

Geratherm®



Annual Report 2006

"Investing in Health Care"

FINANCIAL RATIO
Geratherm Medical

| | 2006 | 2005 | Changes opposite 2005 |
|-----------------------------------|------------|------------|-----------------------------|
| Sales revenues | 8,590 kEUR | 8,191 kEUR | 4.9% |
| Export share | 6,814 TEUR | 6,322 kEUR | 7.8% |
| Export ratio | 79 % | 77 % | 2.6% |
| Gross profit (EBITDA) | 1,001 kEUR | 986 kEUR | 1.5% |
| EBITDA - Margin | 11.7 % | 12.0 % | -2.5% |
| Amortization and depreciation | -343 kEUR | -369 kEUR | -7.2% |
| Operating results (EBIT) | 658 kEUR | 617 kEUR | 6.6% |
| Result of ordinary activities | 1,957 kEUR | 1,420 kEUR | 37.8% |
| Financial results | 1,299 kEUR | 803 kEUR | 61.8% |
| Consolidated profits (EAT) | 1,903 kEUR | 1,479 kEUR | 28.7% |

At a glance

| | | | |
|--|-------------|-------------|-------|
| Long-term assets | 5,164 kEUR | 5,272 kEUR | -2.0% |
| Short-term assets | 13,856 kEUR | 13,282 kEUR | 4.3% |
| Total assets | 19,020 kEUR | 18,554 kEUR | 2.5% |
| Equity capital | 17,505 kEUR | 17,122 kEUR | 2.2% |
| Return on equity | 10.9 % | 8.6 % | 25.9% |
| Equity ratio | 92.0 % | 92.3 % | -0.3% |
| Cash, cash equivalents and securities | 8,916 kEUR | 9,183 kEUR | -2.9% |
| Earnings per share according to IFRS (EPS)* | 0.42 EUR | 0.33 EUR | 27.3% |
| Earnings per share according to DVFA* | 0.42 EUR | 0.33 EUR | 27.3% |
| Proposed dividend per share | 0.40 EUR | 0.32 EUR | 25.0% |
| Number of employees (annual average) excluding board members | 72 | 72 | 0.0% |
| Individual shares | 4,500,000 | 4,500,000 | |
| *based on individual shares in circulation | 4,500,000 | 4,500,000 | |

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Fiscal year 2006

Increase in sales +4.9%

Operating performance +6.6%

Strong financial results +1,299 kEUR

Consolidated profits +1,903 kEUR

Earnings per share 42 EUR cent (2005: 33 EUR cent)

Tax-neutral dividend 40 EUR cent per share

Stable Outlook for 2007

We are changing our strategic focus

"Geratherm specializes in the development, production and distribution of products in the field of medical temperature management and vital data as well as investments in the health care sector."

Dr. Gert Frank - CEO



Rudolf Bröcker
Chairman of the
Supervisory Board



It is the task of the Supervisory Board to advise and monitor the Board of Management regularly in the management of the company.

It is for this purpose that the Supervisory Board of Geratherm Medical AG convened for four sessions in the business year of 2006. The Board of Management reported to the Supervisory Board on the business developments promptly and comprehensively, both

in writing as well as orally, in the 2006 business year. This also included monthly reports the Board of Management made available to the Supervisory Board, in which the corporate numbers of the previous month were prepared in writing, including comments and explanations.

Apart from the regular exchange of information between the Supervisory Board and the Board of Management, the Chairman of the Supervisory Board and the Chairman of the Board of Management discussed individual items over the telephone regularly and this usually once a month, with more calls as the need arose.

Report of the Supervisory Board

There were no conflicts of interest of its members brought to the attention of the Supervisory Board in 2006, so that every member was able to participate in every discussion and decision.

The Supervisory Board was included in the major business transactions. Sales and procurement markets important to Geratherm were supervised within the framework of risk management. The status of the new business fields "Warming systems" and "apoplex medical" formed one focus of the discussions between the Board of Management and the Supervisory Board.

Special weight was also attached to monitoring the strategy of securities investment of the Finance Division. The Chairman of the Supervisory Board was informed about this topic in writing at least once a month, too. The Supervisory Board followed the proposal of the Chairman of the Board of Management to extend the financial investments in the future and, if possible, to concentrate them on companies of the MedTech-Pharma-Biotech industry.

The Annual Accounts of Geratherm Medical AG, the Group Financial Statement as well as the Management Report were audited and given

the unqualified audit certificate for the business year of 2006 by the auditors commissioned, the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Leipzig. The financial statements as well as the auditing reports were passed on to the Supervisory Board members immediately upon completion. The auditor participated in the discussions of the Supervisory Board on the financial statements and reported on the main findings of the audit and was available for answering any questions.

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The Supervisory Board has approved of the results of the audit by the auditor.

The supervisory Board has checked the Annual Accounts and the Management Report as well as the Group Financial Statement and the Management Report of the Group and has filed no objections following the final results of the check.

At its meeting on 23 March 2007, the Supervisory Board approved of the Annual Accounts of 31 December 2006 and the Group Financial Statement according to IFRS, which are thus agreed. The Supervisory Board agrees with the proposal of the Board of Management on the appropriation of the balance profit, which envisages a dividend in the form of a tax-neutral payment of 0.40 Euro per no-par share for the year 2006.

The auditors, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, checked the report by the Board of Management on the relations with associated companies. They confirmed that following their dutiful check and assessment, the details contained in this report are correct and that the services of these companies were appropriate. Following the final results of their check, there are no objections filed against the declaration by the Board of Management on such relations. The Supervisory Board agrees with the findings of the auditors.

The Supervisory Board would like to thank the Board of Management and the staff members for their committed and successful work in the year under report and wish them continued success also in the year 2007.

Geschwenda, dated this day
For the Supervisory Board



Rudolf Bröcker – Chairman

Dear shareholders and friends of Geratherm,



Dr. Gert Frank
Chairman of the
Managing Board

2006 was the hitherto most successful business year for our company. The operational division made a sound contribution. Extraordinarily good yields were achieved in the financial division. All in all, our activities within the Group led to the best result ever.

At the beginning of the year, political and economic insecurity still

dominated the news. Supported by a German export economy, which remained strong in the international competition, Germany did experience the long hoped for upswing in the economy since the summer.

Equity prices rose further on the stock exchanges, despite the global upward trend in interest rates and the capers of the oil price during the first quarter. In May, there was a significant consolidation that surprised many. In the second half of the year, the stock development gathered momentum once more and led to another year with a clear double-digit value development.

We had long discussions in the Managing Board and the Supervisory Board about investing our cash items more in the equity market. The focus here was to be companies with a very sound evaluation or which are to be found in the MedTech-Pharma-Biotech industries, so that we can contribute certain know-how to the equation.

The decision has proved to be right. Relating to the capital used, a realized yield of 38.9 % was achieved by 31 December 2006. Less the costs and referring to the capital employed on average over the year, the net yield amounts to 26 %. This means a contribution in the amount of EUR 1.3 million of the financial division towards the Group result. One of the main gains in value came from our relatively early investment in the Biotech company Evotec. The same was true for one of the largest hospital IT groups, the Belgian AGFA Gevaert. A profit of more than EUR 550,000 was achieved with these two investments alone. In order to align the securities portfolio even more strongly towards the health-care sector, all securities that did not correspond with these criteria were sold off during the 4th quarter of 2006. This yielded a further significant profit for Geratherm from the sale of securities.

Report of the Managing Board

Of the approx. EUR 17.5 million equity capital of Geratherm Medical AG, some EUR 8.5 million are bound in the operational business. A further EUR 9 million is available to the financial division for investments. The share of securities in the overall liquid assets stood at a mere 42 % on 31 December 2006. Depending on attractive investment opportunities, it is planned to increase this share in 2007.

The relatively high level of liquidity of the company at the end of 2006 will provide the possibility of using any opportunities that may arise in 2007.

There might be vehement reactions of the financial markets in 2007. Optimism in all types of investment and the growing unconcern of the investors represent a dangerous mixture. The quiet phase of the past 2 years might soon be over. Ideal conditions: low interest rates – steadily rising shares – historically low risk premiums – never last for too long. If our assessment proves correct, we will avail of attractive investment opportunities in the healthcare sector.

“2006 was the hitherto most successful business year for our company”

In summary, we can say that we are proud of reaching the greatest part of the goals set for 2006. The international building of the brand Geratherm could be strengthened. The regular business is still running stably and enables us to penetrate to new operational fields of business, which are burdening the operational core business with approx. EUR 269,000 p.a., on the one hand, which are of great importance, however, in positioning Geratherm as a competitive MedTech company in the medium term, on the other hand.

The turnover of Geratherm increased slightly by 4.9 % in 2006 to reach EUR 8.6 million. The operational result (EBIT) of EUR 658,000 stood slightly above last year's level. The Group result increased by 28.7 % to reach EUR 1,903,000. The earnings per share increased significantly by 27.3 % from EUR 0.33 to EUR 0.42.

The main focus of the current business year 2006 was on the area of warming systems. We were able to double the turnover in this new business segment and win prestigious orders. The Mountain Rescue of the Winter Olympics in Turin 2006 decided in favour of the new “Rescue Warming Systems” of Geratherm, just as the entire helicopter unit of the DRF (Deutsche Rettungsflugwacht/German Air Rescue).

The ADAC (German Automobile Association) also purchased the new Geratherm "Rescue Warming Systems" to fit out their helicopter unit.

"The Mountain Rescue of the Winter Olympics in Turin 2006 decided in favour of the new "Rescue Warming Systems" of Geratherm, just as the entire helicopter unit of the DRF (Deutsche Rettungsflugwacht/German Air Rescue)"

The product satisfaction of our customers in the area of warming systems is encouraging so far; thus, we expect to be awarded some of the pertaining tenders of the US military and the national US rescue forces throughout the year of 2007.

We would like to thank our shareholders, customers and committed staff for their support and the good suggestions some have made.

This year's General Meeting will take place in Frankfurt am Main, Hotel Hessischer Hof, on 11 June 2007. We want to invite you cordially and would be happy to welcome you to Frankfurt on that day.

**Report of the
Managing Board**

Yours sincerely



Dr. Gert Frank



The Geratherm Share

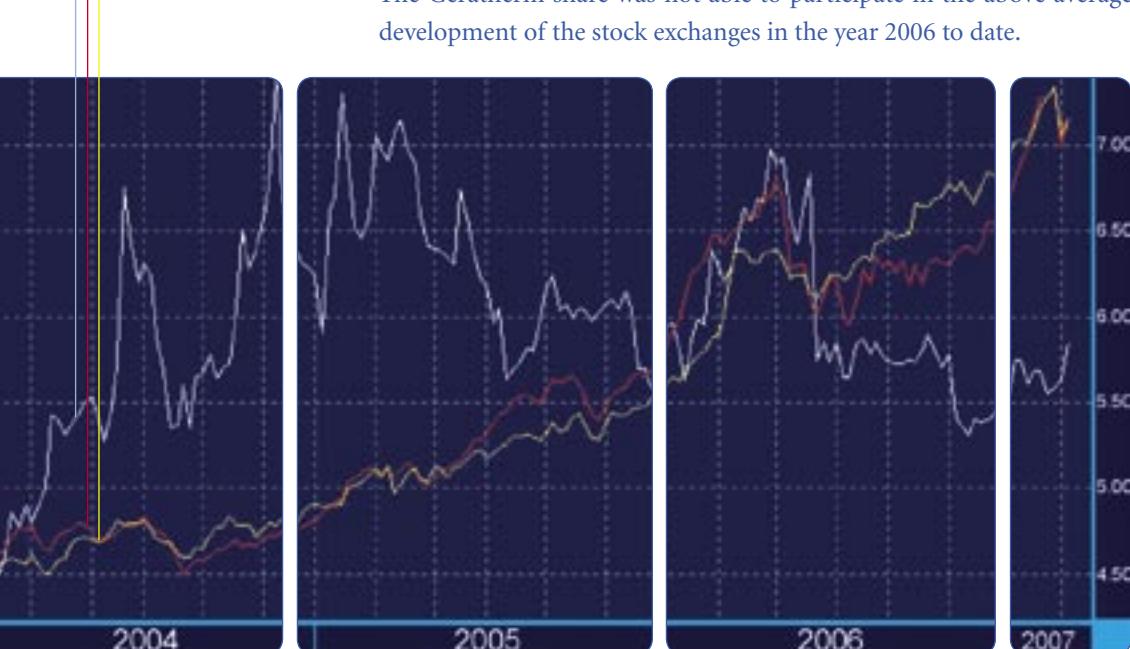
The 2006 stock year proved extraordinarily good for European shares. The upward trend of the year 2005 was continued also in 2006 and that at a high level of dynamism. The German Share Index (DAX) rose by 22 % to more than 6,597 points and thus reached the highest level since the summer of 2001. MDAX and SDAX also clinched a plus of 27.4 % respectively 29.9 %. The shares of the European medical technology companies were also able to benefit from the good mood at the stock exchanges.

The share of Geratherm Medical AG remained stable in the year 2006, there was only little fluctuation between EUR 5.00 and 6.00. The starting price of the year 2006 stood at EUR 5.55, the year end price in Xetra trading was EUR 5.69.

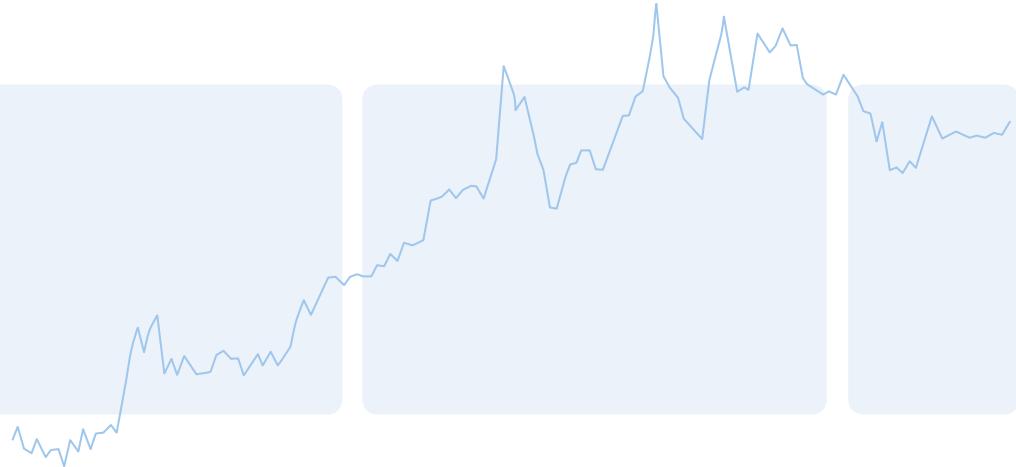
GME - Geratherm Medical

PRIME PHRM&HCR

GEX TOTAL RETURN I



The Geratherm share was listed first in the year 2000 for official trading at the Frankfurt Stock Exchange. The share of the company is to be found in the highest quality segment, the so-called Prime Standard. Furthermore, Geratherm Medical AG has been added to the German Entrepreneurial Index (GEX-Index). The graphic shows the chart development of the Geratherm share over the past three years, in comparison with the GEX and the Prime Pharma & Health Care Index. The shares of the company are currently being held by approximately 1,700 shareholders. The free float of the company amounts to 39.7 %.



"Increase of the tax-neutral payment (dividend) suggested"

Geratherm Medical AG is endeavouring to ensure the most open and transparent financial reporting possible. Apart from the prospects of the company, we strive to communicate the sound and continuous business development of Geratherm Medical. As part of our investor relations activities, we participated in the Med-TechDay in Frankfurt in April 2006, at which all major stock exchange listed medical technology companies presented themselves to international investors.

Increase of the tax-neutral payment (dividend) suggested

The earnings per share amounted to 42 cents for the 2006 business year (previous year: 33 cents). Geratherm Medical AG still has a tax credit balance in the deposit account (Section 27 KSTG Corporation Tax Law) in the amount of EUR 21,641,454 million. The current and future payments are to be taken from this deposit account. Both the Supervisory Board and the Board of Management of Geratherm Medical AG will suggest to the Shareholders' Meeting on 11 June 2007 to pay out a tax neutral dividend from the deposit account to our shareholders in the amount of 40 cents. There is a net dividend yield of 7 % on the basis of the Xetra closing price of EUR 5.69 on 31 December 2006.

We regard the relatively stable group of shareholders and the positive share price development over the past 3 years as a confirmation of our efforts and a motivation to continue on the path followed thus far.

Operational Product Areas

Geratherm Medical AG has a sound regular business with international activities, which will provide a stable contribution to the corporate success also in the years to come, with a high degree of probability. However, we are convinced that the limited growth possibilities resulting from the cramped market conditions and the competition in the regular business will not live up to our demands and the demands of our shareholders in the long term.



That is why we have decided to penetrate two new business fields, of which we believe that they serve the most demanding markets and can enable long-term growth.

"One of our main activities in the new markets are the medical warming systems, for the operating theatre, cosmetic surgery and the rescue area"

One of our main activities in the new markets are the **medical warming systems**, for the operating theatre, cosmetic surgery and the rescue area. We see a high demand for warming systems, especially in the military area. These are niche markets but of an international character.

Geratherm has the unique technological prerequisites as well as a brand with a high level of recognition in the area of temperature management.

The turnover in the area of warming systems is still under 10 % of the total Geratherm turnover; it will, however, account for a significant part of the turnover in the next 5 years. We believe that we will be able to position the company Geratherm as an internationally operating enterprise in the field of temperature management well. The market successes so far strengthen our resolve to continue along this path.



In the second new business field, we are trying to become active in the area of **prevention of cardiac arrhythmia**. These activities are concentrated in our own subsidiary - apoplex medical technologies. We have a very good and mature technology for the detection, especially of intermittent atrial fibrillation. The marketing proved not to be very easy over the past two years. Following several attempts, however, there are good chances for the next year that the market success planned by us will become reality. The doctors who are using the apoplex system are satisfied. Currently, some 140 analyses are billed for every month. At the same time, the installed base of 20 systems is too small. We regard this as a test installation. Management, however, is optimistic that the installed and billed base will be increased significantly by the end of the year 2007. Geratherm holds 60 % in the company and a further 40 % are held by the management of apoplex medical. All shareholders have accompanied the development of the company financially in the year 2006.



Our classic product

– the mercury-free gallium-filled medical thermometer – is one of the most sold medical thermometers in the drugstore chains with a turnover of approx. 840,000 items.

The **Vital Signs** area reflects mainly the segments of the classic regular business of medical thermometers and blood-pressure measuring devices for pharmacies and hospitals. In the field of medical thermometers, we have a high level of awareness and have unique technological selling points, which secure a good market position for us. Every year, some 3.6 million items of Geratherm medical thermometers are sold. Our classic product – the mercury-free gallium-filled medical thermometer – is one of the most sold medical thermometers in the drugstore chains with a turnover of approx. 840,000 items. The growing awareness of the consumer of environmentally friendly products should hold some opportunities for Geratherm also in the years to come. It is on this backdrop that the solar thermometer developed by Geratherm, a digital medical thermometer with solar cells, is growing in importance.

We are offering blood-pressure measuring devices in the same markets and distribution channels as we are selling medical thermometers. Even though there is a fierce competition here, we were able to develop this segment. Within the framework of a niche policy, we are aiming at offering blood-pressure measuring devices that live up to the high demands of pharmacies.

A man in a yellow shirt and blue shorts is jogging on a sandy beach. He is in mid-stride, facing right. The ocean and sky are in the background.

The company GME Rechte und Beteiligungen is a 100 % subsidiary of Geratherm Medical AG. All the trademark rights, licenses and patents are pooled in this company. The company concludes independent product and licensing agreements. There was a neutral result of the company for the business year of 2006.

Our subsidiary **Geratherm do Brasil** is marketing products mainly from our regular business to the South American market. We were very satisfied with the development of the Geratherm subsidiary in Sao Paulo in 2006, in which we hold a 51 % share. The sales of Geratherm products rose from 329 kEUR to 902 kEUR. Based on the turnover of 902 kEUR a result before tax was achieved in the amount of 144 kEUR. The Geratherm sales company should undergo a positive development also in the years to come. At a later time, the sales company is to offer the products from the new business fields to the South American market. In 2006, Geratherm do Brasil employed a staff of 5 persons.

Fácil de utilizar,
preciso, resistente e confiável.

Mais Saúde em sua vida

Geratherm®
Medical Diagnostic Systems



Investment in Health Care

Besides the operational division within Geratherm Medical AG, more and more investments are carried out in securities.

This segment has been developed successfully over the past 3 years. On 31 December 2006, the share of securities in the free liquid assets amounted to 42.4 %. All in all, the financial division of Geratherm had cash in the amount of EUR 8,916,000 at its disposal for investments at the end of the year.

Throughout the course of the business year, the idea materialized to concentrate equity investments exclusively on companies from the healthcare sector. This strategy was implemented in the 4th quarter of 2006, so that by the end of the year, we had investments in this sector only. The gross yield of the capital invested stood at 38.92 % on 31 December 2006.

NOVAVAX



"The gross yield of the capital invested stood at 38.92 % on 31 December 2006"

(osi) pharmaceuticals

Within the healthcare sector, we focused on such companies that are active in the segment of early detection of cancer, cancer treatment, age-related diseases or vaccines in the farthest sense of the word.



Given an aging population, the number of cancer cases will increase significantly over the years to come. This trend is augmented by improved methods of early disease detection. In the area of cancer treatment, there remains a great medical need for targeted, effective and, at the same time, well tolerated drugs.



Through the investment in **OSI Pharmaceuticals**, we hold a share in the manufacturer of the cancer drug Tarceva. With a turnover of more than 800 million Swiss francs, Tarceva was the fifth most sold drug of Roche in 2006. **Onyx Pharmaceuticals** is the manufacturer of the new cancer drug Nexavar, which is being marketed by Bayer. Last year, the turnover was EUR 100 million. **Adolor** is probably going to have a pain killer licensed in the year 2007, which is to be offered through Glaxo. **EVOTEC** is the largest German biotech company with the main indication areas of sleep and Alzheimer's.



We endeavor to build a very balanced portfolio in the healthcare sector and are convinced that we will be able to achieve yields that are both interesting for our shareholders as well as the Geratherm company.

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Business Development

Starting Situation and General Economic Environment

Geratherm Medical AG was once again able to draw on its stable business roots during the 2006 fiscal year. Sales and operating income developed at the same level as before. Together with a favorable stock market trend, the financial segment made a significantly higher contribution to the Group's overall performance. 2006 turned out to be Geratherm's best business year so far.

The general economic setting was good in 2006. After years of rather lean growth, Germany's economy enjoyed a respectable growth, surpassing in fact many forecasts. According to calculations of the Federal Statistical Office, the gross domestic product (GDP) after adjustment for price rises in 2006 grew by 2.7 % in comparison with a year earlier; the growth was even 2.9 % after adjustment for working day variations. That is the strongest economic revival since the banner year of 2000. All the signs indicate that the growth trend will continue, albeit at a slower rate most probably though. All in all, the increase in business activities developed better in 2006 than was generally expected. The situation remains quiet and steady on a high level. Mainstay was once again exports, which made a disproportionate contribution.

Group Management Report

The global economic growth for 2007 is expected to be just below 5 %. Due to development in China, India and other countries with a significant backlog, the global economy continues to grow at this level for the fourth year. Nonetheless, the dynamics of global demand could sag as a result of growth waning in the US. The real estate market in the US is no longer booming. Increases in the prime interest rates will also have a dampening effect on business activities - the US Federal Reserve raised the interest rate by 1 % to 5.25 % from its level since mid 2004.

"The general economic setting was good in 2006"

The attempt by China's government to curb growth in order to counteract an overheating of the economy could also have a slightly negative impact. Economic Research estimates only a 1 % growth in 2007 for Germany's gross domestic product in comparison to the year before.

The majority of our plan estimates for the 2006 fiscal year proved correct. We predicted that with unchanging general conditions the company could develop positively in terms of sales and earnings. We did achieve most of our objectives.

We managed to increase our sales by 4.9 %. Our subsidiary in Brazil provided significant stimulus here. We failed to realize our original goal of posting an operating income (EBIT) at least on the same favorable level as in 2004. Nonetheless, our operating income is 6.6 % higher than the level attained last year. The preproduction costs in the new business segments „warming systems“ and „cardiac dysrhythmia“ continued to have an unfavorable impact. The profits reported by our subsidiary in Brazil in the amount of 144 kEUR far exceeded our expectations. We were able to reduce the loss incurred by the warming systems from -199 kEUR to -79 kEUR. Thus, we were unable to achieve our goal of having a positive profit contribution with these products.

“The majority of our plan estimates for the 2006 fiscal year proved correct”

Although the subsidiary apoplex medical technologies GmbH did experience better development compared to the year before, it still placed a substantial weight, -190 kEUR, on the operating profit of Geratherm Medical.

After registering noticeably positive financial results in 2005, we resolved to generate a similar profit statement for 2006. The capital markets progressed well and the selection of financial investments proved correct. Consequently, this segment earned a noticeably higher amount than anticipated originally and thus proved to be a stable source of income. As in 2005, it made a considerable higher contribution to the overall operating performance. Because of the good financial income it was possible to achieve a net income that was almost 30 % higher than last year’s overall performance.

After registering a strong +14 % increase in sales in 2005, we were unable to increase group sales in 2006 on the same high. Nonetheless, group sales did increase by 4.9 % to 8.6 million EUR.

In 2006, the sales of Geratherm’s clinical thermometers experienced slight losses compared to the previous period, when they recorded noticeable increases in sales. Even though these product segments generated an accumulated sales of EUR 5.4 million, the segment drifted lower with a deficit of 7 %. The market position of our clinical thermometers remains stable. The figures are influenced, however, by the fact that the sales of **analog clinical thermometers** was marked by noticeably weaker performance in the US. No losses were registered in terms of customers. We assume that this is the result of a general decline in the market volume,

caused by a weaker flu season in 2006 in the US and by a drop in the dollar due to currency relations.

The **digital thermometers**, which are sold primarily in Europe, managed to maintain approximately their volume. The trend of Geratherm's „flex“ product was favorable, marked by a 17.2 % increase in sales. Our ear/forehead thermometer „duotemp“, which was launched in 2005, was not able to maintain the level of sales registered in its first year on the market, amounting to 589 kEUR, and established a sales level of 515 kEUR.

The trend of Geratherm's „flex“ product was favorable

The quantity of Geratherm clinical thermometers sold worldwide declined in 2006 from 3.6 million units to 3.2 million units.

The **digital blood pressure meter** segment was able to continue its growth in 2006 with sales increasing by 40.3 % to EUR 1.8 million. The main sales market for these products were the flourishing markets of South America and Middle East.

| Sales revenues based on product groups | 2006 | 2005 | Difference |
|--|--------------|--------------|--------------|
| | TEUR | TEUR | |
| Analog diagnostic products | 3,567 | 3,932 | -9.3% |
| Digital thermometers | 1,796 | 1,835 | -2.1% |
| Digital blood pressure meters | 1,772 | 1,263 | +40.3% |
| Other products | 1,455 | 1,161 | +25.3% |
| Total | 8,590 | 8,191 | +4.9% |

The **Other products** segment, which includes, among others, the warming systems, registered noticeably better results in 2006 and finished the year with a 25.3 % increase in sales. The key growth driver in this segment was the warming systems, which increased sales from 249 kEUR to 592 kEUR (+137.8 %). Should this segment continue to develop favorably as planned, we will consolidate the warming systems into their own segment as of 2007.

Geratherm's products are purchased primarily by pharmacies and hospitals. The sales structure in the individual countries is fundamentally similar. The warming systems are offered to hospital customers through specialized distributors of medical equipment. All in all, Geratherm registered active business contacts in more than 57 countries.

| Sales revenues based on regions | 2006 TEUR | 2005 TEUR | Difference |
|---------------------------------|--------------|--------------|--------------|
| Germany | 1,775 | 1,869 | -5.0% |
| Europe | 3,540 | 3,737 | -5.3% |
| USA | 1,298 | 1,595 | -18.6% |
| South America | 918 | 355 | +158.6% |
| Middle East | 546 | 374 | +46.0% |
| Other | 513 | 261 | +96.6% |
| Total | 8,590 | 8,191 | +4.9% |

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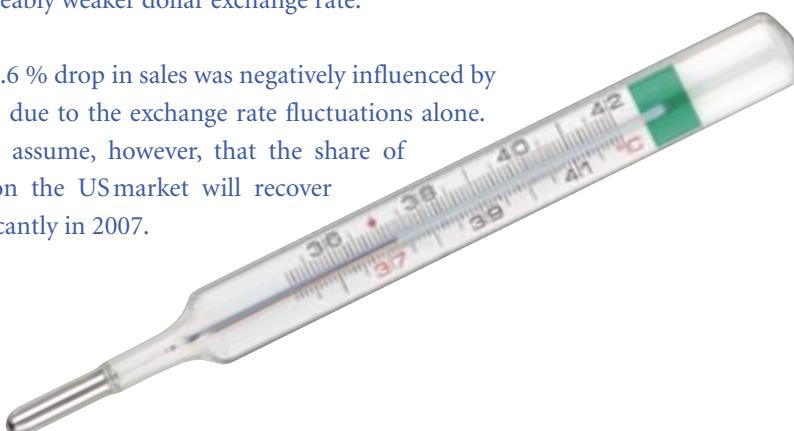
All in all, Geratherm was able to log a sales volume of EUR 6.8 million worldwide. At 79.3 % its export share was once again two percentage points higher than that achieved a year earlier. We view the high and steady export share as a sign for the continued competitiveness of Geratherm's products internationally.

The domestic share was 20.7 % (EUR 1.8 million) of the total sales of EUR 8.6 million. After logging a strong growth of 17.5 % in the year before, we registered a slight 5 % decline on the German market in 2006. The market situation in Germany continues to be characterized by a high price sensitivity and intense competition.

The distribution of sales for the individual regions is almost the same as last year. We have had very good results in the sales markets of the so-called newly industrializing countries, where we have gone to great lengths over the past few years. With EUR 3.5 million, the sales within Europe amounted to 41.2 % of the business activities of Geratherm Medical AG. The largest sales markets within the European Economic Area include France, Italy, Switzerland and Finland.

On the US market, we registered a sales loss of 18.6 % compared to the year before. There gallium thermometers are sold almost exclusively through US drugstore chains. We attribute the decline in sales to the fact that product demand was sluggish because of the weaker flu season and a noticeably weaker dollar exchange rate.

The 18.6 % drop in sales was negatively influenced by 11.7 % due to the exchange rate fluctuations alone. We do assume, however, that the share of sales on the US market will recover significantly in 2007.



Business activities in South America, which are taken care of by Geratherm do Brasil, could provide a considerably favorable impetus. Our subsidiary almost tripled its sales in 2006 with 902 kEUR. Sales in the Middle East also developed favorably, once again registering a double-digit growth for a total 546 kEUR. Our activities in this region, especially the participation in Arab Health in Dubai, offer a solid foundation for tapping further growth potential in this region. The strong growth in other countries is essentially attributed to the delivery of a large order for military hospitals in India.

"Business activities in South America, which are taken care of by Geratherm do Brasil, could provide a considerably favorable impetus"

We are proceeding on the assumption that both the export share and the distribution of sales based on countries will be similar in structure during the 2007 fiscal year, whereas we are expecting greater impetus for business in the export segment than at home on the German market.

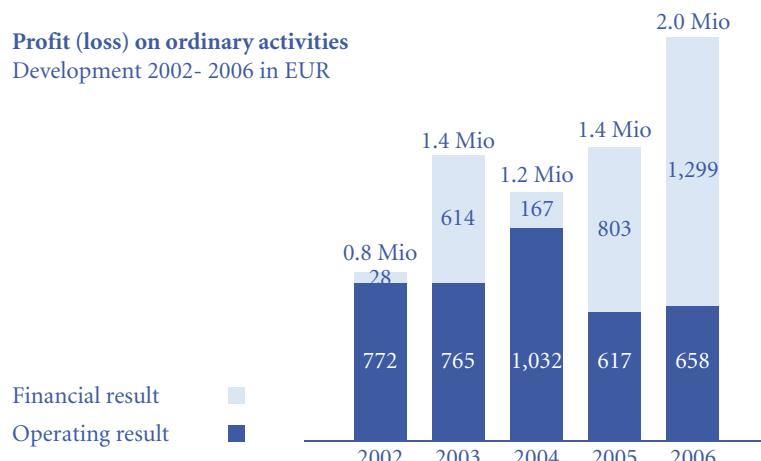
Income, Net Assets and Financial Situation

Consolidated profits 1,903 kEUR + 28.7 %

Group Management Report

The company's performance during the 2006 fiscal year was essentially influenced by the upturn in sales, the high yield from the financial results, exchange rate fluctuations and start-up losses regarding new products. All in all, Geratherm Medical is able to show for the 2006 fiscal year its best business performance so far with consolidated profits amounting to 1,903 kEUR.

The income per share is 42 euro cents, which means a 27.3 % increase compared to a year earlier and thus has more than doubled during the last 4 years.



Sales grew by 4.9 % to 8,590 kEUR in the operating segment. Geratherm's gross profit remained steady during the 2006 fiscal year with 4,817 kEUR due to higher expenditures for purchased services and slight increase in material costs. The gross margin of the company dropped slightly to 56.1 % (2006: 58.8 %).

The level of costs in the company did improve on the level registered last year. Personnel expenses were slightly below last year's level (-2.3 %) with 2,022 kEUR. The decline in administrative costs by altogether 136 kEUR developed favorably.

Amortization of intangible assets and depreciation of tangible assets were reduced by 7.2 % to 343 kEUR (2005: 370 kEUR). The other operating expenses increased by 2.1 % to 1,794 kEUR (2005: 1,758 kEUR). In this case, the expenditure for rate fluctuations in the amount of 152 kEUR had an unfavorable effect. Distribution expenses increased by 48 kEUR due to greater export activities.

"The EBIT margin of 7.7 % does not currently reflect the earning potential of its regular customers, which is significantly higher"

The operating results before interest and taxes (EBIT) was 658 kEUR (2005: 617 kEUR). The EBIT margin of 7.7 % does not currently reflect the earning potential of its regular customers, which is significantly higher. We are still convinced that the investments we made in future markets will be very important for the development of the company and do justify a temporary reduction of the margins.

The operating results (EBIT) were encumbered by the losses incurred due to exchange rate differences (-152 kEUR) in 2006 and due to the consolidated start-up losses of our subsidiary apoplex medical technologies GmbH (-190 kEUR). The losses experienced in the warming systems segment noticeably decreased during the 2006 fiscal year. Like last year, there was a loss of -79 kEUR (2005: -199 kEUR), which weighed upon a higher profit statement. Appropriation of results from our Brazilian subsidiary in the amount of 144 kEUR did have a favorable effect. Segregating the start-up costs for the new products and the contributions of consolidated companies yields an operating result (EBIT) of 783 kEUR for Geratherm's core business (2005: 964 kEUR).

For 2006 it was possible to generate higher financial results in terms of quality. With a profit of 1,299 kEUR, the financial results jumped ahead 61.8 % over last year's level (803 kEUR).

The unrealized profits were altogether 79 kEUR as of Dec. 31, 2006 (2005: 151 kEUR). These are not included in the profit and loss statement. Instead they are entered in a so-called market valuation reserve in the equity capital.

The majority of the liquid funds is interest from fixed term deposits, which only produce very slight earnings. The share of securities investments increased to 3,787 kEUR or 42.4 % of available funds in 2006. The invested financial resources yielded a net return of 26 % during the 2006 fiscal year.

The financial resources invested in shares since 2003 have generated a favorable return so far. The following table provides an overview of the amount invested and the resulting return.

| Share investments of Geratherm Medical AG | 2006 | 2005 | 2004 | 2003 |
|--|-------|-------|-------|-------|
| | TEUR | TEUR | TEUR | TEUR |
| Average amount invested in shares | 4,579 | 2,565 | 1,342 | 793 |
| Yield attained from sale of shares and dividends | 1,192 | 697 | 73 | 441 |
| Net yield | 26.0% | 27.2% | 5.4% | 56.6% |
| DAX trend | 22.0% | 27.1% | 7.3% | 37.1% |

Group Management Report

Security investments yielded earnings from the dividend payments in the amount of 67 kEUR (2005: 79 kEUR). Interests and similar earnings (primarily from fixed-term deposit investments) were 108 kEUR (2005: 126 kEUR) or 13.9 % less than achieved during the year before.

Together with financial income, the results from ordinary business activities increased considerably by 37.8 % to 1,957 kEUR (2005: 1,420 kEUR) in 2006. The stock corporation did not have any tax burdens due to loss carryover. The reported tax burden of -57 kEUR affects the change in the deferred tax assets.

"Together with financial income, the results from ordinary business activities increased considerably by 37.8 % to 1,957 kEUR (2005: 1,420 kEUR)"

The net income of Geratherm Medical for the 2006 fiscal year amounted to 1,899 kEUR and thus is 33.1 % above the level attained the year before. The losses incurred by apoplex medical technologies GmbH are taken into account during consolidation only to the extent of our shareholding in the amount of 60 %. This also applies to Geratherm do Brasil, in which we have a 51 % share. Full consolidation produced

a result allotted to other shareholders in the amount of -4 kEUR (2005: -52 kEUR).

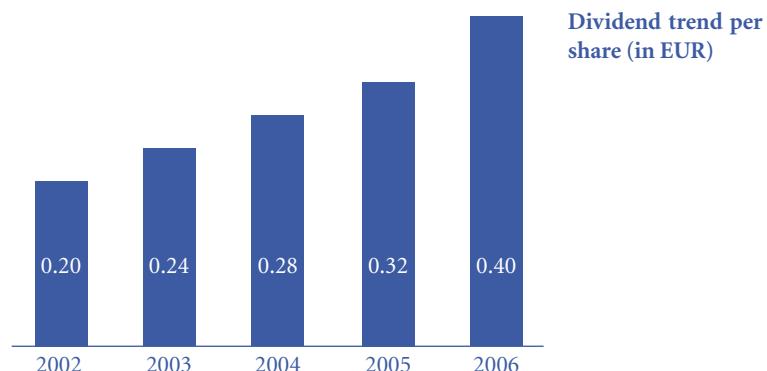
Geratherm Medical reported a consolidated income of 1,903 kEUR (2005: 1,479 kEUR) for the 2006 fiscal year. With this +28.7 % jump, Geratherm Medical AG managed to achieve its best consolidated profits so far. The earnings per share were 42 EUR cents (2005: 33 EUR cents).

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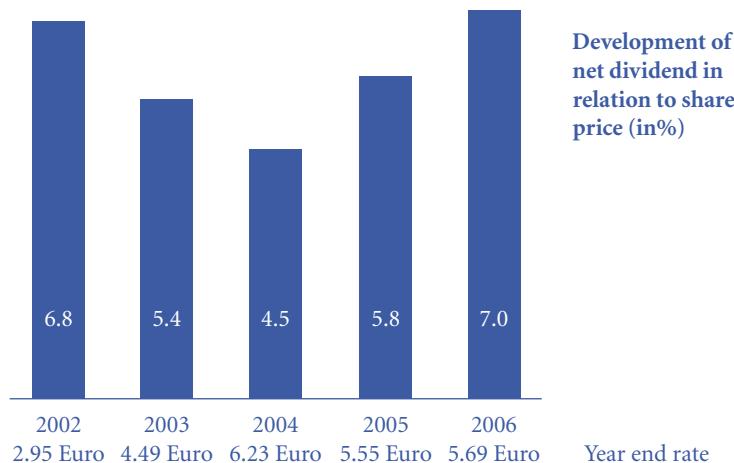
Tax-neutral Dividend

40 EUR cents per share

Geratherm Medical was able to follow the positive income trend of the previous years. The company's availability of liquid funds and its prospects make it possible once again to propose a dividend payment to our shareholders for 2006.



The board of directors and supervisory board of Geratherm Medical AG propose to the general meeting a tax neutral distribution of dividend in the amount of 40 EUR cents per share (2005: 32 EUR cents). The dividend will be distributed to shareholders as a tax-neutral payment. The balance of the bank account for tax purposes (Art 27 of KStG (Corporation Tax Law)) was EUR 21,641,454 at the end of 2006. Subject to the ability to pay a dividend, we will be able to continue to distribute future dividends to shareholders as part of a „return of capital“.



Net Assets

Geratherm Medical enjoys a stable asset situation. The financial resources provided by shareholders of Geratherm Medical allow the company to operate without any external funding.

At the end of the 2006 fiscal year, the company's equity capital amounted to EUR 17.5 million (2005: EUR 17.1 million) and accounts for 92 % of the total assets or EUR 3.89 per share. In other words, the equity capital almost makes up the total assets of EUR 19 million in full. The equity capital available permits Geratherm to pursue medium-term and long-term development of products that are associated with corresponding risks in the medical segment.

"At the end of the 2006 fiscal year, the company's equity capital amounted to EUR 17.5 million and accounts for 92 % of the total assets or EUR 3.89 per share"

As of Dec. 31, 2006 a total EUR 10.1 million were tied up in Geratherm's operating segment. The financial segment had EUR 8.9 million in funds available, including EUR 3.8 million which were invested in securities and the remaining EUR 5.1 million deposited in financial institutions at prevailing market rates.

The return on the total capital invested was altogether 10.9 % for 2006 (2005: 8.6 %). The operating segment earned a 6.5 % return on the capital invested. Consequently, the financial segment had a total 14.6 % return including the fixed-term deposits. During the 2006 fiscal year, a net return of 26 % was attained from the securities investments.

Short-term liabilities in the amount of 907 kEUR (2005: 749 kEUR) are primarily trade accounts payable accounting for 282 kEUR and accrued liabilities of 335 kEUR, which are included in the other liabilities amounting to 555 kEUR (2005: 529 kEUR).

The total assets in the amount of EUR 19 million are made up of EUR 2.3 million in intangible and tangible assets, EUR 2.9 million in deferred taxation and EUR 13.9 million in short-term assets.

The intangible assets - as part of the long-term assets - decreased slightly by 0.2 % to 467 kEUR.

The tangible assets declined by 2.7 % to EUR 1.8 million. The assets in land, land rights and buildings decreased by 5 % to EUR 1.4 million due to normal depreciation. This was also true for technical equipment and machinery, which have already been written off for the most part and only show with a residual value of 229 kEUR in the books.

Inventories increased by 12 % to EUR 2.6 million. The reason for this increase was the procurement of a larger amount of raw materials for production. This level of raw materials amounting to approx. 400 kEUR will decrease over the course of the 2007 fiscal year. The inventories of finished products and goods decreased by 20.4 % to 919 kEUR as of the balance sheet date.

The trade accounts receivable increased by 30.2 % to EUR 2.2 million. The reported increase in accounts receivable can be attributed to the sales generated in December, which with more than EUR 1 million in sales was the strongest performing month of the entire fiscal year.

The securities held by Geratherm Medical increased by 17.7 % to EUR 3.8 million. The liquid funds amounted to EUR 5.1 million as of Dec. 31, 2006 (2005: EUR 6 million).

Financial Situation

The financial situation of Geratherm Medical remained positive for the period under review. Geratherm's stock of instruments of payment was EUR 5.1 million as of Dec. 31, 2006 (2005: EUR 6 million). The gross cash flow decreased to 752 kEUR (2005: 930 kEUR).

The cash flow from operations amounted to 241 kEUR (2005: 860 kEUR). The sharp drop is attributed to the temporary increase in inventories of

-276 kEUR and in the rise in accounts receivables and other assets in the amount of -566 kEUR. Investment activities yielded a positive cash flow of 363 kEUR (2005: 563 kEUR) which is marked by payment for investments in fixed assets and by regrouping of securities investments.

The cash flow from financing activities essentially reflects the dividend payment to our shareholders in the 2006 fiscal year with EUR -1.4 million (2005: EUR -1.8 million).

Opportunities and risks for future business development

Geratherm has various risk profiles due to its internationally focused business activities. To leverage business opportunities with the lowest risk possible, Geratherm attaches great importance to risk management and considers this as a long-term commitment. The monitoring system in place at Geratherm is based on corporate performance figures and also includes the functions and responsibilities that help to fulfill statutory demands and operating requirements.

Group Management Report

During monthly analyses, management concentrates on important performance figures like sales, order situation, gross margin, currency risk exposure and business development in the individual segments. Geratherm is convinced that it will reasonably meet the existing requirements with the established internal controls and risk management systems.

According to risk analyses performed, there are currently no risks that may have a negative impact on the existence of Geratherm Medical AG. Nonetheless, there is always a risk for a company involved in medical technology that development projects have to be suspended or even abandoned after investments are made in the market launch and before any significant return can be generated. The expenditure for such risk projects is proportionate to the scope and financial resources of the company.

Some of Geratherm's products are protected by patents. Industrial and intellectual property rights may become the target of attacks and violations. We have taken the necessary precautions to identify any threats or compromising situations and to defend our rights, if applicable.

To maintain ongoing production, it is essential that there is a continuous supply of specific raw materials. We are constantly monitoring the key items.



The customer base of Geratherm is very international. We endeavor to ensure an adequate risk profile. Due to the internationality of these activities, our proceeds are based on the dollar. We have not protected ourselves against a currency risk exposure, since the majority of these dollar proceeds are used to settle the job-order manufacturing in the same currency, thus essentially synchronizing dollar receipts and expenditures.

As far as investments are concerned, we only invest in companies and markets that fall within the expertise of the management and in our opinion offer an attractive reward/risk profile. Investments are based on medium-term and long-term goals.

If we rely on the forecasts for 2007, the prospects of the German and European market in particular look optimistic. The global economy should continue to grow in 2007. Currently, we are unable to identify any imminent risks to Geratherm due to changing general conditions.

Based on our perspective of the beginning of 2007, we assume for the coming fiscal year that our core business will continue to develop steadily. We are currently in the process of developing new business segments for Geratherm. In our opinion, the „warming systems“ segment is strategically important. We have been able to establish good distinguishing characteristics for our products in the individual customer segments. The current marketing efforts of our partners in the US are in full swing. We anticipate the corresponding aviation-related approvals and receipt of the first major orders during the course of 2007. In this regard, we assume that this area could experience above-average growth and thus meet our strategic targeting.

The investments in starting up our subsidiary apoplex, which specializes

in screening processes for cardiovascular analysis, will make financial appropriations necessary in 2007 as well. We are expecting a loss (EBT) of approx. 200 kEUR. The good news is that the analyses performed by medical specialists with the aid of our technology are currently doubling per quarter. Almost 115 analyses for stroke prophylaxis were conducted during the month of December 2006 alone. For 2007 we are assuming a sharp increase in the doctors participating. In turn, this should provide positive impetus for apoplex in terms of sales.

With unchanging general conditions, Geratherm Medical should continue to enjoy favorable development in sales and earnings during the 2007 fiscal year.

Additional Details

The subscribed capital of Geratherm AG amounts to EUR 4,500,000 as of Dec. 31, 2006 and is divided into 4,500,000 share certificates issued to the bearers.

The ownership of shares entitles a shareholder to vote during the general meeting and to share in the profit in case of endorsement of dividend payment. Amendments to the bylaws can be passed in accordance with the provisions of Art. 133 of AktG (German Stock Companies Act).

The supervisory board appoints members of the board of directors for a maximum 3 years. Board members may be reappointed or their term of office extended for no more than 3 years at a time. Board members are appointed or dismissed in accordance with Art. 84 of AktG.

On June 12, 2006 the board of directors was authorized during the general meeting to increase the capital stock of Geratherm Medical AG up to a maximum EUR 2,250,000 subject to the approval of the supervisory board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,250,000 by June 11, 2011.

The board was also authorized by the general meeting on June 12, 2006 to purchase own shares up to a portion of the capital stock, not exceeding 10 %, by Dec. 11, 2007. The purchase price paid by the company may not be more than 10 % above or below the arithmetic mean of the closing price determined for the company's share by the Frankfurt Stock Exchange (FWB) during the last 30 trading days prior to acquisition (without ancillary acquisition costs). The authorization may be exercised in full or in part.

The board is authorized to call in own shares of the company that were purchased based on this authorization without having the general meeting convene to pass another resolution for the performance of this liquidation.

The board is authorized up to Dec. 11, 2007 to purchase shares of the company in order to be able to offer own shares to third parties as part of a fusion with companies or the purchase of companies or holdings thereof, whereby the buying option of shareholders to own shares is excluded. Authorization is limited to the purchase of a portion of the capital stock, which may not exceed 10 %. The authorization may be exercised in full or in part.

The board provided a separate report on the relations with affiliated companies in accordance with Art. 312 (3) of AktG. The company received or paid a suitable consideration for every legal transaction cited in the report on the relations with affiliated companies and has not been placed at a disadvantage.

The GMF Beteiligungsberatung GmbH, Frankfurt am Main holds a direct share of 60.28 % in Geratherm Medical AG.

The board's compensation is made up of various components, a fixed pay and a variable bonus, during the 2006 fiscal year. The variable bonus is awarded on the basis of the company's performance. Moreover, management services are compensated variably in relation to the financial results.

The annual general meeting of Geratherm Medical AG convened on June 12, 2006 in Frankfurt am Main.

The attendance at the annual general meeting represented 70.53 % of the capital stock.

Expenses for the stock exchange listing was 78 kEUR (2005: 87 kEUR) for 2006.

Geschwenda, March 23, 2007



Dr. Gert Frank
Chairman of the Board



Thomas Robst
Head of Marketing/Sales

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Consolidated balance sheet

| ASSETS | Annex No. | 31/12/2006 EUR | 31/12/2005 EUR |
|--|--------------|-------------------|-------------------|
| Consolidated Financial Statements according to IFRS as of December 31, 2006 | | | |
| A. LONG-TERM ASSETS | | | |
| I. Intangible assets | 1. | | |
| 1. Development costs | | 356,150 | 369,128 |
| 2. Software | | 34,951 | 22,769 |
| 3. Goodwill | | 75,750 | 75,750 |
| | | 466,851 | 467,647 |
| II. Tangible assets | 2. | | |
| 1. Land, land rights and buildings | | 1,423,559 | 1,498,886 |
| 2. Technical equipment and machinery | | 229,035 | 258,098 |
| 3. Other equipment, factory and office equipment | | 127,586 | 77,453 |
| 4. Prepayments | | 10,895 | 6,110 |
| | | 1,791,075 | 1,840,547 |
| III. Deferred taxation | 3. | 2,905,898 | 2,963,435 |
| | | 5,163,824 | 5,271,629 |
| B. SHORT-TERM ASSETS | | | |
| I. Inventories | 4. | | |
| 1. Raw materials and supplies | | 979,283 | 550,347 |
| 2. Unfinished goods | | 673,780 | 591,459 |
| 3. Finished goods and merchandise | | 918,701 | 1,154,414 |
| | | 2,571,764 | 2,296,220 |
| II. Receivables and other assets | | | |
| 1. Trade receivables | 5. | 2,195,113 | 1,686,104 |
| 2. Tax receivables | 6. | 116,133 | 80,287 |
| 3. Other assets | 7. | 56,876 | 35,839 |
| | | 2,368,122 | 1,802,230 |
| III. Securities | 8. | 3,786,646 | 3,218,121 |
| IV. Cash and cash equivalents | 9. | 5,129,570 | 5,965,441 |
| | | 13,856,102 | 13,282,012 |
| | | 19,019,926 | 18,553,641 |

Consolidated Income Statement based on IFRS
for the period from January 1 to December 31, 2006

| Consolidated profit and loss statement | Annex No. | 1/1-12/31/06 | 1/1-12/31/05 |
|---|--------------|------------------|------------------|
| | | EUR | EUR |
| Sales revenues | 18. | 8,589,613 | 8,190,960 |
| Change in inventory of semi-finished and finished products | | 23,911 | -179,597 |
| Other capitalized own work | | 97,599 | 154,298 |
| Other operating income | 19. | 201,086 | 294,011 |
| | | 8,912,209 | 8,459,672 |
| Cost of materials | 20. | | |
| Cost of raw materials, consumables and goods for resale | | -3,827,899 | -3,490,211 |
| Costs of purchased services | | -267,406 | -155,363 |
| | | -4,095,305 | -3,645,574 |
| Gross profit or loss | | 4,816,904 | 4,814,098 |
| Personnel expenses | 21. | | |
| Wages and salaries | | -1,660,682 | -1,714,388 |
| Social security, pension and other benefits | | -361,197 | -355,585 |
| | | -2,021,879 | -2,069,973 |
| Amortization of intangible assets and depreciation of tangible assets | 22. | -343,022 | -369,533 |
| Other operating expenses | 23. | -1,793,903 | -1,757,510 |
| Operating results | | 658,100 | 617,082 |
| Dividend income | | 66,784 | 79,089 |
| Income from securities trading | | 1,332,998 | 618,320 |
| Losses from securities trading | | -35,068 | 0 |
| Securities-related expenses | | -172,660 | 0 |
| Other interest and similar income | | 108,271 | 125,694 |
| Interests and similar expenses | | -1,504 | -20,453 |
| Financial results | 24. | 1,298,821 | 802,650 |
| Profit (loss) on ordinary activities | | 1,956,921 | 1,419,732 |
| Income taxes | 25. | -57,537 | 7,187 |
| Net profit for the year | | 1,899,384 | 1,426,919 |
| Result allotted to other shareholders | | -3,662 | -51,982 |
| Consolidated profits/results of shareholders | | 1,903,046 | 1,478,901 |
| Earnings per share undiluted | 26. | 0.42 | 0.33 |
| Earnings per share diluted | 26. | 0.42 | 0.33 |

**Consolidated cash flow statement for the fiscal year
from January 1 to December 31, 2006 (IFRS)**

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| | Annex No. | 1/1-12/31/06 kEUR | 1/1-12/31/05 kEUR |
|--|--------------|----------------------|----------------------|
| Consolidated profits | | 1,903 | 1,479 |
| Earnings Minority interests | | -3 | -52 |
| Other costs affecting income/expenses | | -4 | 47 |
| Dividend income | 24. | -67 | -79 |
| Interest earnings | 24. | -108 | -126 |
| Interest expenses | | 2 | 20 |
| Decrease of deferred taxes | | 57 | 17 |
| Depreciation of fixed assets | | 343 | 369 |
| Income from securities trading | 24. | -1,333 | -618 |
| Losses from securities trading | | 35 | 0 |
| Amortization of public grants and subsidies | 14. | -75 | -127 |
| Losses from disposal of fixed assets | | 2 | 0 |
| Gross cash flow | 28. | 752 | 930 |
| Increase in inventories | | -276 | -91 |
| Increase in trade receivables and other assets | | -566 | -281 |
| Increase in current liabilities and other liabilities | | 158 | 117 |
| Monies received from dividends | | 67 | 79 |
| Monies received from interest | | 108 | 126 |
| Cash outflow from interest | | -2 | -20 |
| Cash flow from operations | 29. | 241 | 860 |
| Cash outflow for investments in fixed assets | | -294 | -206 |
| Monies received based on financial assets | 8. | 7,188 | 3,821 |
| Cash outflow based on financial assets | 8. | -6,531 | -3,052 |
| Cash flow from investments | 30. | 363 | 563 |
| Cash inflow from minority interest | 13. | 0 | 80 |
| Dividend payments | 12. | -1,440 | -1,260 |
| Decrease in short-term liabilities to banks | | 0 | -660 |
| | | | |
| | | | |
| | | | |
| Cash flow from financing activities | 31. | -1,440 | -1,840 |
| Change in cash and cash equivalents | | -836 | -417 |
| Cash and cash equivalents at beginning of fiscal year | | 5,965 | 6,382 |
| Cash and cash equivalents at end of fiscal year | | 5,129 | 5,965 |

Group Segment Reporting
for the fiscal year from January 1, 2006 to December 31, 2006
 (cf. Annex No. 27)

Group Segment Reporting

| According to areas of activity | Analog Diagnostic Products | |
|---|----------------------------|--------------|
| | 2006 kEUR | 2005 kEUR |
| Sales revenues | 3,567 | 3,932 |
| Gross profit or loss | 2,557 | 2,714 |
| Operating results | 707 | 916 |
| Financial results | | |
| Taxes | | |
| Minority share in results | | |
| Consolidated profits | | |
| including: | | |
| Amortization of intangible assets and depreciation of tangible assets | -132 | -197 |
| Amortization of public grants and subsidies | 32 | 52 |
| Acquisition costs of fixed assets for the period | 55 | 8 |
| Book value of fixed assets | 949 | 984 |
| Deferred taxes | | |
| Short-term assets | 2,497 | 1,926 |
| Total assets | 3,446 | 2,910 |
| Short-term liabilities | 376 | 359 |
| Investment subsidies received | 252 | 328 |
| By Region | | |
| Germany | | |
| | 2006 kEUR | 2005 kEUR |
| | | |
| Sales revenues | 1,775 | 1,869 |
| Gross profit or loss | 1,124 | 1,295 |
| Operating results | 154 | 166 |
| including: | | |
| Amortization of intangible assets | | |
| and depreciation of tangible assets | -80 | -94 |
| Amortization of public grants and subsidies | 16 | 25 |
| Acquisition costs of fixed assets for the period | 260 | 199 |
| Book value of fixed assets | 2,222 | 2,301 |

| |
|--|
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| Digital Diagnostic Products | | Other | | Total | |
|-----------------------------|-------|--------|--------|--------|--------|
| 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| kEUR | kEUR | kEUR | kEUR | kEUR | kEUR |
| 3,568 | 3,098 | 1,455 | 1,161 | 8,590 | 8,191 |
| 1,506 | 1,317 | 754 | 783 | 4,817 | 4,814 |
| 384 | 164 | -433 | -463 | 658 | 617 |
| | | | | 1,299 | 803 |
| | | | | -57 | 7 |
| | | | | 3 | 52 |
| | | | | 1,903 | 1,479 |
| -74 | -99 | -137 | -73 | -343 | -369 |
| 32 | 41 | 13 | 15 | 77 | 108 |
| 43 | 0 | 196 | 198 | 294 | 206 |
| 326 | 395 | 983 | 929 | 2,258 | 2,308 |
| | | 2,906 | 2,964 | 2,906 | 2,964 |
| 1,404 | 1,402 | 9,955 | 9,954 | 13,856 | 13,282 |
| 1,730 | 1,797 | 13,844 | 13,847 | 19,020 | 18,554 |
| 377 | 284 | 154 | 106 | 907 | 749 |
| 253 | 258 | 103 | 97 | 608 | 683 |

| Europe | | USA | | Other | | Total | |
|--------|-------|-------|-------|-------|------|-------|-------|
| 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR | TEUR |
| 3,540 | 3,737 | 1,298 | 1,595 | 1,977 | 990 | 8,590 | 8,191 |
| 1,919 | 2,080 | 703 | 888 | 1,071 | 551 | 4,817 | 4,814 |
| 262 | 267 | 96 | 114 | 146 | 70 | 658 | 617 |
| | | | | | | | |
| -137 | -163 | -50 | -69 | -76 | -43 | -343 | -369 |
| 32 | 49 | 12 | 21 | 17 | 13 | 77 | 108 |
| | | | | 34 | 7 | 294 | 206 |
| | | | | 36 | 7 | 2,258 | 2,308 |

**Consolidated Statement of Shareholders' Equity
as of December 31, 2006**

**Group equity change
calculation**

| | Subscribed capital EUR | Capital reserves EUR |
|---|---------------------------|-------------------------|
| As of January 1, 2005 | 4,500,000 | 7,528,332 |
| Capital increase by subsidiary apoplex medical technologies GmbH | | |
| from valuation of securities | | |
| Currency translation in group | | |
| Dividend paid to shareholders | | |
| Equity costs | | 65,650 |
| Taxes regarding equity costs | | -23,982 |
| Income and expenses included in equity capital | 0 | 41,668 |
| Consolidated profits | | |
| As of December 31, 2005 | 4,500,000 | 7,570,000 |
| As of January 1, 2006 | 4,500,000 | 7,570,000 |
| Unrealized profits and losses from valuation of securities | | |
| Currency translation in the group | | |
| Dividend paid to shareholders | | |
| Income and expenses included in equity capital | 0 | 0 |
| Consolidated profits | | |
| As of December 31, 2006 | 4,500,000 | 7,570,000 |

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| Other reserves | | | | |
|--------------------------|-----------------------------|----------------------|--------------------|-------------------|
| Market valuation reserve | Currency conversion reserve | Accumulated earnings | Minority interests | Equity capital |
| EUR | EUR | EUR | EUR | EUR |
| 96,774 | 1,004 | 4,615,507 | 31,104 | 16,772,721 |
| | | | 80,000 | 80,000 |
| 54,042 | 3,538 | -1,260,000 | 3,400 | 54,042 |
| | | | | 6,938 |
| | | | | -1,260,000 |
| | | | | 65,650 |
| | | | | -23,982 |
| 54,042 | 3,538 | -1,260,000 | 83,400 | -1,077,352 |
| | | 1,478,901 | -51,982 | 1,426,919 |
| 150,816 | 4,542 | 4,834,408 | 62,522 | 17,122,288 |
| 150,816 | 4,542 | 4,834,408 | 62,522 | 17,122,288 |
| -72,225 | -2,337 | -1,440,000 | -2,244 | -72,225 |
| | | | | -4,581 |
| | | | | -1,440,000 |
| -72,225 | -2,337 | -1,440,000 | -2,244 | -1,516,806 |
| | | 1,903,046 | -3,662 | 1,899,384 |
| 78,591 | 2,205 | 5,297,454 | 56,616 | 17,504,866 |

Notes to consolidated financial statements for 2006 fiscal year

Application of International Financial Reporting Standards

The consolidated financial statements of Geratherm Medical AG were prepared for the 2006 fiscal year in accordance with the rules of the International Financial Reporting Standards (IFRS) valid on the date of the financial statements and in consideration of the guidance provided by the International Financial Reporting Interpretations Committee (IFRIC), as is mandatory in the European Union.

The IASB has also published the following standard, the application of which is not yet mandatory. This standard was not taken into account.

IFRS 8 „Operating Segments“

In November 2006, IASB published the IFRS 8 „Operating Segments“. The standard in particular calls for the application of the „management approach“ with regard to segment identification and valuation.

IFRS 8 must be applied for fiscal years that begin on or after January 1, 2009. Nonetheless, it may be used prior to that.

The standard will result in changed statements in the operating segments when applied to the financial statements of Geratherm Medical AG for the first time.

Group financial statement

Layout and preparation of the financial statements

The layout of the financial statements is based on IAS 1.

The income statement was prepared according to the “total cost” type of short-term results accounting.

The consolidated financial statements are prepared in full EUR. Various figures have been indicated in kEUR (thousand euros) in the Notes to provide better clarity.

The parent company is Geratherm Medical AG, which is established according to German law and has headquarters in Geschwenda. The shares of the company are admitted to dealings on the official market and are listed in the Prime Standard exchange segment of the Frankfurt Stock Exchange (FWB).

The management of Geratherm AG has released the consolidated financial statements based on IFRS on March 23, 2007 for presentation to the supervisory board. The supervisory board must check the financial statements and state whether it approves the financial statements.

Consolidation principles

The principles of the IAS 27 standard have been applied to the consolidated financial statements.

As part of capital consolidation, the valuation of the shares owned by the parent company in a subsidiary included in the consolidated financial statements was offset by the amount of the

equity capital of the subsidiary pertaining to these shares.

Receivables and liabilities between the companies taken into consideration are eliminated during debt consolidation.

The effects of transactions within the group are eliminated during the intercompany profit elimination and consolidation of expenses and receipts.

Consolidated group

The consolidated group includes Geratherm Medical AG, GME Rechte und Beteiligungen GmbH, Geratherm Medical do Brasil Ltda. and apoplex medical technologies GmbH.

| Company | Percentage of shares held |
|--|---------------------------|
| GME Rechte und Beteiligungen GmbH, Geschwenda/Deutschland | 100 % |
| Geratherm Medical do Brasil Ltda., Sao Paulo/Brasilien | 51 % |
| apoplex medical technologies GmbH, Pirmasens / Deutschland | 60 % |

Foreign currency translation

We used the concept of functional currency when converting the financial statements of Geratherm Medical do Brasil Ltda., which include figures in a foreign currency. Since this company operates its business independently, it is treated as an independent foreign entity in accordance with IAS 21. Based on that, the assets and liabilities of the foreign subsidiary are translated at the exchange rate prevailing on the reporting date, while the expenses and receipts are translated at the annual mean exchange rate. The equity capital is valued using the historical exchange rates (the rates prevailing on the date of payment and the respective mean exchange rate of the yield generated). The difference resulting from this currency translation is reported as a separate item in the group's equity capital.

Accountable events in a foreign currency will be shown at the rate prevailing on the date of the accountable event in the individual financial statements of the consolidated companies prepared in the local currency. The monetary items (cash, receivables and liabilities) contained in the balance sheets of individual financial statements are valued at the exchange rate prevailing on the reporting date. The foreign currency translation differences are entered with effect on the income.

Principles of accounting and valuation

All accounting and valuation methods were applied uniformly.

The individual assets and liabilities are valued with consideration to the rules of the International Financial Reporting Standards.

Intangible assets

The acquired intangible assets are valued at the historical costs less regular accumulated amortization on a straight-line basis after the operating life expectancy of the assets. The useful life for software is set at 3 to 4 years, while the useful life for industrial property rights is 10 years. Software having a purchase price of less than EUR 410 is written off in full during the year of acquisition.

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Writing off amounts for goodwill has been discontinued. An impairment test was conducted to determine recoverability.

The development costs are capitalized in accordance with IAS 38 as intangible assets for such product developments, where there is sufficient probability of future inflow of funds that will cover the incurred development costs in full. Another prerequisite in this case is that according to the assessment of the board of directors Geratherm AG is able to assure technical completion, handle marketing and prevent other competitors from commercially exploiting the development. Valuation is based on the benchmark method. Other incurred research and development expenses are not capitalized.

The capitalized development costs include the direct material costs and the proportionate personnel costs relating to the time expenditure of the employees involved in the development of the relevant projects, including mandatory social security contributions that are paid by the employer.

The development of electronic products is written off linearly over a period of 4 years, whereas the write-off period for the development of gallium clinical thermometers is 15 years.

Tangible assets

The acquisition cost model was selected in accordance with IAS 16.30 for the accounting and valuation of tangible assets. The tangible assets are valued at their historical costs and manufacturing costs (benchmark treatment) and decreased by regular depreciation. Depreciation was determined linearly over the appropriate useful life between 3 and 13 years. Low-value assets (not exceeding a value of EUR 410) are written off during the year of acquisition.

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

There are no assets that are accountable as fixed assets according to IAS 17 and which may have been acquired by way of finance leasing.

Public grants or subsidies received for the procurement of tangible assets were reported as special accounts on the liabilities side and are released to income according to the useful life of the assets they financed.

Decline in value of intangible and tangible assets

Tangible and intangible assets that are no longer usable or are only usable to a limited extent are written off irregularly at the remaining utility value, however no more than the attainable disposal proceeds, in accordance with IAS 36.

There were no indications of a decrease in the value of tangible assets on the reporting date.

Financial assets and liabilities

The financial assets and liabilities are classified and valued with consideration to IAS 32 and IAS 39 standards. The initial entry is made with the historical costs including incidental acquisition costs (transaction costs) on the day of performance.

Means of payment and cash equivalents are reported as follows under Cash, cash equivalents and negotiable instruments: The cash in hand and cash in banks are valued at their nominal value. Bank balances in a foreign currency are valued at the exchange rate prevailing on the reporting date. The long-term investments and securities held as short-term investments are to be assigned to the category „available for sale“ and are valued at the market price. All securities (shares and debt securities) are valued at the market price prevailing on the reporting date and marketable. The valuation changes as of the reporting date are shown in the equity capital under the „Market valuation reserve“ item in accordance with IAS 39.55(b). Proceeds from the sales of long-term investments and securities held as short-term investments or the resulting interests and dividends earned are entered to the income.

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The trade accounts receivable and other receivables belong to the category „Receivables of the company“. They are valued at historical costs or the lower value based on a value decrease. Foreign currency receivables are valued at the exchange rate prevailing on the reporting date. These assigned values correspond to the market values.

The short-term financial liabilities are valued at the net book values (repayment value). Changes in the repayment value due to the exchange rates prevailing on the reporting date were also taken into account. The values applied in the consolidated financial statements essentially correspond with the market values, in as far as these can be determined.

Deferred taxation

The applicable assessment rate was applied for trade tax with regard to the deferred taxation, assuming that previous tax rules continue to remain in force. A tax rate of 25 % (2005: 25 %) was applied as corporate income tax. The solidarity surcharge was also taken into account. This resulted in a calculated tax rate of 37.34 % (2005: 37.34 %). Variations in the assessment basis for trade tax cause differences in the amounts actually applied.

The active deferred taxation, on the one hand, comes from the future tax relief by loss brought forward by Geratherm AG. With the marketing of existing and newly developed products, further taxable profits are to be expected for the following years. These profits can be used to offset the losses brought forward. The active deferred taxation is reported to the extent, in which it is probable that the results to be taxed in the future can be applied against the tax losses not yet used. When valuating the loss carryover, the deferred tax burdens from higher valuations in the consolidated financial statements have also been considered in comparison to the tax values. The passive deferred taxes resulting from these deviations are directly offset against the asset item, since these future tax burdens are assigned to Geratherm AG itself and can be offset against the losses brought forward according to the law applicable on the reporting date.

On the other hand, the sale of patents and know-how held by Geratherm Medical AG to its subsidiary GME Rechte und Beteiligungen GmbH (GME) and the elimination of this intercompany transaction in the consolidated financial statements since 2002 have resulted in a temporary deviation between the items of intangible assets in the consolidated financial statements and the corresponding tax values. This deviation will be reversed in the tax balance sheet of GME over the following years according to regular depreciation with impact on taxation. A further deferred taxation is capitalized for this temporary difference. Consideration is also given to the different assigned value of the warming systems goodwill capitalized in 2003, which results from the regular depreciation based on the tax balance sheet (15 years) and the valuation according to IFRS (impairment test).

Inventories

The raw materials and consumables shown under the Inventories item as well as goods are valued with their historical costs while taking their usability on the reporting date into account.

Unfinished and finished clinical thermometers are valued with the manufacturing costs in the individual stages. These include the material costs, labor costs and percentage of indirect production costs. The inventories of technical thermometers are valued according to the retrograde valuation method. The marketing costs, profit mark-up and the associated manufacturing costs, taking the degree of processing into consideration, are decreased based on the sales price. In the case of the warming systems product segment, the inventories of finished goods and unfinished goods are valued with the manufacturing costs, whereas these are calculated from the material costs, labor costs and percentage of the allocated indirect production costs.

Trade receivables

The trade receivables are valued with the nominal value or with the lower value ascribed on the reporting date. In case of receivables, which are subject to recognizable risks in terms of their collectibility, their value is reduced in a suitable manner; uncollectible accounts are written off.

Accruals

According to IAS 37 the accruals for statutory or actual obligations are reported in the balance sheet, if the outflow of funds for settling the obligations can be assessed probably and reliably. The valuation basis of the accruals corresponds with the amounts that are necessary for covering future payment obligations, recognizable risks and uncertain obligations. A discounting of accruals was not necessary.

The formation of provisions was not necessary as of the reporting date. Provisions for accrued liabilities are shown together with the other liabilities in the case of current liabilities.

Listing of sales revenue

The company generated sales from delivery transactions, where the essential risk for the delivery passes over to the purchaser. The net amount of sales is calculated by deducting the cash discounts paid, customer bonuses and discounts.

Notes to the consolidated financial statements

ASSETS

1. Intangible assets

Intangible assets totalling 467 kEUR (2005: 468 kEUR) are reported as of December 31, 2006. The development of the intangible assets is shown in the following table:

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| Intangible assets | Development costs | Software | Goodwill | Total |
|-------------------------------------|-------------------|----------------|---------------|------------------|
| Acquisition and manufacturing costs | | | | |
| In EUR | | | | |
| 1/1/2005 | 816,978 | 72,049 | 90,000 | 979,027 |
| Additions | 154,298 | 8,160 | 0 | 162,458 |
| Disposals | 0 | 1,950 | 0 | 1,950 |
| Rebookings | 0 | 620 | | 620 |
| 12/31/2005 | 971,276 | 78,879 | 90,000 | 1,140,155 |
| 1/1/2006 | 971,276 | 78,879 | 90,000 | 1,140,155 |
| Additions | 97,599 | 1,728 | 0 | 99,327 |
| Disposals | 0 | 0 | 0 | 0 |
| Rebookings | 0 | 23,448 | 0 | 23,448 |
| 12/31/2006 | 1,068,875 | 104,055 | 90,000 | 1,262,930 |
| Amortization or depreciation | | | | |
| In EUR | | | | |
| 1/1/2005 | 495,610 | 48,142 | 14,250 | 558,002 |
| Additions | 106,538 | 9,916 | 0 | 116,454 |
| Disposals | 0 | 1,948 | 0 | 1,948 |
| 12/31/2005 | 602,148 | 56,110 | 14,250 | 672,508 |
| 1/1/2006 | 602,148 | 56,110 | 14,250 | 672,508 |
| Additions | 110,577 | 12,994 | 0 | 123,571 |
| Disposals | 0 | 0 | 0 | 0 |
| 12/31/2006 | 712,725 | 69,104 | 14,250 | 796,079 |
| Book values | | | | |
| In EUR | | | | |
| 1/1/2005 | 321,368 | 23,907 | 75,750 | 421,021 |
| 12/31/2005 | 369,128 | 22,769 | 75,750 | 467,647 |
| 1/1/2006 | 369,128 | 22,769 | 75,750 | 467,647 |
| 12/31/2006 | 356,150 | 34,951 | 75,750 | 466,851 |

The development costs for intangible assets created internally during the 2006 fiscal year are capitalized in the amount of 98 kEUR (2005: 154 kEUR). Non-capitalizable research and development costs were posted as expenses in the amount of 25 kEUR (2005: 46 kEUR).

28 kEUR (2005: 154 kEUR) of the development costs capitalized in 2006 went to the development of a new Stroke Risk Analyser SRA IV for preventing strokes. Depreciation of the capitalized development costs started with the market launch of the SRA IV in April of 2006. In this case, a useful life of 4 years was established for depreciation. Other development costs in the amount of 70 kEUR (2005: 0 kEUR) were capitalized for an additional development to SRA IV.

The goodwill contained in the fixed assets relates to the production of medical warming systems. In connection with the takeover of medical warming systems range, 90 kEUR was capitalized in 2003. The goodwill was written off with a useful life of 10 years by Dec. 31, 2004. As of Jan. 1, 2005 no other write-offs were implemented in accordance with the amended IAS 38. To determine the recoverability of this item, future sales (cash inflow) for the period between 2007 and 2009 were planned late 2006. The planned sales are based, among other things, on receiving the approval for the US market in 2007 and the signing of new distributorship agreements with sales partners in Japan and England. The relevant expenditure required (cash outflow) was calculated with consideration to empirical values. An estimated reduced cash flow in the amount of 180 kEUR was determined for the next 3 years. There were no reference points for a decrease in value. The book value as of reporting date Dec. 31, 2006 is 76 kEUR (2005: 76 kEUR).

2. Tangible assets

The development of tangible assets is shown in the following table.

| Tangible assets | Land, land rights and buildings | Technical equipment and machinery | Other equipment, factory and office equipment | Prepayments | Total |
|--|---------------------------------|-----------------------------------|---|-------------|-----------|
| Acquisition and manufacturing costs In EUR | | | | | |
| | | | | | |
| 1/1/2005 | 2,244,407 | 3,957,868 | 324,800 | 0 | 6,527,075 |
| Additions | 0 | 3,621 | 33,721 | 6,730 | 44,072 |
| Disposals | 0 | 208,670 | 34,421 | 0 | 243,091 |
| Rebookings | 0 | 0 | 0 | -620 | -620 |
| 12/31/2005 | 2,244,407 | 3,752,819 | 324,100 | 6,110 | 6,327,436 |
| 1/1/2006 | 2,244,407 | 3,752,819 | 324,100 | 6,110 | 6,327,436 |
| Additions | 0 | 22,629 | 101,500 | 70,973 | 195,102 |
| Disposals | 0 | 38,341 | 26,250 | 0 | 64,591 |
| Rebookings | 0 | 43,030 | -290 | -66,188 | -23,448 |
| 12/31/2006 | 2,244,407 | 3,780,137 | 399,060 | 10,895 | 6,434,499 |
| Amortization or depreciation In EUR | | | | | |
| | | | | | |
| 1/1/2005 | 669,805 | 3,565,863 | 241,159 | 0 | 4,476,827 |
| Additions | 75,716 | 137,457 | 39,906 | 0 | 253,079 |
| | 0 | 208,599 | 34,418 | 0 | 243,017 |
| 12/31/2005 | 745,521 | 3,494,721 | 246,647 | 0 | 4,486,889 |
| 1/1/2006 | 745,521 | 3,494,721 | 246,647 | 0 | 4,486,889 |
| Additions | 75,327 | 94,722 | 49,402 | 0 | 219,451 |
| | 0 | 38,341 | 24,575 | 0 | 62,916 |
| 12/31/2006 | 820,848 | 3,551,102 | 271,474 | 0 | 4,643,424 |
| Book values In EUR | | | | | |
| | | | | | |
| 1/1/2005 | 1,574,602 | 392,005 | 83,641 | 0 | 2,050,248 |
| 12/31/2005 | 1,498,886 | 258,098 | 77,453 | 6,110 | 1,840,547 |
| 1/1/2006 | 1,498,886 | 258,098 | 77,453 | 6,110 | 1,840,547 |
| 12/31/2006 | 1,423,559 | 229,035 | 127,586 | 10,895 | 1,791,075 |

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Substantial additions in the area of tangible assets were due to replacement investments for production systems and other business equipment.

Irregular depreciation of fixed assets was not necessary.

3. Deferred taxation

The deferred taxes representing assets and liabilities, which are balanced in the consolidated financial statements can be attributed to temporary differences between the book value in the IFRS-based consolidated financial statements and the tax book values in the following assets and to the tax losses carried forward.

| | 12/31/2006 | 12/31/2005 | 12/31/2006 | 12/31/2005 | 12/31/2006 | 12/31/2005 |
|--|---------------------|---------------------|--------------------------|--------------------------|----------------------|----------------------|
| | Deferred tax assets | Deferred tax assets | Deferred tax liabilities | Deferred tax liabilities | Deferred tax balance | Deferred tax balance |
| | EUR | EUR | EUR | EUR | EUR | EUR |
| Capitalized development costs/ patents | 918,605 | 1,023,435 | 0 | 0 | 918,605 | 1,023,435 |
| Goodwill | 0 | 0 | 2,707 | 0 | -2,707 | 0 |
| Losses carried forward | 1,990,000 | 1,940,000 | 0 | 0 | 1,990,000 | 1,940,000 |
| Total | 2,908,605 | 2,963,435 | 2,707 | 0 | 2,905,898 | 2,963,435 |

The changes to the deferred taxes representing assets and liabilities, which are balanced in the consolidated financial statements, are shown as follows:

Group financial statement

| Change in the balance of deferred taxes | 1/1/2005 | Change with effect on income | Change without effect on income | 12/31/2005 |
|---|------------------|------------------------------|---------------------------------|------------------|
| | EUR | EUR | EUR | EUR |
| Capitalized development costs/ patents | 1,084,513 | -61,078 | 0 | 1,023,435 |
| Goodwill | 1,735 | -1,735 | 0 | 0 |
| Tax accruals | 23,982 | 0 | -23,982 | 0 |
| Losses carried forward | 1,870,000 | 70,000 | 0 | 1,940,000 |
| Total | 2,980,230 | 7,187 | -23,982 | 2,963,435 |

| Change in the balance of deferred taxes | 1/1/2006 | Change with effect on income | Change without effect on income | 12/31/2006 |
|---|------------------|------------------------------|---------------------------------|------------------|
| | EUR | EUR | EUR | EUR |
| Capitalized development costs/ patents | 1,023,435 | -104,830 | 0 | 918,605 |
| Goodwill | 0 | -2,707 | 0 | -2,707 |
| Losses carried forward | 1,940,000 | 50,000 | 0 | 1,990,000 |
| Total | 2,963,435 | -57,537 | 0 | 2,905,898 |

The additions to the deferred taxes relate to the annual revaluation of future advantages from the corporate income tax loss carryover and the trade tax loss carryover for the stock corporation. The calculation was based on the applicable tax rates and collection rates.

Valuation of tax losses carried forward

| | 2006 TEUR | 2005 TEUR |
|--------------------------------------|--------------|--------------|
| Tax loss carried forward as of 12/31 | 11,332 | 11,689 |
| Valued | 5,312 | 5,182 |
| Deferred taxation | 1,990 | 1,940 |

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4. Inventories

| | 12/31/2006 EUR | 12/31/2005 EUR |
|----------------------------|-------------------|-------------------|
| Inventories | | |
| Raw materials and supplies | 979,283 | 550,347 |
| Unfinished goods | 673,780 | 591,459 |
| Finished goods | 393,717 | 452,127 |
| Goods | 524,984 | 702,287 |
| Total | 2,571,764 | 2,296,220 |

The raw materials and consumables primarily include glass tubes, capillaries, shells, control units and chemical materials.

The unfinished goods as of Dec. 31, 2006 primarily include clinical thermometers in various stages of production.

The finished goods as of Dec. 31, 2006 primarily include thermometers and warming systems.

The goods essentially include digital thermometers and blood pressure meters that are earmarked for sales and produced for contracts.

5. Trade receivables

The trade receivables are structured as follows:

| | 12/31/2006 EUR | 12/31/2005 EUR |
|--------------------------------|-------------------|-------------------|
| Gross sum of trade receivables | 2,248,482 | 1,710,236 |
| Devaluations | -53,369 | -24,132 |
| Total | 2,195,113 | 1,686,104 |

The shown trade receivables are due within one year and result primarily from deliveries of products and goods. The devaluations relate to receivables subject to a risk of non-payment.

6. Tax receivables

The tax receivables essentially comprise the reclaim of paid withholding tax on specific interest

income plus solidarity surcharge in the amount of 88 kEUR (2005: 51 kEUR) and the receivable from sales tax refunds in the amount of 28 kEUR (2005: 24 kEUR).

7. Other assets

The other assets essentially relate to the receivables from advances paid (12 kEUR; 2005: 0 kEUR) and from expenses paid in advance (38 kEUR; 2005: 27 kEUR).

8. Securities

| Group financial statement | Number/ nominal | Purchase rate EUR | Acquisition costs EUR | Market valuation reserve EUR | Book value 12/31/2006 EUR | Rate 12/31/2006 EUR |
|-------------------------------------|--------------------|-------------------------|-----------------------------|---------------------------------------|---------------------------------|---------------------------|
| OSI Pharmaceuticals Inc. | 15,000 | 20.63 | 309,514 | 83,636 | 393,150 | 26.21 |
| RIGEL Pharmaceutical Inc. | 31,000 | 7.68 | 237,970 | 33,900 | 271,870 | 8.77 |
| ANADYS Pharmaceuticals Inc. | 60,000 | 2.36 | 141,315 | 80,685 | 222,000 | 3.70 |
| RENOVIS Inc. | 150,000 | 2.53 | 379,534 | -45,034 | 334,500 | 2.23 |
| EVOTEC AG Inhaber-Aktien O.N. | 352,000 | 3.54 | 1,246,080 | -116,160 | 1,129,920 | 3.21 |
| TYCO Interna- tional LTD. | 18,540 | 20.95 | 388,456 | 34,256 | 422,712 | 22.80 |
| JERINI AG | 35,933 | 3.21 | 115,303 | 10,463 | 125,766 | 3.50 |
| ADOLOR Corp. | 40,200 | 5.97 | 239,883 | -13,155 | 226,728 | 5.64 |
| Epigenomics AG | 200,000 | 3.25 | 650,000 | 10,000 | 660,000 | 3.30 |
| Total | | | 3,708,055 | 78,591 | 3,786,646 | |

During the 2006 fiscal year the level of securities was increased by means of acquisitions in the amount of 6,531 kEUR (2005: 3,052 kEUR). The level also decreased by means of sales in the amount of 7,188 kEUR (2005: 3,821 kEUR). As a result, it was possible to realize a profit contribution of 1,299 kEUR (2005: 618 kEUR). The level of acquisition costs was 3,708 kEUR as of Dec. 31, 2006 and was valued based on the rate indicated in the table on the reporting date.

9. Cash and cash equivalents

| | 12/31/2006 TEUR | 12/31/2005 TEUR |
|----------------------------------|--------------------|--------------------|
| Cash on hand | 2 | 2 |
| Credit balances with banks | 5,127 | 5,963 |
| Cash and cash equivalents | 5,129 | 5,965 |

The credit balances with banks, amounting to 5,074 kEUR (2005: 5,708 kEUR), are invested at the prevailing market rates.

Equity and Liabilities

10. Subscribed capital

The subscribed capital of Geratherm AG amounts to EUR 4,500,000 as of Dec. 31, 2006 and is divided into 4,500,000 share certificates issued to the bearers.

The subscribed capital has been paid in full. As of the reporting date there were no shares held by the company.

Authorized capital

On June 12, 2006 the board of directors was authorized to increase the capital stock of Geratherm Medical AG up to a maximum EUR 2,250,000 subject to the approval of the supervisory board by issuing new share certificates made out in the name of the holder through individual or multiple cash or non-cash contributions not exceeding EUR 2,250,000 by June 11, 2011.

Purchase of own shares

The board of directors was also authorized on June 12, 2006 to purchase own shares up to a portion of the capital stock, not exceeding 10 %, by Dec. 11, 2007. The purchase price paid by the company may not be more than 10 % above or below the arithmetic mean of the closing price determined for the company's share by the Frankfurt Stock Exchange (FWB) during the last 30 trading days prior to acquisition (without ancillary acquisition costs). The authorization may be exercised in full or in part.

The board is authorized to call in own shares of the company that are purchased based on this authorization without having the general meeting convene to pass another resolution for the performance of this liquidation.

The board is authorized up to Dec. 11, 2007 to purchase shares of the company in order to be able to offer own shares to third parties as part of a fusion with companies or the purchase of companies or holdings thereof, whereby the buying option of shareholders to own shares is excluded. Authorization is limited to the purchase of a portion of the capital stock, which may not exceed 10 %. The authorization may be exercised in full or in part.

Geratherm Medical AG did not purchase or sell any own shares during the 2006 fiscal year.

11. Capital reserves

The capital reserve shows the amount that was realized, exceeding the nominal amount, with the issuance of the shares.

12. Other reserves

The development of the other reserves is shown in the calculation of changes in the group's equity capital.

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Market valuation reserve

The valuation changes of the securities in the amount of 79 kEUR (2005: 151 kEUR) as of the reporting date were transferred to the market valuation reserve item shown in the equity capital in accordance with the provisions of IAS 39.

Currency conversion reserve

The currency conversion reserve in the amount of 2 kEUR (2005: 5 kEUR) is based on the consolidation of the financial statements of Geratherm do Brasil Ltda, which are prepared in a foreign currency.

Accumulated earnings

The accumulated earnings include the unappropriated profits and losses brought forward (4,834 kEUR; 2005: 4,615 kEUR) and the current net income for the year (1,903 kEUR; 2005: 1,479 kEUR) less the distributed dividend (1,440 kEUR; 2005: 1,260 kEUR).

The shareholders of Geratherm Medical AG have agreed during the annual general meeting of the company on June 12, 2006 in Frankfurt am Main to distribute a tax-free dividend of 0.32 EUR per individual share from the tax deposit account (previously EK 04, Art. 27 of KStG (Corporation Tax Law)) on the capital stock in the amount of EUR 4,500,000. The dividend was distributed in the amount of EUR 1,440,000 on June 13, 2006.

The board of directors and supervisory board will propose to the general meeting in June 2007 to distribute a tax-free dividend of 0.40 EUR per share from the tax-free deposit account.

13. Minority interests

| | Total kEUR |
|-----------------------------------|---------------|
| As of 1/1/2006 | 63 |
| Currency translation in the group | -2 |
| Result for the year | -4 |
| As of 12/31/2006 | 57 |

14. Investment subsidies received

The item shown with the amount 608 kEUR (2005: 683 kEUR) relates to the investment grants and subsidies received that are released to income in accordance with the useful life of the assets they financed. This item basically has long-term character.

15. Trade payables

The trade payables are included at their repayment value. Corresponding accrued liabilities have been formed for outstanding invoices for deliveries and services on the reporting date. The liabilities fall due within one year. The usual rights to retention of title from the delivery of raw materials and consumables and goods are applicable.

16. Tax liabilities

The tax liabilities shown here relate to liabilities from wage taxes 14 kEUR (2005: 12 kEUR) and sales tax 33 kEUR (2005: 6 kEUR).

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17. Other liabilities

| | 12/31/2006 kEUR | 12/31/2005 kEUR |
|--------------------------|--------------------|--------------------|
| Accrued liabilities | 335 | 325 |
| Other liabilities | 220 | 204 |
| Other liabilities | 555 | 529 |

Accrued liabilities

The accrued liabilities include the following:

| | 12/31/2005 kEUR | Consumption kEUR | Dissolution kEUR | Addition kEUR | 12/31/2006 kEUR |
|-----------------------------------|--------------------|---------------------|---------------------|------------------|--------------------|
| Outstanding invoices | 108 | -62 | -36 | 18 | 28 |
| Bonuses, commissions, credits | 50 | -50 | 0 | 26 | 26 |
| Costs of financial statements | 20 | -20 | 0 | 22 | 22 |
| Vacation entitlements | 27 | -27 | 0 | 25 | 25 |
| Guarantees | 21 | 0 | -12 | 9 | 18 |
| Worker's compensation association | 8 | -6 | -2 | 6 | 6 |
| Remuneration of inventors | 12 | -4 | -8 | 12 | 12 |
| Staff bonuses | 64 | -64 | 0 | 180 | 180 |
| Supervisory board compensation | 12 | -9 | 0 | 12 | 15 |
| Tax consulting | 3 | -3 | 0 | 3 | 3 |
| Total | 325 | -245 | -58 | 313 | 335 |

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

The other liabilities primarily include liabilities from wage payments in the amount of 85 kEUR (2005: 137 kEUR).

All other liabilities shown here fall due within one year.

Notes to consolidated income statement

18. Sales revenues

Sales revenues based on product groups:

| | 2006 kEUR | 2005 kEUR | Difference % |
|-----------------------------|--------------|--------------|-----------------|
| Analog diagnostic products | 3,567 | 3,932 | -9.28 |
| Digital diagnostic products | 3,568 | 3,098 | 15.17 |
| Other | 1,455 | 1,161 | 25.32 |
| Total | 8,590 | 8,191 | 4.87 |

Sales revenues based on regions:

| | 2006 kEUR | 2005 kEUR | Difference % |
|----------------|--------------|--------------|-----------------|
| Germany | 1,775 | 1,869 | -5.03 |
| Rest of Europe | 3,540 | 3,737 | -5.27 |
| USA | 1,298 | 1,595 | -18.62 |
| Other | 1,977 | 990 | 99.70 |
| Total | 8,590 | 8,191 | 4.87 |

Group financial statement

19. Other operating income

The other operating income includes amortization of capitalized grants and subsidies in the amount of 77 kEUR (2005: 108 kEUR).

The remaining other operating income is essentially based on the differences in exchange rates (2006: 57 kEUR; 2005: 147 kEUR) and revenue from release of accrued liabilities (2006: 58 kEUR; 2005: 16 kEUR).

20. Cost of materials

The cost of materials primarily relates to raw materials and consumables, trade goods, heating expenses, energy costs and external services.

21. Personnel expenses

The personnel expenses in the 2006 fiscal year were 2,022 kEUR (2005: 2,070 kEUR). The accounts for this fiscal year included contributions of 147 kEUR (2005: 155 kEUR) made by the employer to the statutory pension scheme.

22. Amortization and depreciation

Amortization and depreciation have decreased further due to the comparatively low investments.

23. Other operating expenses

Other operating expenses primarily comprise the costs for sales, advertising and marketing (823 kEUR; 2005: 775 kEUR), administrative expenses (760 kEUR; 2005: 896 kEUR), including those in connection with the stock exchange listing (78 kEUR; 2005: 87 kEUR), external services (255 kEUR; 2005: 353 kEUR), consulting and auditing costs (97 kEUR; 2005: 91 kEUR) and expenses occurring in connection with exchange rate fluctuations (152 kEUR; 2005: 51 kEUR).

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24. Financial results

The company posted financial results in the amount of 1,299 kEUR (2005: 803 kEUR) during the year under review. These included dividend income (67 kEUR; 2005: 79 kEUR), gains from sales of securities (1,333 kEUR; 2005: 618 kEUR); losses from sales of securities (35 kEUR; 2005: 0 kEUR), expenses occurring in connection with the securities (173 kEUR; 2005: 0 kEUR), interests earned (108 kEUR; 2005: 126 kEUR) and interests paid (1 kEUR; 2005: 20 kEUR).

25. Income taxes

The amount shown is based on the earnings from forming deferred tax assets for capitalizing the tax loss carried forward less the consumption for the current results subject to taxation.

Notes on income taxes

A tax rate of 37.34 % (2005: 37.34 %) (trade tax and corporate income tax including solidarity surcharge) was applied for offsetting and reconciliation.

| | 2006 kEUR | 2005 kEUR |
|--|---------------|---------------|
| Results before income taxes | 1,957 | 1,420 |
| Tax expenses to be expected | -731 | -530 |
| Effects from valuation variances (change of permanent differences) | 18 | 49 |
| Effects due to tax-free income | 499 | 247 |
| Effects due to expenses nondeductible for tax purposes | -68 | -3 |
| Change in valuation of tax losses carried forward | 193 | 303 |
| Other | 32 | -59 |
| Income tax according to IFRS (2005: income) | -57 | 7 |
| Tax rate | 37.34% | 37.34% |

26. Earnings per share

Das unverwässerte Ergebnis je Aktie ergibt sich aus dem Konzernergebnis dividiert durch die gewichtete durchschnittliche Anzahl der ausstehenden Aktien.

| | 2006 | 2005 |
|---|------------------|------------------|
| Consolidated profits (kEUR) | 1,903 | 1,479 |
| Weighted average number of outstanding shares (k shares) | 4,500 | 4,500 |
| Undiluted earnings per share (EUR) | 0.42 | 0.33 |
| Diluted earnings per share (EUR) | 0.42 | 0.33 |
| | 2006 k shares | 2005 k shares |
| Nominal capital in no-par shares | 4,500 | 4,500 |
| Weighted average number of own shares held by the company | 0 | 0 |
| Weighted number of outstanding shares | 4,500 | 4,500 |

The diluted earnings per share correspond to the undiluted earnings per share.

Relationships with related parties

Relationships with related parties as defined by IAS 24 exist with GMF Beteiligungsberatung GmbH, Frankfurt am Main, which charged 129 kEUR (2005: 89 kEUR) for the services performed by the chairman of the board Dr. Frank during the 2006 fiscal year. The amounts invoiced are appropriate and are already included in the remuneration of the board.

Group financial statement

As of Dec. 31, 2006 there were no outstanding accounts owed to or by GMF. An account payable, which is also included in the remuneration of the board, was accrued in the amount of 130 kEUR for bonus payments on the financial results (10 %).

The following voting right percentages have been reported to Geratherm Medical AG in accordance with Art. 21 Para. 1 of WpHG (Securities Trading Act):

| | Votes | Percentage |
|--|-----------|------------|
| GMF Beteiligungsberatung GmbH, Frankfurt am Main | 2,712,737 | 60.28 % |

Other financial obligations

The group has entered various rental and leasing agreements. The financial obligations probably amount to 45 kEUR (2005: 38 kEUR) for 2007 and subsequent years.

The gallium prices, which are important for the company, have been fixed contractually with the main supplier at fixed supply prices through Dec. 31, 2007. This means that Geratherm has an obligation to accept gallium amounting to US\$ 385,000 (2005: US\$ 770,000) in 2007. A divergent regulation can be arranged in case of market variations.

| As of 2006 and following years | Total | < 1 year | 1 - 5 years | > 5 years |
|-----------------------------------|-------|----------|-------------|-----------|
| Other financial obligations kEUR | 481 | 458 | 23 | 0 |
| Other financial obligations kUS\$ | 770 | 385 | 385 | 0 |
| As of 2007 and following years | Total | < 1 year | 1 - 5 years | > 5 years |
| Other financial obligations kEUR | 45 | 30 | 15 | 0 |
| Other financial obligations kUS\$ | 385 | 385 | 0 | 0 |

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Auditor fees

38 kEUR were posted as expenditure for the audit of the financial statements and 5 kEUR as expenditure for tax consulting services in 2006.

27. Notes on segment information

The structure of assets and operating results based on fields of activity (primary report format) and on regions (secondary format) is presented in the segment report.

The Analog diagnostic products segment includes the sales of clinical glass thermometers. For the Digital diagnostic products segment we have provided the income and expenses for digital clinical thermometers and blood pressure meters. Our remaining business fields, especially the product groups warming systems and the new product SRA IV, are entered under Others.

The significant operating results and expenses are entered individually according to the internal short-term income statement or assigned based on appropriate allocation formulas. The remaining segment earnings and expenses are typically arranged according to sales revenue.

The fixed assets and inventories are assigned individually, to the extent possible. The fixed assets, which cannot be counted directly, (primarily buildings) are assigned based on m² use.

Segment receivables and liabilities are assigned according to their structure in relation to sales.

Segmentation by regions is based on the sales markets of the group.

Notes on cash flow statement

28. Gross cash flow

The gross cash flow is determined according to the indirect method. It is calculated by adding the consolidated profits before taxes and dividends received to depreciations of fixed assets, minus profits (losses) from the sales of securities, amortization of grants and subsidies on the liabilities side and the change in long-term accruals.

29. Cash flow from operations

The cash flow before any change in commitment of funds in the amount of 752 kEUR (2005: 930 kEUR) is set against changes in the operating funds.

Altogether, the net income for the year and the funds commitment in current assets result in an inflow of funds from operations in the amount of 241 kEUR (2005: 860 kEUR).

The capital flow statement for 2006 includes in detail the payments received from interests (108 kEUR; 2005: 126 kEUR) and dividends (67 kEUR; 2005: 79 kEUR) and outgoing payments from interests (2 kEUR; 2005: 20 kEUR).

30. Cash flow from investments

The purchase of fixed assets, financial assets and intangible assets, including development costs, results in expenses in the amount of 294 kEUR (2005: 206 kEUR).

31. Cash flow from financing activities

The outflow of funds from financing activities are the result of dividend payments in the amount of 1,440 kEUR (2005: 1,260 kEUR).

Other information

Group financial statement

Legal and economic matters

Geratherm Medical AG is registered as a legal entity in Germany and is entered under the number HR B 111272 in the Commercial Register B of the Amtsgericht Jena (Local Court). The company has its headquarters in Geschwenda, Fahrenheitstr. 1.

Geratherm Medical AG focuses on the „development, production and marketing of products for measuring body temperature and biosignals as well as telemedical solutions and related segments“ in accordance with the Art. 2 of its Articles of Association.

Information about the board of directors

The board of directors of Geratherm Medical AG included during the year under review:

Chairman

Dr. Gert Michael Frank, Dipl. Wirtschaftsingenieur, Frankfurt am Main
Managing director of GMF Beteiligungsberatung GmbH, Frankfurt am Main
Chairman of supervisory board of Medical Columbus AG, Königstein
Managing director of GME Rechte und Beteiligungen GmbH, Geschwenda
Executive board of Biomics Biotec AG

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Board member

Thomas Robst, Dipl.- Ing., Geraberg
Board member for Marketing and Sales

If the board of directors has only one member, that member represents the company alone. If 2 or more board members are appointed, the company shall be represented by 2 board members or by one board member in conjunction with one authorized officer (Prokurist). Dr. Frank is authorized to represent the company on his own.

Fixed payments in the amount of 128 kEUR (2005: 126 kEUR) and variable payments in the amount of 78 kEUR (2005: 38 kEUR) were paid for the activities of the board of directors during the 2006 fiscal year. Variable payments in the amount of 130 kEUR were accrued for management services in relation to financial results based on agreements entered into.

As of the reporting date, the board of directors held directly and indirectly 2,712,987 shares.

Information about the supervisory board

In accordance with the Articles of Association, the supervisory board comprises 3 members.

Members of the supervisory board are:

Rudolf Bröcker, Bensheim (Chairman of the supervisory board)
Dipl.-Kaufmann
Chairman of the supervisory board of Biomics Biotec AG, Mainz
Member of supervisory board of Medical Columbus AG, Königstein

Dr. Klaus Gmür, Bottmingen (Switzerland)
Entrepreneur
Member of supervisory board of Medical Columbus AG, Königstein
Member of administrative board of Refitax AG, Basel (Switzerland)
Member of administrative board of Origenis AG, Bottmingen (Switzerland)

Bruno Schoch, Suresnes (France)
Director of Finances and Strategical Development at Unibel, Paris
Member of executive board of Unibel SA
Member of executive board of SICOPA SA

In 2006, 12 kEUR was allotted as remuneration for the activities of the supervisory board.

The members of the supervisory board hold 10,769 shares.

Staff trends

| | 2006 | 2005 |
|--|------|------|
| Number of employees (annual average) -excluding board members- | 72 | 72 |

Corporate Governance Report

The declaration as prescribed in Art. 161 Aktiengesetz (German Stock Corporation Act) was issued by Geratherm Medical AG and made available to the shareholders on the company's homepage with the following wording:

„Geratherm Medical AG did not satisfy the recommendations („target“ provisions) of the Commission for Corporate Governance Code implemented by the German federal government for company management and control. Geratherm Medical AG does not intend to satisfy the aforementioned recommendations during the 2007 fiscal year (in the version from June 12, 2006, as amended on July 24, 2006).“

Geratherm Medical AG

Geschwenda, 23. March 2007

Group financial statement



Dr. Gert Michael Frank



Thomas Robst

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 2006. 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, 23. March 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Liebers
Liebers
Wirtschaftsprüfer

Fricke
Fricke
Wirtschaftsprüfer



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Cooperate calender 2007

MedTech Day - Conference of analyst by Geratherm Medical AG

17.04.2007

DVFA Center, Mainzer Landstraße 37-39, Frankfurt/Main

Annual General Meeting

11.06.2007

Hotel „Hessischer Hof“ in Frankfurt/Main

Quarterly Reports 1. Quarter

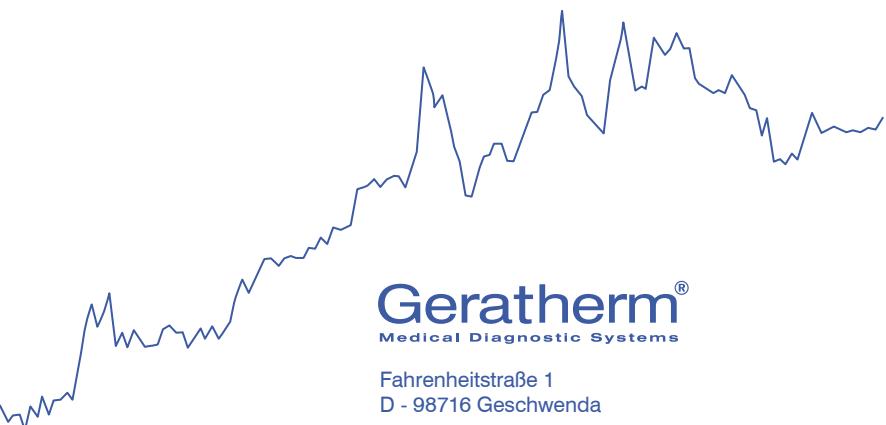
23.05.2007

Quarterly Reports 2. Quarter

23.08.2007

Quarterly Reports 3. Quarter

22.11.2007



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