

Annual Report 2005

curasan

Regenerative Medicine

KEY FIGURES

(€'000)	2005	2004
Total revenue	7.707	7.792
Revenue Pharmaceuticals	1.484	1.539
Revenue Biomaterials	6.223	6.253
Earnings before interest and taxes	(3.261)	(3.609)
Financial income	(65)	(20)
Extraordinary items	0	0
Net profit/(loss) for the year	(1.944)	(2.315)
Consolidated earnings, in accordance with DVFA/SG	(1.944)	(2.315)
Cash flow, in accordance with DVFA/SG	(2.658)	(2.874)
Earnings per share (IAS)	(0,37)	(0,46)
Equity	15.563	15.758
Total assets	18.724	18.679
Number of employees (full-time)	65	71
Equity ratio (in %)	83,1	84,4
Return on sales (in %)	(25,2)	(29,7)
Revenue per employee	119	110
EBIT per employee	(50)	(51)

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DEAR SHAREHOLDERS AND BUSINESS ASSOCIATES,

2005 was both an eventful and ground-breaking financial year for curasan AG. Lacklustre domestic demand in the first half of the year as a result of German health-care and socioeconomic reforms, which unsettled many of our customers, intensified in the period under review. Having said this, the situation has now normalised and demand for our products has risen substantially.

After two successful capital increases, the company's liquidity has improved and has again become the focus of attention from the financial markets. The newly issued shares from the second increase in capital were exclusively taken up by institutional investors.

The most outstanding event of the past year was the launch of pre-marketing for the REVOIS dental implant system at the 23rd ICOI (International Congress of Oral Implantologists) Global Conference. With the launch of the implant line, our own products now focus more strongly on dental solutions than ever before and we will be able to achieve synergies with our key product Cerasorb® from the second quarter of 2006, simply because this bone regeneration material is frequently required in order to perform the actual implant.

In terms of sales, our business model is concentrated on the dental market, but curasan AG's research and development will continue to focus on the overall regenerative medicine market. We will license for sale several products from our brimming R&D pipeline in the next few years. We aim to sell these products through multinational groups in the sub-markets associated with wound healing dysfunction, burns, skin transplants, plastic surgery, orthopaedics, spinal conditions, traumas and tissue engineering. We also intend to extend the product range of our own dental market sales. Finally, we are determined to produce revenue from our own distribution efforts, down-payments and sales to licensed partners.

We are committed to achieving a premier position as a regenerative medicine specialist and niche provider for bone and tissue regeneration.

Over the past year we were again successful in extending the product range by obtaining approval for Cerasorb® M Dental und Cerasorb® Perio from the US Food and Drug Administration (FDA). These two products can now be sold on the US market and improve curasan AG's overall opportunities there.

The tissue regeneration product line was expanded after the licensing of a new resorbable polylactide membrane.

A substantial improvement in earnings was recorded over the past financial year as a result of our consistent approach to cost management. The loss before interest and taxes fell by € 0.3 million to € 3.3 million (2004: loss of € 3.6 million).

The two increases in share capital substantially improved our capital base. We also managed to sell to a bank the outstanding receivable from the sale of the Pharmaceutical division in October 2003. Therefore, we have at our disposal the financial resources necessary to market REVOIS and to achieve break-even.

We would like to express our thanks to our employees, customers, suppliers and shareholders. Our work is based on your confidence.

Hans Dieter Rössler

300,000

surgical operations with bone regeneration material take place each year in Germany.

THE CERASORB® PRODUCT RANGE

Cerasorb® is a bio-functional, synthetically produced bone regeneration material which is used especially in dentistry, orthopaedics, traumatology and in sports medicine. It is implanted in a bone defect and completely resorbed within a few months and replaced by natural, vital bone at a resorption rate adjusted to the formation of the new bone.

CORPORATE STRATEGY

FROM PHARMACEUTICALS DISTRIBUTOR TO SPECIALIST IN REGENERATIVE MEDICINE

curasan AG operates in an extremely dynamic market environment with high growth rates and constantly changing conditions. When curasan GmbH was established in 1988, we focused on the sale of pharmaceuticals, especially of blood plasma derivatives, for many years. Subsequently, the company switched to generic pharmaceuticals for hospital use and was among the first to recognise the opportunities in developing and selling medical products.

curasan AG has focused on regenerative medicine since 2003. This heavily interdisciplinary scientific area develops and applies innovative medical therapies to heal and reconstruct diseased tissue and support its regeneration. curasan AG produces medical products that are tailored to these requirements. These are either products that curasan AG has developed itself or for which the company has purchased sales licences.

FOCUSING ON DENTAL MEDICINE

In recent years curasan AG has followed the objective of selling the products itself so as to achieve high added value. But as the proportion of exports is rising, the fields of application associated with curasan products are becoming more varied and the expense of a comprehensive and systematic sales structure is becoming more difficult for the company to finance, a general realignment of this strategy was needed. In addition, curasan AG has had great success in recent years in developing its own products and intends to further upgrade this corporate strength.

Therefore, from 2006 onwards, curasan AG will be concentrating its own sales activities on the segment of dental medicine. In all orthopaedic areas of indication – wound healing impairments, burns, skin transplantation, plastic surgery, trauma, tissue engineering etc. – curasan AG will in future issue sales licences for its products. Research and development will continue to work on the specialist regenerative medicine market and will continue to develop dental and orthopaedic products.

TREMENDOUS POTENTIAL FOR DENTAL MEDICINE

There are several reasons for curasan AG to focus on dentistry as opposed to orthopaedics: firstly curasan AG has a strong reputation and good penetration in the dental market. The Cerasorb® core product is used ever more frequently in dental surgery, the number of successful treatments and numerous scientific studies point to dental surgeries increasing their use of Cerasorb®.

The market potential for dentistry remains outstanding: Millennium Research has predicted a 14.7 % annual market growth rate by 2008 for the countries in the European Union. Although expected market growth is equally high in orthopaedics, the demand to date for bone replacement materials is still tentative. Experience shows that the market penetration of special medical innovations is relatively slow as surgeons generally prefer to use well-known conventional procedures, methods and products.

In addition, curasan AG has also set up a network of opinion-makers to aid market penetration. The dental market has frequently been the forerunner of new technological developments for the orthopaedic market.

curasan AG launched the REVOIS implant system at the end of 2005; it will be marketed from spring 2006. The company's own studies as well as those of analysts and industry experts predict that this new product has the potential for becoming the company's main revenue earner over the coming years. REVOIS' properties clearly distinguish it from comparable implant systems and bring

together key advantages found in the products of competitors operating in the highly dynamic implant market.

PRODUCT RANGE

curasan AG is very well positioned to exploit the many opportunities offered by regenerative medicine. curasan AG has launched innovative products with high potential revenue in both product lines – biologicals and biomaterials – in recent years. The margins achieved by these products are very attractive: over the complete product range, a total margin (revenue minus cost of sales) of around 60 % is possible. As a result of these market opportunities, the marketing budget for 2006 has been increased substantially.

Biologicals		
Stypro®	Haemostasis, wound healing, antibiotic carrier, growth factors, tissue engineering	Dentistry, orthopaedics
Curavisc®	Hyaluronic acid, fermentative, synovial fluid	Orthopaedics
Hy-Gag®	Hyaluronic acid, fermentative, synovial fluid	Orthopaedics

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

Other		
Surgical instruments	Various	Dentistry, orthopaedics
Mitem	Treatment of bladder carcinoma	Urology

Being launched		
REVOIS	Implant system	Dentistry

Pipeline		
Mediator concentrate	System to create platelet lysate	Severe skin diseases, aesthetic surgery, orthopaedics, dentistry
Bone adhesive	Replacement for fixation systems (plates, splints, nails and screws)	Orthopaedics

14,000,000

teeth are extracted in Germany each year

THE REVOIS-IMPLANT

The dental implant system REVOIS can replace one single tooth or as a multi-nominal supply replace whole rows of teeth. With REVOIS the patient receives the basis for a fully functional denture – without having to take the disadvantages of a removable dental prostheses.

MARKET LAUNCH OF REVOIS

DENTAL IMPLANTS

A brilliant smile is not only a sign of health but also a beauty ideal and a status symbol. It is therefore not surprising that a flawless set of teeth is important or very important to 92 % of Germans, and nine out of ten state that they care a great deal about looking after their teeth.[1]

But in spite of good care, our teeth are not destined for eternity and as we get older we may experience tooth loss resulting from caries and periodontitis. Owing to higher life expectancy, the number of people who take advantage of medical services to produce a full set of teeth has increased substantially in recent years.

The best treatment method from a medical as well as an aesthetic perspective is an implant, as it has many advantages over bridges and prostheses:

- There is no need to grind down healthy teeth as is necessary for bridges.
- Implants stop the bone loss created by bridges and prostheses.
- Firmly applied implanted tooth replacements provide better comfort, unrestricted operation, natural taste, problem-free speech and therefore better quality of life than removable prostheses.

No wonder that implanted tooth replacements are preferred over all other kinds of provision.

MARKET POTENTIAL

Dental implants have been a growth market for some decades and industry experts have forecast double-digit annual growth in revenue over the coming years. Implant revenues are currently around € 750 million worldwide. Market researchers forecast that by 2009 this revenue will be achieved in Europe alone.

The potential is clear when you consider that in Germany alone 14 million teeth are extracted each year and only around 500,000 are replaced by an implant. In Germany 35-year-olds are missing on average 4 teeth, 55-year-olds 10 and 25 % of 65- to 74-year-olds have no teeth at all. For these people fixed replacement teeth mean an improvement to their quality of life.

HOW IMPLANTS WORK

An implant is comprised of a body that is firmly fixed to the jaw and is used to replace the root. An implant post connects the implant body to the crown, which replaces the visual part of the tooth. A single tooth or multiple teeth can be replaced using this technology. Titanium has proven itself as a material, as it is biologically compatible and is completely incorporated into the bone.

THE REVOIS DENTAL IMPLANT SYSTEM – THE ALL-IN-ONE SYSTEM

Implant systems are available from various suppliers. There are four market leaders: Nobel Biocare, Straumann, 3i/Biomet and Dentsply. These companies cover around three quarters of the European market.

The new REVOIS (Revolutionary Implant System) product is now competing with the existing systems by unifying known individual advantages and providing key innovations:

- It grows into the bones perfectly and therefore shortens the patient's waiting time for the final prostheses.
- The so-called »snap-on« technology enables the production of precisely seated temporary and permanent replacement teeth whilst saving both time and material costs.
- It only needs around 120 parts whereas similar implant systems are made up of multiple numbers of complicated component sets.

[1] Survey of a representative sample by Emnid on behalf of Degussa Dental

Two patent registrations emphasise the high technical innovation level of the implant system.

curasan launched the REVOIS dental implant system on the occasion of the ICOI global implant conference in Strasbourg in November 2005. There is a good chance of REVOIS establishing itself as a key product within the marketplace: curasan is known and valued by the target group – dentists and oral surgeons who use implants – as a result of Cerasorb® and our membranes. REVOIS is the logical supplement to Cerasorb® for comprehensive treatment. curasan's international contacts with opinion formers and sales partners can also be exploited. Therefore, REVOIS is the ideal addition to curasan's existing range of products. We expect REVOIS to become one of curasan's main revenue drivers in a short space of time.

CURASAN SHARES

STOCK MARKETS IN 2005

After a stable performance in 2004, German stock markets were more bullish in 2005. The DAX climbed to a high of 27.1 % above the 2004 close. MDAX and SDAX each grew by around 36 % year on year. The TecDAX closed the 2005 year at 596.47 points, representing a 14.7 % increase.

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

PERFORMANCE OF CURASAN SHARES

The Prime Pharma and Health Performance Index started the year at a base of 960.92, then fell to an annual low of 941.94 at the beginning of the first quarter and finally rose to 1,197.12 at the end of the year. Over the course of the year the average market value of the pharmaceutical and health companies listed in the Prime Standard therefore rose by 24.6 % and thus remained below the performance in other industries.

curasan's shares showed comparatively strong fluctuations in 2005, but performed better across the year than the average of the companies listed in the index. The shares started from a base of € 2.24 at the beginning of the year and rose by the end of the second quarter 2005 to an annual high of € 3.75. Overall, performance in the period under review was very solid, with curasan's shares gaining an impressive 36.2 %.

The shares broke through the € 3 barrier for the first time on June 15, 2006. This was due to an announcement of the issuance of 250,000 new ordinary shares from Authorised Capital. The successful placement raised investor awareness of curasan's share performance and prompted an increase in demand. The upward trend was supported by the results from a medical study, which ascertained

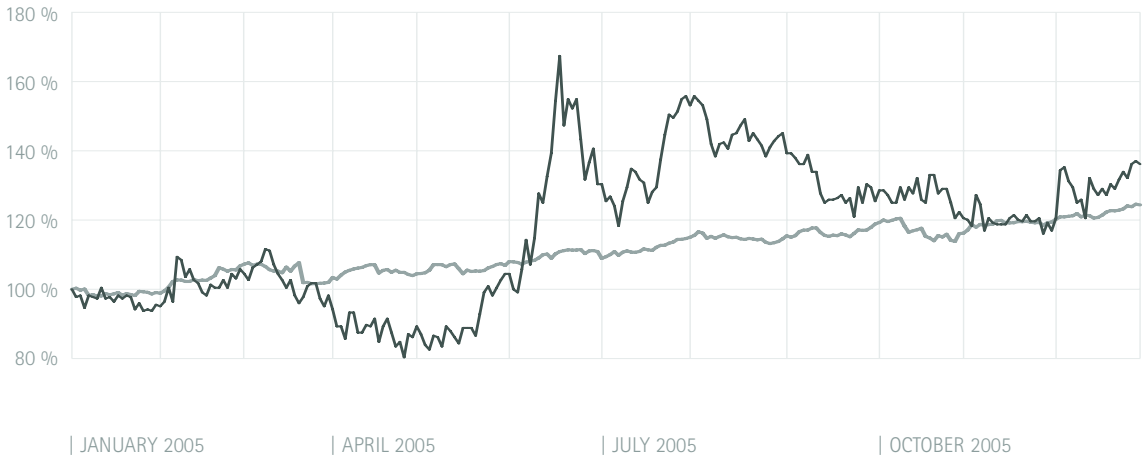
that treatment using Cerasorb® is equivalent to the »gold standard«, in medical terms, the best possible, empirically proven approach – an accolade for Cerasorb® and a very impressive confirmation of the product's high quality.

curasan shareholders were initially cautious when it came to a further increase in capital by issuing 500,000 new ordinary shares from Authorised Capital on November 8, 2005. The increase in capital was necessary to finance the market launch of the new REVOIS (Revolutionary Implant System) product line – a dental implant system. A research and investment analysis by Concord Effekten in November, which gave curasan shares a »buy« rating, boosted share performance further. A research report by German Business Concepts also recommended the shares for purchase. Concord's analysts have forecast a particularly successful 2006 for curasan shares and believe that their value will be € 4.26 in six to twelve months.

FUNDAMENTALS

WKN/ ISIN/ Symbol	549 453/ DE 000 549 453 8/ CUR
Type of stock	No-par value common stock
Share volume	5.75 million
Free float	53.74 %
Closing price 03/01/05/ Closing price 30/12/05 (Xetra)	€ 2.24 / € 3.05
High/ Low (closing price Xetra)	€ 3.75 / € 1.80
Trading volume Xetra und Frankfurt (03/01/05 – 30/12/05)	€ 15.08 million
Market capitalisation, year end	€ 17.54 million
Free float factor acc. to Deutsche Börse AG	0.5374
Free float market capitalisation at 31/12/05	€ 9.42 million

CURASAN SHARE PERFORMANCE



5,000,000

people in Germany suffer from chronic diseases because of osteoarthrosis.

The frequent cause: a deficiency of natural hyaluronic acid – the »joint lubricant«.

THE HYALURONIC ACID COMPOUND CURAVISC®*

Curavisc®, a biological medical device, complements and replaces the natural synovial fluid. It allays the pain and increases the mobility of the joint.

*a Product of curasan Benelux

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. 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 June 2, 2005.

The Code comprises the following standards:

- ∇ Recommendations
- ∇ Suggestions

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, as part of which they must also list those recommendations that have not been applied. Companies may deviate from the suggestions without furnishing any specific explanations.

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 departures from the Recommendations of the German Corporate Governance Code, attributable to the Articles of Association of the Company, have been outlined below:

Re. point 2.3.1.: Invitation to the General Meeting

The reports and documents specified in connection with the General Meeting of Shareholders are only published in part on the Company's website.

Re. point 4.2.1.: Composition of Management Board

In accordance with Section 5 paragraph 1 of the Articles of Association of curasan AG, the Management Board is composed of one or several members. At present, the Management Board of curasan AG has one member.

Re. point 4.2.2. and 4.2.3. and 4.2.4: Individualised listing of Management Board compensation

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. There are no plans to incorporate variable components and long-term incentive components, as the sole member of the Management Board is also the principal shareholder of the Company. One of his key objectives is to increase the value of the Company, and therefore no additional incentive systems are deemed necessary.

Total Management Board compensation for the 2005 financial year amounted to € 244 thousand. The nominal value of the shareholding attributable to the Chairman of the Management Board at December 31, 2005, was € 2,316 thousand.

Re. point 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 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

The Supervisory Board of curasan AG is comprised of three members. 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 5.4.7.: Compensation of Supervisory Board members

In accordance with Section 12 paragraph 1 of the Articles of Association of curasan AG, there is no separate compensation for the Deputy Chairman of the Supervisory Board. The Articles of Association of curasan AG specify a fixed level of compensation for members of the Supervisory Board. At present, no performance-related compensation is offered.

Total Supervisory Board compensation for the 2005 financial year amounted to € 61 thousand. Of this total, € 27 thousand was attributable to the Chairman of the Supervisory Board, € 17 thousand to the Deputy Chairman and € 17 thousand to the third member of the Supervisory Board. At December 31, 2005, the Chairman of the Supervisory Board held shares in the Company with a nominal value of € 12 thousand.

Kleinostheim, December 2005

The Management Board The Supervisory Board

MANAGEMENT REPORT OF THE CURASAN GROUP (GROUP MANAGEMENT REPORT) FOR THE 2005 FINANCIAL YEAR

For the purposes of transparency, this year's management report has been compiled separately for the Group and for the parent company.

I. MARKET TRENDS

The markets in which curasan operates with its products are dominated by international pharmaceutical and medical technology corporations. Benefiting from its own sales partnerships at an international level and the high quality of its product portfolio, curasan has been able to stand its ground and gradually move forward within the competitive arena. curasan plays an active role in the markets associated with tissue regeneration for dental surgery and orthopaedics, as well as in the market for dental implantology.

Between now and the year 2008, Millennium Research has forecast annual growth rates of approx. 14–15 % in the EU within the area of synthetic bone replacement materials used in dental surgery and orthopaedics, two areas covered by curasan's lead product Cerasorb®. The complementary product segment defined as bone growth factors is expected to surge from approx. $10 million in 2003 to approx. $130 million in 2008. Bone growth factors can be supplemented with products such as Cerasorb® in order to accelerate the healing process and to stimulate the growth of natural bone tissue. curasan has already established itself in the market

with a procedure designed to extract platelet-rich plasma (PRP), which, in conjunction with Cerasorb®, facilitates bone and tissue generation. The product currently under development is aimed at extracting a cell-free concentrate of autologous growth factors, an area in which curasan looks set to leverage considerable market share.

According to data published by Millennium Research, the market volume for artificial joint fluid used in the treatment of osteoarthrosis was an impressive $95 million in 2003 and is forecast to advance to $150 million by 2008 as a result of demographic trends. curasan is represented with two products in this segment of the market, the licensed product Hy-GAG® and a new proprietary solution by the name of Curavisc®.

The dental implantology market has been recording double-digit growth in recent years. Numerous market studies suggest that this segment will continue to grow at a rate of between 12 % and 18 % p.a. in the Western industrialised countries. The forward momentum seen within this area is driven mainly by growing confidence on the part of medical practitioners in the feasibility of dental implantology as well greater patient awareness regarding the convenience and aesthetics associated with implants. There is every chance that market entry can be implemented without inducing any significant crowding out, simply because the REVOIS implantology system offers considerable advantages to patients, doctors and dental laboratories alike. In the second phase, siphoning off the growth peaks is likely to be sufficient in terms of establishing REVOIS as a financially viable and successful product offering.

II. BUSINESS REVIEW

The decline in revenue recorded at the beginning of the year as a direct result of sociopolitical and, in particular, health-care reforms was counterbalanced over the course of the second half.

The focus of the financial markets was back on curasan following the successful capital increase via a private placement of 250,000 shares on June 9, thus raising market awareness with regard to the Company's investment case. Based on a resolution passed by the General Meeting of Shareholders on June 23, Authorised Capital II was approved for a total of € 500,000. Within this context, shares were placed with institutional investors as part of a private placement transaction executed on November 8. Thus, 750,000 new shares were issued in total over the course of 2005; they are furnished with dividend entitlements effective from January 1, 2005.

On June 27, the US Food and Drug Administration (FDA) granted 510(k) approval for Cerasorb® M Dental and Cerasorb® Perio. Thus, both products can be marketed in the US from 2006 onwards. Cerasorb® M Dental is the second generation of a synthetic bone regeneration material and has been developed for faster resorption and bone replacement. Cerasorb® Perio is designed specifically for bone defects caused by periodontitis, a widespread condition.

On October 24, curasan received approval for Cerasorb® M block forms. Combining the benefits of Cerasorb® M granules with those associated with the various geometrical blocks, this pioneering product is particularly well suited to applications in traumatology, orthopaedics and sports medicine.

On October 27 the US patent office issued a so-called »Notice of Allowance« for block forms made of the synthetic bone regeneration material Cerasorb®. The notice is to be seen as final confirmation of patent approval, thus allowing curasan to bolster its market position and translate a unique selling proposition into revenue growth.

curasan unveiled its dental implantology system REVOIS for the first time as part of the 23rd International Congress of Oral Implantologists (ICOI) hosted in Strasbourg from November 10 to 12. REVOIS stands for »Revolutionary Implant System« and is the perfect complement to the Group's existing product range. A licence was established for the exclusive sale of the implant system, with contractual provisions stipulating that REVOIS may be acquired prior to licence expiry. The pre-marketing phase commenced at the end of 2005; distribution is expected to kick off in the second quarter of 2006.

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

III. SALES AND EARNINGS

(1) Group

Consolidated sales amounted to € 7.7 million in 2005. Within this context, sales remained virtually unchanged year on year.

Quarter €m	2005	2004	Diff.
I	1.7	2.4	- 0.7
II	2.3	1.7	0.6
III	1.9	1.7	0.2
IV	1.8	2.0	- 0.2
Total	7.7	7.8	- 0.1

Within the Biomaterials segment, the highest revenue increase was achieved by Cerasorb® M. Growth was also driven by the proprietary products Curavisc®, which is used for the treatment of joint arthrosis, and Stypro®, a haemostatic agent. Revenues generated with Cerasorb® block forms fell short of expectations.

In the first quarter, public debate concerning sociopolitical and, in particular, health-care reforms prompted many patients to postpone specific non-essential operations. The dental market, in particular, bore the brunt of this stagnation. To a large extent, the problems witnessed within this area were also attributable to statutory health insurance companies and their failure to approve cost and treatment schedules in a timely manner. This resulted in deviations from set targets as well as divergence in terms of year-on-year figures.

Products €m	2005	2004	Diff.
Biomaterials	6.2	6.3	- 2 %
Pharmaceuticals	1.5	1.5	0 %
Total	7.7	7.8	- 1 %

The export ratio increased to 34.6% of revenue (FY 2004: 31%). Overall, revenues were mainly generated in Germany and Europe.

Regions €m	2005	2004	Diff.
Europe	6.9	6.6	5 %
Middle East	0.3	0.2	50 %
Asia	0.2	0.3	- 33 %
America	0.3	0.7	- 57 %
Total	7.7	7.8	- 1 %

The cost of materials within the Group amounted to € 2.8 million, which corresponds to 36.6% of sales revenue, compared with 37.7% a year ago.

Staff costs were scaled back year on year. Within the Group, staff costs amounted to € 4.0 million in the period under review, compared with € 4.3 million in 2004.

There were no write-downs exceeding the Group's usual depreciation and amortisation within the area of intangible assets or property, plant and equipment. At Group level, depreciation and amortisation expense totalled € 0.6 million, as opposed to € 0.7 million a year ago.

Other operating expenses declined mainly as a result of stringent cost management implemented throughout the company. Within the Group as a whole, other operating expenses amounted to € 4.2 million in FY 2005 (FY 2004: € 4.8 million).

The net finance result and tax expense developed in line with corporate targets. Overall, the Group posted a consolidated net loss of € 1.9 million in 2005 (FY 2004: loss of € 2.3 million).

(2) Subsidiary companies

Having posted a net profit last year, Pro-tec Medizinische Produkte GmbH failed to produce positive bottom-line results in the period under review. This was due to essential maintenance and repairs, particularly in the clean-room facilities, which resulted in a five-month production stoppage. This work was the first of its kind since the acquisition of Pro-tec in 2001 and is expected to have a lasting effect for a certain period of time.

Earnings DVFA/SG €'000)	2005	2004
Consolidated net loss	(1,944)	(2,315)
Write-down of current assets	0	0
Consolidated net loss DVFA/SG	(1,944)	(2,315)
Number of shares ('000): average	5,229	5,000
per share (in €)	(0.37)	(0.46)

Cash Earnings DVFA/SG €'000)	2005	2004
Consolidated net loss	(1,944)	(2,315)
Depreciation and amortisation of non-current assets	554	738
Change in long-term provisions	114	17
Deferred tax income	(1,382)	(1,314)
Cash earnings	(2,658)	(2,874)
Number of shares ('000): average	5,229	5,000
per share (in €)	(0.51)	(0.57)

In 2005, curasan Benelux B.V. achieved turnaround and posted an above-par operating result for the first time. Growth was driven by the solid development of international business with our new proprietary product Curavisc®, which is used in the treatment of joint arthrosis and is distributed via curasan Benelux B.V.

Established on January 12, 2004, curasan Inc., based in North Carolina/USA, has yet failed to generate an operating profit, mainly as a result of ongoing start-up costs. An action plan has been formulated with the express purpose of guiding this company towards profitability.

Financing of all subsidiaries is covered by curasan AG.

IV. BALANCE SHEET

The level of non-current assets declined slightly year on year. Inventories were approx. € 0.6 million higher compared with last year, mainly due to strong demand for Curavisc® and pre-financing (€ 0.3 million) of the new implant system REVOIS. Trade receivables increased by € 42 thousand to € 714 thousand.

Bank borrowings include the overdraft facility of the Company's principal bank. Overall, provisions declined year on year to € 400 thousand. They include obligations for site restoration associated with the Company's plant in Frankfurt, litigation risks as well as personnel-related provisions.

Following two successful share issues, subscribed capital increased by € 750,000 to € 5,750,000. At the end of the reporting period, the Group equity ratio stood at 83.1 % (FY 2004: 84.3 %).

V. CASH FLOWS

Owing to the fact that the remaining amount receivable from Delta Select was sold to a bank and due to the reduction in the net loss for the year, cash flow from operating activities improved from minus € 4.1 million in 2004 to minus € 3.3 million in 2005. As in the previous year, cash flow from investing activities benefited from the instalments received in connection with the disposal of the Pharmaceuticals division to Delta Select in 2003 as well as the sale of the outstanding receivable to a bank at the end of the 2005 financial year. The sale of this claim can only be reverted, i.e. the bank can only fall back on curasan, in the event that Delta Select files for insolvency. Plasma Select, the parent company of Delta Select, has issued a Letter of Comfort in favour of curasan AG for the purpose of securing the obligations of Delta Select until the agreed purchase price has been remitted in full. As a result of the share issues, cash flow from financing activities was also above par. In total, cash and cash equivalents

stood at € 3.4 million at the end of the period under review, compared with € 0.8 million at the end of 2004.

m€ (Group)	2005	2004
Cash flows from operating activities	(3.3)	(4.1)
Cash flows from investing activities	4.0	0.1
Cash flows from financing activities	1.9	(0.8)
Cash and cash equivalents	3.4	0.8

VI. CURRENT COMMERCIAL SITUATION

Based on the financial results for the first two months and the forecast for March, it is likely that the overall result for the first quarter will exceed that of the preceding year. Pre-marketing for the REVOIS implant system in Germany commenced at the end of November 2005. As anticipated, our promotional activities within this area were well received by the market. As regards foreign markets, preparations for rollout are currently underway in several countries. Where necessary, applications for official distribution approval have been put forward. In Germany, distribution will commence in April, while export business is to be phased in gradually from the second half of the year onwards. The first quarter will be affected by start-up costs already incurred within this area.

VII. EMPLOYEES

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

Employees (full-time)	2005	2004
Marketing/Sales	31	30
Operations	19	23
Research/Regulatory Affairs	5	6
Finance/Controlling	5	6
Administration	5	6
Total	65	71

The number of staff within the curasan Group may increase slightly due to the launch of the REVOIS implant system.

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

VIII. RESEARCH, DEVELOPMENT AND REGULATORY AFFAIRS

We channelled our efforts into expanding the Cerasorb® product range over the course of the financial year. Within this context, the portfolio of Cerasorb® block forms was complemented by newly certified products such as alveolar pins and plates used in maxillofacial surgery. In the US, Cerasorb®, Cerasorb® M and Cerasorb® Perio were reclassified and approved for dental applications. The latter was developed specifically for the treatment of bone defects caused by periodontitis, a widespread condition. In Europe, Cerasorb® M block forms were certified in the period under review; they combine the advantages of macroporous Cerasorb® granules with those attributable to the various Cerasorb® block forms, which have proved particularly effective in traumatology, orthopaedics and sports medicine. Within this context, one of the highlights was the reference listing of Cerasorb® by the ICDD (International Center of Diffraction Data). Following its inclusion in the database, Cerasorb® is now recognised as a global standard for all β-Tricalciumphosphate materials worldwide.

The 9th Frankfurter Implantologie Tage (FIT) event, the motto of which was »Fit für die Praxis«, was held in April 2005 to coincide with the Internationale Dental Schau (IDS) in Cologne. A new concept developed by curasan AG focuses more closely on interactive 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.

At the same time we introduced a 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 form of two-page summaries.

Alongside the curasan publications service, we launched a new series of »step-by-step« manuals, which provide detailed information on surgical procedures involving Cerasorb®, complemented by practical hints and tips.

In June, the highly renowned International Journal of Oral & Maxillofacial Implants reported on the latest findings of a multicentre clinical trial headed by Prof. Szabo, Budapest/

Hungary. As part of this trial, patients underwent a maxillary sinus floor elevation procedure using autogenous bone grafts 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 an extension to the product range, a new dimensionally stable, resorbable polylactide membrane sold under licence was launched in mid-2005; it is used in procedures to regenerate healthy bone and soft tissue.

In the financial year under review, € 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.

IX. RISK REPORT, INTERNAL CONTROL MECHANISMS 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 Group, there were no problems or indications of significant risks relating to the organisation of these systems or emanating from the systems in the financial year just ended.

The risk-related early warning system introduced in 2004 was updated by those responsible for supervising specific functional areas in the Group. Within this context, risks were determined and evaluated on the basis of certain criteria, using a matrix system. All risks assessed have to lie within acceptable (green) or near-acceptable (yellow) parameters, taking the applicable measures into account. A risk is deemed acceptable if the probability of occurrence is occasional or lower and if the concomitant damage or loss is considered critical or lower. In the event that a risk is considered to be »code red«, even subsequent to countermeasures implemented within the Group, this risk is subject to special treatment and separate risk reporting. In addition, both the Management Board and Supervisory Board must be informed immediately. The risk-related early warning system encompasses the entire Group. The Management Board reports to the Supervisory Board, on a regular basis, any information regarding latent risk and provides details of appropriate measures taken to counteract such risks. As regards insurable risks, the Company endeavours to provide a sufficient and appropriate level of insurance protection to satisfy legal regulations and to meet the requirements of an enterprise of this size. An independent expert is regularly consulted for the purpose of evaluating the efficacy and appropriateness of the aforementioned insurance cover.

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

The Company is exposed to the following specific risks:
Although revenue generated in the US market increased year on year, sales developed more slowly than planned. As a result, financial resources were once again required for the purpose of supporting this market. In the financial year under review, the Company used more cash and cash equivalents within the area of operations than were generated by operating activities. The net outflow of cash and cash equivalents will continue in the 2006 financial year. In view of this, two share issues were executed in the period under review. Thus, liquidity has been safeguarded, provided that actual performance is in line with the financial forecasts prepared by the Management Board and approved by the Supervisory Board.

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 recei-

vable 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 once or a letter of credit has been furnished.

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

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

X. OUTLOOK

One of the main objectives for the Group in 2006 is to achieve revenue growth in the double-digit percentage range within our core business. Cerasorb®, in its various forms and sizes, will continue to be the key revenue driver. However, in launching the REVOIS implant system, we have created another significant source of revenue growth. Within this context, we will have to contend with start-up costs for marketing, training and stockpiling. Therefore, a break-even result at operating level would appear unlikely in the first year of rollout. Having said that, within the next five years we aim to generate as much revenue with this high-margin implant system as we do today with the entire product portfolio. Based on existing levels of liquidity and the financial reserves at our disposal, continued financing of operations has been safeguarded.

In the coming year, further preclinical and clinical trials are expected; the outcome of these studies will be published as soon as the relevant data has been compiled. We shall also be assessing and publishing a large-scale observational study concerning the use of Cerasorb® M in the field of dental surgery. Further studies will be conducted with regard to the REVOIS implant system. The 10th Frankfurter Implantologie Tage«, an anniversary event organised under the heading »Fit for the Future«, will take place in Frankfurt in September 2006. The event will offer a broad range of information on experiences and accomplishments within the area of synthetic bone regeneration materials.

in m€	2005 Actual	2006 Target
Revenue	7.7	9.8
Net profit/(loss)	(1.9)	(1.0)
Equity	15.6	16.0
Cash and cash equivalents	3.4	0.8

XI. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Management Board intends to put forward an Authorised Capital II resolution to the General Meeting of Shareholders on June 22, 2006, the wording of which is as follows: »Subject to the consent of the Supervisory Board, the Management Board shall have a mandate to increase the share capital in one or more stages in the period up to 22 June 2010 by up to a total of € 575,000.00, through the issuance of new bearer shares (»Stückaktien« governed by German law) against cash contribution (Authorised Capital II)...«

In addition, several resolutions concerning amendments to the Articles of Association are to be included on the agenda, with the express purpose of ensuring compliance with new legal provisions set out in the Act on Corporate Integrity and Modernisation of the Right of Avoidance (Gesetz zur Unternehmensintegrität und Modernisierung des Anfechtungsrechts – UMAG).

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
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (IFRS/IAS)

Assets	Note	31 Dec. 2005 (€'000)	31 Dec. 2004 (€'000)
A. Current assets			
1. Cash and cash equivalents	5.1	3,405	775
2. Trade accounts receivable	5.2	714	672
3. Inventories	5.3	2,850	2,207
4. Other current assets	5.4	569	3,447
5. Prepaid expenses		48	35
Total		**7,586**	**7,136**
B. B. Non-current assets			
1. Goodwill	5.5	0	0
2. Intangible assets	5.5	2,305	2,309
3. Property, plant and equipment	5.5	1,805	2,022
4. Deferred taxes	5.6	6,674	5,251
5. Other assets	5.7	354	1,961
Total		**11,138**	**11,543**
		18,724	**18,679**

Liabilities and Equity	Note	31 Dec. 2005 (€'000)	31 Dec. 2004 (€'000)
A. Current liabilities			
1. Short-term bank borrowings	5.8	456	187
2. Trade accounts payable	5.9	1,273	962
3. Provisions	5.10	400	776
4. Other current liabilities	5.8 / 5.11	285	297
Total		**2,414**	**2,222**
B. Non-current liabilities			
1. Long-term debt	5.8	44	65
2. Provisions for post-employment benefits	5.12	383	269
3. Other non-current liabilities	5.8 / 5.11	320	365
Total		**747**	**699**
C. Equity			
1. Issued capital		5,750	5,000
2. Capital reserves		20,803	19,844
3. Translation reserve		5	(35)
4. Accumulated losses brought forward		(9,051)	(6,736)
5. Net loss for the period		(1,944)	(2,315)
Total		**15,563**	**15,758**
		18,724	**18,679**

CONSOLIDATED INCOME STATEMENT (IFRS/IAS) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

	Note	31 Dec. 2005 (€'000)	31 Dec. 2004 (€'000)
Revenue	4.1	7,707	7,792
Changes in inventories of finished goods and work in progress	4.1	(57)	384
Work performed by the enterprise and capitalised	4.1	0	157
Total output		**7,650**	**8,333**
Cost of materials and services purchased	4.2	(2,823)	(2,942)
Gross profit		**4,827**	**5,391**
Other operating income	4.1	677	864
Staff costs	4.3	(4,032)	(4,331)
Depreciation and amortisation of non-current assets	4.4	(554)	(738)
Other operating expenses	4.5	(4,179)	(4,795)
Loss from operations		**(3,261)**	**(3,609)**
Interest expense	4.6	(65)	(20)
Finance cost		**(65)**	**(20)**
Tax income	4.7	1,382	1,314
Net loss for the period		**(1,944)**	**(2,315)**
Number of shares 2005: average		**5,229**	**5,000**
Earnings/(loss) per share (basic, IFRS/IAS; in €)		**(0.37)**	**(0.46)**

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 2005

(€)	Issued capital	Capital reserves	Translation reserve	Acc. losses brought forward	Net loss for the period	Total
Balance at 1 Jan. 2005	5,000,000	19,843,857	(34,627)	(9,051,312)	0	15,757,918
Change	750,000	959,178	40,019	0	(1,943,735)	(194,538)
Balance at 31 Dec. 2005	5,750,000	20,803,035	5,392	(9,051,312)	(1,943,735)	15,563,380

CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

(€'000)	2005	2004
Net loss for the period	**(1,944)**	**(2,315)**
Depreciation and amortisation of non-current assets	554	738
Changes in deferred taxes	(1,382)	(1,314)
Change in provisions	(262)	(17)
Change in trade accounts receivable as well as other current assets	(498)	(194)
Changes in trade accounts payable as well as other current liabilities	254	(1,016)
Cash flow from operating activities	**(3,278)**	**(4,118)**
Proceeds from disposal of business unit	1,790	600
Proceeds from the sale of the receivable associated with the disposal of a business unit	2,495	
Payments for investments in intangible assets and property, plant and equipment	(333)	(476)
Cash flow from investing activities	**3,952**	**124**
Proceeds from issuance of share capital	1,668	0
Proceeds from/Repayment of bank borrowings	(248)	(832)
Cash flow from financing activities	**1,916**	**(832)**
Net change in cash and cash equivalents	2,590	(4,826)
Non-cash change in cash and cash equivalents	40	(35)
Cash and cash equivalents at the beginning of the period	775	5,636
Cash and cash equivalents at the end of the period	3,405	775
Composition of cash and cash equivalents at the end of the period:		
Deposits at banks	**3,405**	**775**

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2004

(€)	Issued capital	Capital reserves	Translation reserve	Acc. losses brought forward	Net 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR 2005

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.

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. The preparation of the consolidated financial statements is in accordance with Section 315a of the German Handelsgesetzbuch (HGB - German Commercial Code). The majority of figures contained in the consolidated financial statements are stated in € '000.

The following legal information is of importance:

At the balance sheet date, the share capital of the Company amounted to € 5,750,000, divided into 5,750,000 bearer shares with a nominal value of € 1.00 each. The capital reserves mainly contain the share premium attributable to the initial public offering in the year 2000 and to the capital increases in the financial year of 2005.

Subject to the consent 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 22 June 2010 by up to a total of € 2,000,000, through the issuance of new bearer shares (»Stückaktien« governed by German law) against contribution in cash or in kind (Authorised Capital I).

The Management Board has not yet availed itself of its Authorised Capital I mandate. Authorised Capital II in the amount of € 250,000, the applicability of which was limited until 30 June 2005, was utilised on 9 June 2005. Based on a resolution passed by the General Meeting of Shareholders on 23 June 2005, Authorised Capital II was approved in the amount of € 500,000. This newly approved Authorised Capital II was utilised on 8 November 2005. Thus, 750,000 new shares were issued in the 2005 financial year; these shares are entitled to a dividend as from 1 January 2005.

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 and were not exercised. No additional warrants were granted. The curasan stock option plan 2000 ceased in 2005.

In addition to the Chairman of the Management Board, the Group employed 73 (FY 2004: 78) members of staff on average in the 2005 financial year. At the balance sheet date, the number of staff employed within the Group stood at 65 (FY 2004: 71).

The consolidated entities were included in the scope of consolidation on the basis of their financial statements as at 31 December 2005.

2. BASIS OF CONSOLIDATION

The consolidated group for the financial year ended 31 December 2005 includes the parent company curasan AG as well as the entities listed below.

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

The pre-mentioned entities are in the way of the consolidation included in the financial statements. 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 written down.

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

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

3.3 Currency translation

The financial statements of all entities included in the consolidated group – 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 was written down in full in the previous year.

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

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

3.10 Trade accounts payable and other liabilities

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

3.11 Short-term bank borrowings

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) as a result of past events. Provisions are recognised only if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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.

Deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

curasan AG, in particular, has considerable corporation tax and trade tax loss carryforwards, thus resulting in deferred tax assets. 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. 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 2007 onwards.

3.14 Equity

The costs associated with an equity transaction (e.g. an increase in capital), less applicable (deferred) income taxes, are recognised as a deduction from equity.

3.15 Concentration of risk

Financial risk is mainly associated with trade receivables. Within the area of trade receivables, accounts payable by customers located abroad constitute a particularly significant risk factor. The increased risk of default and concomitant interest losses due to the 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.

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

Despite the outflow of cash resources, at present 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. This receivable was sold to a bank at the end of 2005 (€ 2.6 million). The corporate assessment outlined above is subject to there being no material deviations from the financial forecasts for 2006.

4. NOTES TO INCOME STATEMENT

4.1 Sales revenue and operating income

(€'000)	2005	2004
Revenue	7,783	7,935
Sales deductions	(76)	(143)
Changes in inventories	(57)	384
Work performed by the enterprise and capitalised	0	157
Other operating income	677	864
Total	**8,327**	**9,197**

4.2 Cost of materials

(€'000)	2005	2004
Raw materials and consumables used, and purchased goods	2,823	2,935
Purchased services	0	7
Total	**2,823**	**2,942**

4.3 Staff costs

(€'000)	2005	2004
Salaries and wages	3,455	3,776
Social security	577	554
Total	4,032	**4,330**

4.4 Depreciation and amortisation

(€'000)	2005	2004
Intangible assets	277	233
Property, plant and equipment	277	287
Goodwill	0	218
Total	554	**738**

4.5 Other operating expenses

(€'000)	2005	2004
Selling expenses	2,004	2,263
Advertising expenses	690	716
Regulatory expenses	405	332
Administrative expenses	1,080	1,484
Total	4,179	**4,795**

4.6 Finance cost

(€'000)	2005	2004
Other interest and similar income	2	50
Write-down of securities held as current assets	0	0
Interest and similar expenses	67	70
Total	**(65)**	**(20)**

4.7 Tax income

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

(€'000)	2005	2004
Current income taxes	0	0
Deferred tax income	1,382	1,314
Deferred tax expense	0	0
Total	**1,382**	**1,314**

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

(€'000)	2005	2004
Result before income taxes	(3,326)	(3,629)
Tax at domestic tax rate (38.26%)	1,273	1,388
Difference due to foreign tax rates	(48)	(45)
Effect of write-down of receivables from affiliated companies in separate financial statements	276	0
Effect of consolidation accounting	(119)	(29)
Current tax income	**(1,382)**	**(1,314)**

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)	2005	2004
Trade receivables attributable to the parent company	485	623
Trade receivables attributable to subsidiaries	229	49
Total	**714**	**672**

5.3 Inventories

(€'000)	2005	2004
Materials and production supplies	361	387
Work in progress	524	661
Finished goods and merchandise	1,664	1,096
Prepayments	301	63
Total	**2,850**	**2,207**

5.4 Other current assets

(€'000)	2005	2004
Purchase consideration receivable from disposal of business unit	0	2,600
Tax assets	0	58
Other items	569	789
Total	**569**	**3,447**

The purchase consideration receivable associated with the disposal of the business unit was sold to a bank at the end of 2005. As a result, the Company received freely disposable cash resources in the amount of € 2.6 million before deduction of transaction costs. The agreement signed with the bank stipulates that the receivable shall revert to curasan AG if the debtor files for insolvency. At present, the claim is not subject to any identifiable credit risk. In addition, Plasma Select, the parent company of Delta Select, issued a Letter of Comfort in favour of curasan AG for the purpose of securing the obligations of Delta Select until the agreed purchase price has been remitted in full.

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 (€ 6,674 thousand in total) are the result of tax loss carryforwards of curasan AG and its subsidiaries and, to a lesser extent, the effects associated with the elimination of unrealised profits and losses resulting from intra-group transactions.

5.7 Other current assets

As at 31 December 2005 this item relates mainly (€ 174 thousand) to the asset value of a reinsurance policy related with the instructed pension assurance.

5.8 Liabilities

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

(€'000)	31 Dec. 2005	Due	Due	Due	31 Dec. 2004
		< 1 year	1 to 5 years	> 5 years	
Bank borrowings *	500	456	44	0	252
Trade accounts payable	1,273	1,273	0	0	961
Other liabilities	605	285	320	0	662
Total	**2,378**	**2,014**	**364**	**0**	**1,875**

* Security: land charge

5.9 Trade accounts payable

(€'000)	2005	2004
Trade payables attributable to parent company	1,185	932
Trade payables attributable to subsidiaries	88	29
Total	**1,273**	**961**

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 Dec. 2005	Utilised	Reversed	Allocated	31 Dec. 2004
Staff-related provisions	74	83	48	74	131
Risks of litigation	30	98	0	30	98
Other items	296	202	290	241	547
Total	**400**	**383**	**338**	**345**	**776**

5.11 Other liabilities

(€'000)	2005	2004
Tax liabilities	57	57
Social security	73	74
Purchase consideration of interests in enterprises	360	365
Other items	115	166
Total	**605**	**662**

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

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 € 95 thousand (FY 2004: € 22 thousand). The reinsurance premium was € 12 thousand (FY 2004: € 11 thousand).

The amount of provisions accounted for was corroborated by an actuarial audit. As shown by the audit, the technical interest rate amounted to 4.5 % 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 % p.a. The following amounts were calculated: current service cost (CSC) of € 17 thousand and interest cost (IC) of € 17 thousand. Owing, among other things, to changes in the valuation parameters, allocations to provisions amounted to € 80 thousand in the period under review.

6. OTHER INFORMATION

6.1. Financial instruments

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

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.

6.2 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)	2006	2007 to 2010	after 2010	Total
Rental and maintenance agreements	246	395	0	641
Leasing obligations	281	273	0	554
Other items	70	50	0	120
Total	**597**	**718**	**0**	**1,315**

6.3 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 is marketed via Schwarz Pharma AG.

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

a) Segment revenues and results

(€'000)	Pharma	Bio	N.A.	Total
Segment revenue 2005	1,769	6,558	0	8,327
Segment revenue 2004	1,740	7,457	0	9,197
Segment result 2005	(388)	(2,267)	(606)	(3,261)
Segment result 2004	(798)	(2,209)	(589)	(3,596)

(€'000)	Germany	Abroad	N.A.	Total
Segment revenue 2005	6,075	2,252	0	8,327
Segment revenue 2004	6,240	2,957	0	9,197
Segment result 2005	(977)	(1,678)	(606)	(3,261)
Segment result 2004	(1,797)	(1,210)	(589)	(3,596)

*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 2005	704	7,941	8,645
Segment assets 2004	1,548	11,106	12,654

(€'000)	Germany	Abroad	Total
Segment assets 2005	7,482	1,163	8,645
Segment assets 2004	12,159	495	12,654

c) Segment liabilities

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

(€'000)	Pharma	Bio	Total
Segment liabilities 2005	519	2,259	2,778
Segment liabilities 2004	452	2,200	2,652

(€'000)	Germany	Abroad	Total
Segment liabilities 2005	2,673	105	2,778
Segment liabilities 2004	2,611	41	2,652

d) Segment investments/ Segment depreciation

In the allocation of segment investments/ segment depreciation investments in factory equipment were not considered.

(€'000)	Pharma	Bio	Total
Segment investments 2005	0	267	267
Segment depreciation 2005	24	208	232
Segment investments 2004	0	218	218
Segment depreciation 2004	20	177	197

(€'000)	Germany	Abroad	Total
Segment investments 2005	267	0	267
Segment depreciation 2005	232	0	232
Segment investments 2004	218	0	218
Segment depreciation 2004	197	0	197

6.4 The Management Board

In the year under review, the Management Board comprised:

– Mr. Hans Dieter Rössler, Bessenbach (Chairman)

Total Management Board compensation amounted to € 244 thousand in the 2005 financial year, of which € 0 was variable (FY 2004: € 291 thousand, of which € 8 thousand variable).

6.5 The Supervisory Board

In the year under review, the Supervisory Board comprised:

- Dr. Detlef Wilke, Wennigsen (Chairman);
  Managing Partner of Dr. Wilke & Partner Biotech Consulting GmbH, Wennigsen
- 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 € 61 thousand (FY 2004: € 63 thousand) in the 2005 financial year. Of this amount, € 27 thousand was attributable to the Chairman of the Supervisory Board, € 17 thousand to the Deputy Chairman of the Supervisory Board and € 17 thousand to the third member of the Supervisory Board.

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

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

6.6 Directors' Holdings

As at December 31, 2005, 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.

('000)	Management Board	31 Dec. 2005	Change	31 Dec. 2004
	Hans Dieter Rössler	2,316	0	2,316
	Supervisory Board			
	Dr. Detlef Wilke	12	0	12

6.7 Statutory auditors

The following expenses were recognised in FY 2005 with regard to professional fees for statutory auditors of the consolidated financial statements: € 67 thousand for year-end audit, € 0 for other services associated with auditor's report or valuations, € 10 thousand for tax consulting services as well as € 5 thousand for miscellaneous services.

6.8 Corporate Governance Code

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

6.9 Disclosures in accordance with WpHG (Securities Trading Act)

Not applicable in the 2005 financial year

6.10 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, 2005, have been prepared in accordance with International Financial Reporting Standards/International Accounting Standards (IFRS/IAS), which, pursuant to Section 315a 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:

a) 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 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.

b) 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 IAS 38, they must be recognised as assets if certain requirements are met.

Kleinostheim, 28 February 2006

Hans Dieter Rössler

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

(€'000)	Acquisition / Manufacturing Costs				Depreciation and Amortisation				Net Book Value	
	Carried forward 01.01.2005	Additions / Write-up	Disposals	Balance 31.12.2005	Carried forward 01.01.2005	Additions	Disposals	Balance 31.12.2005	Balance 31.12.2005	Balance 31.12.2004
I. Intangible assets										
1. Concessions, industrial property rights and similar rights and assets as well as licences thereto	3,312	267	0	3,579	1,256	232	0	1,488	2,091	2,056
2. Software	305	75	0	380	211	45	0	256	124	94
3. Goodwill	1,004	0	0	1,004	1,004	0	0	1,004	0	0
4. Prepayments	159	0	69	90	0	0	0	0	90	159
	4,780	**342**	**69**	**5,053**	**2,471**	**277**	**0**	**2,748**	**2,305**	**2,309**
II. Property, plant and equipment										
1. Land, land rights and buildings	1,888	0	0	1,888	505	79	0	584	1,304	1,382
2. Technical equipment and machinery	218	18	0	236	94	18	0	112	124	124
3. Other equipment, operating and office equipment	1,772	42	20	1,794	1,257	180	20	1,416	378	516
	3,878	**60**	**20**	**3,918**	**1,856**	**277**	**20**	**2,112**	**1,805**	**2,022**
	8,658	**402**	**89**	**8,971**	**4,327**	**554**	**20**	**4,860**	**4,110**	**4,331**

AUDITOR'S REPORT

We have audited the consolidated financial statements – comprising balance sheet, income statement, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements – as well as the Group management report for the financial year from 1 January 2005 to 31 December 2005. The legal representatives of the Company are responsible for preparing the consolidated financial statements and the Group management report in accordance with IFRS, as adopted by the EU, as well as in compliance with the additional provisions set out in Section 315a (1) of the German Commercial Code (Handelsgesetzbuch – HGB). Based on our audit, our responsibility is to express an opinion on the consolidated financial statements and the Group management report.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code and in compliance with generally accepted German auditing standards promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements and contraventions which may have a significant influence on the true and fair view presented by the consolidated financial statements, in compliance with applicable accounting standards, and by the Group management report as regards financial position, financial performance and cash flows. 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 assessing, on a test basis, the efficacy of the accounting-related internal control system, as well as examining evidence supporting the amounts and disclosures in the consolidated financial statements and Group management report. An audit also includes assessing the financial statements of those entities included in consolidation, the delimitation of the consolidated group, the accounting and consolidation principles applied and the significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Based on the findings of the audit, we are of the opinion that the consolidated financial statements comply with IFRS, as adopted by the EU, and the additional Commercial Code provisions set out in Section 315a (1) HGB and give a true and fair view of the state of affairs of the Group in terms of its financial position, financial performance and cash flows. The Group management report is consistent with the consolidated financial statements, conveys the state of affairs of the Group and suitably presents the opportunities and risks associated with the future progression of business.

Without 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 € 6,604 thousand in connection with the carryforward of tax losses of the parent company and the subsidiary companies. The present carrying amount of this item is subject to significant risk, and non-impairment will depend on whether the targets specified for the curasan Group can be met. These targets stipulate that positive financial results before taxes will be achieved by the parent company and the individual subsidiaries as from the 2007 financial year.

Without affecting the unqualified audit opinion provided as part of this report, we hereby draw attention to the fact that financial budgeting for the year 2006 has outlined a further net outflow of cash and cash equivalents and that the ability to safeguard liquidity for the future is dependent on the corporate plans established by the Management Board and authorised by the Supervisory Board being met accordingly. Within this context, please refer to the details presented under Point IX of the Group management report.

Frankfurt am Main, 8 March 2006

PKF PANNELL KERR FORSTER GMBH Wirtschaftsprüfungsgesellschaft	W. Hofmann Certified Public Accountant	M. Jüngling Certified Public Accountant

REPORT BY THE SUPERVISORY BOARD

Dr. Detlef Wilke, Chairman of the Supervisory Board

DEAR SHAREHOLDERS,

Over the course of the 2005 financial year, the Supervisory Board of curasan AG discharged its duties specified within the German Stock Corporation Act (Aktiengesetz – AktG) and the Company's Articles of Association, monitoring and advising the Management Board of the Company. The Supervisory Board was involved in all decisions 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.

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, performance in terms of sales revenue as well as the financial position, cash flows, liquidity, 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 important measures were discussed by the Supervisory Board and monitored accordingly.

In addition, the Supervisory Board played an active part in the implementation of the German Corporate Governance Code during the financial year under review.

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, 2005, were audited by PKF Pannell Kerr Forster GmbH, Wirtschaftsprüfungsgesellschaft, Frankfurt, on the basis of the mandate granted by the Supervisory Board, and received an unqualified audit opinion.

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

BOARD MEMBERS OF THE COMPANY

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

cution 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 thank the Management Board of the Company and all members of staff within the curasan Group for their committed contribution.

Kleinostheim, March 2006
The Supervisory Board Dr. Detlef Wilke, Chairman

MANAGEMENT BOARD

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

MANAGEMENT BOARD

Dr. Detlef Wilke (Chairman) –
Managing Partner at Dr. Wilke & Partner Biotech Consulting GmbH, Wennigsen

Hans-Günter Niederehe (Vice Chairman) –
Self-employed management consultant, Mainz

Dr. Konstantin Rogalla –
Managing Partner at Pflüger, Schulz, Rogalla Unternehmensberatung GmbH, Hamburg

GLOSSARY

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

28 March 2006	Financial Statements Press Conference
28 March 2006	Analysts' Meeting
15 May 2006	Publication of Interim Report for Q1
22 June 2006	General Meeting of Shareholders
11 August 2006	Publication of Interim Report for Q2
14 November 2006	Publication of Interim Report for Q3

IMPRINT

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

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