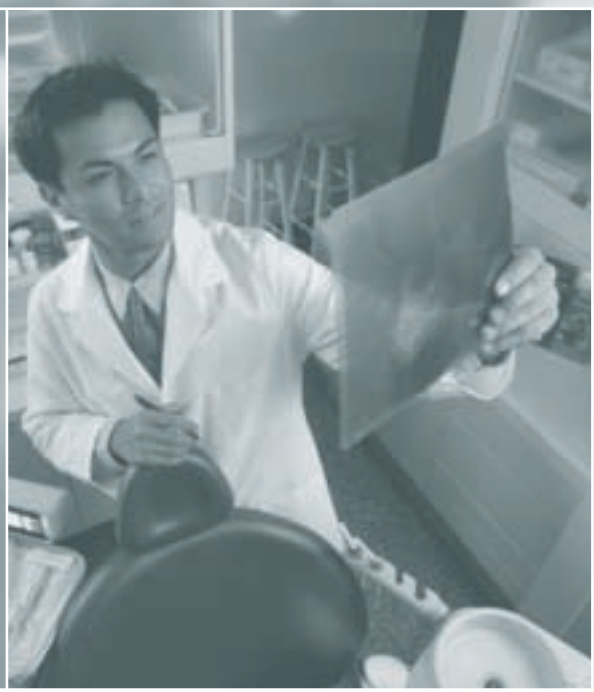
Dr. Palti, President of the German Society for Oral Implantology, has been using Cerasorb® since 1999. »Initially, we used 70 per cent bone and 30 per cent Cerasorb®,« says Dr. Palti. »For five years now, we have been using Cerasorb® with autologous blood, an approach which has proved successful even in very severe cases.« Since 1999, Dr. Palti has treated 958 patients with Cerasorb® and has experienced hardly any complications compared with other methods. In fact, the level recorded is just 2.2 %.

The positive results achieved with Cerasorb® granules prompted the development of block materials in various forms. Using the blocks, the surgeon can create perfect-fit »components« tailored to the specific area of application. Another advantage of Cerasorb® blocks is that they feature so-called tubular pores which are oriented towards the growth structures of the bone. They act as special »guides«, supporting bone growth and ensuring that the new structures develop in the requisite direction.

In the period under review, curasan developed a new generation of granules. With Cerasorb® M, the product line has been further enhanced and upgraded. Cerasorb® M is a state-of-the-art product developed on the basis of current research within the field of bone regeneration. It can be applied in a highly targeted manner and facilitates particularly rapid bone regeneration. This is achieved with the help of a structure featuring micro-, meso- and macro-pores, which facilitates accelerated fusion with existing bone.

One of the first surgeons to use Cerasorb® M was Dr. Dr. Frank Palm of the Oral and Maxillofacial Surgery Unit at Klinikum Konstanz. Around 100 surgeries have already been performed with the next generation of Cerasorb®. Within this context, Dr. Palm recorded a significant improvement in the healing process compared with other synthetic bone replacement materials. The interconnective porosity prevents bacteria from embedding themselves and multiplying.

CURASAN SHARE PERFORMANCE



STOCK MARKETS IN 2004

Following a roller-coaster ride in 2003, stock markets experienced a relatively stable performance in 2004. The German lead index DAX recorded a year-on-year gain of 7.34 % at the end of the period under review. However, other sectors performed much more dynamically over the course of 2004. The MDAX, for instance, increased by 20.28 % in 2004, thus achieving an all-time high of 5,375 points. The SDAX also performed admirably, registering a year-on-year gain of almost 20 %. In contrast, the TecDAX was among the laggards, registering a disappointing loss of 4 %.

curasan's shares are included in the CDAX, the Prime All Share Index, the Classical All Share Index and the Tech All Share Index. Since January 3, 2005, curasan has also been part of the German Entrepreneurial Index (GEX). The newly established GEX comprises medium-sized owner-managed enterprises. 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 & Health Performance Index began the year at a base level of 802.31 points. By the end of the first quarter of 2004 it had fallen to a 12-month low of 780.95 points. The apex of 947.89 points was recorded towards the end of the year. Thus, the average market value of Prime Standard companies operating within the pharmaceuticals and health care sector increased by around 18 % over the course of the year.

On January 2, 2004, curasan's shares commenced trading at a base level of € 3.42 (02.01.2003: € 2) and achieved a high of € 4.49 on January 26, 2004. In the first two quarters and in the period leading up to the middle of the third quarter, the Company's shares managed to move in line with the benchmark or outperform it. Towards the end of the year, however, the share price plummeted and recorded a low of € 2.17 on December 22, 2004. It then regained its footing and closed the year at € 2.29.

The four-euro mark was first breached on January 12, 2004, in response to the official licence granted to Cerasorb® DENTAL for distribution in the US. The certification of Cerasorb® DENTAL allowed curasan to establish a lead over potential competitors within this market. Market rollout of the cancer drug Mitem® on February 17, 2004, also contributed to the surge in curasan's share price over the course of the first quarter. On April 1, 2004, Cerasorb® M ORTHO was approved for sale in the US, thereby underpinning curasan's solid share performance in the second quarter. At the beginning of the third quarter, the Company's sights were firmly set on growth: Ascension Orthopedics Inc., Austin/Texas, USA, was presented as curasan's new US distribution partner on July 12, 2004.

However, curasan's interim results for the first six months were disappointing. A shortfall in revenue due to the restructuring of curasan's sales partnership in the US and the costs associated with the upcoming launch of a new generation of Cerasorb® had clearly dampened growth in the second quarter. Following the announcement of these results, curasan's share price began to lose its footing towards the end of August. By August 20, 2004, it stood at € 2.71. Despite an increase in revenue of 5 %, the third quarter fell short of expectations, thus precipitating a further decline in curasan's share price. The Biomaterials business unit, in particular, performed at a level that was well below the specified target. Indeed, the shortfall in revenues associated with the change of distribution partner in the US proved too substantial for the Company to offset by means of accelerated business in the third and fourth quarter.

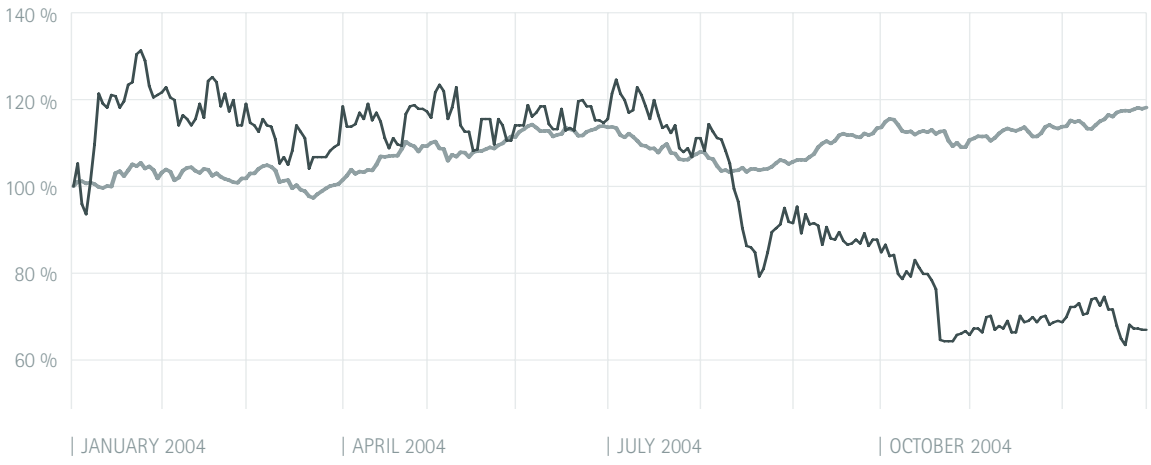
curasan's unfavourable business performance also contributed to a decline in trading volumes: in the first quarter of 2004, the daily trading volume for Xetra and Frankfurt was 25,069 shares on average. In the second

quarter of 2004, 11,266 shares per day were traded on average. The downward slide continued in the third quarter, with the average daily trading volume totalling just 6,553. Finally, the fourth quarter saw the average trading volume slip to a mere 5,935 shares per day. However, as the final quarter of the year is generally associated with relatively lacklustre trading, activity in first quarter of 2005 is likely to be more dynamic.

FUNDAMENTALS

WKN / ISIN / Symbol	549 453 / DE 000 549 453 8 / CUR
Type of stock	No-par-value common stock
Share volume	5 million
Free float	53.74 %
Closing price 2/1/2004 / Closing price 30/12/2004 (Xetra)	€ 3,42 / € 2,29
High / Low (closing price Xetra)	€ 4,49 / € 2,17
Trading volume Xetra and Frankfurt (2/1/2004 – 30/12/2004)	€ 11,39 million
Market capitalisation, year end	€ 11,45 million
Free float factor acc. to Deutsche Börse AG	0,5374
Free float market capitalisation, year end	€ 6,15 million

CURASAN SHARE PERFORMANCE



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

In 2001, the German Government appointed a Government Commission to develop a German Corporate Governance Code. This Code was completed at the beginning of 2002. For the period since December 2002, the following Declaration shall apply to the Code in the version of November 7, 2002. As regards the existing and future Corporate Governance principles applied by curasan AG, the following Declaration shall apply to the requirements of the Code in the version of May 21, 2003.

The Code comprises three types of standard:

- ∇ Regulations which define existing statutory provisions applicable in Germany,
- ∇ Recommendations,
- ∇ Suggestions.

German companies are only required to apply the Regulations on a statutory basis. As regards the Recommendations, Section 161 of the German Stock Corporation Act (Aktiengesetz – AktG) specifies that exchange-listed companies shall publish an annual declaration of conformity. Companies are entitled to deviate from Suggestions without having to issue any form of declaration.

In December 2001, curasan AG established its own Corporate Governance Principles and amended the majority of these Principles in 2002, in accordance with the German Corporate Governance Code. Both the Management Board and the Supervisory Board of curasan AG are bound by the German Corporate Governance Code. Within this context, they issue an annual Declaration of Conformity. Neither the Management Board nor the Supervisory Board is aware of any aspects in which the Principles, in the respective versions applicable, were breached.

Any deviations from the Recommendations of the German Corporate Governance Code, attributable to the Bylaws of the Company, have been outlined below:

Re. point 4.2.4.: »Individualised listing of Management Board compensation«:

The former Suggestion relating to an individualised listing of Management Board compensation in the Notes to the Consolidated Financial Statements has been specified as a Recommendation in the amended version of the Code dated May 21, 2003. The compensation of Management Board members was and is included in the report, subdivided according to fixed and variable components, as well as long-term incentive components. These details are essential prerequisites when it comes to assessing whether the subdivision into guaranteed and performance-related components is appropriate and whether the overall structure of compensation provides a suitable incentive for members of the Management Board. As the Management Board constitutes a body comprising several members, the ability to provide an incentive for the board as a whole is deemed to be a prime objective, rather than focusing on specific incentive levels for individual members. Furthermore, an »individualised« list may erode the differences in compensation related specifically to performance and duties. Consequently, the Company has decided not to include a detailed outline of compensation for each individual member of the Management Board.

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. curasan AG considers this to be an inappropriate restriction of its shareholders' right to elect the members of the Supervisory Board. Therefore, the Corporate Governance Principles defined by curasan AG to do not contain provisions regarding age limits. Moreover, curasan's Corporate Governance Principles do not contain age limits for members of the Management Board, as this would restrict the Company's Supervisory Board when nominating suitable candidates to be appointed to the Management Board.

Re. point 5.3.: »Formation of qualified committees«

Comprising a total of three members, the Supervisory Board of curasan AG is considered to be relatively small. Therefore, qualified Committees or an Audit Committee are not required. The Supervisory Board of curasan AG addresses issues relating to financial reporting and risk management in unison and on the basis of thorough analysis.

Re. point 5.4.5.: »Compensation of Supervisory Board members«

The Bylaws of curasan AG specify a fixed level of compensation for members of the Supervisory Board. At present, no performance-related compensation is offered.

Kleinostheim, December 2004

The Management Board The Supervisory Board

COMBINED MANAGEMENT REPORT OF THE CURASAN GROUP (GROUP MANAGEMENT REPORT) AND CURASAN AG, AS THE PARENT OF THE CURASAN GROUP, FOR THE 2004 FINANCIAL YEAR

I. MARKET DEVELOPMENT

curasan is a leading specialist in regenerative medicine and is ranked as one of the fastest growing enterprises within the area of bone regeneration. The global market for biomaterials, a segment targeted by curasan AG within the areas of hyaluronic acid, bone replacement and platelet concentration, is expected to record above average growth rates over the coming years. Global market potential within this area is estimated at around € 1 billion. The industry is currently recording annual growth rates of approx. 10 %, and curasan intends to capture an above-average share of this market. By focusing on selected areas of indication, curasan is committed to an approach of niche marketing. The majority of customers served by curasan are located in Germany. Having established its own subsidiary in the US at the beginning of 2004, curasan is well on track for international expansion.

II. BUSINESS REVIEW

Following the sale of its pharmaceutical licences, customer base and associated inventories in 2003, curasan has been focusing entirely on the field of regenerative medicine. The FDA's 510(k) approval of curasan's optimised synthetic bone regeneration product Cerasorb® M ORTHO, which is deployed within the field of orthopaedics, traumatology and emergency surgery, represented another milestone for the Company. One of the main differences of this next-generation biomaterial is its higher porosity, which contributes to even faster bone regeneration. Thus, the Company has now secured its fourth US certification within the area of regenerative medicine.

In June, curasan signed an exclusive contract with Ascension Orthopedics, Inc. – Austin, Texas/USA – covering the distribution of ORTHO in the US. The distribution rights relate to Cerasorb® granules and block forms for applications within the area of orthopaedics, with the exception of the so-called spine market. In parallel, the sales partnership established with Cryolife, Inc. for Cerasorb® granules was discontinued. This decision was prompted by Cryolife's relaunch of its own product portfolio, as a result of which the enterprise no longer had sufficient sales capacity for Cerasorb®.

Within the Pharmaceuticals segment, curasan granted the exclusive distribution rights associated with Mitem® (Mitomycin) to the urology specialists Hoyer-Madaus GmbH & Co. KG. Mitem's® main field of use (approx. 85 %) is uro-oncology, focusing on the prescription-based treatment of superficial bladder carcinoma. curasan holds the worldwide distribution rights to the special solution bag used for the instillation set.

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 Curasan Benelux B.V. and Curasan Inc. are structured entirely as sales organisations. The subsidiary Pro-tec GmbH manufactures the haemostatic product Stypro®.

III. SALES AND EARNINGS

(1) Group/AG

Consolidated earnings within the Group amounted to € 7.8 million in the year under review, to which the AG contributed € 7.6 million. Owing to the disposal of the Pharmaceuticals business unit, revenues generated were lower than in the previous financial year. As regards continuing operations, revenue increased by 44 % year on year. Within this context, a large proportion of growth was attributable to the cancer drug Mitem®. Revenue growth was also recorded in the core product area, i.e. Biomaterials.

Quarter / €m	2004	2003	2003 Continuing Operations	Diff. Continuing Operations
I	2.4	4.5	1.7	+ 41 %
II	1.7	4.4	1.5	+ 13 %
III	1.7	4.0	1.1	+ 54 %
IV	2.0	2.0	1.1	+ 81 %
Total	7.8	14.9	5.4	+ 44 %

Within the Biomaterials segment, the highest revenue increase was achieved by Cerasorb® block forms. Growth was also driven by Stypro® and the licensed products Atrisorb® and Atridox®.

Products €m	2004	2003	Diff.
Biomaterials	6.3	5.4	+ 16 %
Pharmaceuticals	1.5	9.5	- 84 %
Total	7.8	14.9	- 48 %

The export ratio increased substantially year on year to 31 % of revenue (FY 2003: 22 %). Overall, revenues were mainly generated in Germany and Europe.

Regions €m	2004	2003	Diff.
Europe	6.6	13.3	– 50 %
Middle East	0.2	0.4	– 50 %
Asia	0.3	0.3	0 %
America	0.7	0.9	– 22 %
Total	7.8	14.9	– 48 %

The cost of materials amounted to € 2.9 million for the Group and € 3.3 million for the AG. In relation to gross performance (i.e. net sales plus changes in inventories of finished goods and work in progress plus work performed by the enterprise and capitalised), this corresponds to 34.9 % in the Group (FY 2003: 43.4 %) and 43.4 % in the AG (FY 2003: 43.6 %)

Staff costs were scaled back considerably compared with the 2003 financial year. The reduction in staff costs is attributable, among other things, to the transfer of 29 members of staff to DeltaSelect GmbH as part of the sale of curasan's Pharmaceuticals business. Staff costs amounted to € 4.3 million for the Group (FY 2003: € 5.5 million) and € 3.6 million for the AG (FY 2003: € 4.5 million).

There were no write-downs exceeding the Group's usual depreciation and amortisation within the area of intangible assets or property, plant and equipment. Depreciation and amortisation expense amounted to € 0.7 million for the Group (FY 2003: € 1.3 million) and € 0.5 million for the AG (FY 2003: € 0.9 million).

At the parent company (i.e. the AG), financial assets declined as a result of the merger of GerontoCare GmbH and Titannium Innovations GmbH into curasan AG. The merger was associated with an exceptional charge of € 0.3 million for the AG; this represents the difference in relation to the carrying amount of the investment in GerontoCare GmbH and Titannium Innovations GmbH.

Other operating expenses were reined back mainly as a result of lower research and development costs following the sale of the Pharmaceuticals unit. Other operating expenses amounted to € 4.8 million for the Group (FY 2003: € 5.7 million) and € 4.2 million for the AG (FY 2003: € 5.7 million).

Finance income and tax expense developed in line with corporate targets. Overall, the Group incurred a consolidated net loss of € 2.3 million (FY 2003: consolidated net profit of € 3.1 million), while the net loss attributable to the AG amounted to € 3.4 million (FY 2003: net profit of € 0.8 million).

Earnings DVFA/SG € '000	2004	2003
Consolidated result	(2,315)	3,122
Write-down of current assets	0	0
Consolidated result DVFA/SG	(2,315)	3,122
Number of shares ('000)	5,000	5,000
per share (in €)	(0.46)	0.62

Cash Earnings DVFA/SG € '000	2004	2003
Consolidated result	(2,315)	3,122
Depreciation and amortisation of non-current assets	738	1,321
Change in long-term provisions	17	21
Deferred tax income	(1,314)	1,097
Cash earnings	(2,874)	5,561
Number of shares ('000)	5,000	5,000
per share (in €)	(0.57)	1,11

(2) Subsidiary companies

The merger of GerontoCare GmbH and Titanium Innovations GmbH with curasan AG, as adopted by the General Meeting of Shareholders on 24 June 2004, was executed on 14 September 2004 and thus has legal force. Pro-tec Medizinische Produkte GmbH succeeded in reducing its operating loss and generated a net profit in the period under review. As a result of restructuring measures implemented at curasan Benelux B.V., this enterprise succeeded in reducing its operating loss. On 12 January 2004, curasan Inc., North Carolina/USA, was established as a sales enterprise. Owing to start-up costs, as anticipated the enterprise recorded an operating loss in the period under review. Financing of all subsidiaries is covered by curasan AG.

IV. BALANCE SHEET AND CASH FLOW

The level of non-current assets was comparable to last year's carrying amount. Inventories were slightly higher than in the previous financial year, mainly as a result of buoyant demand for the newly launched product Cerasorb® M. Trade accounts receivable declined year on year due to factoring and as a result of lower revenue generated towards the end of the year.

There were no changes to equity, apart from accounting for the net loss for the financial year. The equity ratio stands at 84.3 % for the Group (FY 2003: 79.0 %) and 81.7 % for the AG (FY 2003: 67.3 %).

The reduction in trade accounts payable contributed to increased cash requirements within the area of operating activities. Interest-bearing borrowings were reduced. Overall, the level of current liabilities fell substantially in the year under review.

€m (Group)	2004	2003
Cash flows from operating activities	(4.1)	(3.0)
Cash flows from investing activities	0.1	7.7
Cash flows from financing activities	(0.8)	(0.4)
Cash and cash equivalents	0.8	5.6

V. EMPLOYEES

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

Employees (full-time)	2004	2003
Marketing/Sales	30	33
Operations	23	21
Research/Regulatory Affairs	6	5
Finance/Controlling	6	4
Administration	6	6
Total	**71**	**69**

The Management Board wishes to thank all employees for their committed contribution to the success of the Group.

VI. RESEARCH, DEVELOPMENT AND REGULATORY AFFAIRS

Development activities relating to additional modifications within the Cerasorb® product portfolio continued over the course of the financial year. Working in close cooperation with end-users, the R&D team developed and tested a number of new block form designs. As part of a research project conducted in association with a university, curasan succeeded in developing the first patient-specific implants on the basis of CT data. Following the establishment of a development and test laboratory, key product-related research studies can now be performed in-house. This approach has proved faster and more cost-effective.

The Company successfully completed several clinical studies with Cerasorb®, e.g. relating to alveolar ridge preservation. Cerasorb® M was launched within the dental sector to coincide with the »Frankfurter Implantologie Tage« (FIT), the eighth specialist event of its kind focusing on implantology and hosted by curasan. Cerasorb® M evolved from curasan's well-established Cerasorb® granules and features a polygonal granular structure with optimised interconnective multiporosity.

In the period under review, approval for the medical use of Cerasorb® granules in China was granted.

In the 2004 financial year, € 0.2 million was expended on research and development activities. Expenditure on regulatory affairs and the maintenance of official licences amounted to € 0.3 million. This does not include staff costs associated with research and development.

VII. RISK REPORT AND EVALUATION OF RISKS TO 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 Company, 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.

In mid-2004, a risk-related early warning system was defined. It was assessed as part of the year-end audit and adjudged appropriate. The system requires that those responsible for supervising specific areas within the Company regularly determine and evaluate risk on the basis of certain criteria, using a matrix system. 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. An insurance policy was taken out in connection with activities initiated in the United States in the financial year under review, thus covering the special liability risks associated with such business.

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:
Owing to the market entry of several competitors distributing other bone regeneration materials and the advertising campaigns associated with market rollout, medical practitioners have generally become more uncertain as regards the products, unique selling propositions. Increased competition had an impact on continuing revenue growth. Supported by many years of investment in clinical studies, a number of scientific papers have been published in recent months. Based on these publications, Cerasorb can be positioned as a proven synthetic bone regeneration material with a superior track record in terms of medical safety and efficacy. Therefore, the management is confident that Cerasorb will regain its strength within the marketplace.

The termination of the distribution partnership with the US company Cryolife and the new cooperation agreement entered into with Ascension Orthopedics had an impact on the level of revenue and delayed the process of business expansion in the US.

As a result of changes to the distribution partnership in the US and the delayed launch of Cerasorb® M, the Group failed to meet the original revenue targets and required more cash resources than previously anticipated. Subject to on-target business performance, the net outflow of cash and cash equivalents will continue in the current 2005 financial year and possibly also in the coming 2006 financial year. The level of future liquidity is dependent on the financial planning for 2005 to 2007, as prepared by the Management Board and authorised by the Supervisory Board. Deviations from planned targets may adversely affect business performance and liquidity. The disposal of the Pharmaceuticals unit in the 2003 financial year

coincided with the recognition of receivables associated with the purchase consideration. The terms and conditions for payment of the amount outstanding have been revised. As a result, there are expected to be sufficient resources to finance ongoing business activities in the current 2005 financial year if the underlying parameters of financial forecasting are achieved. These receivables are sufficient to cover a possible shortfall created if corporate targets are not met in full. Additional financing options are currently being assessed to safeguard liquidity yet further. The Management Board is committed to counteracting additional cash requirements by means of cost reductions and stringent cost management within the area of working capital and non-current assets.

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.

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.

VIII. OUTLOOK

One of the main objectives for the Group in 2005 is to achieve revenue growth in the double-digit percentage range within our core business. Cerasorb®, in its various sizes and forms, will continue to be the main revenue driver. We shall not be in a position to achieve a break-even result for 2005 based on the revenue targets and cost-related budgets planned for the current financial year. Based on existing levels of liquidity and the known financial reserves attributable to the disposal of the Pharmaceuticals business unit, continued financing of operations is considered feasible.

€m	2004 Actual	2005 Target
Sales revenues	7.8	9.0
Net profit/(loss)	(2.3)	(1.3)
Equity	15.8	14.5
Cash and cash equivalents	0.8	0.8

IX. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the end of the financial year, curasan concluded a sales partnership agreement with Beijing Leiden Biomaterial Co., Ltd. for Cerasorb® following the approval granted in China.

curasan has been granted the exclusive US distribution rights for Epi-Guide. Epi-Guide, a product developed by the US-based company Kensey Nash, has already been successfully marketed within the European market for several years. In transferring the US distribution rights to curasan, Kensey Nash has reaffirmed its trust in our Company.

The Management Board intends to propose an extension to Authorised Capital covering 2.5 million shares, which in accordance with the Company's Bylaws ends on June 30, 2005. The proposal will be put to the General Meeting of Shareholders on June 23, 2005. There were no other significant events at the time this report went to press.

CONSOLIDATED FINANCIAL STATEMENTS OF CURASAN AG (IFRS/IAS)

CONSOLIDATED BALANCE SHEET (IFRS/IAS) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

Assets	Notes	31 Dec. 2004 (€)	31 Dec. 2003 (€'000)
A. Current assets			
1. Cash and cash equivalents	5.1	774,566.71	5,636
2. Trade accounts receivable	5.2	672,288.84	954
3. Inventories	5.3	2,207,363.19	1,766
4. Other current assets	5.4	3,447,060.33	1,599
5. Prepaid expenses		34,930.70	42
Total		**7,136,209.77**	**9,997**
B. Non-current assets			
1. Goodwill	5.5	0	218
2. Intangible assets	5.5	2,309,300.45	2,192
3. Property, plant and equipment	5.5	2,022,315.87	2,185
4. Deferred taxes	5.6	5,250,057.61	3,936
5. Other assets	5.7	1,961,134.94	4,400
TOTAL		**11,542,808.87**	**1,931**
		18,679,018.64	**22,928**

Liabilities and Equity	Notes	31 Dec. 2004 (€)	31 Dec. 2003 (€'000)
A. Current liabilities			
1. Short-term liabilities to banks	5.8	186,874.12	204
2. Trade accounts payable	5.9	961,439.54	1,627
3. Provisions	5.10	776,321.00	815
4. Other current liabilities	5.11	297,158.95	649
Total		**2,221,793.61**	**3,295**
B. Non-current liabilities			
1. Long-term debt	5.8	65,211.46	880
2. Retirement benefit obligation	5.12	269,342.00	247
3. Other non-current liabilities	5.11	364,753.38	398
Total		**699,306.84**	**1,525**
C. Equity			
1. Issued capital		5,000,000.00	5,000
2. Capital reserves		19,843,856.82	19,844
3. Translation reserve		(34,627.00)	0
4. Loss carried forward		(6,735,974.65)	(9,858)
5. Net profit/(loss) for the period		(2,315,336.98)	3,122
Total		**15,757,918.79**	**18,108**
		18,679,018.64	**22,928**

CONSOLIDATED INCOME STATEMENT (IFRS/IAS) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

	Note	31 Dec. 2004 (€)	31 Dec. 2003 (€ '000)
Revenue	4.1	7,791,592.90	14,926
Changes in inventories of finished goods and work in progress	4.1	383,827.20	532
Work performed by the enterprise and capitalised	4.1	157,485.95	885
Gross performance		**8,332,906.05**	**16,343**
Cost of materials and services purchased	4.2	(2,942,155.67)	(7,016)
Gross profit		**5,390,750.38**	**9.327**
Other operating income	4.1	863,837.58	445
Staff costs	4.3	(4,330,529.33)	(5,496)
Depreciation and amortisation of non-current assets	4.4	(738,471.12)	(1,321)
Other operating expenses	4.5	(4,794,558.01)	(5,676)
Profit/(loss) from operations		**(3,608,970.50)**	**(2,721)**
Interest income/(expense)	4.6	(19,903.80)	(143)
Finance cost		**(19,903.80)**	**(143)**
Income from disposal of business unit	**6.1**	**0**	**7,083**
Taxes	4.7	1,313,537.32	(1,097)
Net profit/(loss) for the period		**(2,315,336.98)**	**3,122**
Number of shares		**5,000,000**	**5,000**
Earnings/(loss) per share (basic, IFRS/IAS; in €)		**(0.46)**	**0.62**

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 2004

(€)	Issued capital	Capital reserves	Translation reserve	Loss carried forward	Net profit/ (loss) for the period	Total
Balance at 1 Jan. 2004	5,000,000	19,843,857	0	(6,735,975)	0	18,107,882
Change	0	0	(34,627)	0	(2,315,337)	(2,349,964)
Balance at 31 Dec. 2004	5,000,000	19,843,857	(34,627)	(6,735,975)	(2,315,337)	15,757,918

CASH FLOW STATEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

(€'000)	2004	2003
Net profit/(loss)	**(2,315)**	**3,122**
Gain on disposal of business unit	0	(7,083)
Depreciation and amortisation of non-current assets	738	1,321
Write-down of securities held as current assets	0	0
Changes in deferred taxes	(1,314)	1,097
Change in provisions	(17)	254
Change in trade accounts receivable		
as well as other current assets	(194)	(779)
Changes in trade accounts payable as well as other current liabilities	(1,051)	(915)
Cash flow from operating activities	**(4,153)**	**(2,983)**
Proceeds from the disposal of non-current assets	0	0
Proceeds from disposal of business unit	600	8,943
Payments for investments in intangible assets and property, plant and equipment	(476)	(1,261)
Cash flow from investing activities	**124**	**7,682**
Repayment of loans	(832)	407
Cash flow from financing activities	**(832)**	**407**
Net change in cash and cash equivalents	(4,861)	4,292
Non-cash change in cash and cash equivalents	0	0
Cash and cash equivalents at the beginning of the period	5,636	1,344
Cash and cash equivalents at the end of the period	775	5,636
Composition of cash and cash equivalents at the end of period		
Deposits at banks	**775**	**5,636**

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2003

(€)	Issued capital	Capital reserves	Translation reserve	Loss carried forward	Net profit/ (loss) for the period	Total
Balance at 1 Jan. 2003	5,000,000	19,843,857	0	(9,857,914)	0	14,985,943
Change	0	0	0	0	3,121,940	3,121,940
Balance at 31 Dec. 2003	5,000,000	19,843,857	0	(9,857,914)	3,121,940	18,107,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2004

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. The Company is entered in the commercial register at Aschaffenburg District Court under reference HRB 4436.
The object of the Company is the production and distribution of drugs, medical products and diagnostics. In the period under review, the subsidiaries GerontoCare GmbH and Titanium Innovations GmbH were merged into the parent company curasan AG. Further details regarding this aspect are provided in Note 6.1.

curasan AG has prepared its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS/IAS) issued by the International Accounting Standards Board (IASB). For the financial year under review, all IFRS/IAS and interpretations issued by the Standing Interpretations Committee (SIC) and applicable at the reporting date have been applied. Pursuant to Section 292a of the German Commercial Code (Handelsgesetzbuch – HGB), preparation of the consolidated financial statements in accordance with internationally accepted accounting principles exempts the Company from preparing consolidated financial statements on the basis of accounting principles generally accepted in Germany. The consolidated financial statements and all associated separate financial statements have been prepared in euros (€).

The following legal information is of importance:
At the balance sheet date, the share capital of the Company amounted to € 5,000,000, divided into 5,000,000 bearer shares with a nominal value of € .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 30 June 2005 by up to a total of € 2,250,000, through the issuance of new bearer shares against contribution in cash or in kind (Authorised Capital I). 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 30 June 2005 by up to a total of € 250,000, through the issuance of new bearer shares against contribution in cash (Authorised Capital II). The Management Board has not yet made use of these mandates to increase share capital.

Based on a resolution passed by the General Meeting of Shareholders of 3 July 2000, the share capital can be conditionally increased by up to € 400,000 through the issuance of up to 400,000 shares (Conditional Capital). The purpose of the conditional capital increase is solely to secure share subscription rights (so-called stock options) within the curasan stock option plan 2000. Those holding stock options are members of the Management Board (20 % = 80,000 bearer shares) and employees of curasan AG and its affiliated companies (80 % = 320,000 bearer shares). The options granted as part of the Initial Public Offering (IPO) have lapsed. No additional warrants were granted.

Following a decision by the General Meeting of Shareholders on 26 June 2003, the Management Board was given a mandate, subject to the agreement of the Supervisory Board, to acquire, in the period up to 23 December 2004, in one or more stages, shares of the Company for purposes other than trading in its own shares, and to dispose of them again, even after the end of the above-mentioned period, as a whole or in part, observing the principle of equal treatment or in return for the acquisition of companies, providing the acquisition was in the interest of the Company, or to call them in without any further decision by the General Meeting of Shareholders.

The acquired shares may not exceed 10 % of the Company's share capital (€ 5,000,000). To date, the Management Board has not made use of this mandate.

In addition to the two members of the Management Board (the member of the Management Board responsible for commercial/administrative activities resigned from the Company on March 31, 2004), the Group employed 78 (FY 2003: 94) members on average in the course of the financial year under review. At the balance sheet date, the number of staff employed within the Group stood at 77 (FY 2003: 75).

The consolidated entities were included in the scope of consolidation on the basis of their financial statements as at December 31, 2004.

2. SCOPE OF CONSOLIDATION

The consolidated group for the financial year ended December 12, 2004, includes the parent company curasan AG as well as the entities listed below.

The former subsidiaries GerontoCare GmbH, Kleinostheim, and Titanium Innovations GmbH, Kleinostheim, were merged into curasan AG effective from January 1, 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. In particular, these estimates and assumptions apply to provisions, inventories, 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 is amortised over its estimated useful life.

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.

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

3.3 Currency translation

The financial statements of all entities included in the scope of consolidation – with the exception of Curasan Inc. – have been prepared in euros (€). The translation of the financial statements of Curasan Inc. resulted in exchange differences. The exchange differences were recognised directly in equity as a »translation reserve«.

3.4 Revenue recognition

Revenue is recognised when the goods or merchandise have been delivered or when the service has been rendered.

3.5 Goodwill, software, development costs and other intangible assets

Goodwill arising on acquisition of the subsidiaries has been capitalised and is amortised on a systematic basis over its estimated useful life using the straight-line method. The depreciation and amortisation charges for the financial year under review are outlined in Note 4.4.

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.

Purchased software has been capitalised and is amortised over its useful life of 3 years.

3.6 Property, plant and equipment

Property, plant and equipment are recognised on the basis of acquisition cost or production cost less depreciation on a systematic basis. Additions to property, plant and equipment are written down on a straight-line basis. The depreciation periods follow those periods stipulated by tax law. Depreciation rates vary from 4 % to 25 %. Due to their immaterial nature, items with a purchase cost of up to € 410.00 are written down fully in the year of purchase and shown as a disposal in order to avoid a difference to the accounting requirements stipulated by the German Commercial Code (HGB).

3.7 Cash and cash equivalents

Cash and cash equivalents as reported in the cash flow statement comprise cash on hand and bank deposits.

3.8 Trade accounts receivable and other assets

Trade receivables and other assets are carried at the estimated recoverable amount. Credit and interest risk in the case of long maturities is accounted for accordingly as part of financial provisioning.

3.9 Inventories

Inventories are measured at the cost of purchase or cost of conversion. 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.

3.10 Trade accounts payable and other liabilities

Trade payables and other liabilities are carried at the amounts payable.

3.11 Short-term liabilities to banks

Short-term bank borrowings are carried at the amount payable and are presented in the schedule of liabilities.

3.12 Provisions

The retirement benefit obligation was accounted for in accordance with IFRS/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).

3.13 Deferred taxes

In accordance with IFRS/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/IAS 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, thus resulting in deferred tax assets. Due to the level of uncertainty as regards the Company's tax situation, for reasons of caution the Management Board assumes that the deferred tax asset up to the time of the Company's initial public offering will not be utilised. Therefore, no corresponding assets were recognised. Deferred tax assets were recognised for losses recorded in the period subsequent to the initial public offering. Measurement is based on an expected uniform corporation tax rate of 25 %. Including the solidarity surcharge and the trade tax on earnings, deferred income taxes were determined at a rate of approx. 38.26 %. In addition, the subsidiaries of curasan AG also generated tax losses, resulting in the recognition of deferred tax assets.

We have no reason to believe that the carrying amounts of the aforementioned items are inappropriate. Please note:
Since its initial public offering, the curasan Group has been generating operating losses. The net profit posted for the 2003 financial year was the result of extraordinary occurrences. On the basis of existing revenue targets, curasan AG is expected to record a net loss for the next financial year. The same applies to all subsidiaries of the Company in aggregate. Based on the plans for the Group drawn up by the Management Board and approved by the Supervisory Board, sufficient taxable profit to allow the benefit of part or all of the deferred tax assets to be utilised is expected to materialise from the financial year 2006 onwards.

3.14 Concentration of risk

Financial risk is mainly associated with trade receivables. Within the area of trade receivables, accounts payable by customers located abroad represent a sizeable amount of overall receivables. The increased risk of default and concomitant interest losses due to the long 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. Foreign-exchange risk associated with outgoing invoices is counterbalanced by exchange-rate opportunities attributable to incoming invoices for goods.

Despite the decline in cash resources, the Company is not in material jeopardy of ceasing its operations as a going concern, as it has a claim against DeltaSelect relating to the sale of curasan's Pharmaceuticals division. At present, revised terms and conditions for the repayment of debt principal are being negotiated, the objective being to safeguard liquidity within the Group.

4. NOTES TO INCOME STATEMENT

When studying the following notes, readers should bear in mind that data relating to the previous financial year encompasses both the Biomaterials unit and the Pharmaceuticals unit for the period from January 1 to October 31, 2003. Therefore, comparability of the two financial years presented as part of these notes is limited.

4.1 Sales revenue and operating income

(€'000)	2004	2003
Sales revenue	7,935	15,514
Sales deductions	(143)	(588)
Changes in inventories	384	531
Work performed by the enterprise and capitalised	157	885
Other operating income	864	445
Total	**9,197**	**16,787**

4.2 Cost of materials

(€'000)	2004	2003
Raw materials and consumables used, and purchased goods	2,935	6,968
Purchased services	7	48
Total	**2,942**	**7,016**

4.3 Staff costs

(€'000)	2004	2003
Salaries and wages	3,776	4,732
Social security	554	764
Total	**4,330**	**5,496**

4.4 Depreciation and amortisation

(€'000)	2004	2003
Intangible assets	233	600
Property, plant and equipment	287	287
Goodwill	218	434
Total	**738**	**1,321**

4.5 Other operating expenses

(€'000)	2004	2003
Selling expenses	2,263	2,885
Advertising expenses	716	860
Regulatory expenses	332	625
Administrative expenses	1,484	1,306
Total	**4,795**	**5,676**

4.6 Finance cost

(€'000)	2004	2003
Other interest and similar income	50	41
Write-down of securities held as current assets	0	0
Interest and similar expenses	(70)	(184)
Total	**(20)**	**(143)**

4.7 Tax expense/income

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

(€'000)	2004	2003
Current income taxes	0	0
Deferred tax income	1,314	0
Deferred tax expense		(1,097)
Total	**1,314**	**(1,097)**

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

(€'000)	2004	2003
Profit before taxes	(3,629)	4,219
Tax at domestic tax rate (38.26 %)	1,388	(1,614)
Difference due to foreign tax rates	(45)	(14)
Non-deductible write-downs of investments	0	(155)
Effect of consolidation accounting	(29)	686
Current tax income (FY 2003: tax expense)	1,314	(1,097)

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)	2004	2003
Trade receivables attributable to the parent company	623	883
Trade receivables attributable to subsidiaries	49	71
Total	**672**	**954**

5.3 Inventories

(€ 000)	2004	2003
Materials and production supplies	387	322
Work in progress	661	643
Finished goods and merchandise	1,096	801
Prepayments	63	0
Total	**2,207**	**1,766**

5.4 Other current assets

(€ 000)	2004	2003
Purchase consideration receivable from disposal of business unit	2,600	600
Tax assets	58	182
Other items	789	817
Total	**3,447**	**1,599**

The purchase consideration receivable is due as follows: € 300 thousand in May 2005, € 2,300 thousand in November 2005, and € 600 thousand each year between 2006 and 2008.

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.

5.6 Deferred taxes

The deferred tax assets are the result of tax loss carryforwards of curasan AG and its subsidiaries (total of € 5,124 thousand) and, to a lesser extent, the effects associated with the elimination of unrealised profits and losses resulting from intragroup transactions.

5.7 Other current assets

As at December 31, 2004, this item relates mainly to the purchase consideration receivable in connection with the sale of curasan's Pharmaceuticals unit. The amounts receivable are due in 2006 to 2008. Other current assets also include reinsurance.

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.

Liabilities (€'000)	31.12.2004	Due < 1 year	Due 1 - 5 years	Due > 5 years	31.12.2003
Liabilities to banks*	252	187	65	0	1,084
Trade accounts payable	961	961	0	0	1,627
Other liabilities	662	297	365	0	1,047
Total	**1,875**	**1,445**	**430**	**0**	**3,758**

* Security: land charge

5.9 Trade accounts payable

(€'000)	2004	2003
Trade payables attributable to parent company	932	1,548
Trade payables attributable to subsidiaries	29	79
Total	**961**	**1,627**

5.10 Provisions

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

(€'000)	31.12.2004	Utilised	Reversed	Allocated	31.12.2003
Staff-related provisions	131	115	66	131	181
Risks of litigation	98	102	0	0	200
Other items	547	335	5	454	433
Total	**776**	**552**	**71**	**585**	**814**

5.11 Other liabilities

(€'000)	2004	2003
Tax liabilities	57	116
Social security	74	79
Purchase consideration of interests in enterprises	365	398
Other items	166	454
Total	**662**	**1,047**

The purchase consideration for interests in enterprises 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.

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 % of the pension entitlement. The obligation has been reinsured by means of life insurance. The allocation to pension provisions in the financial year under review amounted to € 22 thousand (FY 2003: € 21 thousand). The reinsurance premium was € 11 thousand (FY 2003: € 12 thousand).

The amount of provisions accounted for was corroborated by an actuarial audit. As shown by the audit, the technical interest rate amounted to 6.0 per cent p.a. The increase in the pension entitlement during the active period of service (trend) was zero. The inflation-related increase in the pension entitlement during the pension term (rate of inflation) was assumed to be 2.0 per cent p.a. The following amounts were calculated: current service cost (CSC) of € 17 thousand and interest cost (IC) of € 16 thousand.

6. OTHER INFORMATION

6.1. Disposal of business units

On September 16, 2003, curasan AG and its subsidiary GerontoCare GmbH concluded an agreement with DeltaSelect GmbH, a subsidiary of PlasmaSelect AG, which covers the sale and transfer of the Pharmaceuticals (AIEP) business unit. For the purpose of year-on-year comparability, the previous financial year has been divided into two sections: one section for continuing operations and the other for the unit sold by the Company.

(€'000)	Total	Total	Continuing operations	Unit sold
	2004	**2003**	**2003**	**2003**
Revenue	7,792	14,926	5,420	9,506
Changes in inventories of finished goods and work in progress	384	532	532	0
Work performed by the enterprise and capitalised	157	885	364	521
Gross performance	**8,333**	**16,343**	**6,316**	**10,027**
Cost of materials and services purchased	(2,942)	(7,016)	(1,860)	(5,156)
Gross profit	**5,391**	**9,327**	**4,456**	**4,871**
Other operating income	864	445	162	283
Staff costs	(4,331)	(5,496)	(3,682)	(1,814)
Depreciation and amortisation	(738)	(1,321)	(612)	(709)
Other expenses	(4,795)	(5,676)	(4,646)	(1,030)
Profit/(loss) from operations	**(3,609)**	**(2,721)**	**(4,322)**	**1,601**
Interest income/(expense)	(20)	(143)	(52)	(91)
Write-down of securities	0	0	0	0
Finance income/(cost)	**(20)**	**(143)**	**(52)**	**(91)**
Income from disposal of business unit	**0**	**7,083**	**0**	**7,083**
Taxes	1,314	(1,097)	1,138	(2,235)
Net profit/(loss) for the period	**(2,315)**	**3,122**	**(3,236)**	**6,358**

Merger

Following the disposal of the Pharmaceuticals (AIEP) unit, the two subsidiaries GerontoCare GmbH and Titanium Innovations GmbH have become insignificant. Therefore, the continuation of these two enterprises is no longer deemed viable from a commercial perspective. On June 24, 2004, the General Meeting of Shareholders of curasan AG gave its consent to the merging of the aforementioned subsidiaries into the parent company.

6.2 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).

The existing leasing agreements for manufacturing equipment, vehicles, IT facilities and office equipment are structured as operating leases. Payments attributable to these leases are recognised as expense in the relevant reporting period.

The Company had no derivative financial instruments as at the balance sheet date.

6.3 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)	2005	2006 to 2009	after 2009	Total
Rental and maintenance agreements	157	290	8	455
Leasing obligations	304	385	0	689
Total	**461**	**675**	**8**	**1,144**

6.4 Segment reporting

The segment designated as »Pharma« relates principally to the product Mitem®, a drug which is used for the treatment of superficial bladder carcinoma. It was marketed by Hoyer-Madaus, a joint venture between Schwarz Pharma AG and Madaus AG. The joint venture was discontinued at the end of 2004, and distribution activities relating to Mitem® are now managed by Schwarz Pharma AG, within its Urology unit.

The segment designated as »Bio« relates to biomaterial products, with a particular emphasis on bone replacement, platelet concentration, hyaluronic acid and haemostatics.

a) Segmenterträge und -ergebnis

(€'000)	Pharma	Bio	N.A.*	Total
Segment revenue 2004	1,740	7,457	0	9,197
Segment revenue 2003	10,310	6,478	0	16,788
Segment result 2004	(798)	(2,209)	(589)	(3,596)
Segment result 2003	(1,012)	(1,036)	(673)	(2,721)

(€'000)	Pharma	Bio	N.A.*	Total
Segment revenue 2004	6,240	2,957	0	9,197
Segment revenue 2003	13,599	3,189	0	16,788
Segment result 2004	(1,797)	(1,210)	(589)	(3,596)
Segment result 2003	(883)	(1,165)	(673)	(2,721)

*N.A. = not allocated

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 2004	1,548	11,106	12,654
Segment assets 2003	0	13,314	13,314

(€'000)	Germany	Abroad	Total
Segment assets 2004	8,689	3,965	12,654
Segment assets 2003	8,162	5,152	13,314

6.5 The Management Board

In the year under review, the Management Board comprised:

– Mr. Hans Dieter Rössler, Bessenbach (Chairman)

– Mr. Helmut Trahmer, Worms (until March 31, 2004)

Total Management Board compensation amounted to € 291 thousand in the 2004 financial year, of which € 8 thousand was variable (FY 2003: € 516 thousand, of which € 20 thousand variable).

6.6 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
– Mr. 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 € 63 thousand in the 2004 financial year (FY 2003: € 65 thousand).

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 Advisory Council)
– Faustus Translational Drug Development AG, Vienna (Supervisory Board)
– Novosom AG, Halle (Chairman of the Supervisory Board)
– Icon Genetics AG, Munich (Management Board)

Dr. Konstantin Rogalla
– INSTRUCT AG, Munich (Supervisory Board)
– Amerigo AG, Hamburg (Management Board)

6.7 Directors' Holdings

As at December 31, 2004, the governing bodies of the Company held the following shares in curasan AG. There were no warrants or entitlements to warrants in the financial year under review.

Management Board	31.12.2004	Change	31.12.2003
Hans Dieter Rössler	2,126	190	2,316
Supervisory Board			
Dr. Detlef Wilke	12	0	12

6.8 Corporate Governance Code

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

6.9 Disclosures in accordance with WpHG (Securities Trading Act)

Not applicable in the 2004 financial year (changes in shareholdings as a result of off-exchange transfers within the family).

7. Discussion of material differences between IFRS/IAS and German commercial law with regard to principles of accounting, measurement and consolidation

The consolidated financial statements of curasan AG for the financial year ended December 31, 2004, have been prepared in accordance with International Financial Reporting Standards/International Accounting Standards (IFRS/IAS), which, pursuant to Section 292a HGB, exempts the Company from preparing consolidated financial statements in accordance with the German Commercial Code. The significant differences between HGB and IFRS/IAS accounting principles that are of relevance to the financial statements of curasan AG are listed below:

7.1 Deferred taxes for the carryforward of losses pursuant to IFRS/IAS 12:

Pursuant to HGB, deferred tax assets arising from the carryforward of tax losses may not be capitalised. Pursuant to IFRS/IAS 12, a deferred tax asset should be recognised for the carryforward of unused tax losses and unused tax credits to the extent that it is probable that they can be utilised.

7.2 Development costs of internally generated drug approvals:

Pursuant to HGB, development costs related to internally generated drug approvals may not be capitalised. In accordance with IFRS/IAS 38, they must be recognised as assets if certain requirements are met.

Kleinostheim, 28 February 2005

Hans Dieter Rössler

FIXED ASSETS SCHEDULE FOR THE FINANCIAL YEAR 2004 (CONSOLIDATED GROSS ANALYSIS)

(€)	ACQUISITION / MANUFACTURING COSTS				
	Carried forward 01.01.2004	Additions / Write-up	Disposals	Reclass.	Balance at 31.12.2004
I. Intangible assets					
1. Concessions, industrial property rights and similar rights and values, as well as licences thereto	2,902,555.82	218,496.28	0.00	191,285.30	3,312,337.40
2. Software	299,854.87	4,635.00	0.00	0.00	304,489.87
3. Goodwill	1,004,294.47	0.00	0.00	0.00	1,004,294.47
4. Prepayments	222,497.73	128,039.40	0.00	– 191,285.30	159,251.83
	4,429,202.89	**351,170.68**	**0.00**	**0,00**	**4,780,373.57**
II. Property, plant and equipment					
1. Land and leasehold rights and buildings	1,887,281.08	0.00	0.00	0,00	1,887,281.08
2. Technical equipment, plant and machinery	158,791.92	13,634.21	4,449.52	50,349.79	218,326.40
3. Other equipment, furniture and fixtures, and office equipment	1,896,309.93	80,219.16	204,219.07	0.00	1,772,310.02
4. Prepayments	19,346.07	31,003.72	0.00	– 50,349.79	0.00
	3,961,729.00	**124,857.09**	**208,668.59**	**0.00**	**3,877,917.50**
	8,390,931.89	**476,027.77**	**208,668.59**	**0.00**	**8,658,291.07**

Depreciation and Amortisation				Net Book Value	
Carried forward 01.01.2004	Additions	Disposals	Balance at 31.12.2004	Balance at 31.12.2004	Balance at 31.12.2003
1,058,826.42	197,194.36	0.00	1,256,020.78	2,056,316.62	1,843,729.40
174,468.87	36,289.00	0.00	210,757.87	93,732.00	125,386.00
786,593.47	217,701.00	0.00	1,004,294.47	0.00	217,701.00
0.00	0.00	0.00	0.00	159,251.83	222,497.73
2,019,888.76	**451,184.36**	**0.00**	**2,471,073.12**	**2,309,300.45**	**2,409,314.13**
425,728.95	79,413.00	0.00	505,141.95	1,382,139.13	1,461,552.13
83,017.66	15,184.00	4,449.52	93,752.14	124,574.26	75,774.26
1,268,236.85	192,689.76	204,219.07	1,256,707.54	515,602.48	628,073.08
0.00	0.00	0.00	0.00	0.00	19,346.07
1,776,983.46	**287,286.76**	**208,668.59**	**1,855,601.63**	**2,022,315.87**	**2,184,745.54**
3,796,872.22	**738,471.12**	**208,668.59**	**4,326,674.75**	**4,331,616.32**	**4,594,059.67**

AUDITOR'S REPORT

We have audited the consolidated financial statements, comprising balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements prepared by curasan AG, Kleinostheim, for the financial year from 1 January 2004 to 31 December 2004. The preparation and content of these consolidated financial statements are the responsibility of the Company's Management Board. Based on our audit, our responsibility is to express an opinion on these consolidated financial statements with regard to their compliance with International Financial Reporting Standards/International Accounting Standards (IFRS/IAS).

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the German Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the Group, as well as expectations with regard to possible misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements of curasan AG give a true and fair view of the state of affairs of the Group with regard to its financial position, its financial performance and its cash flows for the financial year and have been properly prepared in accordance with IFRS/IAS.

Our audit, which also extends to the Group management report prepared by the Management Board for the financial year from 1 January 2004 to 31 December 2004, has not led to any reservations.

In our opinion, the Group management report, which has been compiled as a combined report on the position of the curasan Group and curasan AG, accurately conveys the state of affairs of the Group and accurately presents the risks associated with the future progression of business. In addition, we confirm that the consolidated financial statements and the Group management report for the financial year from 1 January 2004 to 31 December 2004 fulfil the requirements that exempt the Company from preparing consolidated financial statements and a Group management report in accordance with German law.

Without affecting the unqualified audit opinion provided as part of this report, we hereby draw attention to the fact that the balance sheet includes deferred tax assets in the amount of € 5,124 thousand in connection with the carryforward of tax losses of the parent company and the subsidiary company. The continued recognition of this item in the future will depend on whether the targets specified for the curasan Group can be met. According to these targets, the individual entities within the Group will generate positive results before taxes effective from the 2006 financial year at the earliest.

Without affecting the unqualified audit opinion provided as part of this report, we draw attention to the fact that the ability to safeguard liquidity for the future is dependent on the corporate financial plans established by the Management Board and authorised by the Supervisory Board. Within this context, please refer to the details presented under Point VII of the Group management report.

Frankfurt am Main, 15 March 2005

PKF PANNELL KERR FORSTER GMBH
Wirtschaftsprüfungsgesellschaft

W. Hofmann
(Certified Public Accountant)

M. Jüngling
(Certified Public Accountant)

BOARD MEMBERS OF THE COMPANY

Management and
Supervisory Board:
Hans Dieter Rössler,
Dr. Detlef Wilke,
Hans-Günter Niederehe,
Dr. Konstantin Rogalla

MANAGEMENT BOARD

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

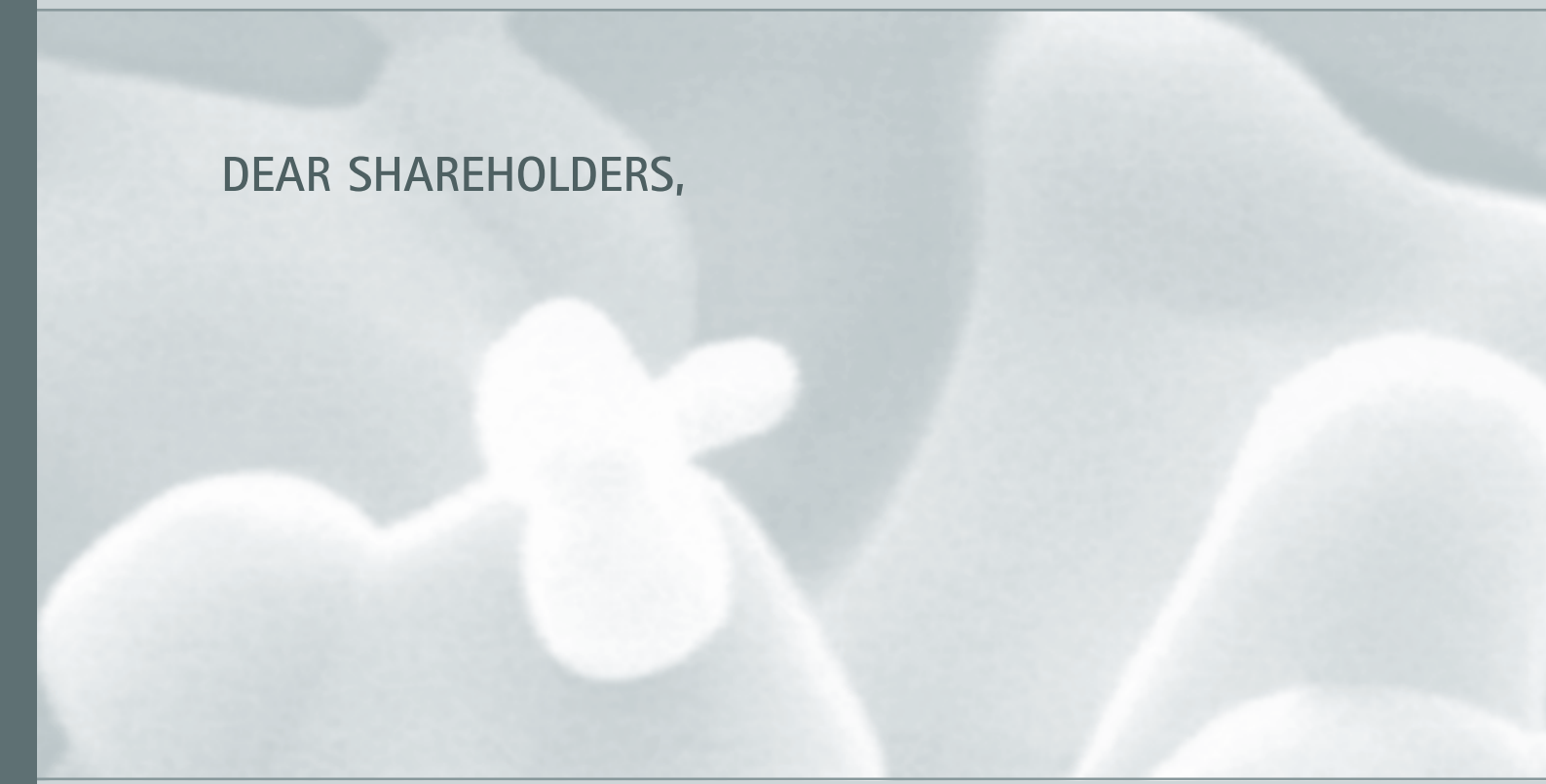
SUPERVISORY BOARD

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



DEAR SHAREHOLDERS,

Over the course of the 2004 financial year, the Supervisory Board discharged its duties under the German Stock Corporation Act (Aktiengesetz – AktG) and the Company's Bylaws, thereby supporting, monitoring and advising the Management Board of the Company. The Supervisory Board was involved in all business-related decisions and strategic considerations deemed to be of material importance. Throughout the financial year under review, the Chairman of the Supervisory Board maintained a close contact with the Management Board of the Company and supported the latter in the decision-making process.

In 2004, the Supervisory Board of curasan convened once every quarter. As part of four meetings, the Supervisory Board obtained information from the Management Board as to the state of affairs of the Company and the course of business. During the financial year under review, the Supervisory Board was furnished with complete information regarding business-related events and developments of relevance at that specific time – in particular, details relating to order backlog, revenue performance as well as the financial position, cash flows, liquidity, risk management, risk controlling and all other circumstances of particular importance. Details regarding the Company's commercial state of affairs and the course of business were discussed regularly with the Management Board. All measures were discussed by the Supervisory Board and monitored accordingly.

As in the past, the Supervisory Board played an active part in the continuation of the Company's risk management and risk controlling system as well as the implementation of the German Corporate Governance Code.

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, 2004, 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 as well as 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 paragraph 1 AktG. The

Dr. Detlef Wilke, Chairman

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 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; the consolidated financial statements are approved in accordance with Section 171 paragraph 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 wishes to express its thanks to the Management Board and all members of staff within the curasan Group for their successful contributions over the course of the 2004 financial year.

Kleinostheim, March 2005

The Supervisory Board
Dr. Detlef Wilke, Chairman

GLOSSARY

Anaesthesia	Drug-induced elimination of pain (either local or general anaesthetics).
Anaesthetic	Drug which eliminates the sensation of pain.
Antibiotic	Anti-bacterial drug.
Anti-infective	Drug that treats various types of infection (e.g. bacterial, viral or fungal infections).
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.
Hyaluronic acid	Highly viscous mucopolysaccharide; plays an important role in lubricating joints.
Implantologist	Dentist specialising in implants.
Local anaesthetic	Drug which eliminates the sensation of pain in or from a specific part of the body.
Orthopaedist	Doctor specialising in treating congenital deformities and functional disorders of the spine and joints.
PRP	Platelet-rich plasma: contains autologous growth factors.
Tissue engineering	Cultivation of hard and/or soft tissue (skin and bones) in the laboratory.
Traumatology	Study of the causes, prevention and treatment of trauma.

FINANCIAL CALENDAR

06 April 2005	Financial Statements Press Conference
06 April 2005	Analysts' Meeting
12 May 2005	Publication of Interim Report for Q1
23 June 2005	General Meeting of Shareholders
11 August 2005	Publication of Interim Report for Q2
14 November 2005	Publication of Interim Report for Q3

IMPRINT

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