

Geratherm®

Medical Diagnostic Systems



3rd Quarter of 2006
Interim Report

Course of Business from 1 January to 30 September 2006

- turnover falling slightly (-4%)
- lower result of operations; good financial returns
- EPS 24 cents (p.y.: 26 cents); Q III. 16 cents (p.y.: 15 cents)

Dear shareholders of and interested parties in Geratherm Medical,

All in all, we were able to achieve a 6.7% higher result per share for the 3rd quarter 2006 than in the previous year. The quarterly result of Geratherm Medical rose slightly from 15 to 16 cents per share. The weaker forecast for the 3rd quarter 2006 result of operations was more or less met. Together with the good financial results, a satisfactory quarterly result could be achieved.

All in all, the turnover of the first nine months of the business year amounted to EUR 5.9 million (-4.0%). The gross return from the turnover was also reduced by 3.7% to reach EUR 3.4 million. The market developments were significantly weaker in Germany (-14.5%) and in North America (-25.6%). The turnover growth was generated – as in the previous quarters – by the new markets of Brazil and the Middle East. The other countries achieved a turnover gain of 62.8% to reach EUR 1.2 million. The operating results of the first nine months of the business year stood at kEUR 344 (previous year: kEUR 571). The result of operations was burdened during the first nine months by losses resulting from exchange rate differences in the amount of kEUR 65 and by the consolidated start-up losses from our activities of the apoplex medical technologies GmbH subsidiary (- kEUR 128) as well as in the Warming Systems segment (- kEUR 91).

In the 3rd quarter of 2006, the turnover from operations was reduced by 20.1% to EUR 1.7 million, as compared to a very strong quarter of the previous year. The gross result was reduced by 16.0% to EUR 1.0 million. The cost level of the company could be improved slightly. The staff expenditure was at the same level as the previous year with kEUR 454. The other operational expenditure was reduced by 11.2% to kEUR 367. Due to the dwindling turnover in the 3rd quarter of 2006, a smaller contribution from operational results was achieved in the amount of kEUR 117 (previous year: kEUR 268). For the 4th quarter of 2006, we expect a stimulation of the turnover and a stronger contribution from operations.

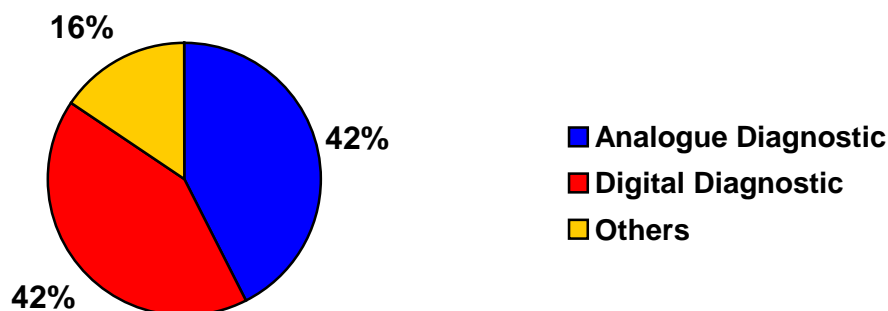
A qualitatively higher financial result could be achieved for the first nine months. All in all, the financial result of kEUR 753 was 34.2% higher than that of the previous year. The unrealized book profits totaled kEUR 461 by the end of September 2006. These are not included in the profit and loss accounts but in the equity capital, pursuant to the new IFRS regulations, in the so-called market evaluation provisions. The yield for the capital invested, in the amount of EUR 4.8 million, reached 23.8% by 30 September 2006.

The result of ordinary business activities stood at kEUR 1,097, and that is 3.1% below the previous year's level, for the first nine month of this year. A plus of 15.2% from ordinary business activities was recorded for the 3rd quarter, with an amount of kEUR 731. The Group Period Result (EAT) was lowered by 9.5% to kEUR 1,068 in the nine-month comparison. This included kEUR 710 (previous year: kEUR 687) for the 3rd quarter. The result per share amounted to 16 cents (previous year: 15 cents) for the 3rd quarter. All in all, the company was able to achieve a result of 24 cents per share (previous year: 26 cents) for the first nine months.

The equity capital of the company in the amount of EUR 17.0 million reflects 93.2% of the balance sum total or EUR 3.79 per share. The return on the total equity invested amounts to 8.4% (previous year: 9.3%) for the first nine months of the current business year. The cash in the amount of kEUR 2,459 is invested at the interest rates usual in the market.

Once again, the analogue diagnostics products on the basis of gallium provided the mainstays of turnover with 42.5% (previous year: 49.5%). The absolute turnover share was reduced by 17.6% to reach EUR 2.5 million. This decrease is due to the very weak flu season of the 1st quarter of this year on the US market, which could not be made up yet.

Turnover by segments 01.01.-30.09.2006

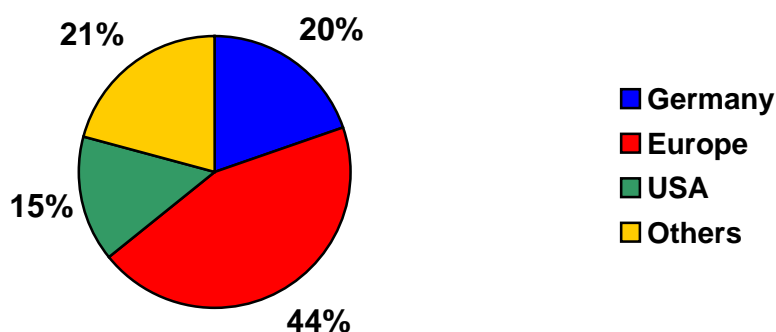


The share of Digital Diagnostics with EUR 2.5 million amounts to 41.8% of the corporate turnover. This division of the company was able to continue its course of growth with an increase of 11.7% for the first nine months of the current business year.

The segment of Other Products mainly comprises the turnover of the new area of Warming Systems. The area of Warming Systems will be able to generate a clear turnover increase in the 4th quarter of 2006. Apart from fitting out "ADAC" (German Automobile Association) helicopters with Geratherm warming systems for the first time, we were also able to win the tender of "Deutsche Rettungsflugwacht" (German Air Rescue) with 20 warming systems. At the same time, Geratherm was awarded a tender by Indian military hospitals. Geratherm will deliver 120 warming systems for the operating area to India during the 4th quarter.

The subsidiary apoplex medical technologies GmbH was not able to contribute any significant turnover during the first nine months yet. Based on the sales activities, however, we are optimistic that the situation will take a turn for the better during the months to come.

Turnover by regions 01.01.-30.09.2006



Eighty percent of the turnover in the amount of EUR 5.9 million was achieved in exports during the first nine months of 2006. The weaker domestic demand could be compensated with a stronger foreign business. Just as in the previous quarters, the markets in the Middle East and Brazil clinched the greatest growth rates. Altogether, these two countries were able to achieve a turnover of kEUR 994. Our subsidiary Geratherm/do Brasil had a turnover share in this of kEUR 560 with a contribution to earnings (EBT) of kEUR 44.

Data and facts

(kEUR)

	III/06	II/06	I/06	IV/05	III/05
Turnover	1,668	2,031	2,182	2,062	2,088
EBITDA	12.4%	5.4%	12.8%	6.6%	17.3%
EBIT	116	23	205	46	268
EPS (EUR)	0.16	0.03	0.05	0.07	0.15
Cashflow	187	88	262	158	338

We envisage a stimulation of the turnover as well as of the operating results for the remaining months of the business year. Together with the good financial results, it should be possible for us to complete the year 2006 as a satisfactory business year in sum total.

Geschwenda, dated November 2006



Dr. Gert Frank
Chairman of the Board



Thomas Robst
Director of Sales & Marketing

GERATHERM

AT A GLANCE

Group financial ratio	Jan.-Sep. 2006	Jan.-Sep. 2005	Change
Sales	5,881 kEUR	6,129 kEUR	-4.0 %
Export share	4,719 kEUR	4,771 kEUR	-1.1 %
Export ratio	80 %	78 %	2.6 %
EBITDA	596 kEUR	849 kEUR	-29.8 %
EBITDA - Margin	10.1 %	13.9 %	-27.3 %
Depreciation	-252 kEUR	-278 kEUR	-9.3 %
EBIT	344 kEUR	571 kEUR	-39.7 %
Result of ordinary operation	1,097 kEUR	1,132 kEUR	-3.1 %
Group period result (EAT)	1,068 kEUR	1,181 kEUR	-9.5 %
Long term assets	5,174 kEUR	5,344 kEUR	-3.2 %
Short term assets	13,107 kEUR	12,997 kEUR	0.8 %
Total Assets	18,281 kEUR	18,341 kEUR	-0.3 %
Shareholders equity	17,039 kEUR	16,907 kEUR	0.8 %
Return on equity	8.4 %	9.3 %	-10.3 %
Equity ratio	93.2 %	92.2 %	1.1 %
Liquid funds and securities	8,170 kEUR	8,885 kEUR	-8.0 %
Earnings per share according to IFRS*	0.24 EUR	0.26 EUR	-7.7 %
Earnings per Share according to DVFA*	0.24 EUR	0.26 EUR	-7.7 %
Number of employees at end of the period	74	70	5.7 %
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 September 2006

	July-Sep. 2006 EUR	July-Sep. 2005 EUR	Change	Jan.-Sep. 2006 EUR	Jan.-Sep. 2005 EUR	Change
Sales	1,667,556	2,087,796	-20.1%	5,880,909	6,129,098	-4.0%
Increase/decrease of finished goods and work in progress	170,703	-149,957	>100.0%	267,980	-192,975	>100.0%
Other capitalized company work	24,987	0	100.0%	76,182	0	100.0%
Other operating income	44,729	53,878	-17.0%	126,289	211,592	-40.3%
	1,907,975	1,991,717	-4.2%	6,351,360	6,147,715	3.3%
Materials						
Raw materials, supplies and purchased goods	-802,528	-735,728	9.1%	-2,815,769	-2,550,897	10.4%
Expenses for services	-77,873	-32,521	>100.0%	-171,960	-105,381	63.2%
	-880,401	-768,249	14.6%	-2,987,729	-2,656,278	12.5%
Gross profit	1,027,574	1,223,468	-16.0%	3,363,631	3,491,437	-3.7%
Personnel costs						
Wages and salaries	-370,440	-368,317	0.6%	-1,218,457	-1,167,515	4.4%
Social security and pension costs	-83,979	-80,871	3.8%	-275,190	-256,279	7.4%
	-454,419	-449,188	1.2%	-1,493,647	-1,423,794	4.9%
Depreciation on tangible and intangible assets	-89,939	-93,517	-3.8%	-251,644	-277,512	-9.3%
Other operating expenses	-366,709	-412,894	-11.2%	-1,274,013	-1,218,732	4.5%
Operating result	116,507	267,869	-56.5%	344,327	571,399	-39.7%
Income from accrued dividend	16,079	28,782	-44.1%	57,654	79,089	-27.1%
Other interest and similar income	18,879	28,124	-32.9%	84,152	92,163	-8.7%
Income from securities trading	582,694	312,450	86.5%	656,932	404,943	62.2%
Interest and other expenses	-2,796	-2,250	24.3%	-11,001	-15,350	-28.3%
Loss from securities trading	0	0	0.0%	-35,069	0	100.0%
Financial result	614,856	367,106	67.5%	752,668	560,845	34.2%
Result of ordinary operation	731,363	634,975	15.2%	1,096,995	1,132,244	-3.1%
Income Taxes	-16,769	29,908	>100.0%	-50,772	7,701	>100.0%
Result of ordinary operation	714,594	664,883	7.5%	1,046,223	1,139,945	-8.2%
Minority interests	4,545	-21,997	>100.0%	-22,120	-40,820	-45.8%
Group period result	710,049	686,880	3.4%	1,068,343	1,180,765	-9.5%
EBITDA	206,446	361,386	-42.9%	595,971	848,911	-29.8%
Result per share basic	0.16	0.15	6.7%	0.24	0.26	-7.7%

Consolidated balance sheet 30 September 2006

Assets	30. Sep. 2006 EUR	31. December 2005 EUR	Change
A. Long term assets			
I. Intangible assets			
1. Development costs	365,223	369,128	-1.1%
2. Other intangible assets	15,687	22,769	-31.1%
3. Goodwill	75,750	75,750	0.0%
	456,660	467,647	-2.3%
II. Tangible assets			
1. Property and plants	1,442,206	1,498,886	-3.8%
2. Technical facilities and machinery	215,100	258,098	-16.7%
3. Other equipment, factory and office equipment	116,725	77,453	50.7%
4. Payments in advance	30,657	6,110	>100.0%
	1,804,688	1,840,547	-1.9%
III. Deferred taxes	2,912,663	2,963,435	-1.7%
	5,174,011	5,271,629	-1.9%
B. Short term assets			
I. Inventories			
1. Raw materials	1,101,342	550,347	>100.0%
2. Unfinished goods	699,856	591,459	18.3%
3. Finished goods	1,368,435	1,154,414	18.5%
	3,169,633	2,296,220	38.0%
II. Receivables and other assets			
1. Trade receivables	1,487,918	1,686,104	-11.8%
2. Tax receivables	227,274	80,287	>100.0%
3. Other assets	51,414	35,839	43.5%
	1,766,606	1,802,230	-2.0%
III. Securities	5,258,148	3,218,121	63.4%
IV. Cash and cash equivalents	2,912,298	5,965,441	-51.2%
	13,106,685	13,282,012	-1.3%
	18,280,696	18,553,641	-1.5%
Liabilities			
A. Equity			
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	4,928,352	4,989,766	-1.2%
IV. Minority interest	40,208	62,522	-35.7%
	17,038,560	17,122,288	-0.5%
B. Special reserve for investments	623,376	682,709	-8.7%
C. Short Term liabilities			
1. Received payments	7,454	2,454	>100.0%
2. Trade accounts payable	104,431	198,921	-47.5%
3. Tax liabilities	17,622	18,301	-3.7%
4. Other Liabilities	489,253	528,968	-7.5%
	618,760	748,644	-17.3%
	18,280,696	18,553,641	-1.5%

Group cash flow statement of 01 January 2006 to 30 September 2006

	Jan.-Sep. 2006 kEUR	Jan.- Sep. 2005 kEUR
Group period result	1,068	1,181
Earnings Minority interests	-22	-41
Other costs affecting income/expenses	0	6
Dividend income	-58	-79
Interest income	-84	-92
Interest costs	11	15
Decrease of deferred taxes	51	-8
Depreciation on tangible assets	252	278
Income from securities trading	-657	-405
Loss from securities trading	35	0
Amortisation of subsidies and grant	-59	-83
Brutto-Cashflow	537	772
Decrease / increase of inventories	-873	-245
Decrease / increase of trade receivables	35	-141
Increase of short term liabilities	-130	76
Incoming payments from dividends	58	79
Incoming payments from interest	84	92
Outgoing payments from interest	-11	-15
Cashflow from operating activity	-300	618
Payments for capital investments to fixed assets	-205	-162
Incoming payment from financial assets	3,844	2,756
Outgoing payments from financial assets	-4,952	-2,185
Cashflow from investing activities	-1,313	409
Cash inflow from minority interest	0	80
Dividend payments	-1,440	-1,260
Increase / decrease short term liabilities to bank	0	-660
Cashflow from financial activities	-1,440	-1,840
Change in cash and cash equivalents	-3,053	-813
Cash and cash equivalents at beginning of the reporting period	5,965	6,382
Cash and cash equivalents at the end of the reporting period	2,912	5,569

Group equity change calculation by 30. September 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
1. January 2005	4,500,000	7,528,332	96,774	1,004	4,615,507	31,104	16,772,721
Not realized profit/losses from evaluation of securities						80,000	80,000
Currency conversion in the Group			157,178		10,164		167,342
Dividend paid out to shareholders				3,454		3,319	6,773
Group period result					-1,260,000		-1,260,000
					1,180,765	-40,820	1,139,945
30. September 2005	4,500,000	7,528,332	253,952	4,458	4,546,436	73,603	16,906,781
1. January 2006	4,500,000	7,570,000	150,816	4,542	4,834,408	62,522	17,122,288
Not realized profit/losses from evaluation of securities			310,445				310,445
Currency conversion in the Group				-202		-194	-396
Dividend paid out to shareholders					-1,440,000		-1,440,000
Group period result					1,068,343	-22,120	1,046,223
30. September 2006	4,500,000	7,570,000	461,261	4,340	4,462,751	40,208	17,038,560

Segment reporting of 1 January 2006 to 30 September 2006

By Region	Germany		Europe		USA		Others		Total	
	Jan.- Sep. 2006	Jan.- Sep. 2005	Jan.- Sep. 2006	Jan.- Sep. 2005	Jan.- Sep. 2006	Jan.- Sep. 2005	Jan.- Sep. 2006	Jan.- Sep. 2005	Jan.- Sep. 2006	Jan.- Sep. 2005
	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR	KEUR
Sales	1,162	1,359	2,614	2,832	885	1,189	1,220	749	5,881	6,129
Gross Profit	751	868	1,447	1,558	490	654	675	411	3,363	3,491
Operating results	77	142	148	255	50	107	69	67	344	571
Including:										
Depreciation of tangible and fixed assets	56	69	108	124	37	52	51	33	252	278
Amortisation of grants and subsidies and bonus	12	19	26	38	9	16	12	10	59	83
Asset cost for the period	201	159	0	0	0	0	4	3	205	162
Book values assets	2,252	2,352	0	0	0	0	9	4	2,261	2,356

According to areas of activity	Analogue Diagnostic Products		Digital Diagnostic Products		Others		Total	
	Jan.-Sep. 2006	Jan.-Sep. 2005	Jan.-Sep. 2006	Jan.-Sep. 2005	Jan.-Sep. 2006	Jan.-Sep. 2005	Jan.-Sep. 2006	Jan.-Sep. 2005
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Sales	2,502	3,036	2,459	2,201	920	892	5,881	6,129
Gross Profit	1,814	1,954	894	865	655	672	3,363	3,491
Operating result	466	478	146	302	-268	-209	344	571
Financial result							753	561
Taxes							-51	8
Minority share in result							22	41
Group period result							1,068	1,181
including:								
Depreciation of tangible and fixed assets	87	150	46	67	119	61	252	278
Amortisation of grants and subsidies and bonus	25	41	25	30	9	12	59	83
Asset cost for the period	31	5	9	4	165	153	205	162
Book values assets	832	842	285	166	1,144	1,348	2,261	2,356
Deferred taxes					2,913	2,988	2,913	2,988
Short term assets	2,455	1,750	1,416	1,548	9,236	9,699	13,107	12,997
Total assets	3,287	2,591	1,701	1,714	13,293	14,036	18,281	18,341
Short term liabilities	44	69	44	50	531	677	619	796
Special reserve for received investments					623	726	623	726

Explanation of the IFRS Interim Group Financial Statement for the period of 1 January 2006 – 30 September 2006

Balancing and evaluation methods

The Interim Group Financial Statement for the third quarter of 2006 was prepared according to the rules of the International Financial Reporting Standards (IFRS), valid on the accounting date,

and pursuant to the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as they are to be applied bindingly within 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 as per the third quarter of 2006.

Explanations

Long-term assets

As per 30 September 2006, development cost was activated for self-developed intangible assets in the amount of kEUR 76 (previous year: kEUR 129), relating to the development of the new Stroke Risk Analyser SRA IV for the prevention of strokes.

Further additions to the long-term assets in the amount of kEUR 129 (previous year: kEUR 33) mainly relate to substitute investments in production plant as well as other furniture and fixtures.

Short-term assets

The short-term assets display greater changes mainly in the items of securities and cash. As per 30 September 2006, the stock of securities increased by kEUR 4,952 (previous year: kEUR 2,185) through purchases. Securities were sold in the amount of kEUR 3,844 (previous year: kEUR 2,756). Thus, a profit in the amount of kEUR 657 (previous year: kEUR 405) was realized as well as a loss in the amount of kEUR 35 (previous year: kEUR 0). The purchasing cost as per 30 September 2006 in the amount of kEUR 4,797 (previous year: kEUR 3,062) is matched by a stock of securities evaluated as by the prices of 30 September 2006 in the amount of kEUR 5,258 (previous year: kEUR 3,316). This results in non-realized profits in the amount of kEUR 461 (previous year: kEUR 254). These are included in the item of market evaluation provisions.

The available cash was reduced by altogether kEUR 3,053. This is mainly due 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. Furthermore, basic materials, such as the glass tube and capillaries were purchased in the amount of kEUR 495, which led to an increase in the item of materials and supplies to kEUR 1,101 (previous year: kEUR 550).

Equity capital

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

The development of the Other Provisions is included in the Group Statement of Changes in Equity.

The item of Market Evaluation Provisions, included for the first time in the business year of 2005, increased by kEUR 310 (previous year: kEUR 157) to kEUR 461 (previous year: kEUR 254) by the 3rd quarter of 2006. Due to the regulations coming into force by 31 December 2005, to conduct the adjustment of the previous year's figures necessary due to the amendment of the IAS 39, pursuant to the IAS 39.107, starting 1 January 2004, we have adjusted the figures of the comparative period of the 3rd quarter of 2005. The adjustment affects the restructuring in the amount of kEUR 10 from the item Market Evaluation Provisions in the cumulated profits.

The cumulated profits comprise the profits and losses brought forward (kEUR 4,834; previous year: kEUR 4,615) and the current period result (kEUR 1,068; previous year: kEUR 1,181) deducting the dividends paid out (kEUR 1,440; previous year: kEUR 1,260). The losses incurred by apoplex medical technologies GmbH as per 30 September 2006 in the amount of kEUR 128, which are to be consolidated, were reallocated according to the shares of the other shareholders, pursuant to IAS 27.35, not exceeding the amount of the minority share of the equity capital in the amount of kEUR 45. The loss in the amount of kEUR 15 allocated to the minority shares and not covered by the equity capital was offset against the Group Period Result of Geratherm Medical AG as the majority shareholder.

Dates for further reporting

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