

Geratherm®

Medical Diagnostic Systems



ANNUAL REPORT 2005

Financial ratio	2005	2004	Changes opposite 2004
Sales			
Export share	8,191 kEUR	7,186 kEUR	14.0%
Export ratio	6,322 kEUR	5,596 kEUR	13.0%
EBITDA	77 %	78 %	-1.3%
	986 kEUR	1,439 kEUR	-31.5%
EBITDA - Margin			
Depreciation	12 %	20 %	-40.0%
	-369 kEUR	-407 kEUR	-9.3%
EBIT			
Result of ordinary operation	617 kEUR	1,032 kEUR	-40.2%
	1,420 kEUR	1,199 kEUR	18.4%
Net income EAT	1,479 kEUR	1,246 kEUR	18.7%
Long term assets	5,272 kEUR	6,798 kEUR	-22.4%
Short term assets	13,282 kEUR	12,076 kEUR	10.0%
Total assets	18,554 kEUR	18,874 kEUR	-1.7%
Equity	17,122 kEUR	16,773 kEUR	2.1%
Shareholders equity	8.6 %	7.4 %	16.3%
Equity ratio	92.3 %	88.9 %	3.8%
Liquid funds and securities	9,183 kEUR	8,349 kEUR	10.0%
Earnings per share according to IFRS*	0.33 EUR	0.28 EUR	17.9%
Earnings per share according to DVFA*	0.33 EUR	0.28 EUR	17.9%
Proposed dividend per Share	0.32 EUR	0.28 EUR	14.3%
Number of employees (annual average)	72	73	-1.4%
Total amount of issued share	4,500,000	4,500,000	
*there of out standing	4,500,000	4,498,750	



Page**06****Supervisory Board's Annual Report**

Page**08****Report of the Managing Board**

Page**10****Geratherm-Share**

Page**12****Product areas**

Page**14****Shareholdings**

Page**16****Group Management Report**

Page**27****Group financial statement**The logo for Geratherm, featuring the brand name in a bold, sans-serif font. A registered trademark symbol (®) is positioned in the top right corner of the 'm'.

Financial Year 2005

Increase in turnover +14%

Profit from ordinary business +18.4%

Operational profit temporarily reduced

Strong financial earnings +803 kEUR

Group profit (EAT) +1,479 kEUR

Result per share 33 cent (p.y. 28 cent)

Tax free dividend payment of 32 cent per share

Positive outlook for the year 2006

Geratherm Medical AG is a company focused on development, manufacturing and marketing of medical equipment for human temperature management and vital signs.

Dr. Gert Frank – CEO



Rudolf Bröcker, Chairman

The Supervisory Board performed its duties as prescribed by law and set out in Geratherm's bylaws and monitored the company's activities throughout the 2005 financial year. The Supervisory Board was regularly informed in writing and oral reports by the Executive Committee about the current development of business during 2005. The Supervisory Board was also informed about the financial situation and was involved in all important decisions.

Four periodic meetings were held with the Executive Committee to jointly discuss business activities. In these regular intervals the topics were the marketing and sales activities as well the procurement and financial situation of the company. This approach ensures that the Supervisory Board has the knowledge it needs to properly fulfill its responsibilities.

The annual report, the group financial statements

and the group management report for 2005 were audited by KPMG Deutsche Treuhand- Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Leipzig.

The auditors approved without restrictions all reports and group financial statements. The company annual report and the auditor's report will be sent immediately to each member of the Supervisory Board. The auditor participated in the Supervisory Board's discussions about the presentation of the financial statements, reported the significant results of the audit and was available for answering questions.

The Supervisory Board approved the results of the audits.

We checked the annual financial statements and the management report prepared by the Executive Committee as well as the consolidated financial accounts and the group management report. Following the conclusion of the audit, no objections were raised.

In its meeting on 20 th of March 2006, the Supervisory Board adopted the annual financial statements as of December 31, 2005 and the consolidated financial accounts in accordance with International Financial Reporting Standards (IFRS). The Supervisory Board approves the Executive Committee's proposal to use the distributable profit for the year, which includes a tax-free dividend of EUR 0.32 per share for the year of 2005.

KPMG Deutsche Treuhand-Gesellschaft Aktien-

gesellschaft Wirtschaftsprüfungsgesellschaft, Leipzig, Germany, has examined the Executive Committee's report on the relations existing with associated companies. KPMG confirmed that according to its dutiful audit and assessment the advice of this report is accurate and that the services of the company were suitable. Following the conclusion of the audit, there are no objections against the Executive Committee's report on the said relations.

We agree with the results of the auditing firm.

The Supervisory Board



Rudolf Bröcker

Chairman of the Supervisory Board

On April 21, 2005 Mr. Friedrich Wilhelm Bimbose member of our supervisory board faded suddenly away. Mr. Bimbose served our corporation in an exemplary way and gave important impulses. We will remind him and his human touch.

On June 13, 2005, the Annual General Meeting of Geratherm Medical AG selected Bruno Schoch. Mr. Schoch is CFO of Unibel S. A., Paris. Due to his many years of experience working for an internationally engaged Corporation, Mr. Schoch will strengthen with his experience and competence of the Supervisory Board.

We would like to express our gratitude to each and every employee and member of the Executive Committee at Geratherm Medical for their dedication and successful engagement in 2005.

Geschwenda, March 21. 2006



Dr. Gert Frank, Chairman of the board

**Dear Shareholders and Friends of
Geratherm,**

Geratherm Medical AG was able to achieve a substantial increase of its business volume during 2005 compared to 2004.

Our main segment — medical equipment for measuring body temperature — was the main source of sales. In this business area we were able to improve considerably our market position. The sales figures in 2005 have exceeded the previous year by 14%, that was higher than the planned target which was internally calculated at 8%. This pleasant development in our business is due to the launch of new product lines. The introduction of "Geratherm-duotemp" on an international market basis had a very satisfactory impact. The new product is part of the product line measurement of the body temperature which combines two

sources for the measurement ear and forehead. The increasing trust of our customers in the improving quality of our products contributed also to an expansion of our business.

In 2005, the targets of increasing internationalization and improving market shares in Germany were achieved consistently. In 2005 we have significantly increased our participations at international medical fairs compared to the previous years. Additionally we have increased expenditure regarding the development of new product lines. Product innovations and improvements were an important focal point in 2005. We are confident that all undertaken measures will lead to the expected results and performance.

The German stock market moved in an upward direction in 2005. The DAX closed in 2005 with a plus of 27.1%. Geratherm's stock has underperformed in comparison to the DAX. But if we consider that Geratherm's stocks have improved in 2004 38.8% higher than the previous period and in the same time the value of Geratherm's stock has doubled since 2002, so the fact of underperformance has to be reflected in a relative way. Geratherm's stock was very stable during the last year and showed a low volatility. The highest quotation of Geratherm's stock was 7.30 EUR in 2005, the lowest was 5.32 EUR. At the end of 2005 Geratherm's stock was traded at 5.55 EUR. After several discussions with analysts and investors we understood that the investors are interested in a long term investment and appreciate the solid financial basis as well the continuity regarding the improvement of the earnings.

The company's financial figures, which have so far enjoyed a very good level, continued to improve in 2005. The consolidated sales in 2005 have increased by 14%. Geratherm realizes in 2005 an outstanding net income, the best ever realized. Due to higher expenditure for development of the product line warming systems Geratherm's operating result was reduced by 40.2% compared to the previous period. The results of the Corporation were also affected by losses of 94 kEUR through the affiliated company apoplex medical technologies GmbH.

The unfavourable effects in 2005 are one-offs, which results in an optimistic forecast for 2006 with an expected sufficient EBIT level.

The overall positive results of the Corporation of 1,479 kEUR (+ 18.7%) were favourably supported by below-line income from interest and the sale of stocks and securities of 803 kEUR. Major reason for this was the positive trend of the German and international capital markets. The financial funding and the liquidity are solid. The payback of loans of 660 kEUR in April 2005 was well ahead of schedule. At the same time, total assets amount 18.6 million EUR and Equity amounts represents 92.3%. Cash amounted 9.2 million EUR and the Equity results in 3.80 EUR /share.

Earnings after tax increased in 2005 from 0.28 EUR/share to 0.33 EUR/share. The dividend payment will be increase from 0.28 EUR to 0.32 EUR based on a repayment of capital. This will be suggested to our shareholders in the upcom-

ing shareholders meeting in Frankfurt am Main. The dividend is tax neutral. The net dividend yield will be 5.8% based on the fixed stock price as per 12/31/2005.

We forecast a positive business development for 2006 with a similar sales growth as in 2005. We expect positive development of operational results. Especially for "warming systems", we expect recovery and positive results so that the bleeding of this division can finally be stopped. Apopolex medical technologies have provided successfully 15 testing system to cardiologists and stroke centres. We forecast a positive business development and are very confident to reduce the starting losses for the new launch of stroke prevention system analyzer.

We would like to extend our sincere thanks to our shareholders and the employees of Geratherm Medical AG who with their dedication and creativity contributed to the successful business year 2005. And, of course, our customers who now span the globe in 57 countries also deserve special thanks.

Next shareholders meeting will take place at June 12. 2006 in Frankfurt am Main. We would like to invite you cordially to this meeting at the Hotel "Hessischer Hof".



Yours, Dr. Gert Frank

Geratherm's -Stock

In year 2000 Geratherm's stocks were accredited for the first time at the official Trading in Frankfurt. Since January 2003 the stocks of Geratherm are accredited in the most significant segment, the Prime Standard, at the Frankfurt Stock Exchange market.

At the beginning of 2005 Geratherm Medical AG is registered at the German Entrepreneurial Index (GEX) in Frankfurt. The GEX Index represents all ownership dominated companies, which are quoted in the Prime Standard at the Frankfurter Stock exchange. The development of the GEX indicates the value improvement of medium sized companies. The following graph shows the course of the evolution of Geratherm's stock dur-

ing the last three years in comparison to the GEX and Prime Pharmacy & Health Care Index.

Geratherm's stock was very stable during the last year and showed a low volatility. The average quotation of Geratherm's stock in 2005 was at a level around 6 EUR. The quotation at the beginning of the year was 6.23 EUR, at the end of 2005 the quotation was at 5.55 EUR. Geratherm's stock was not able to perform as well as the DAX or other stock exchange markets. In the last two years Geratherm's shareholder base increased significantly. According to our survey Geratherm counts 1,750 shareholder, that represent 520 more shareholder than in 2004. The free float of Geratherm's shares is in the meanwhile at 39.7%.

We are making efforts to improve our transpar-



ency regarding the report of financial statements and want to present a favorable Corporation perspective of the future to our shareholders.

Increasing of dividend payment

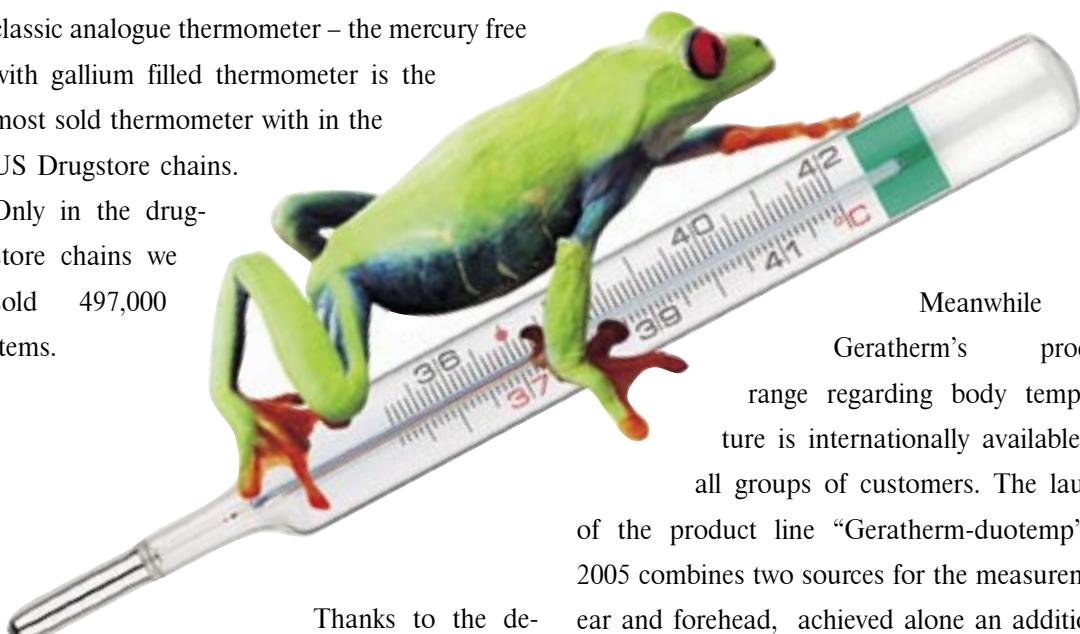
Earnings after tax increased in 2005 from 0.28 EUR/share to 0.33 EUR/share. The dividend payment will be increased by 4 cents from 0.28 EUR to 0.32 EUR based on repayment of capital. This will be suggested to our shareholders in the upcoming shareholders meeting 12. June 2006 in Frankfurt am Main. The net dividend yield will be 5.8% based on the fixed stock price as per 12/31/2005.

The increasing numbers of shareholders and the stable development of our stock during the last three years, reinforce us to peruse our strategy for the Corporation.

Body temperature

The production and marketing of thermometers from gallium remains the core business of Geratherm Medical. In this business area we were able to strengthen our position in the market and to improve the profile of our thermometers on an international degree due to the fact that in 2005 the selling volume reached 3.6 million items. Our classic analogue thermometer – the mercury free with gallium filled thermometer is the most sold thermometer with in the US Drugstore chains.

Only in the drugstore chains we sold 497,000 items.



Thanks to the development of the liquid metal Galinstan – a mix of gallium, indium and tin - Geratherm is able to substitute, for instance, mercury in analogue thermometers. This innovation allows Geratherm Medical to promote our thermometers in a growing market. The importance of this innovation is growing in significance, as some countries are initiating bans on the use of mercury products. At the same time the liquid metal Galinstan, which is developed exclusively by Geratherm, is delivered to third parties for other areas of application. Galinstan is used in the technol-

ogy for the production of computer tomography, but also as base metal in various research projects.

Since 2001 Geratherm is developing and marketing digital thermometers. This product line reduces the dependency from analogue thermometers which are offered to the same group of customers.

Meanwhile the Geratherm's product range regarding body temperature is internationally available for all groups of customers. The launch of the product line "Geratherm-duotemp" in 2005 combines two sources for the measurement ear and forehead, achieved alone an additional sales volume of 589 kEUR. The business area body temperature is increasing double digit since years and represents a mainstay of the corporate turnover at 22.4%. In 2005 the sales in this business area grew by 74% up to 1.8 million EUR.

Warming Systems

In this business area Geratherm is developing and marketing since 2003 warming systems on carbon fiber basis. The patient warming systems that generate a precise surface heat serve the active warm-

ing of patients to avoid hypothermia.

The active warming systems are not only used in the hospital setting but also by rescue services and plastic surgery. In the emergency area as well as the pre-hospital care of emergency patients, hypothermia constitutes a serious problem. Geratherm's warming systems are distributed and marketed on an international basis. Our products enjoy an increasing acceptance by our customers. Besides this technology we provide also a customized product line. We were able to achieve a successful track record in a very short period. We secured the tendering for the equipment of Indian military hospitals. During 2006 we will deliver 210 units of our OP warming systems to Indian hospitals. Regarding our product line rescue bag we provided 22 systems to the rescue services in Turin for the winter Olympic Games 2006.



Blood pressure

Geratherm is also offering products for blood pressure measurement through the long-term sales channel of international pharmacies. The products are located in the high-end segment.

Regarding this product line our objectives are to provide pharmacies with professional long-term blood pressure devices. In 2005 the sales in this business area grew by 54.2% up to 1.3 million EUR. That was the third year in row that we were able to increase the sales in this business area.

Cardio/apoplex medical technologies GmbH

The sales and marketing activities of Geratherm regarding the product unit Cardiomonitor and Stroke prevention have been integrated in an own company the apoplex medical technologies GmbH, which was established especially for this business area. Geratherm owns 60% of the shares. Apoplex medical is managed by Mr. Hirtz, who owns 25% of the shares. The head of the research and development department Mr. Hepp owns 15% of the shares. The main objectives of apoplex medical are the development and marketing of medical products and systems for the diagnosis of stroke risks.

Apoplex medical technologies carried out a capital increase by 200 kEUR to strengthen its capital on 13.07.2005. Geratherm Medical AG participated in the capital increase according to its share. The company's share capital amounted to by 300 kEUR by the end of the year.

During 2005 we have increased significantly expenditure regarding the development of atrial fibrillation diagnosis. Due to new requests from the market we had to overwork the existing product conception. Additionally we applied for larger clinical studies. One of the consequences was that we had to move back wards our marketing activities. We made this decision to ensure a higher reliability regarding the diagnosis and the safety of the patients. For the time being the results regarding the project atrial fibrillation are much better

than before, due to the combined efforts of all involved partners. The modified products are being daily used by 15 cardiologists through internet connection. The results of a current study have been accepted by EUROPREVENT in Athens for presentation. EUROPREVENT is a first congress on prevention and is organized by the European association of cardiologists. The congress will take place in Athens in May 2006.

Geratherm Medical do Brasil in Sao Paulo



Our subsidiary Geratherm do Brasil has registered various Geratherm products in 2004. Our team in Sao Paulo was able to improve the market development regarding Geratherm's products in 2005. The business developed positively in 2005. The sale proceeds of the subsidiary in Brazil grew from 17 kEUR to 329 kEUR. For the first time, the company generated a profit of 21 kEUR. A similar growth dynamic is expected for year 2006. We have included the theme used by Geratherm in its advertising campaign in Brazil on this page of our Annual Report.

Apart from the Brazilian market, the subsidiary

headquartered in Sao Paulo also serves the markets in Columbia, Paraguay and Chile.

GME Rechte und Beteiligungen GmbH

GME Rechte und Beteiligungen was founded as a 100% subsidiary of Geratherm Medical in 2002 and is holding all the trademarks, licenses and patents. The company showed neutral result in 2005.

Medical Columbus AG

The planned IPO of Medical Columbus AG was successfully carried out on 3rd June 2005. Following the listing in June, 224,457 additional shares were issued with issue price of EUR 16.75 on 16th August 2005 and were especially welcomed by the institutional investors. The capital increase was 8 times oversubscribed. The net proceeds from the capital increase were approximately EUR 3.5 million. Due to risk considerations Geratherm has reduced its investment in Medical Columbus AG to under 5% in pre-market dealings. For this reason we will mention this engagement for the last time in our annual report.

Medical Columbus AG is the European transaction platform for the medical and pharmaceutical industry. The application "MC Navigator" provides the customer with transparency throughout the entire market. Furthermore, it supplies standardized item master data necessary for effective purchasing. The "MC Communicator" links hos-

pitals' and their suppliers' individual master data allowing hospitals to obtain a unified data basis without having to make changes to their existing systems. The clearing center for electronic order processing, the "MC Transactor" is momentarily being utilized by 89 well-known medical and pharmaceutical suppliers. The transaction platform covers the entire procurement process – from determining material requirements, through order placement, order confirmation, payment processing and bundled logistics.

Altogether Medical Columbus currently has contracts with hospitals with approximately 55,000 beds. The monthly transaction turnover amounts over 20 million EUR. According to the business forecast, the company will reach the breakeven point in the current financial year.

Business Development

Outgoings and General Economic Environment

The fiscal year 2005 was positive for the AG Geratherm Medical. The external conditions improved slightly so that our intended concept could be implemented for the fiscal year 2005 in most aspects.

The general economic conditions give a blended picture. In contrast to the strong export the inner market hardly showed motion. A wide set and self carrying growth cannot be seen in the German economy. The incline of the gross inland product of 0.9% in the previous year is significantly below the value of the last year (1.6%). In 2005 the German economy was able to profit of the booming world trade. The export of the German good exportation increased to 7.5% in 2005. Positive impulses were reached by the Euro depreciation but also by the high income of the oil exporting countries. The high consumer demand from this region led to an extremely high turnover development for Geratherm.

International economy developed quite steady and following evaluations of the international currency fond could rise by 4%. At the same time the world trade volume increased by 7.2%. The economy dynamic in the USA is still going on with a growth of 3.6% though slight reduction. The pace of growth is remaining equally high with 9.3% in China. A slight rise is continuing in the Euro region, es-

pecially the second half of the year set positive impulses. A general increase by 1.5% in the Euro region could be seen. The new EC members grew with a plus of 4.2% significantly stronger.

We had planned a turnover increase by 8% for the year 2005 and a result out of operative business slightly under the level of the previous year. The financial output's quality was accompanied by uncertainties because of the not foreseeable capital market direction and the not yet safe quotation of the Medical Columbus AG in the year 2005.

The majority of the most implementation plans resolved as reliable. The turnover increase was higher than expected. The material purchase grew tremendously, higher than expected. The other expenditures were higher than expected because of product launchings and moving of one production unit to the headquarter at Geschwenda. Without earnings from share sales the pure operative result of 40.2% was under the level of the previous year. Eliminating the single expenditures of appolex medical technologies GmbH and the field of warming systems, an operative result with a reduction of 10.6% for the core business was reached.

The financial profit did not only proof as steady profit support but also contributed much more to the final income than the operative field. On behalf of the good financial profit an annual plus was reached, which was a quarter higher than the complete result of the last year.



Turnover growth +14%

After a slight decline in 2004 we were able to improve our net proceeds by 14.0% up to 8.2 million EUR in 2005.

The growing returns were caused primarily by successful implementations of new products. Especially the good acceptance of our new ear/ forehead thermometer "Geratherm duotemp", which rapidly generated an income of 589 kEUR, proofed to be a successful implementation. The field digital temperature measuring technology could add on to the turnover plus of 73.9% up to 1.8 million EUR referring to the last three years. Also the field of blood pressure measuring technology could keep its growth with a turnover plus of 54.2% up to 1.3 million EUR. These two fields are combined in the segment of digital diagnosis products.

The segment analog diagnosis products remained with a turnover of 3.9 million EUR similar to the turnover level of the past year. The fields of the other products where e.g. the warming systems are integrated did not run satisfying in 2005. The sales figure for this division decreased by 16.2%.

The amount of international sold Geratherm temperature thermometers could be raised once more up to 3.0% to 3.6 million EUR pieces in 2005. Geratherm was able to expand their market share and strengthen its position.

The products of Geratherm are mainly bought by pharmacies and clinics. The sales structure is in almost all by Geratherm supplied countries the same. The sales are reached with customers from 57 countries.

Net Sales by product area	2005	2004	variance
	kEUR	kEUR	
Analogue Diagnostic Products	3,932	3,927	+0.1%
Digital Body temperature	1,835	1,055	+73.9%
Blood Pressure	1,263	819	+54.2%
others	1,161	1,385	-16.2%
Total	8,191	7,186	+14.0%

Net sales by region	2005	2004	Variance
	kEUR	kEUR	
Germany	1,869	1,590	+17.5%
Europe	3,737	3,465	+7.9%
USA	1,595	1,541	+3.5%
South America	355	51	>100%
Middle East	374	235	+59.2%
others	261	304	-14.1%
Total	8,191	7,186	+14.0%

Turnover increases could be recognized in all consulted countries in 2005. There was a good development on the inland market with a bonus of 17.5%. The turnover on the German market was 1.9 million EUR/ 22.8% of the complete turnover of the company. The main supports for this growth are the new implemented ear/forehead thermometers. The turnover growth in Europe came to 7.9%. The growth in the USA reduced slightly compared to 2004 with 3.5%. In total a turnover of 1.6 million EUR was achieved on the North American market.

The forced international market activities of Geratherm led to a significant turnover growth.

The positive development is especially caused by the market activity of Geratherm in the Arabic region with a plus of 59.2% and through the success of our daughter company Gera-

therm do Brazil, which for the first time reached a turnover of 355 kEUR.

The export share of Geratherm lay with 77.2% (previous year 77.9%) almost on the level of the last year. The high steady export share is seen as a signal for the growing international competitiveness of the Geratherm products.



Sales-, Earnings-and Financial situation of the company

Result of the usual business

1,420 kEUR + 18.4%

The sales conditions of the company in the fiscal year 2005 were influenced mainly by the increasing turnover, the high profit from stock sales and the significantly higher expenditures for other duties.

In the fiscal year 2005 we had to invest – especially for the gallium thermometer- higher costs for the purchase of raw material. Furthermore the part of ordered production has raised the material usage. In total this has increased by 20.2% up to 3.646 kEUR and therefore over proportional to the turnover.

The expenses for personnel lay at 2.1 million EUR at about the level of the previous year. The depreciation reduced caused by fewer investments for tangible assets to 9.3% and were in the running fiscal year 369 kEUR.

There were extra expenditures for the testing and making of the permission relevant basics for a new generation of Geratherm warming systems for the rescue field. This led to an additional cost debit of about 50 kEUR. We were also busy with the move from Loehne to the headquarter Geschwenda and had to accept higher costs for this. The expenses of external consulting for marketing and permission increased additionally. The showed costs for

the field of warming systems weigh only once on the operative result of the fiscal year 2005 with 150 kEUR.

We had to accept a negative result of 156 kEUR at our daughter company apoplex medical technologies GmbH. The load weighed more than our expectations. We have decided to postpone the marketing activities in the area of stroke monitoring in favor of the development for a better algorithm. At the same time new clinical studies were set of. The improved products – supplemented by a so called Tele medical variation (ASP) – are installed at different cardiac offices.

Through the loss in the field of warming systems and the consolidated expenditures of the daughter company apoplex we had to carry solitary expenses in the amount of 306 kEUR. By this means the result of the concern closing was affected by this amount.

The gross result before depreciation, interest, tax (EBITDA) was reduced by this by minus 31.5% to 986 kEUR. The EBITDA margin reduced temporarily from 20% to 12%.

The company result before interest and tax (EBIT) was 617 kEUR (previous year 1.032 kEUR). If subtracting the solitary expenses from the field of warming systems and the approach run losses of apoplex medical technologies, one will find an operative result of the core business (EBIT) of 923 kEUR, which means a minus of 10.6% compared to 2004.

The pure result was after subtracting the material costs with 4.814 kEUR or rather a quote of 58.8% (previous year 65.4%) of the turnover.

The depreciation of immaterial earnings and tangible assets reduced itself to 9.3% to 369 kEUR (previous year 407 kEUR).

The lower operative result in the year 2005 is caused by a significant increase of the usual company expenditures. These increased about 435 kEUR from 1,323 kEUR to 1,758 kEUR over average. As mentioned before this shows the special expenses in the area of warming systems and the consolidated approaches of the affiliated company apoplex medical technologies GmbH.

The financial result grew in the year 2005 clearly from 167 kEUR to 803 kEUR.

The predominated part of the cash positions is still invested in fixed deposit to a low interest. The quote of shares was naturally increased in the year 2005 to an annual average of 2,565 kEUR. The invested financial resources in stocks since 2003 achieved a very satisfactory result. The following chart will give an overview of the average

Share investment Geratherm Medical AG	2005 kEUR	2004 kEUR	2003 kEUR
Average amount of invested shares	2,565	1,342	793
Result from shares trading and dividend payment	697	73	441
yield	27.2%	5.4%	56.6%
DAX - development	27.07%	7.34%	37.10%

asset amount and the earned yield.

Interest and similar earnings (mostly from fixed assets) were 15.5% lower than in the previous year, which is also caused by the increasing of the quote for shares. The still existing credits were brought back completely in the fiscal year 2005 so that the interest need was reduced to 69.0% at the end of the fiscal year and weighed only 20 kEUR of the financial result.

Together with the financial income the result of the usual business of Geratherm Medical AG increased with 18.4% from 1,199 kEUR to 1,420 kEUR. Because of the deferred taxes there was no tax load on the made profit so that only a latent tax of 7 kEUR was activated.

The annual profit of Geratherm Medical amounted for the fiscal year 1,427 kEUR and topped the result of the previous year with 15.5%. The losses of apoplex medical technologies GmbH are only accounted over the consolidation of our share with about 60%. An attribution of 52 kEUR could be recorded because of the results of other companions.

Geratherm Medical was able to record a concern result (EAT) of 1,479 kEUR for the fiscal year 2005, which is a plus of 18.7% compared to last year. The result per share increased thereby from 28 cent to 33 cent.

Distribution of Dividends - 32 cent per share

The enterprise Geratherm could close the fiscal year 2005 successfully. The liquidity of the enterprise as well as the mid term perspectives of the corporation allow to propose a share dividend for the year 2005.

The Board and the Advisory Board of Geratherm Medical AG will propose to the general meeting a tax neutral distribution from the tax bank account to the shareholders of 32 cent per stock (last year 28 cent).

FINANCIAL SITUATION

The financial position of the corporation can be described as steady. The financial means which Geratherm Medical AG receives from the stockholders enable the corporation to operate free from financing through others. In the preceding fiscal year the credit trench of 660 kEUR was detached earlier at a credit institute so that Geratherm Medical AG shows no further bank obligation.

To the end of the fiscal year 2005 the corporation's equity was 17.1 million EUR. The balance sum of 18.6 million EUR is so with shown completely in the capital. The capital presents an independent basis for the planned company development. The equity is 17,122 kEUR or 3.80 EUR per share (previous year 3.73 EUR). The involved equity capital rose from 7.4% to 8.6% in the running fiscal year. The liabilities were amounted by 749 kEUR (previous year 1,292 kEUR) are mainly from trade receiv-

able amounting to 199 kEUR and limited liabilities of 325 kEUR which are contained in the other liabilities of 529 kEUR previous year 405 kEUR).

On the accrued assets side the balance sum of 18.6 million EUR is showed by long term assets of 5.3 million EUR and through short term assets of 13.3 million EUR.

The long term assets including immaterial assets increased by 47 kEUR to 468 kEUR. The tangible assets reduced due to the depreciation from 209 kEUR to 1,841 kEUR. Greater changes can be found in the financial position. Since the quotation of Medical Columbus AG 1,347 kEUR long term asset were restructured to short term assets.

The supplies combined in the short term assets increased though the two-figure numbered turnover development in the fiscal year 2005 only slightly at 4.1% to 2,296 kEUR. The low growth of supply assets is the result of our efforts to reduce supplies as far as possible and to change to a "rolling" pre consulting and shipment.

The demands from shipment and performance increased from 26.1% to 1,686 kEUR. The over proportional grown demand is caused by the rise of export activities, which are connected to longer payment targets.

To the Geratherm Medical AG belonging securities increased from 1,251 kEUR to 3,218 kEUR.

Financial Position

The financial position of Geratherm Medical remained positive. The amortization of bank loans has reduced in total the cash and cash equivalents from 6,382 kEUR to 5,965 kEUR. The pay back of the loans was amounted at 660 kEUR. The gross cash flow was reduced by smaller operational result contribution to 930 kEUR (previous year: 1,042 kEUR).

The gross cash flow from business was 860 kEUR (previous year 1,042 kEUR). The reason for this low cash flow is the rise of demands at about 281 kEUR. The higher demands are caused by the turnover expansion.

Out of the investment activities a positive cash flow of 563 kEUR (previous year minus 375 kEUR) which is influenced by securities positions.

The cash flow reflects the financial activity from the fiscal year 2005 with minus 1,840 kEUR (previous year minus 1,375 kEUR), the dividends distribution and the amortization of loans.



The available cash an cash equivalents declined 417 kEUR to 5,965 kEUR.

Opportunities and Risks for Future-Business Development

German legislation requires companies to limit their risks by implementing a monitoring system. In 2005 the management board complied with this requirement. Geratherm's monitoring system is based on corporate parameters and handles delimitations of roles and responsibilities. The respective business units inform the Board in regular intervals about potential risks.

According to the regularly executed risk monitoring sessions there were no risks identified, that could have a negative impact for Geratherm. Risks for Geratherm as medical technology company are located in development projects that have to be aborted or discounting only after investment into the market launch before significant return is generated.

The development of prices regarding gallium and indium are monitored continuously.

Some products of the Geratherm product line are secured by patents. The industrial and intellectual property rights, such as patents and brands, may become the target of attacks and violations. We have taken the necessary precautions in order to identify danger and to defend our rights if necessary.

Ideal für Senioren

Geratherm® desktop ar

**Das zuverlässige Blutdruck-
messgerät für den Oberarm
mit Arrhythmieerkennung**

**+ besonders leichte Handhabung
+ extra große Anzeige
+ extra große Tasten**

The US dollar income of Geratherm is being used mainly for paying commissioned work in the same currency. That has the effect that the dollar inflow and outflow is balanced. The customer base is international. Geratherm has existing customer relations to 57 countries, so that there is a sufficient risk profile. According to the prediction of the economic expert regarding the development of the German market

in 2006, the results are optimistic. Even from the side of the German healthcare authorities they are no changes on the regulatory conditions expected that will target our business.

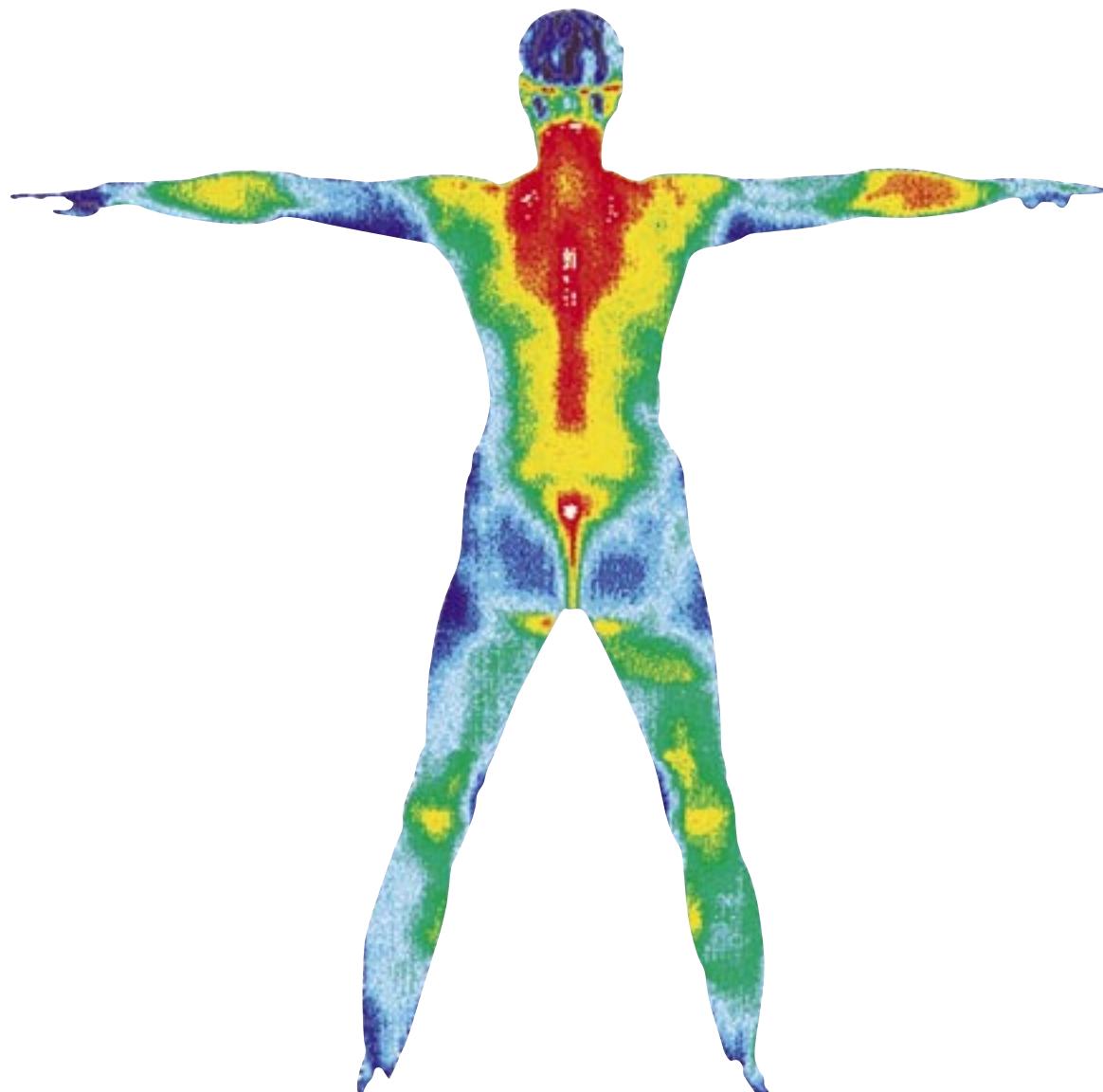
In 2006 the world economy will keep growing. Threats like the bird flu will help to increase Geratherm business development and do not represent a threat.

Regarding difficulties that we have faced last year in the business areas warming systems and stroke prevention should be resolved, so that we don't expect further important charges.

In 2006 we will continue to launch new products, which will contribute to an increasing turnover. The order backlog regarding warming systems is already today on a higher level than in 2005, so we are calculating in this business unit positive

earnings. Our objectives are to reach an EBIT on the same level like in 2004. That would represent an increase of 60% compared to 2005. We expect also the financial earnings will be at same level like 2005.

We forecast for the corporation Geratherm Medical a positive business development in 2006 regarding the sales an earnings positions if general condition would remain as explained.





13 June 2005 was amounted to 64.46% of the equity capital.

The expenditure within the scope of the stock exchange listing amounted kEUR 87 (previous year kEUR 85) in 2005.

Geschwenda 20. March 2006

Geratherm Medical AG

Dr. Gert Frank

Chairmann of the Board

Rudolf Bröcker

Chairman of the Supervisory Board

Other Details

The Management Board has reported separately on relations with related companies, according to Section 3 Paragraph 312 of the German Companies Act (AktG).

The company received or paid on adequate compensation for every legal transaction detailed in the report on relations with related companies and has been placed at a disadvantage. The Management Board was authorized at the Shareholders Meeting on 13 June 2005 to purchase own shares of the company up to a stake in the equity capital of 10% by 12 December 2006.

The attendance at the Shareholders' Meeting on

Geratherm®



Geratherm®
duotemp



NEU



Ohr oder Stirn – Sie entscheiden!

Multi-Thermometer zur Infrarot-Temperaturnmessung
im Ohr oder an der Stirn.

- 3 in 1! Geeignet für Temperaturnmessungen im Ohr und an der Stirn sowie zur Messung der Oberflächentemperatur von z. B. Milchflaschen oder Babybad
- Sparsam! Keine Messfühlerhüllen erforderlich - wassergeschützte Messfühlerspitze
- Erweiterter Messbereich: 0 °C bis 100 °C
- Design - Etui zur Aufbewahrung



GERATHERM MEDICAL AG - Germany

phone: +49 36205 98-0 • fax: +49 36205 98-116 • info@geratherm.com • www.geratherm.com



Page

28

Consolidated balance sheet

Page

30

Consolidated profit and loss statement

Page

31

Group cashflow statement

Page

32

Segment reporting

Page

34

Group equity change calculation

Page

35

Group financial statement

Page

55

Auditor's report

Assets	Annex	31.12.2005	31.12.2004
	No.	EUR	EUR
Consolidated balance sheet to the 31. December 2005			
A. Long term assets			
I. Intangible assets	1.		
1. Development costs		369,128	321,368
2. Other intangible assets		22,769	23,907
3. Goodwill		75,750	75,750
		467,647	421,025
II. Tangible assets	2.		
1. Property and plants		1,498,886	1,574,602
2. Technical facilities and machinery		258,098	392,005
3. Other equipment, factory and office equipment		77,453	83,641
4. Payments in advance		6,110	0
		1,840,547	2,050,248
III. Financial investments	3.	0	1,347,321
IV. Deferred taxes	4.	2,963,435	2,980,230
		5,271,629	6,798,824
B. Short term assets			
I. Inventories	5.		
1. Raw materials		550,347	549,670
2. Unfinished goods		591,459	711,317
3. Finished goods		1,154,414	944,110
		2,296,220	2,205,097
II. Receivables and other assets			
1. Trade receivables	6.	1,686,104	1,336,605
2. Tax receivables	7.	80,287	131,544
3. Other assets	8.	35,839	52,914
		1,802,230	1,521,063
III. Securities	9.	3,218,121	1,967,400
IV. Cash and cash equivalents	10.	5,965,441	6,381,731
		13,282,012	12,075,291
		18,553,641	18,874,115

Consolidated profit and loss statement	Annex	01.01.-31.12.2005	01.01.-31.12.2004
01. January - 31. December 2005	No.	EUR	EUR
Sales	20.	8,190,960	7,185,622
Increase/decrease in finished goods and work in progress		-179,597	283,038
Other capitalized company work		154,298	32,175
Other operating income	21.	294,011	234,293
		8,459,672	7,735,128
Materials	22.		
Raw materials			
Supplies and purchased goods		-3,490,211	-2,901,996
Expenses for services		-155,363	-131,970
		-3,645,574	-3,033,966
Gross Profit		4,814,098	4,701,162
Personnel costs	23.		
Wages and salaries		-1,714,388	-1,594,670
Social securities and pension costs		-355,585	-344,189
		-2,069,973	-1,938,859
Depreciation on tangible and intangible assets	24.	-369,533	-407,206
Other operating expenses	25.	-1,757,510	-1,322,935
Operating Results		617,082	1,032,162
Income from accrued dividend		79,089	40,960
Other interest and similar income		125,694	148,671
Income from securities trading		618,320	43,488
Interest and other expenses		-20,453	-66,075
Financial Result	26.	802,650	167,044
Result of ordinary operation		1,419,732	1,199,206
Income Taxes	27.	7,187	36,725
Earnings before Deduction of Minority Interests		1,426,919	1,235,931
Minority interests	14.	-51,982	-9,932
Net Income / result per share		1,478,901	1,245,863
Result per share basic	28.	0.33	0.28
Result per share diluted	28.	0.33	0.28

Group cashflow statement	Annex	31.12.2005	31.12.2004
	No.	kEUR	kEUR
01. January - 31. December 2005			
Net Income / result per share		1,479	1,246
Earnings Minority interests		-52	-10
Other costs affecting income/expenses		47	-42
Dividend income	26.	-79	-41
Interest incom	26.	-126	-149
Interest costs		20	66
Increase / decrease of deferred taxes		17	-61
Deapreciation on tangible assets		369	407
Income from securities trading	26.	-618	-32
Amortisation of subsidies and grant	15.	-127	-126
Losses form disposal of fixed assets		0	23
Cashflow	30.	930	1,281
Increase of inventories		-91	-377
Increase / decrease of trade receivables		-281	69
Increase / decrease of short trem liabilities		117	-55
Incoming payments from devidends		79	41
Incoming payments from interest		126	149
Outgoing payments from interest		-20	-66
Cashflow from operating activity	31.	860	1,042
Payments for capital investments to fixed assets		-206	-151
Incomimng payment from financial assets	9.	3,821	1,257
Outgoing payment from financial assets	9.	-3,052	-1,481
Cashflow from investing activities	32.	563	-375
Cash inflow from minority interest	14.	80	40
Purchase of own shares		0	-35
Sale of own shares		0	86
Dividend payments	13.	-1,260	-1,080
Increase / decrease loan liabilities		0	-854
Increase / decrease short term liabilities to bank	16.	-660	468
Cashflow from financial activities	33.	-1,840	-1,375
Change in cash and cash equivalents		-417	-708
Cash and cash equivalents at beginging of the fiscal year		6,382	7,090
Cash and cash equivalents at the end of the fiscal year		5,965	6,382

Segment reporting for the business year of 1. January 2005 to 31. December 2005

(Annex No. 29.)

According to areas of activity	Analogue		Digital		Others		Total	
	Diagnostic Products		Diagnostic Products					
	2005 kEUR	2004 kEUR	2005 kEUR	2004 kEUR	2005 kEUR	2004 kEUR	2005 kEUR	2004 kEUR
Sales	3,932	3,927	3,098	1,874	1,161	1,385	8,191	7,186
Gross Profit	2,714	3,105	1,317	678	783	918	4,814	4,701
Operating results	916	994	164	183	-463	-145	617	1,032
Financial result							803	167
Taxes							7	37
Minority share in results							52	10
Group Annual surplus							1,479	1,246
including:								
Depreciation of tangible and Fixed assets	-197	-252	-99	-68	-73	-87	-369	-407
Amortisation of grants and subsidies Bonus	52	69	41	14	15	44	108	127
Asset Costs for the Period	8	48	0	18	198	85	206	151
Book values Assets	984	1,469	395	340	929	2,009	2,308	3,818
Deferred Taxes					2,964	2,980	2,964	2,980
Short Term Assets	1,926	1,978	1,402	817	9,954	9,281	13,282	12,076
Total Assets	2,910	3,447	1,797	1,157	13,847	14,270	18,554	18,874
Short Term Liabilities	359	706	284	337	106	249	749	1,292
Special reserve for received Investments	328	442	258	211	97	156	683	809

By Region	Germany		Europe		USA		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Sales	1,869	1,590	3,737	3,465	1,595	1,541	990	606	8,191	7,186
Gross Profit	1,295	1,167	2,080	2,189	888	973	551	382	4,814	4,701
Operating results	166	256	267	480	114	214	70	82	617	1,032
including:										
Depreciation of tangible and Fixed assets	-94	-101	-163	-189	-69	-84	-43	-33	-369	-407
Amortisation of grants and subsidies And Bonus	25	28	49	60	21	27	13	12	108	127
Asset Costs for the Period	199	151					7	0	206	151
Book values Assets	2,301	3,818					7	0	2,308	3,818

Group equity change calculation by 31. Decmeber 2005

	Subscribed capital	Capital reserves	Other reserves			Minority interests	Equity
			Market evaluation reserve	Currency conversion reserve	Result achieved in the group		
			EUR	EUR	EUR		
1. January 2004	4,489,809	7,529,988	0	1,026	4,449,644	1,057	16,471,524
Setting up a subsidiary apoplex medical technologies GmbH						40,000	40,000
Not realized profit / losses from evaluation of securities			96,774				96,774
Purchase of own shares	-7,500	-27,557					-35,057
Sale of own shares	17,691	67,951					85,642
Cost of the equity transaction		-382					-382
Currency conversion in the Group			-22			-21	-43
Dividend paid out to shareholders				-1,080,000			-1,080,000
Equity costs		-65,650					-65,650
Taxes regarding equity costs		23,982					23,982
Annual result				1,245,863		-9,932	1,235,931
31. December 2004	4,500,000	7,528,332	96,774	1,004	4,615,507	31,104	16,772,721
1. January 2005	4,500,000	7,528,332	96,774	1,004	4,615,507	31,104	16,772,721
Capital increase by subsidiary apoplex medical technologies GmbH						80,000	80,000
Not realized profit / losses from evaluation of securities			54,042				54,042
Currency conversion in the Group			3,538			3,400	6,938
Dividend paid out to shareholders				-1,260,000			-1,260,000
Equity costs		65,650					65,650
Taxes regarding equity costs		-23,982					-23,982
Annual result				1,478,901		-51,982	1,426,919
31. December 2005	4,500,000	7,570,000	150,816	4,542	4,834,408	62,522	17,122,288

Annex for the business year of 2005

Application of the International Financial Reporting Standards

The Group Financial Statement of the year 2005 has been prepared according to the rules of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board valid on accounting day and in consideration of the guidance issued by the International Financial Reporting Interpretations Committee (IFRIC), as required within the European Union. Additionally the requirements of § 315a Abs. 1 HGB (German Trade Code) were taken into consideration.

The following Standards were applied for the first time in the business year 2005 where relevant to our business activities:

- IAS 1 Presentation of the Accounts
- IAS 21 Effects of Exchange Rate fluctuation
- IAS 38 Intangible Assets
- IAS 39 Financial Instrument: Approach and Evaluation

These Standards were applied in accordance with the appropriate regulations. In cases where Standards did not contain any transition regulations and which are not presented separately in the following, the Standards were applied retrospectively. For the purpose of the presentation it was therefore assumed that the newly introduced methods of evaluation and for completing balance scorecards had always been applicable. The comparative figures of the preceding year were therefore adjusted accordingly.

The following effects on the periods presented in the consolidated accounts 2005 were recorded specifically:

IAS 1 „Presentation of the Accounts“

Minority shareholdings of the equity capital will be separately listed within the equity capital entries of the balance sheet. Within the profit loss calculations the profit/ loss shares of minority shareholders form part of the group result. The allocation of the group result to the shareholders of the parent company and the minority shareholders will be listed separately.

The presentation of changes to the equity capital contains other shareholdings.

IAS 21 „Effects of Exchange Rate fluctuation“

In accordance with the amended Standard, the primary economic environment of the respective company determines the functional currency of those companies included in the consolidated accounts. The review of the functional currencies did not necessitate any amendments.

IAS 36 / IAS 38 „Depreciation of Assets“

Pursuant to IAS 36.9 companies need to assess those intangible assets with an undetermined operational life annually to establish whether any depreciations had occurred. This is achieved by comparing the book value with the attainable sum. The value needs to be adjusted if the attainable sum is below the book value. The corporation followed this approach in relation to the balance sheet.

IAS 39 “ Financial Instruments: Approach and Evaluation”

Pursuant to IAS 39.55 b profits or losses of a financial asset offered for sale need to remain listed in the entry for changes to the equity capital until the financial asset is deleted from the accounts. This does not apply to value adjustments. Once the financial asset is deleted from the accounts the cumulative result needs to be listed in the period result.

The corporation has made use of the possibility to apply IAS 39.107 retrospectively and has adjusted the accounts of the preceding year to achieve enhanced comparability.

The described changes to IAS 39 lead to the following adjustments of the miscellaneous reserves and results per share:

	2005 EUR	2004 EUR
Market appraisal reserve	54,042	96,774
Effect on the undiluted result per share	- 0.01	- 0.02
Effect on the diluted result per share	- 0.01	- 0.02

Accordingly the value of the reserve amounted to EUR 150,816 on 31 December 2005.

Structure and preparation of the financial statement

The financial statement was structured considering the IAS 1 standard.

The profit and loss account was prepared in accordance with the total cost type accounting.

The Group Financial Statement is set up using full EUR amounts. For better clarity, various figures in the Annex are rounded to kEUR.

Geratherm Medical AG, founded according to German law and headquartered in Geschwenda, is the parent company of the group. The shares of the company are registered on the official market and are listed in the Prime Standard segment of the Frankfurt stock exchange.

The members of the Geratherm Medical AG Board approved of the release of the publication of the Group Financial Statement on 20 March 2006.

Principles of consolidation

The principles of the IAS 27 standard have been applied to the Group Financial Statement.

In conducting the capital consolidation, the valuation of the shares held by the parent company in a subsidi-

ary included in the Group Financial Statement was set off against the equity of the subsidiary that falls to these shares.

Receivables and liabilities among the companies included are eliminated within the framework of the debt consolidation.

Consequences of transactions within the Group are eliminated within the framework of the intermediary profit elimination and the consolidation of receipts and expenditure.

Consolidated companies

The consolidated companies comprise Geratherm Medical AG, GME Rechte und Beteiligungen GmbH, Geratherm Medical do Brazil Ltd. and apoplex medical technologies GmbH.

Company	Shareholding ratio
GME Rechte und Beteiligungen GmbH, Geschwenda / Germany	100%
Geratherm Medical do Brasil Ltda., Sao Paulo/Brasilien	51%
apoplex medical technologies GmbH, Pirmasens/Deutschland	60%

Foreign currency conversion

When converting the financial statement of Geratherm Medical do Brasil Ltda., drawn up in foreign currency, the concept of functional currency is applied. As this company operates its business independently, it is treated as an independent foreign entity, pursuant to IAS 21. According to this method, the assets and the debts of the foreign subsidiary are converted at the exchange rate on accounting day and the receipts and expenditure are converted at the annual average exchange rate. The equity capital is converted at the historical exchange rates (rates on the day of payment as well as the average rates of the results achieved). The difference resulting from this currency conversion is included as a special item in the Group's equity capital.

In the individual balances of the consolidated companies drawn up in the local currency, transactions in foreign currency are registered at the exchange rate of the day of transaction. The monetary items (cash, receivables and liabilities) included in the balance sheets of the individual statements are evaluated at the exchange rate of accounting day. The currency conversion differences are registered with an effect on the results.

Balancing and evaluation methods

All balancing and evaluation methods were applied uniformly.

The assets and debt items have been evaluated according the rules of the International Financial Reporting Standards.

Intangible assets

The intangible assets acquired are included at the purchasing cost, deducting the scheduled cumulated linear depreciation according to the usual operational life of the assets. For software, there is a life of 3 to 4 years and for commercial proprietary rights, it is a period of 10 years. Software under a purchasing price of EUR 410 is written off fully in the year of purchase.

As of 1 January 2005 the Goodwill is no longer depreciated regularly. An annual impairment test determines the recoverability.

Development cost is activated as intangible assets pursuant to IAS 38 for such product developments where there is a sufficient probability that future revenue will be generated that will completely cover the development cost incurred. The further prerequisite being that the Management Board believes that Geratherm AG will be able to secure the technical completion, conduct the marketing and exclude other competitors from the commercial exploitation of such developments. Other research and development costs are not activated.

The activated development cost comprises the direct material cost, the proportionate staff cost relating to the time expenditure of those members of staff working on the development of the respective projects, includ-

ing the mandatory social contributions to be borne by the employer as well as the directly allocable overhead cost.

The depreciation for electronic thermometers is linear over a period of 4 years and for gallium thermometers, it is 15 years.

Fixed assets

Fixed assets were evaluated and listed in the balance sheets in accordance with the procurement cost model pursuant to IAS 16.30. Fixed assets are included at their purchasing and manufacturing cost and reduced by the scheduled depreciation. The depreciation is linear throughout the appropriate useful life of 3 to 13 years. Low-cost assets (up to a value of EUR 410) are written off in the year of purchase.

Assets are retired at residual book value at the point of their retirement.

All assets to be balanced as fixed assets pursuant to IAS 17 that are acquired by way of financial leasing are regarded as non-existent.

Public grants or subsidies received for the acquisition of fixed assets were passivated as special items on the balance sheet and will be canceled affecting net income in correspondence with the operational life of the assets they financed.

Decrease in the value of intangible assets and fixed assets

In case of intangible assets and fixed assets that can no longer be used or only be used to a limited extent, there is an extraordinary depreciation, in accordance with IAS 36, pertaining to the still remaining utility value of the asset, at most, to the proceeds of a sale.

There has been no indication of a decrease in the value of intangible assets and fixed assets at the balance sheet key date.

Financial assets and liabilities

The financial assets and liabilities are classified and evaluated considering Standards IAS 32 and IAS 39. The initial entry is conducted using the acquisition cost, including the ancillary acquisition cost (transaction cost) on the day of performance.

Means of payment and equivalent means of payment are balanced under Cash and Securities as follows: the cash balances and bank account credit balances are valued at their nominal value. Bank account credit balances in foreign currency are valued at the exchange rate on accounting day.

The financial investments and securities of the liquid assets are allocated to the category of 'available for sale' and are considered at market value. In case of securities listed on the stock exchange (stocks and bonds), the prices quoted on the stock exchange on accounting day shall be regarded as the market value. Pursuant to IAS 39.55(b) changes to the evaluation at the balance sheet key date will be listed under the newly created item Market evaluation reserve. In consideration of IAS 8.28 the entries of last year's account were adjusted. Sale proceeds of financial investments and securities of the liquid assets and their interests and dividends incurred will be registered affecting net income.

The accounts receivable as well as other receivables are comprised in the category called Receivables of the Company. They are either included at purchasing value or at a lower value due to a decrease in value. Foreign currency receivables are evaluated at the rate on accounting day. These values coincide with the market values.

Short-term financial liabilities are evaluated at the continued acquisition cost (repayment amount). Any change in the repayment amount due to the foreign exchange rates on accounting day are also considered. The values detailed in the Group Financial Statement generally correspond with the market values; in as far as these can be established.

Deferred taxation

In case of deferred taxation, the currently applicable

collection rate of the trade tax was applied, assuming that the tax regulations will continue to remain in force. A tax rate of 25% (previous year: 26.5%) was applied as corporate income tax rate. The solidarity surcharge was also taken into consideration. On this basis, there is a calculated tax rate of 37.34% (previous year: 36.53%). Due to a deviating assessment basis for the trade tax, differences emerge as to the actually applied sums. The effect of amendments to the tax legislation applicable from 2004 has been considered, pursuant to IAS 12 especially as regards the future loss offsetting possibilities.

The active deferred taxation results on the one hand from future tax relief due to the losses brought forward by Geratherm AG. With the marketing of existing products and those still to be developed, further profits subject to taxation are to be expected that may be offset against the losses brought forward. Such losses brought forward are regarded as bearing value that may be utilized within a period of five years. The passive deferred taxes arising from higher assigned values in the Group Financial Statement as compared to the tax values are also considered in evaluating the loss brought forward. The passive deferred taxes resulting from these deviations are set off directly against the asset item, as these future taxes are allocated to Geratherm AG itself and may be offset against the losses brought forward according to the law applicable on accounting day.

On the other hand, there has been a temporary deviation between the items of the intangible assets in the Group Financial Statement and the respective tax values through the sale of patents and know-how of Geratherm Medical AG to its subsidiary GME Rechte und Beteiligungen GmbH and the elimination of this internal group transaction since 2002. This deviation is going to be reversed according to the scheduled depreciation in the tax balance of GME GmbH over the following years with an impact on taxation. Further deferred taxation has been activated for this temporary difference.

At the same time, the differing valuations of the business and corporate asset Warming Systems were activated in 2003. The differences result from the scheduled depreciation pursuant to the tax balance (15 years) and the evaluation in accordance with IFRS (Impairment Test).

Inventories

The raw materials and consumables comprised under the item of Inventories are evaluated at their purchasing cost, considering their usability on accounting day.

The unfinished products of thermometers are evaluated at the manufacturing cost at the individual stages. These comprise the costs of materials, wages as well as the percentage of manufacturing overheads. The unfinished stocks of technical thermometers and the completed products of Geratherm AG are evaluated according to the retrograde evaluation method. Based on the sales price, the distribution cost, the profit surcharge and the manufacturing cost still required are offset, considering the degree of work invested to date. In case of the new Warming Systems Product Group and the SRA II product, the inventory of finished products and semi-finished products are evaluated at the manufacturing cost, whereby this is established using the costs of materials, wages and a percentage charge of the overhead cost. Accrued interest payables are not part of the manufacturing costs. The goods are evaluated at their purchasing price. The purchasing price is established in line with the principles outlined for raw materials and consumables.

Use of Estimates

The occasional use of estimates in the consolidated accounts affects the value and presentation of the listings of assets and liabilities, of income and expenditure as well as of the contingent liabilities. The actual values can deviate from the assumptions and estimates. Changes will be realized once more information becomes available.

Accounts receivable - trade

Turnover from delivery transactions and receivables are included at their nominal value or at a lower value to be verified on accounting day. In case of receivables whose collection is connected with identifiable risks, appropriate deductions in value are included; uncollectible accounts are written off.

Listing of Sales Revenue

Turnover from delivery transactions and the thus resulting receivables are registered at that point in time at which the main risk of the delivery is passed on to the purchaser. Turnover is calculated by deducting discounts, client incentives and allowances from the net value.

Explanations of the Group Financial Statement

ASSETS

1. Intangible assets

As of 31 December 2005 intangible assets have a residual book value in the amount of kEUR 468 (previous year: kEUR 421). The development of intangible assets is shown in the following table:

Intangible Assets	Software	Development costs for self- provided Assets	Goodwill	Total
Procurement and Production Costs In EUR				
01.01.2004	73,288	784,803	90,000	948,091
Additions	950	32,175	0	33,125
Divestitures	2,189	0	0	2,189
31.12.2004	72,049	816,978	90,000	979,027
01.01.2005	72,049	816,978	90,000	979,027
Additions	8,160	154,298	0	162,458
Divestitures	1,950	0	0	1,950
Rebookings	620	0	0	620
31.12.2005	78,879	971,276	90,000	1,140,155
Depreciations In EUR				
01.01.2004	41,462	398,418	5,250	445,130
Additions	8,868	97,192	9,000	115,060
Divestitures	2,188	0	0	2,188
31.12.2004	48,142	495,610	14,250	558,002
01.01.2005	48,142	495,610	14,250	558,002
Additions	9,916	106,538	0	116,454
Divestitures	1,948	0	0	1,948
31.12.2005	56,110	602,148	14,250	672,508
Book values In EUR				
01.01.2004	31,826	386,385	84,750	502,961
31.12.2004	23,907	321,368	75,750	421,025
01.01.2005	23,907	321,368	75,750	421,025
31.12.2005	22,769	369,128	75,750	467,647

Development costs for intangible assets of a total of kEUR 154 (previous year: kEUR 32) were activated in 2005. A total of kEUR 46 (previous year: kEUR 16) of research and development costs which cannot be activated were booked as expenses.

The development costs activated in 2005 regarded the cost for the development of a new Stroke Risk Analyser SRA IV for the prevention of strokes.

The goodwill contained in the equity capital affects the production of Medical Warming Systems. In connection with the take over of the Medical Warming Systems business unit in 2003, there was an activation in the amount of kEUR 90 in 2003. The goodwill with an operational life span of 10 years and was depreciated until 31 December 2004. As of 1 January 2005 no further depreciation was recorded in accordance with the amended IAS 38. The Impairment – Test conducted at the end of the year to establish the value of this entry did not show a further decrease in value. On balancing day 31 December 2005, the residual book value remained at kEUR 76 (previous year: kEUR 76).

2. Tangible assets

The development of fixed assets is shown in the following table:

Tangible assets	Property and plants	Technical facilities and machinery	Other equipment, factory and office equipment	Payments in advance	Total
Procurement and Production Costs In EUR					
01.01.2004	2,244,407	3,919,364	340,139	39,907	6,543,817
Additions	0	6,670	50,304	60,770	117,744
Divestitures	0	46,436	65,643	22,407	134,486
Rebookings	0	78,270	0	-78,270	0
31.12.2004	2,244,407	3,957,868	324,800	0	6,527,075
01.01.2005	2,244,407	3,957,868	324,800	0	6,527,075
Additions	0	3,621	33,721	6,730	44,072
Divestitures	0	208,670	34,421	0	243,091
Rebookings	0	0	0	-620	-620
31.12.2005	2,244,407	3,752,819	324,100	6,110	6,327,436
Depreciations In EUR					
01.01.2004	594,093	3,433,024	269,161	0	4,296,278
Additions	75,712	178,801	37,633	0	292,146
Divestitures	0	45,962	65,635	0	111,597
31.12.2004	669,805	3,565,863	241,159	0	4,476,827
01.01.2005	669,805	3,565,863	241,159	0	4,476,827
Additions	75,716	137,457	39,906	0	253,079
Divestitures	0	208,599	34,418	0	243,017
31.12.2005	745,521	3,494,721	246,647	0	4,486,889
Book values In EUR					
01.01.2004	1,650,314	486,340	70,978	39,907	2,247,539
31.12.2004	1,574,602	392,005	83,641	0	2,050,248
01.01.2005	1,574,602	392,005	83,641	0	2,050,248
31.12.2005	1,498,886	258,098	77,453	6,110	1,840,547

Substantive additions to fixed assets were due to replacement investments of production facilities and miscellaneous business fittings.

On 31 December 2004 the official copies from the Land Registry for the corporate premises of Fahrenheitstr. 1, 98716 Geschwenda contained details of a secured loan of kEUR 1,815. The loan has now been paid off (Appendix 16) and the entry in the Land Registry was accordingly deleted on 18 August 2005.

Extraordinary depreciation of the fixed assets was not necessary.

3. Financial investments

On 31 December 2004 Geratherm AG held a share of 5.03% (kEUR 1,347) of the subscribed capital in Medical Columbus AG, Königstein. On the day of the public listing of Medical Columbus AG on 3 June 2005 85,540 shares were added to the securities account of Geratherm Medical AG being the equivalent to its previous shareholdings. Geratherm Medical AG has subsequently decided against a long-term holding of these shares and has consequently rebooked its shareholdings of kEUR 1,347 from the listing financial investments into short-term assets to the category "available for sale" within the entry for securities (Appendix 9).

4. Deferred taxation

	Deferred taxation due to Activated tax loss brought forward	Evaluation differences IFRS- vs. Tax Balances		Total
		Result effective	Result neutral	
		EUR	EUR	EUR
As per 1.1.2004	1,720,000	1,199,523	0	2,919,523
Consumption	-279,000	-115,010	0	-394,010
Addition	429,000	1,735	23,982	454,717
As per 31.12.2004	1,870,000	1,086,248	23,982	2,980,230

	Deferred taxation due to Activated tax loss brought forward	Evaluation differences IFRS- vs. Tax Balances		Total
		Result effective	Result neutral	
		EUR	EUR	EUR
As per 1.1.2005	1,870,000	1,086,248	23,982	2,980,230
Consumption	-225,945	-62,813	-23,982	-312,740
Addition	295,945	0	0	295,945
As per 31.12.2005	1,940,000	1,023,435	0	2,963,435

Additions to deferred taxes relate to the annual reevaluation of probable future advantages over the next 5 years through losses brought forward in corporate and trade taxes for the joint stock company. The calculations were made using the currently applicable tax and collection rates.

Evaluation of the tax loss brought forward

	2005 kEUR	2004 kEUR
Tax loss brought forward to 31 December	11,689	12,300
Valued	5,182	5,118
Deferred taxation	1,940	1,870

5. Inventories

	31.12.2005 EUR	31.12.2004 EUR
Inventories		
Raw materials and consumables	550,347	549,670
Semi-finished goods	591,459	711,317
Finished goods	452,127	511,867
Goods	702,287	432,243
Total	2,296,220	2,205,097

The raw materials and consumables mainly comprise glass tubes, capillaries, shells, control units and chemical materials.

The goods semi-finished by 31 December 2005 mainly comprise thermometers of the various production stages.

The goods finished by 31 December 2005 mainly comprise thermometers and warming systems.

The goods mainly comprise the digital thermometers and blood-pressure measuring devices produced in contract manufacturing for sale.

6. Trade receivables

The accounts receivable are structured as follows:

	31.12.2005 EUR	31.12.2004 EUR
Gross sum of accounts receivable	1,710,236	1,415,653
Devaluation	-24,132	-79,048
Total	1,686,104	1,336,605

The specified accounts receivable mature within one year and result mainly from product and goods deliveries. The depreciation relates to receivables with a risk of non-payment.

7. Tax receivables

Tax receivables consist primarily of reclaims of payments made on the advance levy on income derived from securities and the solidarity reduction with a total value of kEUR 51 (previous year: kEUR 97) and receivables from reclaims of sales tax at a value of kEUR 24 (previous year: kEUR 34)

8. Other receivables and assets

Other assets relate mainly to deposits made (kEUR 27; previous year: kEUR 7).

9. Securities

	Number/ nominal	Purchasin cost EUR	Market evaluti- on reserve EUR	Book value 31.12.2005 EUR	Price 31.12.2005 EUR
ABM AMRO Holding N.V.	15,384	290,702	51,592	342,294	22.25
Medical Columbus AG	18,984	301,223	-35,447	265,776	14.00
Hannover Rück-versicherung AG	24,000	665,022	50,178	715,200	29.80
Merck & Co. Inc.	10,000	222,900	48,400	271,300	27.13
EVOTEC Inhaber-Aktien O.N.	352,000	891,902	-11,902	880,000	2.50
TYCO Internatio-nal LTD.	5,040	108,556	11,245	119,801	23.77
JERINI AG	35,000	112,000	10,500	122,500	3.50
Perent Funding Ltd., Anleihe	kEUR 500	475,000	26,250	501,250	100.25%
Total		3,067,305	150,816	3,218,121	

In application of the options available under IAS 39.107 Geratherm Medical AG has applied the rules IAS 39.15-37 relating to charge-offs retrospectively as of 1 January 2004. The purchasing costs displayed above therefore reflect the rate as of 1 January 2004 (provided that shares were held at that date) or the actual purchase cost (if the share was acquired between 2004 and 2005).

In the financial year 2005 the stock of shares was increased by kEUR 3,052 through acquisitions and by kEUR 1,347 through reclassification and was decreased through sales worth kEUR 3,821. A profit of kEUR 618 could therefore be realized. The current stock of shares valued at purchase price is kEUR 3,067 as of 31 December 2005. The shares were evaluated on accounting day with the price quoted in the table:

Geratherm Medical AG still holds a listed bond paying a variable interest (Euro-Floating Rate Note) of the Hypo- und Vereinsbank AG (PERENT FUNDING Ltd.) of a nominal value of EUR 500,000. The bond was evaluated using the stock exchange price on accounting day amounting to EUR 501,250. The purchasing cost amounted to EUR 500,000. The bond earns interest in the amount of the 3-month Euribor plus 1.5% p.a. The bond matures on 31 December 2007. The bond may be traded daily.

10. Cash and cash equivalents

	31.12.2005 kEUR	31.12.2004 kEUR
Debtor payments in transit	0	47
Cash on hand	2	4
Credit balance with banks	5,963	6,331
Cash	5,965	6,382

The credit balances at banks in the amount of kEUR 5,708 (previous year kEUR 6,275) are invested bearing interest in line with the market.

LIABILITIES

11. Subscribed capital

The capital stock of Geratherm AG amounts to EUR 4,500,000 as of 31 December 2005 and is held in 4,500,000 bearer stocks.

The capital stock has been paid fully and no shares were held by the company on accounting day.

Authorized capital

The authorized capital amounts to EUR 2,250,000 up to 26 May 2005.

Purchase of own shares

The Managing Board was authorized on 13 June 2005 to purchase own shares of the company until 12 December 2006 up to a maximum equity share of 10%. The purchasing price may not exceed or drop below the arithmetically calculated mean value of the closing price (excluding ancillary purchasing cost) at the Frankfurt stock exchange of the last 30 trading days before the purchase of the company shares by more than 10%. This authorization may be utilized fully or in part.

The Managing Board was authorized to redeem own shares of the company that have been purchased due to this authorization, without requiring a further decision by the Shareholders' Meeting.

The Managing Board was authorized to purchase shares of the company until 12 December 2006, to enable it to offer own shares to third parties as part of its mergers and acquisitions activities. The subscription privilege of shareholders to purchase shares does not apply to these shares. The authorization is limited to the purchase of an equity share of 10% at the most. The authorization may be utilized fully or in part.

Geratherm Medical AG has not purchased or sold any of its own shares in the business year 2005.

12. Capital reserves

The capital reserve shows the amount that was achieved exceeding the nominal amount after all the shares had been issued.

The initial public offering cost of kEUR 978 in 2000 led to a reduction of the capital reserve.

In the year 2004, kEUR 66 of the additional cost incurred through the initial public offering were offset against the capital reserve. These costs derived from a reclaim by the tax office for tax of previously claimed input tax of expenses relating to the initial public offering. These have now been returned to the capital reserve in accordance with a decision made by the European Court of Justice. Accordingly the tax effect booked in this context in 2004 and valued at kEUR 24 was also reversed.

13. Other reserves

The development of other reserves is listed in the calculations of changes to the equity capital of the company.

Market appraisal reserve

The evaluation criteria for securities were transferred to the market appraisal position within the equity capital entry on the accounting day of 2004 at a value of kEUR 151 in accordance with the amended regulations of IAS 39.

Due to the amendment to IAS39 and in application of IAS 39.107 the figures of the preceding year were adjusted as of 1 January 2004. Securities had previously been registered for the year 2004 with regards to their effect on net income in accordance with the optional evaluation changes in force at the time. The market appraisal reserve therefore amounted to kEUR 97 on 31 December 2004.

Currency conversion reserve

The currency conversion reserve of kEUR 5 (previous year: kEUR 1) results from the consolidation of the financial statement of Geratherm do Brasil Ltda. company made out in a foreign currency.

Revenue reserve

The revenue reserve comprised the profits and losses brought forward (kEUR 4,615; previous year: kEUR 4,449) and the current annual results (kEUR 1,479; previous year: kEUR 1,246) deducting the dividend paid out (kEUR 1,260; previous year: kEUR 1,080).

The shareholders of Geratherm Medical AG agreed at the regular Shareholders' Meeting of the company in Frankfurt am Main on 13 June 2005 to pay out a tax-free dividend in the amount of EUR 0.28 per individual share from the tax deposit account (formerly EK 04, Section 27 KStG Corporation Tax Law) on the share capital in the amount of EUR 4,500,000. The dividend in the amount of EUR 1,260,000 was paid out on 14 June 2005.

Management Board and Supervisory Board will suggest to the Shareholders' Meeting in June 2006 to pay out a tax-free dividend of 32 cents per share, using the tax-free deposit account.

14. Minority interests

	Total kEUR
As per 01.01.2005	31
Founding apoplex medical technologies GmbH	80
Currency conversion in the Group	3
Annual result	-52
As pe 31.12.2005	62

15. Special reserve for investments

The investment grants and subsidies received in the past are dissolved according to the duration of use of the assets financed with these means, with an effect on the loss/profit and are listed in the annual accounts as special item with the value of kEUR 683 (previous year: kEUR 809).

16. Liabilities to bank

As per 31 December 2005, the company has no long-term liabilities owed to banks. A loan of kEUR 660 contained in last year's accounts was repaid in April 2005. The charge securing this loan was deleted from the Land Registry Entry.

17. Trade accounts payable

The accounts payable are included with their repayment amount. Respective provisions were made on the respective accounting day for outstanding invoices for deliveries and services. The liabilities have a remaining period of less than a year. There is the usual reservation of ownership from the delivery of raw materials and consumables and goods.

18. Tax liabilities

The tax liabilities included in the accounts mainly relate to tax on wages kEUR 12 (previous year: kEUR 13). Last year's accounts included a tax liability of kEUR 66 relating to a reclaim by the Tax office for previously claimed input tax (Appendix 12)

19. Other liabilities

	31.12.2005 kEUR	31.12.2004 kEUR
Accrued liabilities	325	235
Other liabilities	204	170
Other liabilities	529	405

List of accrued liabilities

	31.12.2004 kEUR	Consumtion kEUR	Dissolution kEUR	Addition kEUR	31.12.2005 kEUR
Invoices outstanding	57	-13	-10	74	108
Bonuses, commissions, credits	22	-22	0	50	50
Cost of financial statement	30	-30	0	20	20
Vacation claims	22	-22	0	27	27
Guarantees	12	0	0	9	21
Trade associations	10	-9	-1	8	8
Remuneration of inventors	12	-12	0	12	12
Staff bonuses	50	-50	0	64	64
Remuneration of Supervisory Board	12	-12	0	12	12
Tax consulting	8	-3	-5	3	3
Total	235	-173	-16	279	325

The accrued liabilities for vacation not taken are evaluated on the basis of the salary plus social contributions.

The other liabilities comprise mainly liabilities from wage payments and health insurance contributions in the amount of kEUR 137 (previous year: kEUR 136).

All other liabilities mature within one year.

Profit and loss account

20. Sales

Sales revenue according to product groups:

	2005 kEUR	2004 kEUR	Change %
Analogue Diagnostic Products	3,932	3,927	0.13
Digital Diagnostic Products	3,098	1,874	65.31
Others	1,161	1,385	-16.17
Total	8,191	7,186	13.99

Turnover revenue according to regions:

	2005 kEUR	2004 kEUR	Change %
Germany	1,869	1,590	17.55
Remaining Europe	3,737	3,465	7.85
USA	1,595	1,541	3.50
Others	990	590	67.80
Total	8,191	7,186	13.99

The allocation of the revenues to the regions were adjusted in 2005. Accordingly kEUR 102 were reallocated from others to Remaining Europe in the past year.

21. Other operating income

Other operational revenue comprises amortization from grants and subsidies in the amount of kEUR 108 (previous year kEUR 127).

Other operational revenue results mainly from a difference in exchange rates (2005: kEUR 147; previous year: kEUR 52) and revenue from dissolving accrued liabilities (2005: kEUR 16; previous year: kEUR 26).

22. Materials

The material expenditure relates mainly to raw materials and consumables, trade goods, heating and power cost as well as external services.

23. Personnel costs

The staffing expenditures for the year 2005 were kEUR 2,070 (previous year: kEUR 1,938). The increase of staffing expenditure is due to an increase in wages. The accounts for this business year included contributions of kEUR 155 by the employer to the state pension insurance scheme.

24. Depreciation

The depreciation has been reduced further due to a relative low investment volume.

25. Other operating expenses

Other operational expenditure mainly comprises the cost of sales / advertising / marketing (kEUR 775; previous year: kEUR 537), administrative expenditure (kEUR 896; previous year: kEUR 643), of which in connection with the stock exchange listing (kEUR 87; previous year: kEUR 85), external services (kEUR 353; previous year: kEUR 201) consulting and auditing cost (kEUR 91; previous year: kEUR 71) as well as expenditure arising from exchange rate fluctuation (kEUR 51; previous year: kEUR 74).

26. Financial result

The financial result achieved in the period under report amounted to kEUR 803 (previous year: kEUR 167). This includes interests earned (kEUR 126; previous year kEUR 149) and dividends (kEUR 79; previous year: kEUR 41), profits from securities sales (kEUR 618; previous year: kEUR 44) as well as interest payments (kEUR 20; previous year kEUR 66). Last year's financial results were adjusted in accordance with IAS 8 due to the changes to IAS 39, resulting in a change to the value of the financial result of 2004 by kEUR – 97.

27. Income taxes

This sum results from the earnings arising from the formation of deferred taxes for activating the tax loss brought forward and deducting the consumption for the current result subject to taxation.

Explanations of tax from income and earnings

A tax rate of 37.34% (previous year: 36.53%) (trade tax and corporate tax, including the solidarity surcharge) was applied to the offsetting and reconciliation.

	2005 kEUR	2004 kEUR
Results before earnings taxes	1,420	1,199
Taxes to be expected	-530	-438
Adjustment difference IFRS and German Trade Code (HGB)	125	121
Adjustment due to tax-free earnings	242	44
Adjustment due to non-deductible expenditure	-1	-3
Adjustment due to non-deductible losses of foreign subsidiaries	-55	-3
Fictitious tax expenditure due to tax balance	-218	-279
Using the tax losses brought forward	218	279
Consumption / addition of active deferred taxes	-63	-113
Activating deferred taxes from usable losses brought forward Addition in the financial year	70	150
Taxes from income and earnings according to IFRS (earnings)	7	37
Tax rate	37.34%	36.53%

28. Result per share

The undiluted result per share is calculated from the Group surplus divided by the weighted average number of shares outstanding. In doing so, the own shares held by Geratherm are deducted.

	2005	2004
Group annual surplus (kEUR)	1,479	1,246
Weighted average number of outstanding shares (k shares)	4,500	4,499
Undiluted result per share (EUR)	0.33	0.28
Diluted result per share (EUR)	0.33	0.28

	2005	2004
	k shares	k shares
Equity in shares	4,500	4,500
Weighted average number of own shares held by the company	0	-1
Weighted number of shares outstanding	4,500	4,499

Relationships with related parties

Relationships with related parties as defined by IAS 24 exist with GMF Beteiligungsberatung GmbH, Frankfurt am Main, which charges for management services supplied by the Chairman of the Management Board Dr Frank amounting to 4.6% of the other operational expenditure. The sums charged are appropriate and already comprised in the remuneration of the Board.

No receivables or liabilities were outstanding in relation to GMF on the key date 31 December 2005.

The following voting rights have been disclosed to Geratherm Medical AG, pursuant to Section 21 Para 1 WpHG (Securities Trading Act):

	Votes	Share
GMF Beteiligungsberatung GmbH, Frankfurt am Main	2,712,737	60.28%

Other financial obligations

The company has entered into various rental and leasing contracts. The financial obligations for the year 2006 and the following years will probably amount to kEUR 38 (previous year: kEUR 57). The company has entered into various rental and leasing contracts. For the rental contract with the Deutsche Telekom AG for the use of a telecommunication system the charges for the 2006 are amounted at 8 kEUR (previous year 8 kEUR) for the years 2007 till 2009 the charges will be amounted at 23 kEUR (previous year 39 kEUR).

The gallium prices, which are important for the company, have been agreed upon contractually with the main supplier and fixed until 31 December 2007. This results in an acceptance obligation for the years 2006 and 2007 in the amount of altogether kUS\$ 770 (previous year: kUS\$ 385). A deviating stipulation may be agreed in case of changes on the market.

The company has entered into financial obligations of kEUR 443 for the year 2006 to be paid for the delivery of essential production materials such as glass tubes and capillaries.

As per 2005 and the following years	Total	< 1 year	1 - 5 years	> 5 years
Other financial obligations kEUR	57	18	31	8
Other financial obligations kUSD	385	385	0	0
As per 2006 and the following years	Total	< 1 year	1 - 5 years	> 5 years
Other financial obligations kEUR	481	458	23	0
Other financial obligations kUSD	770	385	385	0

Fees for the auditor

In 2005, kEUR 33 were registered as expenditure for the audit and kEUR 3 for tax consulting services.

29. Segment reporting

The split of the assets and the performance according to areas of activities (primary reporting format) and according to regions (secondary format) has been included in the segment reporting, which is part of this Annex.

The segment of Analogue Diagnostic Products comprises the turnover of glass thermometers. We include the earnings and expenditure for digital thermometers as well as blood pressure devices in the segment of digital diagnostic products. 'Others' covers the remaining business fields, in particular, the technical thermometers, the Warming Systems product group and the new SRA II product.

The main operational earnings and expenditure are either registered individually, according to the internal short-term profit and loss statement, or are allocated according to appropriate distribution formulas. The remaining segment earnings and expenditure are usually allocated according to the sales revenue.

The assets and the inventories are allocated individually, in so far as this is possible. The assets not directly allocable (mainly the building) are registered on a use per square-meter basis.

The segment receivables and liabilities are allocated according to their structure and relating to the turnover.

The segmentation according to regions is oriented along the sales markets of the group. An adjustment of last year's figures was required due to the reclassification of some clients from the position 'Others' to 'Remaining Europe'. This resulted in an increase the sales figures for Europe by kEUR 102 and consequently an increase of gross profits by kEUR 65 and an increase of the corporate profits by kEUR 14. The corresponding entries for the 'Others' region were decreased accordingly by the same figures.

Explanations of the capital flow calculation

30. Cashflow

Cashflow is determined by the indirect method. It is calculated by adding depreciations of fixed asset items to the annual results before interest and dividends received and deducting profits (losses) of sales of securities, amortization of passivated subsidies and grants as well as the change of long-term accrual. Last year's figures of the capital flow calculation were also adjusted in accordance with IAS 8 to reflect the amendments to IAS 39. Additions and depreciations on financial investments and securities were added at the value of kEUR -97 as of 31 December 2004.

31. Cashflow from the operating activity

The cashflow before any change in the binding of the funds in the amount of kEUR 930 (previous year: kEUR 1,281) is set against the changes in the current funds.

Altogether, there is an inflow of funds from current business activity in the amount of kEUR 860 (previous year: kEUR 1,042) from the annual surplus and the binding of the funds in the current assets.

In the capital flow calculation of 2005, the incoming payments from interest (kEUR 126; previous year: kEUR 149) and dividends (kEUR 79; previous year kEUR 41) and the outgoing payments from interest (kEUR 20; previous year kEUR 66) were detailed separately.

32. Cashflow from investment activity

The purchase of fixed assets and financial assets as well as intangible assets, including the development cost, resulted in an expenditure of kEUR 206 (previous year: kEUR 151).

33. Cashflow from financing activity

The outflow of funds from financing activities is composed mainly of the dividend payment (kEUR 1,260: previous year: kEUR 1,080) as well as the repayment of loan liabilities (kEUR 660; previous year kEUR 386).

Other Information

Legal and economic circumstances

The company Geratherm Medical AG is registered as a legal entity in Germany and is listed in the Trade Register of the Local Court of Erfurt under number HRB 11272. The company is headquartered in Geschwenda, Fehnheitstr. 1.

The purpose of Geratherm Medical AG – in accordance with Section 2 of its Articles of Association – is the development, production and marketing of products in the areas of medical body temperature measuring technology of bio signals as well as tele-medical solutions and related areas.

Details of the Managing Board

During the year under report the management board of Geratherm Medical AG comprised of:

Chairman of the Management Board

Dipl. Wirtschaftsingenieur Dr. Gert Michael Frank, Frankfurt am Main
 Managing Director of GMF Beteiligungsberatung GmbH, Frankfurt am Main
 Chairman of the Supervisory Board of Medical Columbus AG, Königstein
 Managing Director of GME Rechte und Beteiligungen GmbH, Geschwenda

Board Member

Herr Dipl.- Ing. Thomas Robst, Geraberg
 Board Member for Marketing and Distribution

Should the Management Board consists of only one member, that member shall represent the company on his own. In case two or more members have been appointed to the Management Board, the company is represented by two members of the Management Board or by a member of the Management Board in conjunction with an authorized signatory (Prokurist). Dr. Frank is authorized to represent the company on his own.

A total remuneration of kEUR 144 was paid to the Management Board in the business year.

The Management Board held 2,712,987 shares directly and indirectly on accounting day.

Details of the Supervisory Board

A new Supervisory Board was elected at the annual general meeting held on 13 June 2005 in accordance with section 9 of the Articles of Association of Geratherm Medical AG. The Supervisory Board consists of three members, as laid down in the Articles of Association.

Members of the Supervisory Board are:

Members of the Supervisory Board are:
 Dipl.-Kaufmann Rudolf Bröcker, Bensheim (Chairman of the Supervisory Board)
 Kaufmann
 Chairman of the Supervisory Board of Biomics Biotec AG, Mainz
 Member of the Supervisory Board of Medical Columbus AG, Königstein

Dr. Klaus Gmür, Bottmingen (Schweiz)

Entrepreneur

Member of the Supervisory Board of Medical Columbus AG, Königstein

Member of the Administrative Board of GP- Turinvest AG, Basel (Switzerland)

Member of the Administrative Board of Retifax AG Basel (Switzerland)

Bruno Schoch, Suresnes (France)

Director of Finance and Strategic Development of Unibel, Paris

Member of the Management Board of Unibel SA

Member of the Management Board of SICOPA SA

Friedrich Bimboese, late Member of the Supervisory Board, passed away during his term of service in April 2005.

Remuneration in the amount of kEUR 12 was set aside for the Supervisory Board.

The members of the Supervisory Board hold 10,769 shares.

Development of staff numbers

	2005	2004
Staff numbers (annual average) – without board members	72	73

Declaration on the Corporate Governance Code

The declaration laid down in accordance with §161 Aktiengesetz (the German Securities Act) was issued by Geratherm Medical AG and made available to the shareholders on the homepage of the company.

Geschwenda, dated 20rd March 2006

Geratherm Medical AG



Dr. Gert Michael Frank
 Chairman of the Management Board



Thomas Robst
 Board Member
 Marketing/Distribution

Auditor's Report

We have audited the consolidated financial statements prepared by the Geratherm Medical AG, Geschwenda, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1st to December 31 2005. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Jena, 20 March 2006

Cooperate calender 2006

**MedTech Day - Conference of analyst
by Geratherm Medical AG
04.04.2006 IHK/Börse Frankfurt**

**Annual General Meeting
12.06.2006
Hotel „Hessischer Hof“
Frankfurt**

**Quarterly Reports 1. Quarter
23.05.2006**

**Quarterly Reports 2. Quarter
23.08.2006**

**Quarterly Reports 3. Quarter
23.11.2006**

2005

Geratherm®
Medical Diagnostic Systems

Fahrenheitstraße 1 . D-98716 Geschwenda . Phone: +49 36205-980 . Fax: +49 36205-98115
E-Mail: info@geratherm.com . Internet: www.geratherm.com