

# Geratherm<sup>®</sup>

Medical Diagnostic Systems



**1<sup>st</sup> Half of 2006**  
Interim Report

## Course of Business from 1 January to 30 June 2006

- Turnover first half of 2006 + 4.3% Q II +3.2%
- EPS first half of 2006 8 cents Q II 3 cents
- Dollar exchange rate burdens operating result in 2<sup>nd</sup> quarter

### **Dear shareholders of and parties interested in Geratherm Medical,**

The business development during the 2<sup>nd</sup> quarter of 2006 resulted in a turnover plus of 3.2% and thus met our expectations, to a great degree. All in all, the turnover during the first six months of the business year amounted to EUR 4.2 million (+4.3%). The crude result from this turnover increased during the first half of 2006 by 3.0% respectively to reach EUR 2.3 million.

The growth in turnover came especially from the new markets of Brazil and the Middle East. The business in Germany was somewhat weaker with a minus of 12.2%. The sales throughout Europe, recording a minus of 2.3%, were slightly below the previous year's level. The drop in turnover in the US market during the 1<sup>st</sup> quarter of 2006 could be evened out by a stronger 2<sup>nd</sup> quarter – as planned – and was in line with the previous year's level as per 30 June 2006.

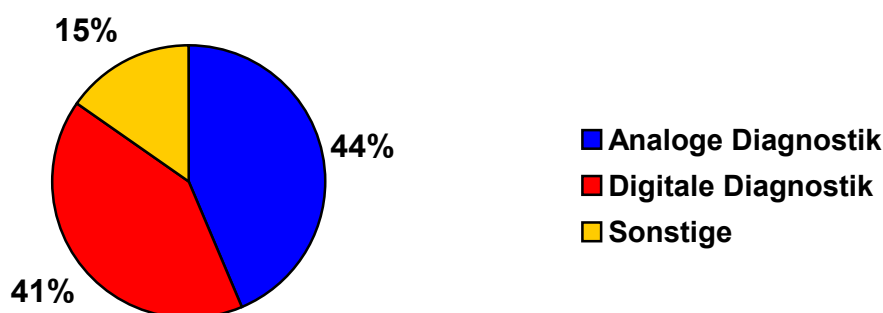
The operating result of the 1<sup>st</sup> half of 2006 amounted to 24.9% less than last year's level, due to the start-up losses of our subsidiary apoplex medical technologies GmbH and exchange rate differences relating to a weaker dollar on the accounting date. During the 2<sup>nd</sup> quarter of 2006, an operating result of only kEUR 23 could be achieved. Losses from exchange rate differences in the amount of kEUR 63 (previous year: earnings from exchange rate differences kEUR 55) had a negative impact on the balance. These resulted mainly from the evaluation of short-term assets, such as receivables and cash in US dollars, at the accounting date exchange rate of EUR/USD 1.27 (previous year.: EUR/USD 1.21). By increase in inventories of kEUR 81, the operating result was burdened with kEUR 30 in the 2<sup>nd</sup> quarter. The apoplex GmbH company recorded a loss of kEUR 46 during the 2<sup>nd</sup> quarter.

A positive financial result could be achieved for the first half of 2006 in the amount of kEUR 138 (previous year: kEUR 194). Due to the positive development of the securities holdings, there were Market Evaluation Provisions of kEUR 630 relating to non-realised financial returns, which are not included in the profit and loss accounts but rather in the equity capital. The result of ordinary business activities was reduced by altogether 26.5% to reach kEUR 366 (previous year: kEUR 497). The Group Period Result (EAT) was reduced by 27.5% to reach kEUR 358 (previous year: kEUR 494). The result per share was reduced to 8 cents (previous year: 11 cents).

The equity capital of the company of EUR 16.5 million amounts to 92.2% of the balance sheet total or EUR 3.66 per share. The return on equity amounts to 4.3 % (previous year: 6.1%). As per 30 June 2006, cash and securities were included in the amount of EUR 8.4 million (previous year: EUR 8.0 million). The cash in the amount of EUR 3.3 million is invested with banks at the interest rates usual in the market.

Once again, the analogue diagnostics products on the basis of gallium proved the mainstays of turnover with 43.7% (previous year: 48.4%). The absolute turnover share was slightly reduced by kEUR 116 to reach kEUR 1,840 in the first half of 2006. The area of Digital Diagnostics was able to latch on to the previous growth and recorded a turnover plus of 11.8% during the first half of the year.

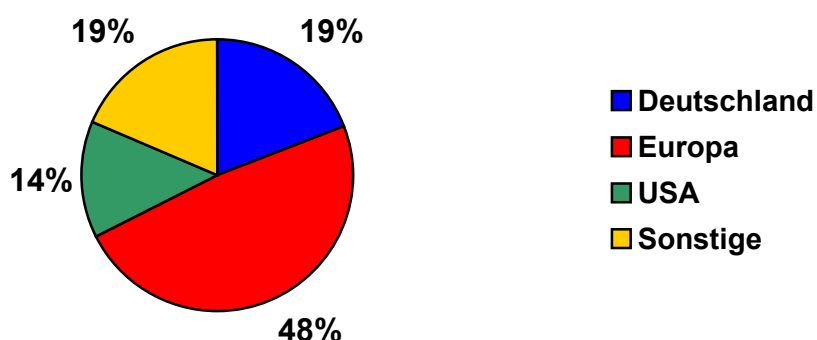
#### Turnover by segments 01.01.-30.06.2006



The turnover share of the Other Products area increased over proportionately during the first half of the year and recorded a plus of 19.6%. This growth was achieved, above all, through the positive turnover development in the area of Warming Systems. For the second half of 2006, we anticipate a further distinct increase of this area, especially, as we are expecting the award of a large order of 120 systems for Indian military hospitals in the 3<sup>rd</sup> quarter.

The subsidiary apoplex medical technologies GmbH was not able to contribute any turnover worth mentioning in the first half of 2006. Staff of sales partners is being trained at the moment, so that we will gain an overview of the market acceptance of the products over the next few months.

#### Turnover by regions 01.01.-30.06.2006



A share of 81% of the EUR 4.2 million turnover achieved during the first half of 2006 came from exports. The weaker domestic demand could be more than compensated through stronger foreign business, just as in the first quarter of 2006. The distribution of the turnover across the individual regions remained more or less unchanged. The strongest growth in turnover was achieved by the Region of the Middle East with a plus of 40% and Brazil with a plus of 204%. All in all, these countries achieved a turnover of kEUR 620.

### Data and facts

(kEUR)

	II/06	I/06	IV/05	III/05	II/05
Turnover	2,031	2,182	2,062	2,088	1,968
EBITDA	5.4%	12.8 %	6.6 %	17.3 %	15.1 %
EBIT	23	205	46	268	205
EPS (EUR)	0.03	0.05	0.07	0.15	0.08
Cashflow	88	262	158	338	273

All, items of the agenda were discussed and approved of by our shareholders at the ordinary shareholders' meeting in Frankfurt am Main on 12 June 2006.

Geratherm Medical AG has paid out to its shareholders a tax-free dividend in the amount of 32 cents per share for the business year of 2005 from the deposit account.

We anticipate a positive development for the second half of 2006, although we expect a weaker turnover for the 3<sup>rd</sup> quarter of 2006. The financial returns should reach a distinctly higher level through the realisation of the book profits. The approvals in the area of warming systems for the US military are running according to plan.

Geschwenda, dated August 2006



Dr. Gert Frank  
Chairman of the Board



Thomas Robst  
Director of Sales & Marketing

## GERATHERM

## AT A GLANCE

Group financial ratio	Jan.-June 2006	Jan.-June 2005	Change
<b>Sales</b>	4,213 kEUR	4,041 kEUR	4.3 %
Export share	3,401 kEUR	3,117 kEUR	9.1 %
Export ratio	81 %	77 %	5.2 %
EBITDA	390 kEUR	487 kEUR	-20.1 %
<b>EBITDA - Margin</b>	9.3 %	12.1 %	-23.1 %
Depreciation	-162 kEUR	-184 kEUR	-12.1 %
<b>EBIT</b>	228 kEUR	303 kEUR	-24.9 %
Result of ordinary operation	366 kEUR	497 kEUR	-26.5 %
<b>Group period result (EAT)</b>	358 kEUR	494 kEUR	-27.5 %
Long term assets	5,202 kEUR	5,353 kEUR	-2.8 %
Short term assets	12,681 kEUR	12,518 kEUR	1.3 %
Total Assets	17,883 kEUR	17,871 kEUR	0.1 %
Shareholders equity	16,493 kEUR	16,240 kEUR	1.6 %
Return on equity	4.3 %	6.1 %	-28.6 %
Equity ratio	92.2 %	90.9 %	1.4 %
Liquid funds and securities	8,393 kEUR	8,033 kEUR	4.5 %
<b>Earnings per share according to IFRS*</b>	0.08 EUR	0.11 EUR	-27.3 %
Earnings per Share according to DVFA*	0.08 EUR	0.11 EUR	-27.3 %
Number of employees at end of the period	73	70	4.3 %
Total amount of issued share	4,500,000	4,500,000	
* there of out standing	4,500,000	4,500,000	

## Consolidated profit and loss statement of 1 January 2006 to 30 June 2006

	Apr.-June 2006 EUR	Apr.-June 2005 EUR	Change	Jan.-June 2006 EUR	Jan.-June 2005 EUR	Change
Sales	2,031,827	1,968,352	3.2%	4,213,353	4,041,302	4.3%
Increase/decrease of finished goods and work in progress	80,960	-29	>100.0%	97,277	-43,018	>100.0%
Other capitalized company work	23,425	0	100.0%	51,195	0	100.0%
Other operating income	43,934	65,920	-33.4%	81,560	157,714	-48.3%
	2,180,146	2,034,243	7.2%	4,443,385	4,155,998	6.9%
Materials						
Raw materials, supplies and purchased goods	-1,015,653	-842,693	20.5%	-2,013,241	-1,815,169	10.9%
Expenses for services	-49,004	-36,791	33.2%	-94,087	-72,860	29.1%
	-1,064,657	-879,484	21.1%	-2,107,328	-1,888,029	11.6%
<b>Gross profit</b>	<b>1,115,489</b>	<b>1,154,759</b>	<b>-3.4%</b>	<b>2,336,057</b>	<b>2,267,969</b>	<b>3.0%</b>
Personnel costs						
Wages and salaries	-426,787	-362,280	17.8%	-848,017	-799,198	6.1%
Social security and pension costs	-95,574	-81,817	16.8%	-191,211	-175,408	9.0%
	-522,361	-444,097	17.6%	-1,039,228	-974,606	6.6%
Depreciation on tangible and intangible assets	-86,860	-92,180	-5.8%	-161,705	-183,995	-12.1%
Other operating expenses	-483,557	-412,620	17.2%	-907,304	-805,838	12.6%
<b>Operating result</b>	<b>22,711</b>	<b>205,862</b>	<b>-89.0%</b>	<b>227,820</b>	<b>303,530</b>	<b>-24.9%</b>
Income from accrued dividend	37,970	50,307	-24.5%	41,575	50,307	-17.4%
Other interest and similar income	30,541	29,903	2.1%	65,273	64,039	1.9%
Income from securities trading	45,738	74,451	-38.6%	74,238	92,493	-19.7%
Interest and other expenses	-7,727	-3,231	>100.0%	-8,205	-13,100	-37.4%
Loss from securities trading	0	0	0.0%	-35,069	0	100.0%
<b>Financial result</b>	<b>106,522</b>	<b>151,430</b>	<b>-29.7%</b>	<b>137,812</b>	<b>193,739</b>	<b>-28.9%</b>
<b>Result of ordinary operation</b>	<b>129,233</b>	<b>357,292</b>	<b>-63.8%</b>	<b>365,632</b>	<b>497,269</b>	<b>-26.5%</b>
Income Taxes	-16,768	-11,423	46.8%	-34,003	-22,207	53.1%
<b>Result of ordinary operation</b>	<b>112,465</b>	<b>345,869</b>	<b>-67.5%</b>	<b>331,629</b>	<b>475,062</b>	<b>-30.2%</b>
Minority interests	-15,592	2,484	>100.0%	-26,665	-18,823	41.7%
<b>Group period result</b>	<b>128,057</b>	<b>343,385</b>	<b>-62.7%</b>	<b>358,294</b>	<b>493,885</b>	<b>-27.5%</b>
<b>EBITDA</b>	<b>109,571</b>	<b>298,042</b>	<b>-63.2%</b>	<b>389,525</b>	<b>487,525</b>	<b>-20.1%</b>
<b>Result per share basic</b>	<b>0.03</b>	<b>0.08</b>	<b>-62.5%</b>	<b>0.08</b>	<b>0.11</b>	<b>-27.3%</b>

**Consolidated balance sheet 30 June 2006**

Assets	30. June 2006 EUR	31. December 2005 EUR	Change
<b>A. Long term assets</b>			
<b>I. Intangible assets</b>			
1. Development costs	370,724	369,128	0.4%
2. Other intangible assets	18,360	22,769	-19.4%
3. Goodwill	75,750	75,750	0.0%
	464,834	467,647	-0.6%
<b>II. Tangible assets</b>			
1. Property and plants	1,461,020	1,498,886	-2.5%
2. Technical facilities and machinery	234,954	258,098	-9.0%
3. Other equipment, factory and office equipment	97,158	77,453	25.4%
4. Payments in advance	14,222	6,110	>100.0%
	1,807,354	1,840,547	-1.8%
<b>III. Deferred taxes</b>	2,929,432	2,963,435	-1.1%
	<b>5,201,620</b>	<b>5,271,629</b>	<b>-1.3%</b>
<b>B. Short term assets</b>			
<b>I. Inventories</b>			
1. Raw materials	611,874	550,347	11.2%
2. Unfinished goods	714,820	591,459	20.9%
3. Finished goods	1,190,468	1,154,414	3.1%
	2,517,162	2,296,220	9.6%
<b>II. Receivables and other assets</b>			
1. Trade receivables	1,546,527	1,686,104	-8.3%
2. Tax receivables	185,834	80,287	>100.0%
3. Other assets	38,769	35,839	8.2%
	1,771,130	1,802,230	-1.7%
<b>III. Securities</b>	5,080,108	3,218,121	57.9%
<b>IV. Cash and cash equivalents</b>	3,312,752	5,965,441	-44.5%
	<b>12,681,152</b>	<b>13,282,012</b>	<b>-4.5%</b>
	<b>17,882,772</b>	<b>18,553,641</b>	<b>-3.6%</b>
<b>Liabilities</b>			
<b>A. Equity</b>			
I. Subscribed capital	4,500,000	4,500,000	0.0%
II. Capital reserves	7,570,000	7,570,000	0.0%
III. Other reserves	4,387,419	4,989,766	-12.1%
IV. Minority interest	35,851	62,522	-42.7%
	<b>16,493,270</b>	<b>17,122,288</b>	<b>-3.7%</b>
<b>B. Special reserve for investments</b>	<b>643,006</b>	<b>682,709</b>	<b>-5.8%</b>
<b>C. Short Term liabilities</b>			
1. Received payments	1,995	2,454	-18.7%
2. Trade accounts payable	201,955	198,921	1.5%
3. Tax liabilities	22,781	18,301	24.5%
4. Other Liabilities	519,765	528,968	-1.7%
	<b>746,496</b>	<b>748,644</b>	<b>-0.3%</b>
	<b>17,882,772</b>	<b>18,553,641</b>	<b>-3.6%</b>

## Group cash flow statement of 01 January 2006 to 30 June 2006

	Jan.-June 2006 kEUR	Jan.- June 2005 kEUR
Group period result	358	494
Earnings Minority interests	-26	-19
Other costs affecting income/expenses	0	3
Dividend income	-42	-50
Interest income	-65	-64
Interest costs	8	13
Decrease of deferred taxes	34	22
Depreciation on tangible assets	162	184
Income from securities trading	-74	-92
Loss from securities trading	35	0
Amortisation of subsidies and grant	-40	-57
<b>Brutto-Cashflow</b>	<b>350</b>	<b>434</b>
Decrease / increase of inventories	-221	-570
Decrease / increase of trade receivables	31	-189
Increase of short term liabilities	-2	247
Incoming payments from dividends	42	50
Incoming payments from interest	65	64
Outgoing payments from interest	-8	-13
<b>Cashflow from operating activity</b>	<b>257</b>	<b>23</b>
Payments for capital investments to fixed assets	-126	-107
Incoming payment from financial assets	1,430	1,251
Outgoing payments from financial assets	-2,773	-1,039
<b>Cashflow from investing activities</b>	<b>-1,469</b>	<b>105</b>
Cash inflow from minority interest	0	0
Dividend payments	-1,440	-1,260
Increase / decrease short term liabilities to bank	0	-660
<b>Cashflow from financial activities</b>	<b>-1,440</b>	<b>-1,920</b>
<b>Change in cash and cash equivalents</b>	<b>-2,652</b>	<b>-1,792</b>
<b>Cash and cash equivalents at beginning of the reporting period</b>	<b>5,965</b>	<b>6,382</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>3,313</b>	<b>4,590</b>



## Group equity change calculation by 30.June 2006

	Subscribed capital	Capital reserve	Other reserves		Result achieved in the group	Minority interests	Equity
			Market evaluation reserve	Currency conversion reserve			
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
<b>1. January 2005</b>	<b>4,500,000</b>	<b>7,528,332</b>	<b>96,774</b>	<b>1,004</b>	<b>4,615,507</b>	<b>31,104</b>	<b>16,772,721</b>
Not realized profit/losses from evaluation of securities			226,019		21,481		247,500
Currency conversion in the Group				2,727		1,523	4,250
Dividend paid out to shareholders					-1,260,000		-1,260,000
Group period result					493,885	-18,822	475,063
<b>30. June 2005</b>	<b>4,500,000</b>	<b>7,528,332</b>	<b>322,793</b>	<b>3,731</b>	<b>3,870,873</b>	<b>13,805</b>	<b>16,239,534</b>
<b>1. January 2006</b>	<b>4,500,000</b>	<b>7,570,000</b>	<b>150,816</b>	<b>4,542</b>	<b>4,834,408</b>	<b>62,522</b>	<b>17,122,288</b>
Not realized profit/losses from evaluation of securities			479,366				479,366
Currency conversion in the Group				-7		-6	-13
Dividend paid out to shareholders					-1,440,000		-1,440,000
Group period result					358,294	-26,665	331,629
<b>30. June 2006</b>	<b>4,500,000</b>	<b>7,570,000</b>	<b>630,182</b>	<b>4,535</b>	<b>3,752,702</b>	<b>35,851</b>	<b>16,493,270</b>

## Segment reporting of 1 January 2006 to 30 June 2006

By Region	Germany		Europe		USA		Others		Total	
	Jan.- June 2006	Jan.- June 2005	Jan.- June 2006	Jan.- June 2005	Jan.- June 2006	Jan.- June 2005	Jan.- June 2006	Jan.- June 2005	Jan.- June 2006	Jan.- June 2005
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
<b>Sales</b>	<b>812</b>	<b>924</b>	<b>2,037</b>	<b>2,085</b>	<b>575</b>	<b>574</b>	<b>789</b>	<b>458</b>	<b>4,213</b>	<b>4,041</b>
<b>Gross Profit</b>	<b>507</b>	<b>585</b>	<b>1,096</b>	<b>1,126</b>	<b>309</b>	<b>310</b>	<b>424</b>	<b>247</b>	<b>2,336</b>	<b>2,268</b>
<b>Operating results</b>	<b>49</b>	<b>78</b>	<b>107</b>	<b>151</b>	<b>30</b>	<b>42</b>	<b>42</b>	<b>32</b>	<b>228</b>	<b>303</b>
Including:										
Depreciation of tangible and fixed assets	35	48	76	91	21	25	30	20	162	184
Amortisation of grants and subsidies and bonus	8	13	19	28	5	8	8	6	40	55
<b>Asset cost for the period</b>	<b>122</b>	<b>106</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>126</b>	<b>107</b>
<b>Book values assets</b>	<b>2,263</b>	<b>2,394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9</b>	<b>1</b>	<b>2,272</b>	<b>2,395</b>

According to areas of activity	Analogue Diagnostic Products		Digital Diagnostic Products		Others		Total	
	Jan.-June 2006	Jan.-June 2005	Jan.-June 2006	Jan.-June 2005	Jan.-June 2006	Jan.-June 2005	Jan.-June 2006	Jan.-June 2005
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
<b>Sales</b>	<b>1,840</b>	<b>1,956</b>	<b>1,729</b>	<b>1,546</b>	<b>644</b>	<b>539</b>	<b>4,213</b>	<b>4,041</b>
<b>Gross Profit</b>	<b>1,292</b>	<b>1,258</b>	<b>595</b>	<b>567</b>	<b>449</b>	<b>443</b>	<b>2,336</b>	<b>2,268</b>
<b>Operating result</b>	<b>257</b>	<b>229</b>	<b>121</b>	<b>172</b>	<b>-150</b>	<b>-98</b>	<b>228</b>	<b>303</b>
Financial result							138	194
Taxes							-34	-22
Minority share in result							26	19
<b>Group period result</b>							<b>358</b>	<b>494</b>
including:								
Depreciation of tangible and fixed assets	56	98	27	46	79	40	162	184
Amortisation of grants and subsidies and bonus	17	27	16	21	7	7	40	55
<b>Asset cost for the period</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>99</b>	<b>106</b>	<b>126</b>	<b>107</b>
<b>Book values assets</b>	<b>850</b>	<b>818</b>	<b>283</b>	<b>171</b>	<b>1,139</b>	<b>1,406</b>	<b>2,272</b>	<b>2,395</b>
<b>Deferred taxes</b>					<b>2,930</b>	<b>2,958</b>	<b>2,930</b>	<b>2,958</b>
<b>Short term assets</b>	<b>1,990</b>	<b>1,860</b>	<b>1,438</b>	<b>1,737</b>	<b>9,253</b>	<b>8,921</b>	<b>12,681</b>	<b>12,518</b>
<b>Total assets</b>	<b>2,840</b>	<b>2,678</b>	<b>1,721</b>	<b>1,908</b>	<b>13,322</b>	<b>13,285</b>	<b>17,883</b>	<b>17,871</b>
<b>Short term liabilities</b>	<b>88</b>	<b>110</b>	<b>83</b>	<b>88</b>	<b>575</b>	<b>779</b>	<b>746</b>	<b>977</b>
<b>Special reserve for received investments</b>					<b>643</b>	<b>654</b>	<b>643</b>	<b>654</b>

## Explanation of the Interim Group Financial Statement for the period of 1 January 2006 – 30 June 2006

### Balancing and evaluation methods

The Interim Group Financial Statement for the first half of 2006 was prepared according to the rules of the International Financial Reporting Standards (IFRS) valid on the accounting date and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they are compulsory in the European Union.

All balancing, evaluating and consolidation principles were maintained, as detailed in the Annex of the Group Financial Statement 2005.

### Consolidated companies

There were no changes in the group of consolidated companies during the first half of 2006.

## Explanations

### Long-term assets

As per 30 June 2006, development cost for the self-developed intangible assets in the amount of kEUR 51 (previous year: kEUR 84) were capitalised. They relate to the development of the Stroke Risk Analyser SRA IV for the prevention of strokes.

There were further additions to the long-term assets in the amount of kEUR 75 (previous year: kEUR 23), which relate mainly to replacement investments in production plant as well as other furniture and fixtures.

### Short-term assets

The short-term assets display greater changes mainly in the item of Securities and Cash. As per 30 June 2006, the securities holdings were increased through purchase by kEUR 2,773 (previous year: kEUR 1,039). There were disposals through sale in the amount of kEUR 1,430 (previous year: kEUR 1,251). Thus, a profit was realized in the amount of kEUR 74 (previous year: kEUR 92) and a loss was incurred in the amount of kEUR 35 (previous year: kEUR 0). The purchasing cost as per 30 June 2006 in the amount of kEUR 4,450 (previous year: kEUR 3,120) is matched by a stock evaluated on the basis of the prices of 30 June 2006 in the amount of kEUR 5,080 (previous year: kEUR 3,443). This results in profits not realised in the amount of kEUR 630 (previous year: kEUR 323). These are included in the item of Market Evaluation Provisions of the equity capital. The available cash was reduced by altogether kEUR 2,652 (previous year: kEUR 1,792). This is due mainly to the payment of the dividends on 13 June 2006 in the amount of kEUR 1,440 (previous year: kEUR 1,260) and the investment in the form of securities.

### Equity capital

The subscribed capital of Geratherm Medical AG amounted to EUR 4,500,000 on 30 June 2006 and is split into 4,500,000 shares in the name of the bearer. The subscribed capital has been fully paid in. The company did not own any own shares on 30 June 2006.

The item of Market Evaluation Provisions, included for the first time in the business year of 2005, increased in the first half of 2006 by kEUR 479 (previous year: kEUR 226) to reach kEUR 630 (previous year: kEUR 323). Due to the stipulation by 31 December 2005 to conduct the adjustments of the previous year's figures, necessary due to the amendment of IAS 39, applying IAS 39.107, starting on 1 January 2004, we have adjusted the reference period of the first half of 2005. The adjustment relates to the restructuring in the amount of kEUR 21 from the item of Market Evaluation Provisions to Cumulated Profits.

**Dates for further reporting**

23/11/2006	Interim report 3 <sup>rd</sup> Quarter of 2006
12/04/2007	Annual Report 2006
17/04/2007	Analyst Presentation / MedTech Day
23/05/2007	Interim Report 1 <sup>st</sup> Quarter 2007
11/06/2007	Annual General Meeting
23/08/2007	Interim Report 2 <sup>nd</sup> Quarter 2007
22/11/2007	Interim Report 3 <sup>rd</sup> Quarter 2007